3.2.13. For any entity organized separately from the institution and formed primarily for the purpose of supporting the institution or its programs: (1) the legal authority and operating control of the institution is clearly defined with respect to that entity; (2) the relationship of that entity to the institution and the extent of any liability arising out of that relationship is clearly described in a formal, written manner; and (3) the institution demonstrates that (a) the chief executive officer controls any fund-raising activities of that entity or (b) the fund-raising activities of that entity are defined in a formal, written manner which assures that those activities further the mission of the institution.

The University of Louisville Foundation (ULF) is a related corporation of the University of Louisville (UofL). The university's relationship with the ULF is defined by three formal documents: the Articles of Incorporation [1], the agency agreement [2], and the ULF bylaws [3]. The ULF and university relationship is outlined in an agency agreement that establishes the ULF's ability and responsibility to receive funds donated to the university, to manage those funds, and to distribute funds to the university in support of its academic mission. The university's financial relationship with the ULF is documented annually via the state-mandated external audit process, which results in a consolidated annual financial statement that covers all affiliated entities (the University of Louisville Research Foundation, Inc., and the University of Louisville Athletic Association, Inc.) and related corporations (the University of Louisville Foundation, Inc., the University of Louisville Real Estate Foundation, Inc., and University of Louisville Physicians, Inc., each of which is included as a discretely presented component unit of the university) [4].

The ULF's Articles of Incorporation mandate that the ULF "conduct and carry on its work, not for profit, but, exclusively, for the charitable and educational purposes" of the university. The ULF's purpose is to support the university's mission to be a premier metropolitan research institution recognized for advancing the intellectual, social, and economic development of the Louisville community. The students, academic staff, schools, colleges, and libraries of the university rely heavily on support generated from the endowments of the ULF.

Founded in 1970, the ULF is organized as an independent 501(c)(3) not-for-profit corporation. It is directed and supervised by a 15-member Board of Directors whose members each serve three-year terms

[5]. A majority of the Board members are not university Trustees or officers or employees of the university. Until 2016, the president of the university served as president of the ULF. Currently, the UofL president is an ex officio member of the ULF Board of Directors. The Board is further organized into a number of standing committees, including a Committee on Finance (the "Finance Committee"). The Finance Committee is at all times comprised of the ex officio director (i.e., the president of the university), the chief financial officer of the university, one trustee director, and four at-large directors.

The direction and oversight of fundraising activities is the responsibility of the UofL Office of University Advancement ("Advancement") [6]. Advancement is headed by Mr. Keith Inman, who holds the title of vice president for university advancement and is a direct report to the president of the university. The funds raised by Advancement are invested and managed by the ULF in support of the university's education, research, and service goals and are used for scholarships, endowments, research chairs, grants, and other academic initiatives.

The University of Louisville Endowment Fund Statement of Investment Objectives and Guidelines (the "Investment Policy") [7] identifies and presents a formal set of investment objectives and performance standards so the ULF Board and the ULF Finance Committee can be assured that the assets of the ULF, including those of the endowment fund (the "Fund"), are managed in accordance with generally accepted standards and in a manner consistent with the financial needs of the university. As described in the Investment Policy, the ULF Board has assigned responsibility for the oversight of the Fund to the ULF Board's Finance Committee. To achieve the mandates set forth in the Investment Policy the Finance Committee uses additional resources, including investment managers, investment consultants, custodians, and Foundation staff.

Information about the operations of the UofL Board of Trustees and the ULF is disseminated at regular meetings of both boards, including board orientations, and is shared with the public on the websites of both groups (articles of incorporation, bylaws, meeting minutes, membership rosters, financial statements, organizational charts, and contact information, etc.).

UofL Board of Trustees website – http://louisville.edu/president/board-of-trustees
ULF Board of Directors website - http://www.louisvillefoundation.org/about/board-of-directors-information/

The ULF Articles of Incorporation were developed in 1970 when the ULF was established and were regularly reviewed and amended in 1976, 1979, 1983, 1989, and 1992. All revisions to the Articles of Incorporation have been completed in compliance with Kentucky Revised Statutes 273.263 and 273.267 and filed with the Kentucky Secretary of State.

The 1996 agency agreement establishes, among other things, the ULF's ability and responsibility to receive funds donated to the university, to manage those funds, and to distribute funds to the university in support of its academic mission. In 2001, there was an amendment to the agency agreement to document the UofL relationship with the ULF to manage the Bucks for Brains program [8]. Past agency agreements have provided for the university to act as the ULF's agent in connection with payroll, insurance, and accounting support and have obligated the ULF to reimburse the university for the cost of those activities. Pursuant to the Agreement, the ULF also indemnified the university against any liability or claim the university may suffer as a result of it acting as the ULF's agent. Beginning June 2016, the ULF's need for this support no longer existed as ULF became self-sufficient for those functions.

The ULF bylaws were last reviewed and revised in March 2010. The bylaws are currently under review by the Interim Executive Director of the ULF and a newly appointed Governance Committee of the ULF, who are working to update the bylaws as appropriate and to establish a process for annual review. As part of this work the ULF will also be reviewing and revising the agency agreement with the university.

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

Dr. Wheelan's letter referenced the Kentucky State Auditor's Report and identified items of concern related to Comprehensive Standard 3.2.13. The university here provides 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.

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 [9]. 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 who were interested in retirement but who needed some assistance in making a transition from active employment to retirement.
- It provided senior leadership with the opportunity to strategically 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's Board of Trustees (BOT) regularly delegates and assigns signature authority to the university president to execute contracts on behalf of the university. The resolution 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 resolution for President James Ramsey, 2001 [10]; Acting President Neville Pinto, 2016 [11]; and Interim President Gregory Postel, 2017 [12] are provided.

As discussed in note 4 of the UofL and Affiliated Corporations Auditor's Report and Financial Statements for FY 2013-2014 [13], the university entered into a Memorandum of Agreement for a loan of

$29 million to the ULF. This agreement, dated June 27, 2014 [14], 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 [15]. In return, the university received 1 percent interest from ULF. As documented in the Comprehensive Standard 3.10.3 report, the 2014 loan was fully repaid as of June 30, 2015.

As discussed in note 5 of the UofL and Affiliated Corporations – Auditor's Report and Financial Statements for FY 2015-2016 [16], the university entered into a memorandum of agreement for a loan of $38 million to the University of Louisville Real Estate Foundation (ULREF), an affiliate organization of ULF, in the amount of $38 million. This agreement, dated July 1, 2015 [17], 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 2016 leaving a balance of $9.8 million as of June 30, 2016.

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 [18] to the university and to the foundation. The university always has cash reserves and must determine what, if anything, to do with the cash. There are times in which the loaning of that 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 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.

Table 2. Use of University Funds Loaned to ULF/ULREF

Year of Loan	Project Funded	Amount of Loan
2014 Loan		
2014	Cardinal Station (Republic Bank) - Location of the ULF Offices, UofL Student Health & Counseling Centers [19]	$8,200,000
2014	North Quad Properties (Tafel Properties) – Location of UofL Payroll, HR offices and First Build Project [20]	$8,000,000
2014	Dulworth Property – part of the NUCLEUS downtown campus in Louisville, KY [21]	$3,400,000
2014	Cardinal Club Golf (CCG) Purchase — UofL Golf Club [22]	$4,000,000
2014	Health Sciences Campus Medical School – Instructional Building Renovation (needed for LCME accreditation) [23]	$7,400,000
2015 Loan		
2015	Belknap Research & Technology Park Connector Project – New engineering school research facilities and office park [24]	$6,200,000
2015	Floyd & Warnock Streetscapes project – Street improvements and new entrance to the university [25]	$4,500,000
2015	K&I Lumber – E. Lee Street property adjacent to UofL campus [26]	$3,200,000
2015	UL Counseling's Cardinal Station lease – relocation to Cardinal Station [27]	$500,000

2015	Speed/UL AMCC (Additive Manufacturing Competency Center) - part of engineering's Institute for Product Realization [28]	$1,400,000
2015	ULREF line of credit principal payment to ULF. The ULREF invests in and manages real estate properties for the benefit of the university. The $22M served as a bridge loan to enable the ULF to re-finance the Kentucky Trailer Property. The property was developed for the Institute of Product Realization and Belknap Research and Office Park for UofL [29].	$22,000,000

Note: The 2014 UofL to ULF loan was fully repaid as of June 30, 2015.
$28.2 million of the 2015 three-year UofL loan to ULREF has been repaid, leaving a balance of $9.8 million as of June 30, 2016 per the repayment schedule.

Actions Taken by the University Related to 3.2.13

The Kentucky State Auditor of Public Accounts Adam Edelen notified the ULF on June 25, 2015, that a review of the foundation would take place. Mr. Edelen was replaced by Mr. Mike Harmon in the November 2015 election. Mr. Harmon indicated in January 2016 that the review of the foundation would remain on the state auditor's agenda and would focus on best practices for the governance of non-profit foundations and compensation arrangements.

The acting university president Dr. Neville Pinto and the ULF Board Chair Mrs. Brucie Moore in a joint letter of reply dated December 9, 2016 [30], to the Kentucky state auditor outlined the corrective actions that were already underway to address many of the findings in the governance review. UofL also submitted a Corrective Action Plan [31] to the Kentucky State Auditor on February 13, 2017. Following is a list of actions in progress:

- Both the UofL and the ULF boards joined the Association of Governing Boards of Universities and Colleges (AGB), a premier organization focused on governance in higher education and assisting institutions with instilling best practices.

- The university and ULF selected Alvarez & Marsal Disputes and Investigations LLC to conduct an internal forensic audit of the foundation. The UofL Board of Trustees, as part of their fiduciary responsibilities, is the primary lead on the administration of the audit process.
- The ULF hired Keith Sherman as interim executive director/chief operating officer of the ULF to improve operations and implement best practices.
- UofL established on January 21, 2017, a new UofL Board of Trustees Committee on Governance to identify best practices in public university governance and recommend for consideration by the Board policies, procedures, and a committee structure to strengthen the Board's ability to carry out its fiduciary responsibilities [32].
- ULF established a new Committee on Governance to oversee the foundation's governance and organizational structure and to suggest any needed modifications, including changes to the bylaws.
- The ULF bylaws will be updated to contain a statement that the university President will not be the President of the ULF.

Summary

The University of Louisville and the UofL Foundation both have governance documents that describe their function as well as their collaborative relationship and function. The ULF and the ULREF exist for the benefit of the university and support the university's mission. The university and the ULF have jointly responded to the Kentucky Auditor's Report with a Corrective Action Plan that describes their respective efforts to address each finding and provides a status report on progress to date. The university BOT has established a governance committee that is working to evaluate and recommend improvements to the governance structure, and the ULF is undertaking a similar process.

Supporting Documentation

[1] University of Louisville Foundation, Inc. Articles of Incorporation

[2] Agency Agreement between the University and the ULF

[3] University of Louisville Foundation, Inc. Board of Director's Bylaws

[4] UofL and Affiliated Corporations Auditor's Report and Financial Statements for FY 2015-16

[5] ULF Board of Directors

[6] University's Office of University Advancement

[7] UofL Endowment Fund Statement of Investment Objectives and Guidelines

[8] 2001 Amendment to ULF Agency Agreement Related to Bucks for Brains Program

[9] Voluntary Separation Incentive Plan (VSIP), page 52 from the 2013-14 Operating Budget

[10] Signature Authority (Ramsey)

[11] Signature Authority (Pinto)

[12] Signature Authority (Postel)

[13] FY 2013-14 UofL Audited Financial Statements, page 37

[14] 2014 Memorandum of Agreement – University Receivable from the Foundation

[15] UofL 2020 Plan and Tactical Goals

[16] FY 2015-16 UofL Audited Financial Statements, page 37

[17] 2015 Memorandum of Agreement - University Receivable from the UofL Real Estate Foundation

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

[19] Cardinal Station

[20] North Quad Properties (Tafel Properties)

[21] Dulworth Property

[22] Cardinal Club Golf—Louisville, LLC

[23] Health Sciences Campus Medical School Renovations

[24] Belknap Research & Technology Park Connector Project

[25] Floyd & Warnock Streetscapes Project

[26] K&I Lumber Property

[27] UL Counseling's Cardinal Station lease

[28] Speed/UL AMCC (Additive Manufacturing Competency Center)

[29] ULREF Property for Belknap Research Park

[30] UofL and ULF Response to the Kentucky State Auditor Report, 12/9/16

[31] UofL Corrective Action Plan in Response to Kentucky State Auditor's Report

[32] UofL BOT Resolution Establishing BOT Committee on Governance

3.2.13 fn01

FILED
JEFF. CO., KY.

JUL 27 1992

Rebecca Jackson, Clerk
BY S.L. D.C.

ARTICLES OF AMENDMENT
TO THE ARTICLES OF INCORPORATION
OF
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

Pursuant to the provisions of KRS 273.263 and KRS 273.267, **UNIVERSITY OF LOUISVILLE FOUNDATION, INC.**, a Kentucky nonprofit corporation without members (the "Corporation"), hereby adopts the following Articles of Amendment to its Articles of Incorporation:

FIRST: The name of the Corporation is University of Louisville Foundation, Inc.

SECOND: The Corporation's Articles of Incorporation are amended as follows: Article VII, relating to selection of a member of the University of Louisville Board of Overseers as a director of the Corporation, is repealed in its entirety and Article VIII, pertaining to indemnification of directors, officers and agents of the Corporation, is redesignated as Article VII.

THIRD: The Corporation has no members. The amendment was adopted by the Corporation's board of directors at a meeting held in accordance with the Corporation's Articles of Incorporation and By-Laws on June 22, 1992. The amendment received the vote of a majority of the directors of the Corporation.

UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

By: Henry Wagner
Henry Wagner
Chairman, Board of Directors

Attest: Karen R. Howe
Karen R. Howe
Assistant Secretary

RECEIVED & FILED
JUL 14 9 24 AM '92
BOB BABBAGE
SECRETARY OF STATE
COMM. OF KENTUCKY
BY

This instrument was prepared by:

Daniel L. Waddell
Daniel L. Waddell
Greenebaum Doll & McDonald
3300 First National Tower
Louisville, Kentucky 40202
(502) 589-4200

ARTICLES OF AMENDMENT
TO THE ARTICLES OF INCORPORATION
OF THE
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

Pursuant to the provisions of KRS 273.263 and KRS 273.267, the University of Louisville Foundation, Inc., a Kentucky non-stock, not for profit corporation without members (the "Corporation") hereby adopts the following Articles of Amendment to its Articles of Incorporation:

RECEIVED AND FILED
DATE MAR 1 1989
TIME 8:55 AM
AMOUNT $5.00
BREMER EHRLER
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY

FIRST: The name of the Corporation is University of Louisville Foundation, Inc.

SECOND: The Corporation's Articles of Incorporation were amended by the addition of Article VIII by the affirmative vote of a majority of Directors of the Corporation on January 26, 1989, at a meeting held pursuant to the By-laws of the Corporation as provided in the Kentucky Nonprofit Corporation Act.

THIRD: Article VIII of the Corporation's Articles of Incorporation shall read as follows:

ARTICLE VIII

Indemnification of directors, officers, and agents of the Corporation may be as provided for in the By-Laws effective upon filing of this Article with the Secretary of State; provided, however, such indemnification is not otherwise in conflict with the provisions of Article II of these Articles of Incorporation, and shall not limit liability for (a) any transaction in which a director's personal financial interest is in conflict with the financial interest of the Corporation; (b) for acts or omissions not in good faith or which involve intentional misconduct, or are known to the director to be a violation of law; or (c) or for any transaction from which the director derives an improper personal benefit.

Donald C. Swain
Donald C. Swain, President
Board of Directors
University of Louisville Foundation, Inc.

Karen R. Howe
Karen R. Howe
Assistant Secretary
Board of Directors
University of Louisville Foundation, Inc.

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SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

JUL 01 1983

SECRETARY OF STATE

ARTICLES OF AMENDMENT
TO THE ARTICLES OF INCORPORATION
OF THE
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

Pursuant to the provisions of KRS 273.263 and KRS 273.267, the University of Louisville Foundation, Inc., a Kentucky non-stock, not for profit corporation without members (the "Corporation") hereby adopts the following Articles of Amendment to its Articles of Incorporation:

FIRST: The name of the Corporation is University of Louisville Foundation, Inc.

SECOND: Article V of the Corporation's Articles of Incorporation was amended by the affirmative vote of a majority of Directors of the Corporation on April 25, 1983 at a meeting held pursuant to the By-laws of the Corporation as provided in the Kentucky Nonprofit Corporation Act.

THIRD: Article V of the Corporation's Articles of Incorporation, including the amendment, shall read as follows:

ARTICLE V

1. The affairs of the Foundation shall be conducted by a board of directors and by the officers hereinafter referred to and provided for.

2. The board of directors shall consist of not less than three (3) persons and of such number in addition thereto as may result from the procedures for appointment contained in the Foundation's By-laws.

3. The annual meetings of the Foundation's directors shall be held at such time and place as the Foundation's by-laws may specify.

4. The duties and powers of the board of directors of the Foundation, except as herein otherwise provided, shall be such as are usually incident to similar boards of directors and, in addition, shall include such further duties and powers as may be conferred upon said board of directors by law or by amendment to the Articles of Incorporation of the Foundation, or by its by-laws, or by appropriate corporate resolution.

5. The affairs of the Foundation shall further be conducted by a president, one or more vice presidents, a secretary, a treasurer, each of whom shall be a director unless the by-laws of the corporation shall provide otherwise, and by such other officers and assistant officers as may be deemed necessary. Every director shall be eligible to be elected or appointed to any office of the Corporation. Each person elected to an office shall hold his office for a term of one year and until his successor shall have been elected, shall have qualified and shall have accepted office. Each person appointed to an office shall hold his office for the term of his appointment or at the pleasure of those having the power to appoint him, or as may be provided in the by-laws of the corporation, or in the terms of his appointment.

6. Any two of the offices of vice president, secretary and treasurer may be combined in one individual.

7. The powers and duties of the officers of the corporation shall be those usually pertinent thereto except as the by-laws may otherwise provide.

8. The board of directors of the Corporation by the affirmative vote of two-thirds of the directors in office at such time, may adopt, alter, amend or repeal by-laws, or adopt new by-laws. The by-laws may contain any provisions for the regulation and management of the affairs of the Corporation not inconsistent with law or the Articles of Incorporation.

Donald C. Swain

Donald C. Swain
President

Karen R. Mudd

Karen R. Mudd
Assistant Secretary

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FILED
SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

MAY 14 1979

Drexell R. Davis
SECRETARY OF STATE

ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

WITNESSETH:

That the undersigned President and Secretary of the Board of Directors of the University of Louisville Foundation, Inc., a nonprofit corporation organized under the laws of Kentucky, do hereby certify that at a Special Meeting of the Board of Directors held on April 23, 1979, at which a quorum was present, a resolution was passed upon the vote of at least a majority of the directors in office to amend ARTICLE V, Sections 5 and 7 of the Articles of Incorporation to read as follows:

ARTICLE V

...

5. The directors of the Foundation first referred to herein (those persons who are now trustees of the University of Louisville and who do not refuse to act as such directors) are hereinafter referred to as the "individual directors", and those persons secondly referred to herein who will be members of the board of trustees of the University of Louisville after its entry into the State system of public education, and their successors in office are hereinafter referred to as "ex officio directors." The ex officio directors shall include also those administrative officers of the University who are its President, its Executive Vice President, its Vice President for Financial Affairs, its Vice President for University Relations, and the Chair of its Staff Senate. The term of each such officer as an ex officio director shall end upon the termination of employment or office as such administrative officer of the University.

...

7. Each ex officio director serving as a result of membership on the board of trustees of the University of Louisville shall have a term of office which shall begin when the trusteeship of the University of Louisville begins and which shall end when the trusteeship shall terminate.

James Grier Miller
President

Shirley Witten
Secretary

FILED IN OFFICE

MAY 23 1979

BREMER EHRLER, Clerk
BY ___ D.C.

State of Kentucky)
)
County of Jefferson)

Subscribed and sworn to before me this 20th day of June, 1983 by Donald C. Swain and Karen R. Mudd to be their act and deed.

My commission expires: July 15, 1984.

Patricia S. Kinney
Notary Public, State at Large
Kentucky

THIS INSTRUMENT PREPARED BY:

Robert J. Morrison

Robert J. Morrison
Assistant University Counsel
University of Louisville
Louisville, Kentucky 40292
(502)588-6981

STATE OF KENTUCKY)
)
COUNTY OF JEFFERSON)

Subscribed and sworn to before me this 23rd day of April, 1979 by James Grier Miller and Shirley Witten, of the University of Louisville Foundation, Inc., to be their act and deed.

My commission expires November 13, 1982.

Notary Public

ORIGINAL COPY
FILED AND RECORDED
SECRETARY OF STATE OF KENTUCKY
FRANKFORT, KENTUCKY

JUL 15 1976

Drexell R. Davis
SECRETARY OF STATE

mxB

AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF THE
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

WITNESSETH:

That the undersigned being the Chairman and Secretary of the University of Louisville Foundation, Inc., a corporate organization under the laws of the State of Kentucky, do hereby certify that a called meeting of the Board of Directors, with proper notice, was held on Belknap Campus, University of Louisville, Louisville, Jefferson County, Kentucky on May 17, 1976, with a quorum being present; and a resolution was passed to amend the Articles of Incorporation as follows:

ARTICLE VII

Beginning July 1, 1976, a member of the University of Louisville Board of Overseers shall be a director of the University of Louisville Foundation, Inc.; such director to be selected by the Board of Overseers for a one year term, such one year term shall not preclude reelection to the Foundation.

Woodford R. Porter
Chairman

Mrs. Carroll L. Witten
Secretary

STATE OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

Subscribed and sworn to before me by Woodford R. Porter, Chairman, and Mrs. Carroll L. Witten, Secretary, of the University of Louisville Foundation, Inc. to be their act and deed.

My Commission expires: 31 July 1979.

Dated this 14th day of July, 1976.

THIS INSTRUMENT PREPARED BY:

Notary Public, State-at-Large,
Kentucky

Edwin W. Paul, Legal Affairs Officer
University of Louisville
Louisville, Kentucky 40208

ARTICLES OF INCORPORATION

OF

UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

A. Pursuant to the provisions of Chapter 137 of the Acts of 1845-46 of the Laws of the Commonwealth of Kentucky, which Act was approved February 7, 1846, and became effective March 15, 1846, University of Louisville was created, and now is, a body politic and corporate in law; its Charter has since been amended from time to time in the manner and form provided by law; it has accepted the provisions of the present Constitution of the Commonwealth of Kentucky, and since its creation has been, and now is, such a corporation, and has continuously performed, and is now performing, the purposes provided for in, and contemplated by, its Articles of Incorporation, as amended; and

B. The 1970 General Assembly of the Commonwealth of Kentucky adopted Senate Bill No. 117, which became law by reason of the signature of the Governor of said Commonwealth, affixed thereto on the ________ day of ____________________, 1970, and which will become effective July 1, 1970; and

C. Upon its acceptance of the provisions of Senate Bill No. 117 and its taking the actions therein provided for that purpose, University of Louisville will become a State institution as provided in said Act and a member of the State system of higher education; and

D. University of Louisville, as Trustee, now holds certain property, real, personal and mixed, upon the trusts, terms and conditions of various instruments of writing, and also holds as Trustee other such property, all of which property so held in said fiducial capacities it holds for the use and benefit of University of Louisville pursuant to applicable law and to the terms of the various donations and instruments of trust pursuant to which it received said intangible personal property; and

E. In other properties (some of which others hold in fiducial capacities), University of Louisville has various legal or equitable estates and beneficial interests.

F. It is the intent and purpose of the incorporators, hereinafter named and referred to, that, after the University of Louisville shall have become a State institution and a member of the State system of higher education in accordance with Senate Bill No. 117 of the 1970 General Assembly of Kentucky, the properties and interests in property referred to in Paragraphs D and E above continue to be held for the use and benefit of the University of Louisville; that it continue to have its present beneficial estates and interests therein, and that said property and interests so held be used, and administered for the use and benefit of the University, in the same manner and under the same restrictions or freedom from restrictions as the case may be, as imposed by, or omitted from, the original gift or grant.

NOW, THEREFORE, consistent with the provisions of Section 3, Subsection (d), and of Section 8 of Senate Bill No. 117 of the Acts of the

1970 General Assembly of Kentucky, and in furtherance and performance of the purposes for which such trusts were formed and such estates were granted, we, University of Louisville, a body politic and corporate, and the undersigned persons, each of whom is a citizen and resident of the Commonwealth of Kentucky, a natural person over the age of eighteen years, and a Trustee of the University of Louisville, associate to form a corporation under and pursuant to the provisions of Kentucky Revised Statutes, Sections 273.161 to 273.990, both inclusive, and for that purpose adopt the following Articles of Incorporation:

ARTICLE I

The name of the corporation is UNIVERSITY OF LOUISVILLE FOUNDATION, INC., and it is herein sometimes referred to as either the "Foundation" or the "Corporation."

ARTICLE II

The corporation shall have perpetual duration.

ARTICLE III

Any other provisions of these Articles of Incorporation to the contrary notwithstanding, the Foundation shall not have any purpose or object, nor have or exercise any power, nor engage in any activity which in any way contravenes or is in conflict with the provisions of Paragraphs 1, 2, or 3 of Article III of these Articles of Incorporation.

1. The Corporation shall conduct and carry on its work,

not for profit but, exclusively, for the charitable and educational purposes of the University of Louisville, a body politic and corporate, in such manner that no part of the Corporation's income or property shall inure to the private profit of any donor, member, trustee, or individual having a personal or private interest in the activities of the Corporation, and in such manner that it shall not [i] directly or indirectly engage in propaganda, [ii] in any wise attempt to influence legislation, or [iii] participate or intervene in any political campaign on behalf of any candidate for public office.

2. The Corporation shall distribute its income for each taxable year at such time and in such manner as not to subject the Corporation to the tax under Section 4942 of the Internal Revenue Code.

3. The Corporation shall not engage in any act of self-dealing [as defined in Section 4941(d) of said Code], retain any excess business holdings [as defined in Section 4943(c) of said Code], make any investments in such manner as to subject the Corporation to tax under Section 4944 of said Code, or make any taxable expenditures [as defined in Section 4945(d) of said Code].

4. Subject to the limitations above stated in this Article III, the purposes for which the corporation is organized and its objects are:

(a) To promote all educational, scientific, and literary efforts and enterprises by initiating, encouraging, and aiding scientific investigations, research, and humanitarian studies in connection with the University of Louisville in all its branches and departments; to encourage and aid in the education and training of persons for the conduct of such investigations, research, and study; to furnish means, methods, and agencies by which such investigations, research, and study may be conducted; to assist in the dissemination of knowledge by aiding the establishment of professorships and other staff positions; to establish fellowships, scholarships, publications, lectures, and other means to make the benefits of investigation, research, and study available to the public, and to do all other acts reasonably designed to promote the public welfare.

(b) To organize, foster, promote, assist, and conduct such other charitable and educational enterprises, movements, activities, and institutions at and in connection with the University of Louisville as from time to time may be determined, selected, or decided upon by the Corporation's Board of Directors.

(c) In connection with the operation of the University of Louisville, to do such acts as are calculated to foster charitable, benevolent, eleemosynary, educational, civic, patriotic, literary, cultural, and scientific activities and enterprises of said University.

(d) To establish and maintain, or to assist in establishing and maintaining, at or in connection with the University of Louisville scholarships, professorships, and other staff positions to aid in the acquisition and dissemination of knowledge and to make gifts to or to enter into agreements and contracts with other corporations, organizations, institutions or persons for such purposes and to pay the necessary and appropriate expense therefor.

5. Except to the extent prohibited by these Articles of

Incorporation, the Corporation shall have and may exercise those general powers set forth in Kentucky Revised Statutes, Section 273.171.

6. In case of dissolution of the Corporation, its surplus assets shall be distributed [as permitted by Kentucky Revised Statutes, Section 273.303 (2)] to University of Louisville, or, if it not be in existence or otherwise competent to receive them, then as provided in Subsections (3), (4) and (5) of said Section 273.303.

ARTICLE IV

Until otherwise changed, the principal office of the Foundation shall be at Belknap Campus, Louisville, Kentucky, and the name and address of its Resident Agent for service of process are Woodrow M. Strickler, Belknap Campus, Louisville, Kentucky.

ARTICLE V

1. The affiars of the Foundation shall be conducted by a board of directors and by the officers hereinafter referred to and provided for.

2. The board of directors shall consist of not less than three (3) persons and of such number in addition thereto as may result from the following procedures.

3. The first board of directors shall be those persons, hereinafter named, who, on the date of incorporation of the Foundation, are trustees of the University of Louisville, and who do not refuse to act as such directors. If any such trustee refuse to become such director, the directorship which he would have filled shall not come into existence.

4. From and after such time, if any, as the University of Louisville shall become a part of the State systen of public education, as provided for and contemplated by Senate Bill No. 117 of the Acts of the 1970 General Assembly of the Commonwealth of Kentucky, those persons who then become trustees of the University of Louisville, and their successor trustees, shall ex officio be directors of the Foundation.

5. The directors of the Foundation first referred to herein (those persons who are now trustees of the University of Louisville and who do not refuse to act as such directors) are hereinafter referred to as the "individual directors", and those persons secondly referred to herein who will be members of the board of trustees of the University of Louisville after its entry into the State system of public education, and their successors in office are hereinafter referred to as "ex officio directors." The ex officio directors shall include also those two administrative officers of the University who are its President and its Vice President for Financial Affairs. The term of each such officer as an ex officio director shall end upon the termination of his employment as such administrative officer of the University.

6. Each individual director shall hold his office for a period which shall end at the first to occur of his death, his resignation, or the date upon which his term of office as a trustee of the University of Louisville would have ended had not said University of Louisville become a member of the State system of public higher education by the terms of said Senate Bill No. 117, adopted by the 1970 General Assembly of the Commonwealth of Kentucky. When such person's term

of office as an individual director of University of Louisville Foundation, Inc., shall have so ended, such directorship shall cease to exist, and no incumbent for it shall be elected.

7. Each ex officio director shall have a term of office which shall begin when he shall become a trustee of the University of Louisville and which shall end when his trusteeship shall terminate.

8. The individual directors and ex officio directors shall have equal voting rights upon all matters regardless of whether a particular ex officio director shall have voting rights as a member of the board of trustees of the University of Louisville. Each director shall have one vote upon all matters that come before the board of directors.

9. If any director at the same time shall be both an individual director of the Foundation and an ex officio director of the Foundation, his term of office as director shall continue for the longer period and the number of directors of the Foundation shall be diminished during the period of such duplication of tenure by one member for each such instance of duplication.

10. The annual meetings of the Foundation's directors shall be held at such time and place as the Foundation's by-laws may specify.

11. The duties and powers of the board of directors of the Foundation, except as herein otherwise provided, shall be such as are usually incident to similar boards of directors and, in addition, shall include such further duties and powers as may be conferred upon

said board of directors by law or by amendment to the Articles of Incorporation of the Foundation, or by its by-laws, or by appropriate corporate resolution.

12. The affairs of the Foundation shall further be conducted by a president, one or more vice presidents, a secretary, a treasurer, each of whom shall be a director unless the by-laws of the corporation shall provide otherwise, and by such other officers and assistant officers as may be deemed necessary. Every director, whether individual or ex officio, shall be eligible to be elected or appointed to any office of the Corporation. Each person elected to an office shall hold his office for a term of one year and until his successor shall have been elected, shall have qualified and shall have accepted office. Each person appointed to an office shall hold his office for the term of his appointment or at the pleasure of those having the power to appoint him, or as may be provided in the by-laws of the corporation, or in the terms of his appointment.

13. Any two of the offices of vice president, secretary and treasurer may be combined in one individual.

14. The powers and duties of the officers of the corporation shall be those usually pertinent thereto except as the by-laws may otherwise provide.

15. The board of directors of the Corporation by the affirmative vote of two-thirds of the directors in office at such time, may adopt, alter, amend or repeal by-laws, or adopt new by-laws. The by-laws may contain any provisions for the regulation and management

of the affairs of the Corporation not inconsistent with law or the Articles of Incorporation.

ARTICLE VI

1. The names and post office addresses of the persons who will serve as the first board of directors are:

Name	Address
Mr. Edwin G. Middleton	501 South Second Street Louisville, Kentucky, 40202
Mr. Baylor Landrum, Jr.	Vaughan & Landrum Starks Building Louisville, Kentucky, 40202
Mr. Samuel H. Klein	Bank of Louisville Broadway at Fifth Louisville, Kentucky, 40202
Mr. Woodford R. Porter	1300 West Chestnut Street Louisville, Kentucky, 40203
Mr. Eli H. Brown, III	231 South Fifth Street Louisville, Kentucky, 40202
Mrs. Carroll L. Witten	2331 Brookside Drive Louisville, Kentucky, 40205
Mr. Thruston B. Morton	416 West Jefferson Street Louisville, Kentucky, 40202

who are those persons who, consistent with the terms of Article V, Paragraph 3, hereof shall constitute the first board of directors of the Corporation and shall be its directors until the number of directors is augmented as provided in Article V, Paragraph 4, hereof. At such time as

University of Louisville shall become a part of the State system of public higher education pursuant to said Senate Bill No. 117, those persons who then become trustees of University of Louisville shall thereupon become directors of the Corporation as herein provided.

2. A quorum of the board of directors shall consist of the majority thereof. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors unless a greater number is required by law, by these Articles of Incorporation, or by the by-laws.

3. The board of directors by resolution adopted by a majority of the directors in office may designate or appoint one or more committees each of which shall consist of two or more directors, which committees, to the extent provided in such resolution or in the by-laws of the Corporation, shall have and may exercise all of the authority of the board of directors, but no such committee shall have the authority of the board of directors in reference to amending, altering, or repealing the by-laws; electing, altering or removing any member of that committee or any director or officer of the Corporation; amending the Articles of Incorporation, restating Articles of Incorporation; adopting a plan of merger, or adopting a plan of consolidation with another corporation; authorizing the sale, lease, exchange or mortgage of all or substantially all of the property and assets of the Corporation; authorizing the voluntary dissolution of the Corporation, or revoking proceedings therefor; adopting a plan for the distribution of the assets of Corporation; or amending, altering, or

repealing any resolution of the board of directors which by its terms provides that it shall not be amended, altered, or repealed by such committee. The designation and appointment of any such committee and the delegation thereto of authority shall not operate to relieve the board of directors or any individual director of any responsibility imposed upon it or him by law.

4. Meetings of the board of directors, regular or special, may be held either within or without this State and upon such notice as the by-laws may prescribe. Attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except when a director attending a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, or the purpose of any regular or special meeting of the board of directors, need be specified in the notice or waiver of notice of such meeting.

5. Any officer elected or appointed may be removed by the persons authorized to elect or appoint him whenever in their judgment the best interests of the Corporation will be served thereby. The removal of an officer shall be without prejudice to the contract rights, if any, of the officer so removed, but election or appointment of an officer or agent shall not of itself create contract rights.

6. The Corporation shall not have or issue shares of stock. No dividend shall be paid and no part of the income or profit of the Corporation shall be distributed to its directors or officers. The Corporat. n may pay compensation in a reasonable amount to its

directors or officers for services rendered, but its entire gain, profit, net earnings and property shall be devoted exclusively to the charitable and educational purposes set out in Article III hereof.

7. Any action required by Kentucky Revised Statutes, Sections 273.161 to 273.390, both inclusive, to be taken at a meeting of directors or, any action which may be taken at a meeting of directors, may be taken without a meeting if a consent in writing setting forth the action so taken, shall be signed by all of the directors and such consent shall have the same force and effect as a unanimous vote and may be stated thereas in any articles or documents filed with the Secretary of State of the Commonwealth of Kentucky, under the statutes aforesaid.

IN TESTIMONY WHEREOF, Witness the signatures of the parties hereto this 26th day of May, 1970.

UNIVERSITY OF LOUISVILLE .

S E A L

By Edwin G. Middleton
Edwin G. Middleton, Chairman
Board of Trustees of
University of Louisville

Attest:

Mrs. Carroll L. Witten
Mrs. Carroll L. Witten, Secretary
Board of Trustees of
University of Louisville

By Woodrow M. Strickler
Woodrow M. Strickler, President
of University of Louisville

Edwin G. Middleton | E. M. Breaux (?)
Doyle Fundrum Jr. (?) | Mrs. Carroll L. Witten
Samuel H. Klein (?) | Thurston B. Morton (?)
[illegible]

STATE OF KENTUCKY)
) SS
COUNTY OF JEFFERSON)

I, the undersigned, a Notary Public in and for the State and County aforesaid, certify that on this day there appeared before me Edwin G. Middleton, Mrs. Carroll L. Witten and Woodrow M. Strickler, each personally known to me, who are respectively, Chairman and Secretary of the Board of Trustees and President of the University of Louisville, a corporation, a party to the foregoing instrument of writing, and they and each of them acknowledged and delivered the foregoing instrument to be the act and deed of University of Louisville, and to be the act and deed of each of them as such officer of said University.

I further certify that on this day there also appeared before me, Edwin G Middleton, Baylor Landrum, Jr., Samuel H Klein, Woodford R Porter, Eli H. Brown III, Mrs Carroll L Witten, Thruston B Morton,

each personally known to me and each of whom is a Trustee of University of Louisville and each of them as a party to the foregoing instrument of writing acknowledged it to be his act and deed.

My notarial commission will expire August 1, 1970.

WITNESS my signature and notarial seal hereunto affixed this 28th day of May, 1970.

Evelyn J. McCreary
Notary Public Jefferson County, Kentucky

(Seal)

I, S. L. Greenebaum, of Greenebaum Grissom Doll Matthews & Boone, Kentucky Home Life Building, Louisville, Kentucky certify that I prepared the foregoing instrument.

S. L. Greenebaum

S. L. Greenebaum

... IAL COPY
FIL... AND RECORDED
[signature]

MAY 28 1970

SECRETARY OF STATE OF KENTUCKY

AGENCY AGREEMENT

This Agreement made this 30th day of September, 1996 by and between UNIVERSITY OF LOUISVILLE FOUNDATION, INC. (hereinafter referred to as the "Corporation") and the UNIVERSITY OF LOUISVILLE (hereinafter referred to as the "University").

WITNESSETH:

WHEREAS the University is a public institution of higher education existing and operating in accordance with the laws of the Commonwealth of Kentucky, performing services for the community and the public interest; and

WHEREAS the Corporation is a non-profit organization existing and operating in accordance with the laws of the Commonwealth of Kentucky, performing educational, research, artistic and community service functions in the public interest; and

WHEREAS the Corporation is a tax exempt organization pursuant to Section 501 (c)(3) of the Internal Revenue Code of 1954, as amended; and

WHEREAS the Corporation in the exercise of its lawful duties has determined the necessity of performance of certain business functions with respect to its operations and the expenditure of funds; and

WHEREAS the Corporation has concluded that either its personnel are not available to perform said functions, or it would not be feasible at this time to utilize its personnel to perform said functions; and

WHEREAS the Corporation has determined that an Agency Agreement with the University is the most efficient manner of carrying out certain Corporation business; and

WHEREAS the University is available and qualified to perform said functions; and

WHEREAS for the hereinabove stated reasons the Corporation desires to avail itself of the services of the University, as agent;

NOW THEREFORE, it is hereby mutually agreed by and between the parties hereto as follows:

1. That the performance of this agreement shall be governed by any and all applicable laws, regulations and policies relating to the activities of the University and the Corporation, and all such laws and regulations are hereby incorporated by reference and made a part hereof as if fully set forth herein.

2. That the Corporation shall deliver to the University, as agent, sufficient and appropriate sums of money to be held, managed, and treated by the agent in accordance with this agreement. Such sums of money shall be sufficient to provide the University the necessary resources to settle any previously unreimbursed disbursements and to maintain a balance of working capital sufficient to meet Corporation's needs for activities by the agent.

3. That the University, as agent, holds and manages these funds at the direction of the Corporation officer who is designated to authorize their expenditure. No funds may be spent without written approval from such designated officer. The University, as agent, cannot deny or delay the performance of payroll or other functions described herein with respect to Corporation business operations so long as the Corporation's operations adhere to any applicable laws, regulations or policies relating to the activities of the University and the Corporation and funds are available.

4. The University and the Corporation agree to consult with and provide prior notice to the other thirty (30) days in advance of any proposed changes in this agreement, which changes shall not be effective until signed in writing by persons with contractual authority on behalf of the Corporation and University respectively.

5. That all of the funds hereby transferred to the University shall be held and managed by the University for the Corporation with full power in the University as agent. However, this agreement shall create no obligation on the part of Corporation to transfer any funds to University except as shall be required to reimburse University for expenditures made pursuant to this agreement.

6. That the University is hereby authorized to act through its employees, officers and trustees as agent for the Corporation and to do or perform all duties necessary for the businesslike performance of the obligations of the Corporation in the name of the Corporation.

7. That, without limitation to the foregoing, the University is specifically authorized and directed to receive and disburse monies on behalf of the Corporation to meet its obligations, to represent and negotiate on behalf of the Corporation, to enter into contracts on behalf of and in the name of the Corporation, to engage auditors and file reports required of the Corporation by law, and to take any other action which the University deems necessary for carrying out the duties of the Corporation or for the normal conduct of the Corporation's business affairs, subject to appropriate approval by Corporation's officers.

8. That University shall promptly transfer to the bank account of Corporation any funds received by University on behalf of Corporation. University agrees to scrupulously adhere to donor restrictions in any expenditures of funds transferred, granted or given to University by Corporation, or expended by University as agent of Corporation.

9. That University may charge the Corporation and reimburse itself such expenses and costs for administrative, legal and accounting services as the University shall incur in performance of its duties under this agreement.

10. That the Corporation shall assure that each of its employees, prior to commencing work for the Corporation, provides information necessary for compliance with federal, state, and local wages and tax laws to University which shall act as paymaster for Corporation; including provision of group insurance, worker's compensation and annuity benefits to each such employee as agent of Corporation in accord with the limitations of such group insurance or annuity programs applicable to University employees.

11. That, as paymaster under this agreement, the University shall, at the end of each payroll period, assemble all payroll documentation and determine, if required or authorized, withholding for local, state and federal income and/or occupational taxes and employer's contribution under the federal Social Securities law, and thereafter distribute the payroll checks for the Corporation.

12. That the University shall, no later than January 31 of each year of this agreement, provide to each Corporation employee such wage and tax statements as may be required by law, as agent of the Corporation.

13. That the Corporation agrees to fund any cash deficits that may occur as a result of any and all disbursements under this agreement.

14. That the Corporation shall save, indemnify, and hold harmless the University from any and all liability and/or claims and/or damages and/or expenses that the University may sustain or become liable for or shall pay upon or in consequence of the acts of the Corporation. The Corporation specifically represents to the University and the University relies upon such representation, that it is a non-profit Kentucky corporation and has as its sole purpose activities which are classified as tax exempt purposes pursuant to Section 501(c)(3) of the Internal Revenue Code of 1954, as amended. The Corporation further represents that it has obtained the grant of an exemption from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code of 1954, as amended. The Corporation

further represents that it will make no expenditure of funds, and will request the University to make no expenditure of funds, for any purpose which would not be consistent with classification as such a Section 501(c)(3) corporation, even should the Corporation not be so classified.

15. That the initial period in which the subject services are to be performed is from July 1, 1985 to June 30, 1986, except that both parties reserve the right to terminate any or all of the services covered by this Agreement provided the other party is given written notice thirty (30) days in advance of any such termination with said notice to specify the services or functions to be ended. This agreement shall automatically renew for subsequent one-year terms.

16. During the performance of this contract, the Corporation hereby agrees as follows:

(a) The Corporation will not discriminate against any employee because of race, creed, religion, color, sex, age or national origin. The Corporation will take affirmative action to insure that applicants are employed, and that employees are treated during employment without regard to their race, creed, religion, color, sex, age or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Corporation agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this non-discrimination clause.

(b) The Corporation will, in all solicitations or advertisements for employees placed by or on behalf of the Corporation, state that all qualified applicants will receive consideration for employment without regard to race, creed, religion, color, sex, age, or national origin.

(c) The Corporation will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or worker's representative of the Corporation's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment. The Corporation will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for non-compliance.

In case the work to be performed is paid for in whole or in part with funds obtained from the Federal Government or borrowed on the credit of the Federal Government pursuant to a grant, contract, loan, insurance or guarantee, or undertaken pursuant to any Federal program involving such grant, contract, loan, insurance or guarantee, during the performance of this contract, the Corporation, in addition, agrees to the following:

(d) The Corporation will comply with all provisions of Executive Order No. 10925 of March 6, 1961, as amended by Executive Order 11114 of June 22, 1963, and of the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity created thereby.

(e) The Corporation will furnish all information and reports required by Executive Order 10925 of March 6, 1961, as amended by Executive Order 11114 of June 22, 1963, and by the rules, regulations and orders of the said Committee, or pursuant thereto, and will permit access to its books, records and accounts by the administering agency and the Committee for purposes of investigation to ascertain compliance with such rules, regulations and orders.

(f) In the event of the Corporation's non-compliance with the non-discrimination clauses of this contract or with any of the said rules, regulations or orders, this contract may be canceled, terminated or suspended in whole or in part and the Corporation may be declared ineligible for further Government contract or Federally-assisted construction contracts in accordance with procedures authorized in Executive Order No. 10925 of March 6, 1961, as amended by Executive Order No. 11114 of June 22, 1963, and such other sanctions may be imposed and remedies invoked as provided in the said Executive Order or by rule, regulation or order of the President's Committee on Equal Employment Opportunity, or as otherwise provided by law.

(g) The Corporation will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations or orders of the President's Committee on Equal Employment Opportunity issued pursuant to Section 303 of Executive Order 10925 of March 6, 1961, as amended by Executive Order 11114 of June 22, 1963, so that such provisions will be binding upon each subcontractor or vendor. The Corporation will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for non-compliance. Provided, however, that in the event a corporation becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the Corporation may request the United States to enter into such litigation to protect the interests of the United States.

(h) Corporation agrees not to discriminate on the basis of handicap with regard to any employee or applicant for employment who is otherwise qualified.

17. That, for administrative convenience of University as Agent, Corporation shall require terms and conditions in its employee contracts similar to those for University employees.

18. Corporation agrees to maintain such liability and property insurance as University shall reasonably require from time to time. University agrees to act as general agent and manager for Corporation's real estate and equipment to conserve and protect same in accord with Corporation's wishes or in accord with specific lease or use agreements entered into from time to time.

19. All records of Corporation, including those loaned to or used for the benefit of the University from time to time and not governed by specific lease or other agreement, or loaned to or used by University pursuant to this agreement, are confidential and proprietary and shall remain the exclusive property of Corporation. University's access or use of such records shall be solely for purposes authorized by Corporation and University shall have no right to make disposal or disclosure of such records except upon court order.

IN WITNESS WHEREOF the parties hereto by their authorized representatives subscribed to this agreement as of the day and date first hereinabove written.

UNIVERSITY OF LOUISVILLE

By ______________________________
Chairman, Board of Trustees

UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

By ______________________________
Chairman, Board of Directors

BY-LAWS
OF
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

ARTICLE I
OFFICES

1.1 Registered Office and Principal Office.

Until altered as provided by law, the Registered Office of the UNIVERSITY OF LOUISVILLE FOUNDATION, INC., hereinafter referred to as "the Corporation" shall be the address stated in its Articles of Incorporation, and its Principal Office shall be Belknap Campus, Louisville, Jefferson County, Kentucky.

1.2 Other Offices.

The Corporation may maintain other offices at such places, within and without the Commonwealth of Kentucky, as its Board of Directors may from time to time establish.

ARTICLE II
ORGANIZATION PROVISIONS

2.1 In General.

Any other provisions of these By-Laws to the contrary notwithstanding, the Corporation shall not have any purpose or object, nor have or exercise any power, nor engage in any activity which in any way contravenes or is in conflict with the provisions of this Article or of Paragraphs 1, 2 or 3 of Article III of its Articles of Incorporation.

2.2 Non-Stock, Non-Membership Provisions.

The Corporation shall have neither capital stock nor stockholders, nor shall it have members.

2.3 Charitable Purposes.

The Corporation shall conduct and carry on its work, not for profit but, exclusively, for the charitable and educational purposes of the UNIVERSITY OF LOUISVILLE a body politic and corporate, in such manner that no part of the Corporation's income or property shall inure to the private profit of any donor, member, trustee, or individual having a personal or private interest in the activities of the Corporation, and in such manner that it shall not (i) directly or indirectly engage in propaganda, (ii) in any way attempt to influence legislation, or (iii) participate or intervene in any political campaign on behalf of any candidate for public office. The provisions of this Section 2.3 shall not prevent any person from receiving reasonable compensation for services rendered to the Corporation.

2.4 Annual Distribution of Income.

The Corporation shall distribute its income for each taxable year at such time and in such manner as not to subject the Corporation to tax under Section 4942 of the Internal Revenue Code 1954, as amended.

2.5 Prohibited Transactions.

The Corporation shall not engage in any act of self-dealing [as defined in Section 4941(d) of the Internal Revenue Code of 1954 as amended], retain any excess business holdings [as defined in Section 4943(c) of said Code], make any investments in such manner as to subject the Corporation to tax under Section 4944 of said Code, or make any taxable expenditures [as defined in Section 4945(d) of said Code].

ARTICLE III
THE BOARD OF DIRECTORS

3.1 Powers.

The property and affairs of the corporation shall be managed by a Board of Directors (the "Board"). The members of the Board shall be as set forth in Section 3.3, and shall be referred to herein and in all documents and business of the Corporation individually as a "Director" and collectively as the "Directors."

3.2 Number of Directors.

The number of Directors shall be 15.

3.3 Composition of Board.

The Board shall be composed as follows:

(1) Ex Officio Director. The person holding the position of President of the University of Louisville shall serve as Ex Officio Director, who shall be a voting member of the Board and enjoy the full powers and privileges as are vested in the Directors generally.

(2) Trustee Directors. Four persons who are members of the Board of Trustees of the University of Louisville shall serve as Trustee Directors.

(3) At-Large Directors. Ten persons shall serve as At-Large Directors. The At-Large Directors shall be persons who are interested in the mission and welfare of the University of Louisville but no At-Large Director shall be a trustee, officer or employee of the University of Louisville or hold any elective or appointive office in the Commonwealth of Kentucky, or any agency, instrumentality or political subdivision of the Commonwealth of Kentucky.

3.4 Election of Directors; Terms.

(1) Ex Officio Director. The Ex Officio Director shall at all times be the incumbent or acting officer named in Section 3.3(1).

(2) Trustee and At-Large Directors.

a. Classification. The Board, excluding the Ex Officio Director, shall be divided into three classes, designated Class I, Class II and Class III, as follows:

i. Class I shall consist of one Trustee Director and four At-Large Directors;

ii. Class II shall consist of one Trustee Director and three At-Large Directors; and

iii. Class III shall consist of two Trustee Directors and three At-Large Directors.

b. Election.

i. Trustee Directors. As soon as practicable after July 1, 1992, the Chairman of the Board of Trustees of the University of Louisville shall appoint four Trustee Directors, dividing such Trustee Directors into three classes, as specified in Section 3.4(2)a. Thereafter, Trustee Directors shall be appointed by the person holding the office of Chairman of the Board of Trustees of the University of Louisville as provided in Sections 3.4(2)c and 3.13(2) of these By-Laws.

ii. At-Large Directors. As soon as practicable after adoption of these By-Laws, the incumbent members of the Board as then constituted shall meet for the sole and limited purposes of (i) electing ten At-Large Directors, and (ii) dividing such At-Large Directors into three classes, as specified in Section 3.4(2)a. Thereafter, the At-Large Directors shall be elected by a majority vote of the incumbent Directors from a list of candidates selected by the Nominating Committee, as provided in Sections 3.4(2)c and 3.13(2) of these By-Laws.

c. Terms.

i. Class I. Class I Directors shall be elected or appointed, as the case may be for an initial term of two years. At the expiration of such initial term, and thereafter, Class I Directors shall be elected or appointed for successive three year terms.

ii. Class II. Class II Directors shall be elected or appointed, as the case may be, for an initial term of three years. At the expiration of such initial term, and thereafter, Class II Directors shall be elected or appointed for successive three year terms.

iii. Class III. Class III Directors shall be elected or appointed, as the case may be for an initial term of four years. At the expiration of such initial term, and thereafter, Class III Directors shall be elected or appointed for successive three year terms.

3.5 Annual Meeting.

The Annual Meeting of the Board shall be held during the month of September of each calendar year, on a date and at a time and place to be specified by Resolution of the Board. At the Annual Meeting, the Board shall elect officers of the Corporation, and the members of the Executive Committee, to serve for terms of one year each and until their respective successors are elected and accept office.

3.6 Regular and Special Meetings.

In addition to the Annual Meeting, Regular Meetings of the Board shall be held during March, June, and December in each year, at a date, time and place to be specified by Resolution of the Board. Special Meetings of the Board shall be held at the call of the Chairman or the President, or at the request of three or more Directors.

3.7 Notice of Meetings.

Reasonable Notice, oral or written, of each Regular and Special Meeting of the Board shall be given by the person calling the meeting or by the Secretary to the members of said Board, but such Notice may be waived by any person entitled thereto. Attendance of a Director at any meeting shall constitute Waiver of Notice of such meeting, except when such Director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any Regular or Special Meeting of the Board need be specified in the Notice, or Waiver of Notice of such meeting, except as required by the Articles of Incorporation or By-Laws.

3.8 Quorum and Voting.

A majority of the Board, more than half of whom are At-Large Directors, shall constitute a quorum of the Board. If a quorum is present at a meeting of the Board, any action taken at such meeting shall be the act of the Board.

3.9 Committees of the Board.

(1) In General.

The Standing Committees of the Board shall be an Executive Committee, Committee on Finance, a Nominating Committee, a Development Cabinet, a Property Committee, and an Audit Committee. A majority of all members of a Standing Committee (including ex officio members), more than half of whom are At-Large Directors, shall constitute a quorum of a Standing Committee, except for the Nominating Committee, Development Cabinet, and Property Committee. All members of the Nominating Committee must be present for the Nominating Committee to select and recommend to the Directors candidates for election as At-Large Directors and for filling vacancies in any At-Large Directorships."

(2) Executive Committee.

The Executive Committee shall consist of the Ex Officio Director, the Chairman and three At-Large Directors. In any year when the Chairman of the Board of Directors is not a Trustee Director, one additional committee member shall be elected who shall be a Trustee Director. The Executive Committee shall have and may exercise all of the authority of the Board, but shall not have the authority of the Board in reference to amending, altering, or repealing the By-Laws; electing, altering or removing any member of that Committee or any Director or officer of the Corporation; amending or restating the Articles of Incorporation; adopting a plan of merger, or adopting a plan of consolidation, with another Corporation; authorizing the sale, lease, exchange or mortgage of substantially all of the property and assets of the Corporation; authorizing the voluntary dissolution of the Corporation, or revoking proceedings therefor; adopting a plan for the distribution of the assets of the Corporation or amending, altering, or repealing any Resolution of the Board which by its terms provides that it shall not be amended, altered or repealed by such Committee; or doing any other act forbidden by law or by the Articles of Incorporation.

(3) Committee on Finance.

The Committee on Finance shall consist of the Ex Officio Director, the Chief Financial Officer of the University of Louisville, who shall also serve ex officio, one Trustee Director and four At-Large Directors. The Committee on Finance shall have general supervision over the finances of the Corporation and over its budget. The Committee on Finance shall not have power to make conditions for acceptance of endowments and gifts to the Corporation without the approval of the Board. At the Annual Meeting of the Board, the Committee on Finance shall make a report to the Board upon all gifts, trusts and funds belonging to the Corporation.

(4) Nominating Committee.

The Nominating Committee shall consist of the Ex Officio Director, who shall serve as Chairman of the Committee, one Trustee Director and three At-Large Directors. The Nominating Committee shall select and recommend to the Directors, candidates for election as At-Large Directors, and for filling vacancies in any At-Large Directorship, and for officers of the Board and the Corporation.

(5) Development Cabinet.

The Development Cabinet shall consist of the Ex Officio Director, the Chairman of the Board, the University administrative officer designated as chief development officer, who shall be executive secretary to the Cabinet, and at least nine other persons, at least one of whom shall be a member of the Board, appointed by the Chairman from nominations of the Nominating Committee after consultations with the Chairman, President, Chairman of the University of Louisville Board of Trustees, Chairman of the University of Louisville Board of Overseers, and the Chairman of the Development Cabinet. The Chairman of the Board shall annually designate one member of the Development Cabinet as chairman. The chairman of the Development Cabinet shall report quarterly to the Foundation Board regarding activities of the Cabinet. The Development Cabinet shall identify general fund raising objectives and carry out fund raising for the benefit of the University and Foundation. The

Development Cabinet shall be guided by overall priorities established by the President, Board and Board of Trustees of the University of Louisville.

(6) Property Committee.

The Property Committee shall be appointed by the Chairman of the Board and may include non-directors with relevant expertise. The Property Committee shall have general supervision over the property owned by the Corporation and the budgets associated with said property, and shall recommend to the Board for action any expenditures not included in the annual operating budget. The Property Committee shall not have the power to mortgage, lease, sell, or otherwise dispose of Corporation property without the approval of the Board.

(7) Other Committees.

The Board or the Chairman thereof may appoint such other Committees for specified purposes as it or he may deem appropriate.

(8) Organization of Committees.

The Committees of the Board shall each have a Chairman who shall be designated in such manner as the Board shall determine or by the Chairman in the case of a Committee appointed by him. Reasonable Notice, oral or written, shall be given to all Directors of meetings of Committees, by the Chairman of the committee or by such other person as shall be designated by him, stating the time, place and purpose thereof. Any Committee having any of the authority of the Board shall at all times have a majority of its membership composed of At-Large Directors, shall require that quorum must consist of a majority of At-Large Directors, and shall keep the Minutes of its meetings, which shall become a part of the Minutes of the Board upon approval by the Board. The transactions of each Standing Committee during the interim between Board meetings shall be reported to the next Regular Meeting of the Board by the Chairman of the respective Committees.

(9) Audit Committee.

The Audit Committee shall consist of the Chairman of the Committee on Finance, who shall serve ex officio, three Trustee Directors and four At-Large Directors. The Audit Committee shall be responsible for, and shall have and may exercise all of the authority of the Board in, reviewing and approving the annual financial audit of the Corporation and the Corporation's annual Form 990, Return of Organization Exempt from Income Tax. The Audit Committee shall also have general supervision over conflict of interest compliance. The Audit Committee shall meet at least once annually with the Corporation's external auditor to review the Corporation's annual Form 990, Return of Organization Exempt from Income Tax.

<u>3. 10 Organization of Meetings of the Board of Directors</u>.

The Chairman of the Corporation shall preside at all meetings of the Board. In his absence, the Vice Chairman shall preside, but if both of them be absent, a Chairman pro tempore shall be chosen at the meeting from among the Directors there present. The Secretary of the Corporation shall act as Secretary of all meetings of the Board, but if he be absent, the chairman shall appoint a Secretary pro tempore.

<u>3.11</u> <u>Resignations</u>.

Any Director may resign at any time by delivering written notice to the Chairman. The resignation shall take effect at the time specified in the notice; unless required by the terms of the notice, acceptance shall not be necessary to make the resignation effective. Failure of any Director to attend three consecutive meetings of the Board without excuse shall, in the discretion of, and upon action by, the Board, operate as a resignation.

<u>3.12</u> <u>Removal</u>.

(1) The term of a Director shall immediately cease and such Director shall be considered automatically removed without action by the Board immediately upon such Director's failure to meet the eligibility requirements specified in Section 3.3(2) or Section 3.3(3) because:

a. such Director was appointed as a Trustee Director and has ceased to be a member of the Board of Trustees of the University of Louisville; or

b. such Director was elected as an At-Large Director and has become a trustee, officer or employee of the University of Louisville or an elected or appointed officer of the Commonwealth of Kentucky, or any agency, instrumentality or political subdivision of the Commonwealth of Kentucky.

(2) Any Director subject to automatic removal pursuant to Section 3.12(1) may be re-elected or re-appointed to the Board pursuant to the procedures contained in the By-Laws for election or appointment of Directors, provided, that after such re-election or re-appointment, the Board and the Classes thereof shall be constituted as provided in these By-Laws.

3.13 Vacancies.

Vacancies in the Board shall be filled as follows:

(1) Ex Officio Director. Shall not be filled until such time as a successor shall have been named to serve as the officer designated as the Ex Officio Director in Section 3.3(1).

(2) Trustee Directors. Shall be filled by the person serving as the Chairman of the Board of Trustees of the University of Louisville at the time the vacancy occurs or, in default of appointment, shall not be filled. Any Trustee Director appointed pursuant to this Section 3.13(2) shall serve the remaining term of the Director whose resignation or removal created the vacancy and shall be classified in the same Class as the resigning or removed Director.

(3) At-Large Directors. Shall be filled by a majority vote of the remaining Directors, voting together as a single voting group, at such time, if any, as such Directors shall deem appropriate. In the event the Directors decide to elect an At-Large Director pursuant to this Section 3.13(3), such Director shall be elected to serve the remaining term of the Director whose resignation or removal created the vacancy, shall be classified in the same Class as the resigning or removed Director and shall serve until his successor shall have been elected or appointed and shall have assumed office, or until his death, resignation or removal, whichever is sooner.

ARTICLE IV
OFFICERS

4.1 Principal Officers.

The Officers of the Corporation shall be a Chairman; a Vice Chairman; a President; one or more Vice Presidents; a Secretary; and a Treasurer, and such other officers and assistant officers as the Board, or the Chairman or the President subject to the approval of the Board, may appoint.

4.2 Duties of the Chairman.

The Chairman, who shall be annually elected by the Board of Directors from among its members for a term of one year, shall preside at all meetings of the Board of Directors. He shall perform such other and further duties and have such powers as are usually performed and possessed by similar officers of like corporations, whether stock or non-stock, and shall, in addition, perform such duties and have such powers as may from time to time be prescribed by the Board of Directors.

4.3 Duties of the Vice Chairman.

The Vice Chairman, who shall be annually elected by the Board of Directors from among its members for a term of one year, shall perform all the duties and have all the powers of the Chairman during the absence or disability of the latter.

4.4 Duties of the President.

The President who need not be a director of the Corporation shall be elected to that office by the directors of the Foundation at each of their annual meetings for a term of one year and until his successor is elected and qualifies for office. If the office of President shall become vacant between annual meetings the directors at any regular or special meeting may fill such vacancy for the unexpired term. He shall be the Chief Administrative Officer and General Manager of the Corporation. He shall, in addition, perform such other and further duties and have such powers as are usually performed and possessed by similar officers of like corporations, whether stock or non-stock. The President is authorized to execute any instrument of writing for the Corporation and to act for it under any agency contract or agreement it may have with any corporate agent which at any time may be holding or administering any of its assets or endowment or trust funds; any such agent may assume that the President has authority to bind and act for this Corporation. The President, in addition to the foregoing, shall perform such other duties and have such additional powers as may from time to time be prescribed by the Board of Directors.

4.5 Duties of the Vice Presidents.

A Vice President to serve as chief operating officer shall assist the President in the performance of his duties and shall perform such duties as may from time to time be specified by the President or by the Board. A Vice President to serve as chief fiscal officer shall assist the President in the performance of his duties and shall perform such duties as may from time to time be specified by the President or by the Board. A Vice President to serve as chief development officer shall assist the President in his duties and shall perform such duties as may from time to time be specified by the President and the Board. There may be in addition such other Vice Presidents as may from time to time be appointed by the Board. Vice Presidents of the Corporation may be persons holding similar designations at the University of Louisville but shall not be directors of the Corporation unless, by amendment of these By-Laws, it is declared that the best interests of the Corporation are served by designating such Vice Presidents, individually, as *ex officio* directors of the Corporation.

4.6 Duties of the Secretary.

The Secretary, who shall be annually elected by the Board of Directors from among its members for a term of one year, shall keep the Minutes of all proceedings of the Board of Directors, and shall see that proper minutes and records are kept of proceedings of those Committees of the Board having any of the authority of the Board including the Executive Committee. He shall make and keep a proper record thereof which shall be attested by him. In addition, he shall keep such other books and records which may be required of him by the Board of Directors, and shall have charge of the Corporate Seal. He shall generally perform such other and further duties as may be required of him by the Board of Directors. In the absence of the Secretary or in the event of his disability, his duties shall be performed by any assistant secretary or by any director who may be appointed by the President or by the Board.

4.7 Duties of the Treasurer.

The Treasurer, who shall be annually elected by the Board of Directors from among its members for a term of one year, shall have general supervision over the financial matters of the Corporation and shall see that reports as to the financial condition of the Corporation are made at each Regular Meeting of the Board of Directors, or at such other times as may be required by the Board. He shall receive and have charge of all money, bills, notes, bonds, securities and similar property belonging to the Corporation, subject to the order of the Board of Directors. He shall be the principal disbursing agent of the Corporation, and shall keep accurate and complete financial accounts as required by law and by sound business practice. The Treasurer generally shall perform such other and further duties as may be required of him by the Board of Directors. In the absence of the Treasurer or in the event of his disability, his duties shall be performed by any assistant treasurer or by any director who may be appointed by the Board.

4.8 Combining of Offices.

Any two of the offices of Vice President, Secretary and Treasurer may be combined in one individual.

4.9 Other Officers.

The Board of Directors, and the Chairman and the President (subject to the approval of the Board) shall have authority to elect or appoint other officers, agents, employees and servants.

ARTICLE V
SUNDRY PROVISIONS

5.1 Compensation of Officers and Employees.

Compensation due from the Corporation to any person shall be fixed by Resolution of the Board of Directors.

5.2 Fiscal Year.

The fiscal year of the Corporation shall be that fixed by Resolution of the Board of Directors, but until otherwise established shall run from July 1 of each calendar year to June 30 of the calendar year next following.

5.3 Bonding of Officers and Employees.

The Chairman, the Vice Chairman, the President, the Vice Presidents, the Treasurer and the Chairman of the Committee on Finance, and such other officers and employees of the Corporation as shall be determined by Resolution by the Board of Directors, may be bonded in an amount to be determined by the Board of Directors.

5.4 Corporate Seal.

The Corporate Seal of the Corporation shall be circular, with the words "UNIVERSITY OF LOUISVILLE FOUNDATION, INC." AND "1970" surrounding the words "CORPORATE SEAL" and "KENTUCKY."

5.5 Indemnification.

The Corporation shall, to the fullest extent permitted by, and in accordance with the provisions of, the Kentucky Revised Statutes, Chapter 273 (or corresponding provisions of any subsequent state laws), indemnify each director and officer of the Corporation against expenses (including attorneys' fees), judgements, taxes, fines and amounts paid in settlement incurred by such person in connection with, and shall advance expenses (including attorneys' fees) incurred by such person in defending any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) to which such person is, or is threatened to be made, a party by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer, member, partner, employee, or agent of another domestic or foreign corporation, partnership, joint venture, trust or other enterprise. Advancement of expenses shall be made upon receipt of an undertaking, with such security, if any, as the Board of Directors may reasonably require, by or on behalf of the person seeking indemnification to repay amounts advanced if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized herein.

5.6 Nonexclusivity of Indemnification.

The indemnification provided for by this By-Law shall not be deemed exclusive of any other rights to which directors or officers of the Corporation may be entitled under any statute, agreement or action of the Board of Directors of the Corporation, or otherwise, and shall continue as to a person who has ceased to be a director or officer of the Corporation, and shall inure to the benefit of the heirs, executors and administrators of such a person.

5.7 Insurance.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, member, partner, employee or agent of another domestic or foreign corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in such capacity or arising out of such person's status as such, whether or not the Corporation would have the power or be obligated to indemnify such person against such liability under the provisions of this By-Law or Kentucky Revised Statutes Chapter 273 (or corresponding provisions of any subsequent state laws).

ARTICLE VI
AMENDMENT OF BY-LAWS

6.1 In General.

The Board of Directors of the Corporation by the affirmative vote of two-thirds of the directors in office at such time, may alter, amend or repeal these By-Laws, or adopt new By-Laws.

The above by-laws of the University of Louisville Foundation, Inc., were

adopted by the members of the Board of Directors on March 8, 2010.

Kathleen M. Smith
Assistant Secretary

3.2.13 fn04

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

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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

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS

A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis (Unaudited)

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.

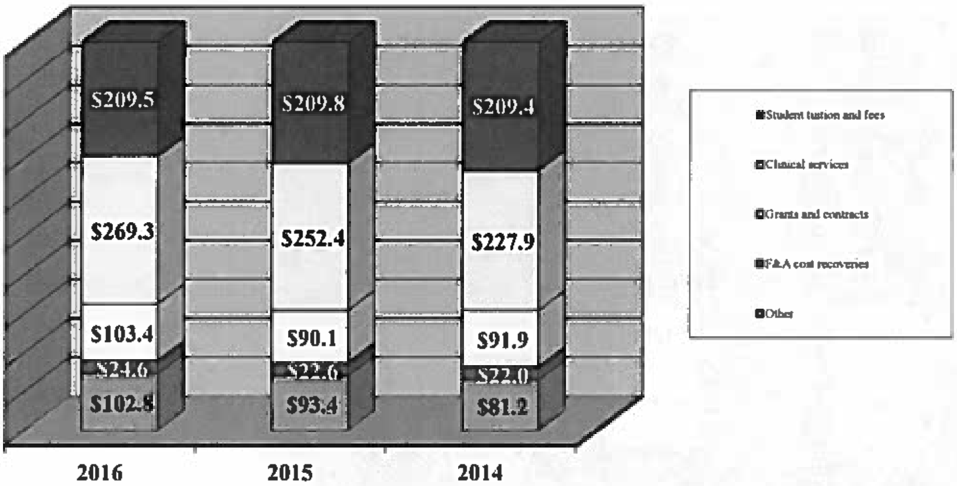
Clinical services and practice plan revenue amounted to $269.3 million and $252.4 million, or about 38% of total operating revenues for each of the years ended June 30, 2016 and 2015. These revenues relate to patient care performed in clinics under contractual arrangements with governmental and private 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

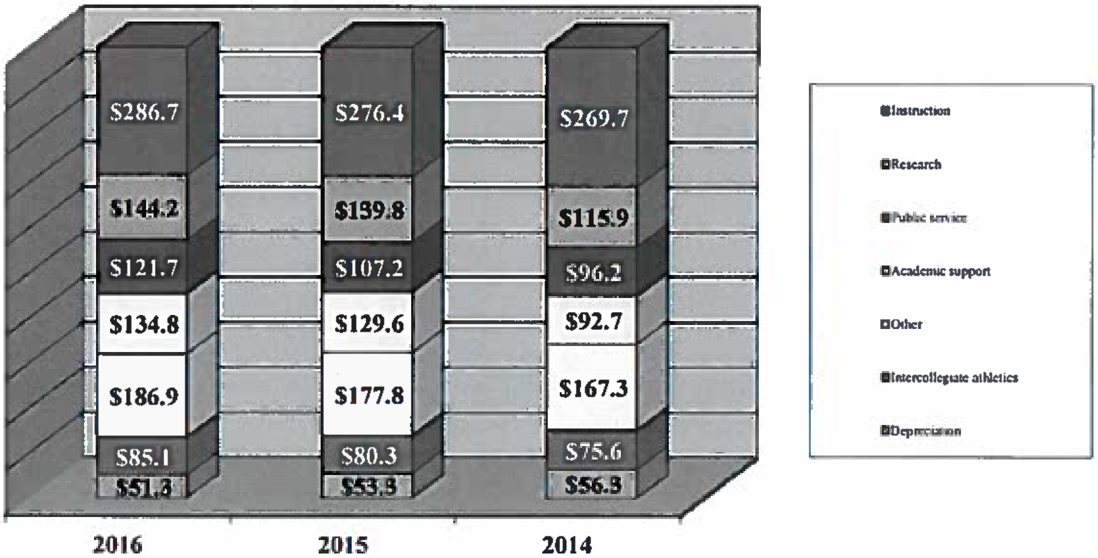


Operating Expenses

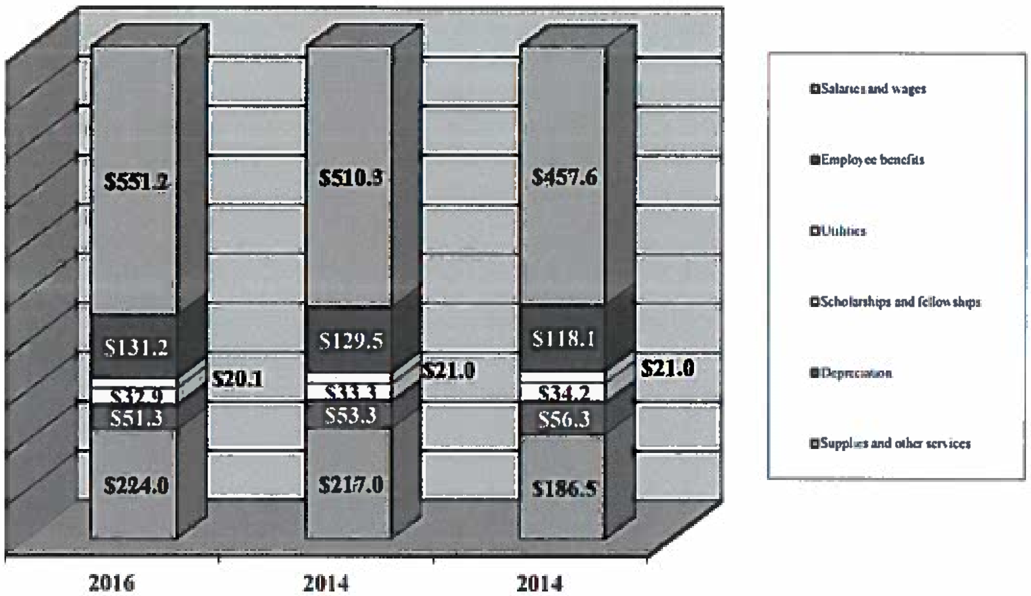
Operating expenses were $1.0 billion and $964.4 million and exceeded operating revenues by $301.1 million and $296.0 million for the years ended June 30, 2016 and 2015, respectively. When offset by total non-operating revenues of $314.0 million and $308.8 million, total net position for the year increased 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

<u>IN PROGRESS FOR 2016</u>

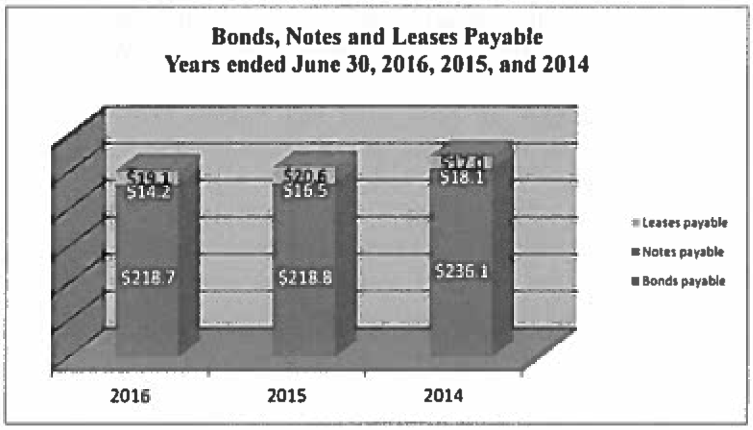
Belknap Classroom Building	$	80,500,000
Athletic Academic Center		19,300,000
Student Activity Center Renovation		40,000,000
Ekstrom Library 3rd Floor Renovation		2,750,000
MDR Building Masonry Restoration		2,080,000
Donald Baxter Building Cardiology GMP Facility		2,200,000

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.

University of Louisville and Affiliated Corporations

A Component Unit of the Commonwealth of Kentucky

Notes to Financial Statements

June 30, 2016 and 2015

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. <u>Disclosures About Fair Value of Assets and Liabilities</u>

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	-	-
Sohae 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. University of Louisville Real Estate Foundation.

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/Byme	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. <u>University of Louisville Physicians, Inc.</u>

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%

3.2.13 fn05

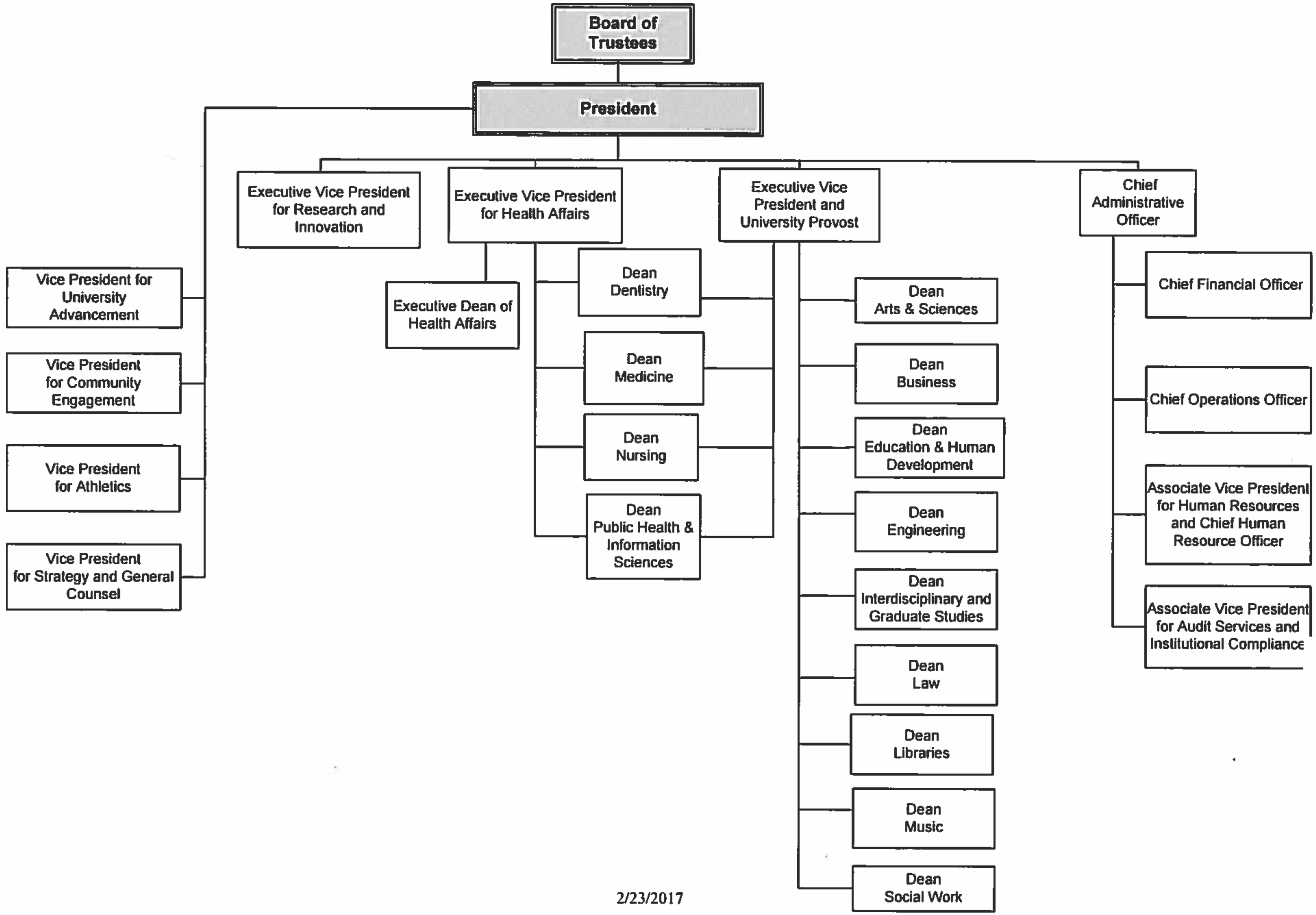
University of Louisville Foundation

Board Members

2017

Name	Role	Term Expires
Mr. Ronald Abrams	At-Large	6/30/2019
Mr. Mike Bowers	At-Large	6/30/2018
Mr. Paul Carrico	At-Large	6/30/2019
Ms. Laura Douglas	At-Large	6/30/2019
Mr. J. David Grissom	Trustee	6/30/2019
Ms. Donna Heitzman	At-Large	6/30/2018
Ms. Alice Houston	At-Large	6/30/2019
Dr. Mark Lynn	At-Large	6/30/2018
Ms. Diane B. Medley	Trustee	6/30/2018
Mr. Tom Meeker	At-Large	6/30/2017
Mr. Earl Reed	At-Large	6/30/2019
Mr. Nitin Sahney	Trustee	6/30/2017
John H. Schnatter	Trustee	6/30/2018
Mr. Vincent Tyra	At-Large	6/30/2018
Dr. Gregory Postel	ex-officio	
Notes:		
Ms. Diane Medley is the ULF Chair		
Mr. J. David Grissom is the U of L Board Chair		

University of Louisville Organizational Chart



2/23/2017

3.2.13 fn06

University of Louisville Endowment Fund Statement of Investment Objectives and Guidelines

Approved June 15, 2006
Increase Percentage Rate for Advancement Activities September 4, 2008
Spending Calculations for Underwater Endowments March 14, 2011
Investment Manager Decision Authority December 17, 2013
Revised Asset Allocation Targets March 31, 2015

I. INTRODUCTION

The mission of the University of Louisville Foundation (the "Foundation") is to provide financial support to the University of Louisville, a public institution of higher learning located in Louisville, Kentucky. The primary purpose of this document is to identify and present a formal set of investment objectives and performance standards in order that the Board of Directors of the Foundation and its Finance Committee can be assured that the assets of the Foundation, including those of the Endowment Fund (the "Fund"), are managed in accordance with generally accepted standards and in a manner consistent with the financial needs of the University.

Specifically, this document will address the following:

1. The responsibilities of the various parties involved in the management of the Foundation.
2. Overall investment objectives and performance standards.
3. Overall fund guidelines and asset allocation.
4. Fund component guidelines.
5. Relationship with the investment managers.

This Statement of Investment Objectives and Guidelines will be communicated to each of the Fund's investment managers for their use in developing appropriate investment programs. This statement may be supplemented or changed when the Finance Committee or the Board of Directors deems it appropriate. The investment advisors are expected to propose revisions to the policy any time the existing guidelines would impede meeting the Foundation's investment objectives.

II. DELEGATION OF RESPONSIBILITIES

A. BOARD OF DIRECTORS

Ultimate responsibility for the governance of the University of Louisville Foundation is vested in its Board of Directors. The Board has assigned responsibility for oversight of the Fund to the Finance Committee, which is charged with managing Foundation assets according to current generally accepted standards and in the interest of the Foundation and University.

The Finance Committee's responsibilities are to:

- Monitor compliance with all relevant legal requirements, based upon advice of Foundation Counsel.
- Recommend to the Board of Directors investment goals, objectives, performance measurement standards and portfolio guidelines that are consistent with the Foundation's needs.
- Recommend to the Board of Directors an asset allocation strategy and investment manager structure designed to meet the Foundation's investment objectives and control risk.
- Recommend to the Board of Directors the hiring, retention, dismissal of outside professionals (custodians and consultants).
- Communicate investment goals, objectives, performance measurement standards and portfolio guidelines to the investment managers.
- Review and evaluate investment results relative to predetermined performance standards.
- Ascertain that investment managers are in compliance with all portfolio guidelines and restrictions.
- Report periodically to the Board on the asset allocation and performance of the Fund, as well as any other substantive matters.
- Recommend to the Board of Directors corrective action when investment managers fail to achieve expected results.
- Recommend to the Board of Directors a custodian bank to provide safekeeping of Foundation assets, timely collection of income and accurate reporting.
- Recommend to the Board when appropriate the granting of necessary waivers from this Statement of Investment Objectives and Guidelines.

B. INVESTMENT MANAGERS

The investment managers of the University of Louisville Foundation's assets assume the following responsibilities:

- Invest the assets under their management in accordance with the guidelines set forth in this Statement of Investment Objectives and Guidelines.
- Subject to these guidelines, exercise full discretionary authority as to all buy, sell and hold decisions for each security under management or entrusted to them.
- Notify the Foundation of: (1) any guideline which impairs or prevents the achievement of performance objectives; or, (2) new developments or circumstances which warrant a change in the guidelines; (3) discovery of material malfeasance by any portfolio manager or senior rank employee associated with the Foundation relationship; (4) any material disciplinary action by any regulatory authority or material noncompliance with any AIMR, SEC or other professional standards; (5) any significant change in investment strategy and/or portfolio structure; (6) a material change in portfolio managers, analysts, or ownership control of the manager; and (7)

any material improvements to the system of internal controls that may be suggested by the manager's auditors or regulatory authorities.
- Provide written documentation of portfolio activity, portfolio valuations, performance data, and related material as requested by the Foundation.
- Attend meetings with representatives of the Foundation as requested.
- Establish and maintain an effective relationship with the Foundation's custodian.
- Act in the best interest of the beneficiaries of the Foundation.
- Monitor the activities of the Foundation's custodian to ensure the manager's activity and performance are reported accurately.

C. CUSTODIAN

The Foundation's custodian's responsibilities are to:

- Establish and maintain direct account relationships with each investment manager.
- Perform all normal custodial functions including, but not limited to, security safekeeping, collection of income, settlement of trades, collection of proceeds of maturing securities, distribution of income, and daily investment of uninvested cash.
- Follow accounting practices as specified by the Foundation and its auditors.
- Prepare accounting reports as requested by the Treasurer and the Foundation's auditors.
- Perform rate of return calculations and analysis as requested.
- Provide electronic access to records.

D. INVESTMENT CONSULTANT

The Foundation's Investment Consultant's responsibilities are to:

- Perform periodic review of investment policies and objectives.
- Measure and evaluate Fund and investment manager performance.
- Provide ongoing monitoring of investment managers currently employed.
- Report on developments that have had or may have a material impact on Fund performance.
- Advise the Foundation with respect to asset allocation, asset classes, and managers.
- Advise the Foundation with respect to the hiring, retention or termination of investment managers.

E. STAFF OF THE FOUNDATION

The Foundation's staff's responsibilities are to:

- In consultation with the Foundations investment consultant, and within the guidelines established in the asset allocation plan (as amended from time to time), to identify and select suitable investments, execute the appropriate investment documents and reallocate funds from existing managers as required to fund the new investments.

- Oversee day-to-day activities of the Fund and the implementation of any changes approved by the Finance Committee.
- Provide periodic reporting to the Finance Committee and/or Board.

III. INVESTMENT OBJECTIVES

A. The Finance Committee has formulated, and the Foundation has adopted, specific performance standards for the Fund as well as its ancillary funds. Underlying these standards is the belief that the management of the Fund should be directed toward achieving the following investment objectives:

1. The Fund must provide average annual real investment returns (cash investment income plus net realized and unrealized capital gains) to the University, sufficient to meet the University's reasonable and judicious needs. This distribution from the Fund to the University should keep pace with inflation over time.

2. The corpus of the Fund, without regard to the receipt of future gifts, should keep pace with inflation. This objective of maintaining the real value of the Fund will provide future generations with the same relative level of support currently enjoyed by the Fund's beneficiaries.

B. ABSOLUTE RATE OF RETURN OBJECTIVES

1. Based on the philosophy expressed above, the overall objective of the Fund is to achieve a minimum net total return which is equal to the University's spending rate plus the inflation rate. The Foundation believes that a rolling three- to five-year period is appropriate for measuring progress toward achieving this objective.

C. RELATIVE RATE OF RETURN OBJECTIVES

In addition to the Absolute Rate of Return Objectives outlined above, the Finance Committee will also monitor the progress of the Fund toward meeting the following Relative Rate of Return Objectives:

1. Attain a total return on the Fund, net of fees, which exceeds the return on a composite of unmanaged market indexes weighted in proportion to the actual asset allocation of the Fund. In other words, the Fund should benefit from active management.
2. Outperform the median return of a pool of similar sized peer college and university endowment funds with broadly similar investment objectives and policies. The Foundation shall identify

the appropriate benchmark pool to be used consistent with the Fund's characteristics.

3. Attain a gross total return on the Fund that falls within the top half (or better) of the second quartile (37th percentile or better) of a universe of similar tax-exempt funds, currently identified as the Cambridge Associates' College and Universities universe. Attain a return on each asset class utilized (i.e. stocks, bonds, cash equivalents) that exceeds the appropriate benchmark index as set forth herein.

D. INVESTMENT RISK

The Absolute Rate of Return Objectives and the Relative Rate of Return Objectives should be attained without the assumption of excessive investment risk.

E. PERFORMANCE MEASUREMENT

In measuring and evaluating the performance of the Fund and of the individual investment managers, the following definitions and benchmarks will apply. The Finance Committee may from time to time establish other benchmarks for new asset classes or customized benchmarks to better fit a specific manager's investment universe.

1. Unless a different benchmark is agreed to by the Finance Committee, managers should exceed the respective benchmarks, net of fees, set forth on Schedule I hereto, as the same may be amended or supplemented from time-to-time.

2. The minimum net total return on the entire Fund should at least beat the total spending rate plus the rate of inflation. Inflation will be defined as the weighted three-year moving average of the Gross Domestic Product (GDP) Deflator.

3. Cash equivalents, when purchased by equity or fixed income managers as a temporary repository of funds, will be part of the total return realized by such managers and included in the measurements against the appropriate benchmarks.

4. The net total return for individual investment managers should fall within the top half of a universe of respective equity or fixed income investment managers with similar styles (recognizing survivorship bias inherent in such universes). The failure to achieve this goal, however, shall not be the sole criterion in the decision to retain or terminate an investment manager's services.

While the Finance Committee will focus primarily on the achievement of its objectives over a three- to five-year time horizon, it will also monitor investment results for the following periods:

- Annually
- Latest quarter
- Fiscal year-to-date
- Calendar year-to-date
- Since manager's retention

Notwithstanding the above provisions relating to performance measurement, the Foundation may terminate a manager upon proper notice if circumstances dictate that it is not in the best interests of the Foundation to continue the relationship. This determination may be based solely on the need to redirect asset allocations or to achieve other Foundation objectives.

IV. ENDOWMENT ASSET ALLOCATION AND OVERALL FUND GUIDELINES

A. ASSET ALLOCATION

The Finance Committee has the responsibility of recommending to the Board of Directors an asset allocation for the Fund that offers a high probability of achieving the investment objectives. The asset allocation may be revised and updated as the financial needs of the University and/or the outlook for the capital markets change. The target asset allocation to be pursued by the Fund is set forth on Schedule I hereto, as the same may be amended or supplemented from time-to-time.

The actual asset allocation of the Fund at any time may differ from the target due to:

- A recent divergence in the performance of different classes of securities.
- The Finance Committee's assessment of the intermediate outlook for different types of securities.
- The allocation of cash flow.
- A shift in the Foundation's investment objectives.

B. REBALANCING

1. The primary goal for rebalancing is to preserve the general risk profile of the total portfolio across all asset classes to ensure that the portfolio does not take more or less risk than the Finance Committee initially intended in the creation of the Fund's asset allocation policy (including subcategories within each asset class). As a general rule, the Foundation will use cash receipts, withdrawals and periodic spending draws to maintain the Fund's long-term policy targets.

2. The Finance Committee typically will review asset allocation weightings at its quarterly meetings. The Assistant Treasurer will work with the Fund's external advisors to implement such rebalancing moves as appropriate. Any rebalancing transactions that occur will be reported to the Finance Committee.

3. Any required rebalancing toward asset allocation targets should consider the liquidity of each asset class, entry and exit restrictions of the Fund's investment vehicles (marketable and non-marketable alternative assets), and the costs required to implement each transaction.

C. ALLOCATION OF FUNDS TO INVESTMENT MANAGERS AND LIMITATION THEREON

1. Unless otherwise directed by the Finance Committee, new funds received or funds withdrawn for operational or other purposes are to be allocated so as to move the overall asset allocation toward the targets outlined in section A. above.

2. The maximum allowable funds (at market) to be managed by one investment manager will be 20 percent.

V. FUND COMPONENT GUIDELINES

A. MARKETABLE EQUITY HOLDINGS

A substantial portion of the Fund's equity assets will be placed with equity managers who are expected to invest in domestic and international stocks, American Depository Receipts (ADRs), and to a lesser extent, convertible securities. This portion of the portfolio is expected to outperform the various indexes specified in Schedule I.

1. Permissible Securities - Equity managers may invest in common stocks, preferred stocks or fixed income instruments convertible into common stocks, and ADRs of domestic and foreign corporations. All common stocks and common stocks into which convertible securities may be converted must be listed on the New York Stock Exchange (NYSE), the American Stock Exchange (AMEX), or the National Association of Securities Dealers Automated Quote System (NASDAQ), or, for foreign securities, equivalent exchanges in their country of domicile. Any other securities or investment vehicles must be approved by the Finance Committee prior to their use by the manager.

   Equity managers may purchase fixed income securities as cash equivalents for the temporary investment of funds. Cash equivalent investments are defined as U.S. dollar-denominated fixed income instruments with maturities of one year or less. Cash equivalent investments notwithstanding, managers shall still be evaluated against their Specified Benchmark. Equity managers may raise or lower cash equivalent holdings as appropriate. While there is no minimum equity requirement, it is the intention of the Foundation for its managers to be fully invested at all times.

2. Diversification - No equity manager shall invest or have invested more than 10 percent (at market), of the fund assets entrusted to the manager's product, in the stock of one company. No equity manager shall invest or have invested more than 25 percent (at market), of the fund assets entrusted thereto, in any single industry. Should the overall equity portfolio exhibit excessive concentration, the Foundation reserves the right to provide managers with further diversification instructions.

   The market value of ADRs of foreign companies held by a domestic equity investment manager may not exceed 5 percent of the market value of all funds entrusted to such manager. No other diversification limit shall apply to such investments.

3. Quality - There are no qualitative guidelines (e.g. equity ratings, rankings, or size of company) except that prudent standards should be developed and maintained by the managers.

4. Income - There are no minimum yield requirements.

5. Pooling - Managers may place funds in commingled investment vehicles, but the guidelines discussed herein will continue to apply.

B. MARKETABLE FIXED INCOME HOLDINGS

The fixed income portion of the Fund is designed to provide protection against deflation and to dampen the volatility of the entire Fund. While every attempt will be made to retain investment managers with different but complementary approaches, the same basic guidelines will apply in each case.

1. Permissible Securities - Managers may invest in the following types of debt securities:

   - Government and agency bonds, notes, bills, and similar obligations.
   - Any evidence of indebtedness, the principal and interest of which is absolutely and unconditionally guaranteed by the United States Government.
   - Bonds, debentures, notes and other evidences of indebtedness issued by United States domestic corporations.
   - Other dollar denominated securities (e.g. Yankees and Eurodollars)
   - Preferred stocks.
   - Convertible bonds (when considered a debt issue).
   - Mortgage and other asset-backed securities.
   - Tax-exempt bonds and taxable municipal bonds.

- Foreign fixed income securities equivalent in quality to permitted domestic securities. All currency hedging decisions shall be left to the discretion of the investment manager.

2. Diversification - There is no limit on the amount of holdings of United States Government bonds, notes, bills, agency obligations or obligations, the interest and principal of which are fully, absolutely and unconditionally guaranteed by the full faith and credit of the United States Government. Otherwise, no fixed income manager shall have invested, at any point in time, more than 10 percent of the fund assets entrusted thereto, in the fixed income obligations of a single issuer and no more than 60 percent in mortgage-backed securities. Should the overall fixed income portfolio exhibit excessive concentration, the Foundation reserves the right to provide managers with further diversification instructions.

3. Quality - No fixed income manager may purchase any fixed income obligation rated less than BBB (or its equivalent) by Moody's, Standard & Poor's or Duff & Phelps. No fixed income manager shall have invested, at any point in time, more than 10 percent of the fund assets entrusted thereto, in fixed income obligations rated BBB (or its equivalent) by Moody's, Standard & Poor's or Duff & Phelps. Should an issue have a split rating, the lower rating will apply. These quality restrictions shall not apply to the purchase of shares of mutual funds specializing in the purchase of fixed income securities or to multi-manager funds. The quality of the Foreign bond portfolio shall be of similar quality to the Fund's U.S. fixed income managers, and shall be limited to investments in sovereign debt or high quality corporate debt.

4. Marketability - Fixed income managers may not purchase private (direct) placements without the approval of the Finance Committee.

5. Pooling -Fixed income managers may use commingled vehicles, but the guidelines discussed herein will continue to apply.

6. Duration - There is no maximum duration limit.

7. Coupon - No minimum coupon. Zero coupon issues are permissible.

C. CASH EQUIVALENT HOLDINGS

Permissible Securities - Equity and fixed income managers may invest in cash equivalent vehicles as a means for the temporary (less than one year) deployment of funds. Cash equivalent investments are defined as U.S. dollar-denominated fixed income instruments with maturities of one year or less.

D. DIVERSIFICATION STRATEGIES

1. The Foundation may from time to time employ investment managers to pursue investments for the purpose of diversifying the market exposure of the Fund, to reduce Fund volatility, and to enhance potential returns. These might include, without limitation, managers or partnerships investing in marketable alternative strategies (e.g., event arbitrage, long/short equity, and distressed securities), private equity, venture capital, natural resources, commodities, or other asset classes with a low correlation to traditional equity and fixed income securities. These investments will not generally fall within the guidelines established for the more traditional asset classes that make up the majority of the Fund's investments.

2. The objective of the Diversification Strategies Portfolio is to invest in asset classes with reduced correlations to the Equity and Fixed Income Portfolios, to provide different sources of return, and to reduce the overall volatility of the Fund. Performance will be monitored on a regular basis and evaluated over rolling three- to five-year periods.

3. The investment objective for the Diversification Strategies Portfolio and managers is to outperform (net of fees) the appropriate index for each asset class. The performance of each Diversification Strategies manager or partnership will be measured also against an appropriate asset class manager peer group. Each active manager is expected to outperform its specified index and achieve median performance against its peer managers.

VI. INVESTMENT MANAGER RELATIONS

1. If, at any time, an investment manager believes that any guideline inhibits its investment performance, it is the manager's responsibility to clearly communicate this view to the Finance Committee.

2. Investment managers retained by the Fund are expected to employ the usual standards of fiduciary prudence. Managers will be monitored on a continual basis for consistency of investment philosophy, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. The Finance Committee will review portfolio results on a quarterly basis. However, greater weight will be placed on results over rolling three- to five-year periods. In addition, the Finance Committee will regularly review managers in order to confirm that the factors underlying performance expectations remain in place.

3. Each investment manager will report the following information at least quarterly: total return net of all commissions and fees and additions and

withdrawals from the account. Separate accounts will also provide current holdings at cost and at market value, and purchases and sales for the quarter. Managers will be required to reconcile records of holdings, transactions, and dividend/interest income with the Fund's custodian on a regular basis. Regular communication concerning investment strategy and outlook is expected.

4. Managers may be required to meet with Foundation staff annually to review their portfolios and performance, and to affirm that they have read and adhered to this policy statement (and the specific guidelines attached thereto). Additionally, managers are required to inform the Finance Committee as soon as practicable of any significant change in firm ownership, acquisitions of other investment managers, changes to organizational structure, subpoenas received from the SEC or any other regulatory or law enforcement agency or official, notice of any disciplinary proceedings against the manager instituted by any regulatory agency, departures of key professional personnel, changes of account structure (e.g., number, asset size and account minimums), or changes in the manager's fundamental investment philosophy.

5. Annually, each manager should provide the Foundation with a copy of its form ADV, Part I and Part II.

VII. MISCELLANEOUS PROVISIONS

A. BROKERAGE TRANSACTIONS

All securities transactions should be entered into on the basis of best execution, which is interpreted normally to mean best-realized price.

B. PROXY VOTING

All proxies are to be voted in the best interest of the Foundation in a manner consistent with the objectives contained herein. Proxies should be voted for proposals which enhance shareholder economic value, maintain or improve shareholder rights, are not dilutive, and provide reasonable accountability for management, subject to applicable legal requirements. The Foundation assents to the proxy voting guidelines adopted by managers of pooled or commingled funds.

C. CONFLICT OF INTEREST POLICY

Finance Committee members and staff shall adhere to the following procedures in order to resolve any questions of conflict of interest, whether real or apparent:

1. Members of the Finance Committee and staff shall disclose to the Finance Committee as soon as practicable any relevant facts or circumstances that might give rise to a conflict of interest, or perception of a conflict of interest, with respect to matters that come before the Finance Committee.

Such facts and circumstances include, but are not limited to, instances where the Finance Committee and/or staff member, and/or his, or her, immediate family (i) serves as director of, is employed by, or is an equity investor or partner in, a firm managing assets of the Foundation, or a firm which has an ownership interest in a firm managing assets of the Foundation, or (ii) has invested personal or family assets with a firm managing assets of the Foundation.

2. Individuals affected by either of the above provisions shall abstain from Finance Committee discussions of, and any decisions relating to, any such matters. Abstentions shall be recorded in the Minutes of the meeting.

3. Under normal circumstances, members of the Finance Committee or staff may not be a director of, or be employed by, firms managing investments of the Foundation.

D. INVESTMENT MANAGEMENT STRUCTURE

Investment managers will have complete discretion to manage the assets in each particular portfolio in order to best achieve the investment objectives and requirements, within the guidelines as set forth in this policy statement, and subject to the accepted standards of fiduciary prudence.

E. No more than 5 percent of either the equity portion (at market) or the fixed income portion (at market) of the Fund will be invested in the securities of one company.

F. Unless otherwise approved by the Finance Committee, all securities will be marketable, exchange-traded instruments. This limitation does not apply to investments made by the Foundation's approved marketable alternative asset and non-marketable alternative asset managers.

G. There are no current income guidelines. The Fund is governed by total return objectives.

H. Turnover will not be an evaluative factor if other objectives are met.

I. All executions will be evaluated on the basis of net realized price (best execution) which considers both commission cost and market impact.

J. Leveraged or speculative use of derivatives is prohibited without the express written consent of the Finance Committee. Derivatives may be used by authorized alternative asset managers to hedge the Fund's investment risks or to replicate investment positions at a lower cost than would otherwise be created in the cash markets. Managers using derivatives must have in place systems to rigorously analyze and monitor duration, liquidity and counter party credit risk in order to minimize the risks associated with the use of derivatives.

SCHEDULE I

UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

POLICY ASSET ALLOCATION TARGETS, RANGES, and BENCHMARKS

Asset Class:	Target	Range	Specified Benchmark
U.S. Equity	14.0%	10%-30%	Russell 3000 Index
Developed Non-U.S. Equity	14.0%	10%-25%	MSCI EAFE Index
Emerging Non-U.S. Equity	14.0%	5%-20%	MSCI Emerging Markets Index
Marketable Alternatives (Hedge Funds	20.0%	15%-30%	HFRI Fund of Funds Diversified Index
Real Assets	14.0%	9%-30%	25% MSCI World Natural Resources Index/ 25% UBS Global Real Estate Investors Index/ 25% DJ UBS Commodity Index Total Return/ 25% Barclays U.S. TIPS Index
Private Equity (NMAA ex. Real Assets)	14.0%	5%-15%	Russell 3000 + 5% Index
Fixed Income	10.0%	5%-25%	65% BC Aggregate Bond Index/ 35% Citigroup WGBI

The Fund's Custom benchmark shall be calculated by applying the Long Term Target Asset Allocation percentages defined above to the relevant Specified Benchmark.

AGENCY AGREEMENT

This Agreement made by and between University of Louisville Foundation, Inc. (hereinafter referred to as the "Foundation") and the University of Louisville (hereinafter referred to as the "University").

WITNESSETH:

WHEREAS, the University is a public institution of higher education existing and operating in accordance with the laws of the Commonwealth of Kentucky, performing services for the community and the public interest; and

WHEREAS, the Foundation is a non-profit corporation existing and operating in accordance with the laws of the Commonwealth of Kentucky, performing educational, research, artistic and community service functions in the public interest; and

WHEREAS, the Foundation is a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code of 1954, as amended; and

WHEREAS, the University, in the exercise of its lawful obligations, has determined the necessity of performance of certain business and investment functions with respect to its operations and the expenditure of funds received from the "Bucks for Brains" program of the Commonwealth of Kentucky; and

WHEREAS, the University has determined that an Agency Agreement with the Foundation is the most efficient manner of carrying out the investment of said funds; and

WHEREAS, the Foundation is available and qualified to perform said functions; and

WHEREAS, for the hereinabove stated reasons, the University desires to avail itself of the services of the Foundation, as agent.

NOW, THEREFORE, it is hereby mutually agreed by and between the parties hereto as follows:

1. That the performance of this Agreement shall be governed by any and all applicable laws, regulations and policies relating to the activities of the University and the Foundation, and all such laws and regulations are hereby incorporated by reference and made a part hereof as if fully set forth herein.

2. That the University shall deliver to the Foundation, as agent, the funds received from the Bucks for Brains program, to be held, managed, invested and administered by the agent in accordance with this Agreement.

3. The University and the Foundation agree to consult with and provide prior notice to the other thirty (30) days in advance of any proposed changes in this Agreement, which

changes shall not be effective until signed in writing by persons with contractual authority on behalf of the Foundation and University, respectively.

4. That all of the funds hereby transferred to the Foundation shall be held and managed by the Foundation for the University with full power in the Foundation as agent. However, this Agreement shall create no obligation on the part of University to transfer any funds to Foundation except as shall be required pursuant to this Agreement.

5. That the Foundation is hereby authorized to act through its employees and officers as agent for the University and to do or perform all duties necessary for the businesslike performance of the obligations of the University in the name of the University.

6. That the Foundation shall report to the University on the earnings and income from the invested funds on a regular basis as mutually agreed upon from time to time.

7. That the Foundation may charge the University and reimburse itself such expenses and costs of administration and legal and accounting services as the Foundation shall incur in the performance of its duties under this Agreement.

8. That the Foundation shall disburse the income and/or principal of the fund held under this Agreement to the University upon written request by the duly qualified officer of the University from time to time.

IN WITNESS WHEREOF, the parties hereto have, by their authorized representatives, subscribed to this Agreement as of the date first above written.

UNIVERSITY OF LOUISVILLE

By: T. W. Samuels, Jr.
Chairman, Board of Trustees

UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

By: [signature]
Chairman, Board of Directors

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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	

3.2.13 fn09

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__.

Kathleen M. Smith
Assistant Secretary, Board of Trustees

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 **Exhibit 1** 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. **Payment Schedule Exhibit 2** represents the annual financial obligations of the Foundation in the event no Receivable pre-payments are made toward the outstanding balance.

Payment Schedule Exhibit 2 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 **Exhibit 1** as the sources of funds to make their required payments on the Receivable.

m ... ansferred to program number _____ on or
or

Susan Nunn Howarth
University of Louisville

Tomlinson
University of Louisville Foundation, Inc.

5-22/14
Date

James R. Ramsey
University of Louisville and UofL Foundation, Inc.

Date

G:\Foundation\ULF SA\Member Companies\CCG-Louisville, LLC\Accounting\C. Intercompany Recons\Memo - University Loan to FDN.docx

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 $36,000,000 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	613,368	721,607	1,334,974	5,231,654
Interest Savings	1,069,295	782,411	443,368	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			

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	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**

	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 Exhibit 1, 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. Exhibit 2, Payment Schedule, represents the annual financial obligations of the Foundation in the event no Receivable pre-payments are made toward the outstanding balance.

Payment Schedule Exhibit 2 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 Exhibit 1, 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

BY: James R. Ramsey

NAME: James R. Ramsey

TITLE: President

University of Louisville
Real Estate Foundation, Inc.

BY: [signature]

NAME: R. Jason Tomlinson

TITLE: Assistant Treasurer

G:\Foundation\ULF SA\Member Companies\CCG-Louisville, LLC\Accounting\C. Intercompany Recons\Memo - University Loan to FDN.docx

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.

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

In Open Session

Members of the University of Louisville Foundation, Inc. Board of Directors met on December 17, 2013, in the Jefferson Room, of Grawemeyer Hall on Belknap Campus, with members present and absent as follows:

Present:	Ms. Joyce Hagen, Vice Chair, Presiding Dr. Salem George Mr. Ed Glasscock Ms. Margaret Handmaker Mr. Frank Minnifield Dr. Jody Prather Dr. James R. Ramsey Dr. William Selvidge Mr. Frank Weisberg
Absent:	Dr. Larry Benz Mr. Jonathan Blue Mr. Junior Bridgeman Mr. Chuck Denny Dr. Mark Lynn Ms. Debbie Scoppechio
From Legal Counsel:	Mr. David Saffer, Stites & Harbison
From the Foundation:	Dr. Shirley Willihnganz, Vice President Mr. Jason Tomlinson, Assistant Treasurer Mrs. Kathleen Smith, Assistant Secretary
From the University:	Dr. David Dunn, Executive Vice President for Health Affairs Dr. William Pierce, Executive Vice President for Research and Innovation Mr. Keith Inman, Vice President for University Advancement Mr. Mike Kramer, Director of Investment and Financial Management Ms. Anne Rademaker, Dir. Of General Reporting and University Accounting Ms. Susan Magness, Assistant Controller Mr. Justin Ruhl, Foundation Accounting Supervisor Mr. Mark Hebert, Director of Media Relations Ms. Susan Howarth, Assoc. Vice President for Finance and Budget Affairs Mr. Jake Beamer, Boards Liaison

V. Restatement of Guarantees for:

- KYT 2601 S. 3rd Street, aka, Belknap Engineering and Applied Sciences Research Park
- AAF 215 Central Avenue, aka, Cardinal Station

President Ramsey explained the resolutions would extend the loan maturity for KYT to November 20, 2016 and the loan maturity date for AAF to May 20, 2014; recognize changes in interest rates, and; ratify the obligation under the guaranty agreements.

Mr. Minnifield made a motion, which Dr. Prather Seconded, to approve the following resolution:

RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC. REGARDING GUARANTEE OF LOAN TO AAF-LOUISVILLE, LLC

December 17, 2013

WHEREAS, Republic Bank & Trust Company ("Republic Bank") made a loan (the "Loan") to AAF-Louisville, LLC a Kentucky limited liability company ("AAF-Louisville"), and wholly-owned subsidiary of the University of Louisville Foundation, Inc., a Kentucky non-profit corporation (the "Foundation"), on February 24, 2012, in the original principal amount of $8,192,000.00;

WHEREAS, the Loan was made to AAF-Louisville in connection with its acquisition of certain real property located at 215 Central Avenue, Louisville, Kentucky and known as "Cardinal Station" (the "Property");

WHEREAS, the Loan is presently guaranteed by the Foundation;

WHEREAS, AAF-Louisville desires to extend the maturity date (the "Maturity Date") of the Loan to May 20, 2014, in order to allow

representatives of AAF-Louisville and the Foundation time to obtain permanent financing for the Property;

WHEREAS, the Maturity Date is the only term being modified;

WHEREAS, the extension of the Maturity Date is conditioned upon the Foundation (i) consenting to the extension of the Maturity Date and (ii) ratifying its obligations under the existing Guaranty Agreement;

WHEREAS, the Foundation has agreed to the foregoing conditions;

WHEREAS, the Board of Directors of the Foundation deems it to be in the best interest of the Foundation to consent to the extension of the Maturity Date and ratify the Foundation's obligations under the existing Guaranty Agreement;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Foundation hereby authorizes the officers (each an "Authorized Officer" and collectively, the "Authorized Officers") of the Foundation, acting together or individually, to execute and deliver any and all documents required to consent to the extension of the Maturity Date and ratify the Foundation's obligations under the existing Guaranty Agreement (the "Extension Transaction"), including, without limitation, Modification and Extension Agreements, Consents of Guarantor, guarantee agreements, environmental indemnity agreements, certificates and all other documents, instruments and certificates as any such Authorized Officer shall, in their sole discretion, deem necessary, convenient or desirable to evidence the Extension Transaction (collectively, the "Extension Documents"), in such form and with such changes, additions, deletions and/or amendments to the Extension Documents as may be approved by any such Authorized Officer, such approval to be conclusively evidenced by the execution thereof by such Authorized Officer, and when so executed, such Extension Documents, as modified or amended, shall be binding and enforceable against the Foundation;

FURTHER, RESOLVED, that any and all Extension Documents previously or hereafter executed and delivered on behalf of the Foundation in connection with the Extension Transaction and pursuant to the foregoing resolutions shall be deemed to be the act and deed of the Foundation and shall be binding and enforceable against the Foundation in all respects;

FURTHER RESOLVED, that the Board of Directors of the Foundation hereby authorizes the Authorized Officers, acting together or individually, to execute and deliver in favor of Republic Bank any further amendments, modifications, renewals or supplements of or to any of the foregoing agreements, documents or instruments as may be approved by any such Authorized Officer, such approval to be conclusively evidenced by the execution thereof by such Authorized Officer, and when so executed, shall be binding and enforceable against the Foundation; and

FURTHER RESOLVED, that all actions taken previously or hereafter by the officers of the Foundation, with respect to the preparation, execution and delivery of the Documents, and all other actions taken in connection with the Extension Transaction referred to by the foregoing resolutions be, and they hereby are, in all respects, approved, ratified and confirmed.

The motion passed.

3.2.13 fn20

MEETING OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

April 18, 2014
Cardinal Station Board Room

<u>Open Session Agenda</u>

			Tab
I.	Call to Order	Hagen	
II.	Consent Agenda	Hagen	
	• Approval of Minutes, 12-17-2013		1
	<u>From Finance Committee</u>		
	• Approval of: Jewish Heritage Fund Chair Quasi-Endowment		2
	• Approval of: Vogt Scholarship Quasi-Endowment		3
	• Approval of: Pediatric Neurorecovery Chair Quasi-Endowment		4
	• Approval of: Spending Policy		5
III.	Action Item: Resolutions on Acquisition and Improvement of Tafel Properties	Ramsey	6
IV.	Action Item: Resolutions on Acquisition of Property at 250-252 East Market Street	Ramsey	7
V.	Action Item: Approval of Investment in Sapulpa Real Estate Holdings, LLC	Ramsey	8
VI.	Report of the President	Ramsey	
VII.	Report of the Chair	Hagen	
	• Closed Session to discuss personnel matters and potential litigation, pursuant to KRS 61.810		
VIII.	Adjournment		

MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

In Open Session

Members of the University of Louisville Foundation, Inc. Board of Directors met at 12:00 p.m. on April 18, 2014, in the UL Foundation Board Room in Cardinal Station, with members present and absent as follows:

Present:	Ms. Joyce Hagen, Vice Chair, Presiding Dr. Larry Benz Mr. Jonathan Blue Mr. Junior Bridgeman Mr. Chuck Denny, arrived at 12:14 p.m. Dr. Salem George Ms. Margaret Handmaker Judge Rebecca Jackson Dr. Mark Lynn Mr. Frank Minnifield Dr. Jody Prather Dr. James R. Ramsey Dr. William Selvidge
Absent:	Ms. Debbie Scoppechio Mr. Frank Weisberg
From Legal Counsel:	Mr. David Saffer, Stites & Harbison
From the Foundation:	Dr. Shirley Willihnganz, Vice President Mr. Jason Tomlinson, Assistant Treasurer Mrs. Kathleen Smith, Assistant Secretary Mr. Burt Deutsch, Consultant
From the University:	Mr. Keith Inman, Vice President for University Advancement Ms. Susan Magness, Assistant Controller Ms. Cindy Hess, Assoc. VP of Communications and Marketing Mr. Jake Beamer, Boards Liaison

I. Call to Order

Having determined a quorum present, Vice Chair Hagen called the meeting to order at 12:00 p.m.

II. Consent Agenda

Vice Chair Hagen read the consent agenda as follows:

Consent Agenda

- Approval of Minutes of Regular Meeting, 12/17/2013

From the Finance Committee

- Approval of: Jewish Heritage Fund Chair Quasi-Endowment
- Approval of: Vogt Scholarship Quasi-Endowment
- Approval of: Pediatric Neurorecovery Chair Quasi-Endowment
- Approval of: Updated Spending Policy

Hearing no objection, Dr. Lynn made a motion, which Judge Jackson seconded, to approve the consent agenda.

The motion passed.

III. Action Item: Resolutions on Acquisition and Improvement of Tafel Properties

President Ramsey explained the board would purchase property and other assets known as the "Tafel Property" located at 1820 Arthur Street, 1900 Arthur Street, 1950 Arthur Street, 303 E. Brandeis Avenue, and 1901 South Floyd Street, and negotiate the terms and conditions under which KYT-Louisville would lease this property to the University and subsequently sublease a portion of the property to the Microlaboratory, Inc. of General Electric Company (1st Build).

Ms. Handmaker made a motion, which Dr. Selvidge seconded, to approve the following resolution:

WHEREAS, the officers (each an "Officer" and collectively, the "Officers") of the University of Louisville Foundation, Inc., a Kentucky non-profit corporation (the "Foundation"), have negotiated the terms and conditions under which the Foundation would purchase certain real property and other assets known as the "Tafel Property" located at 1820 Arthur Street, 1900 Arthur Street, 1950 Arthur Street, 303 E. Brandeis Avenue, and 1901 South Floyd Street, all in Louisville, Kentucky (collectively, the "Property") from (i) Northside Realty Company, a Kentucky corporation ("NRC"), (ii) TFG B&S Properties, LLC, a Kentucky limited liability company ("TFGBS"), (iii) TFG Louisville Properties, LLC, a Kentucky limited liability company ("TFGL"), and (iv) TFG Westside Realty, LLC, a Kentucky limited liability company ("TFGW" and with NRC, TFGBS, and TFGL each a "Seller" and collectively, the "Seller"), by executing and delivering a purchase agreement, by and among the Foundation and the Seller (the "Purchase Agreement");

WHEREAS, the Foundation is willing to spend up to Five Million Five Hundred Thousand and No/100 Dollars ($5,500,000.00), plus reasonable and necessary transaction costs, to acquire the Property from the Seller (the "Purchase");

WHEREAS, the Seller currently leases the Property to the University of Louisville (the "University");
WHEREAS, the University intends to sublease (the "Prime Sublease") the Property to KYT-Louisville, LLC, a wholly-owned subsidiary of the Foundation ("KYT-Louisville");

WHEREAS, KYT-Louisville intends to sublease (the "Sublease") a portion of the Property (the "Subleased Property") to Microfactory, Inc., a Delaware corporation and subsidiary of General Electric Company ("Microfactory");

WHEREAS, the Foundation intends to make certain improvements to the Subleased Property (the "Improvements") costing approximately $2,049,675;

WHEREAS, once the improvements are made to the Subleased Property, Microfactory intends to use the Subleased Property for general office purposes, demonstration, showroom and retail areas, dry laboratories, and operation of a micro-manufacturing facility operating in conjunction with General Electric Company's co-creation platform First Build, Inc.;

WHEREAS, Microfactory has also agreed to reimburse the Foundation for $291,555 of the Improvements; and

WHEREAS, after consultation with the Officers, the Board of Directors of the Foundation deems it to be in the best interest of the Foundation to (i) enter into the Purchase Agreement, and consummate the Purchase and (ii) make the Improvements to the Subleased Property.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Foundation hereby authorizes the Officers, acting together or individually, to execute and deliver any and all documents required to carry out the Purchase (the "Purchase Transaction"), including, without limitation, the Purchase Agreement, deeds, assignment and assumption agreements, affidavits, certificates and all other documents, instruments and certificates as any such Officer shall, in their sole discretion, deem necessary, convenient or desirable to evidence the Purchase Transaction (collectively, the "Purchase Documents"), in such form and with such changes, additions, deletions and/or amendments to the Purchase Documents as may be approved by any such Officer, such approval to be conclusively evidenced by the execution thereof by such Officer, and when so executed, such Purchase

Documents, as modified or amended, shall be binding and enforceable against the Foundation;

FURTHER RESOLVED, that the Board of Directors of the Foundation hereby authorizes the Officers, acting together or individually, to execute and deliver any and all documents required to complete the Improvements (the "Improvements Transaction" and with the Purchase Transaction collectively, the "Transactions"), including, without limitation, architects agreements, construction agreements, certificates and all other documents, instruments and certificates as any such Officer shall, in their sole discretion, deem necessary, convenient or desirable to evidence the Improvements Transaction (collectively, the "Construction Documents" and with the Purchase Documents collectively, the "Documents"), in such form and with such changes, additions, deletions and/or amendments to the Construction Documents as may be approved by any such Officer, such approval to be conclusively evidenced by the execution thereof by such Officer, and when so executed, such Construction Documents, as modified or amended, shall be binding and enforceable against the Foundation;

FURTHER, RESOLVED, that any and all Documents previously or hereafter executed and delivered on behalf of the Foundation in connection with the Transactions and pursuant to the foregoing resolutions shall be deemed to be the act and deed of the Foundation and shall be binding and enforceable against the Foundation in all respects;

FURTHER RESOLVED, that the Board of Directors of the Foundation hereby authorizes the Authorized Officers, acting together or individually, to execute and deliver any further amendments, modifications, renewals or supplements of or to any of the foregoing agreements, documents or instruments as may be approved by any such Officer, such approval to be conclusively evidenced by the execution thereof by such Officer, and when so executed, shall be binding and enforceable against the Foundation; and

FURTHER RESOLVED, that all actions taken previously or hereafter by the officers of the Foundation, with respect to the preparation, execution and delivery of the Documents, and all other actions taken in connection with the Transactions referred to by the foregoing resolutions be, and they hereby are, in all respects, approved, ratified and confirmed.

The motion passed.

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF LOUISVILLE

September 11, 2014

In Open Session

Members of the University of Louisville Board of Trustees met at 3:17 p.m. on September 11, 2014, in the Jefferson Room of Grawemeyer Hall, with members present and absent as follows:

Present: Dr. Robert Curtis Hughes, Chair
Mrs. Marie Abrams
Mr. Robert P. Benson
Dr. Laurence Benz
Dr. Emily Bingham
Mr. Ron Butt
Mr. Stephen Campbell
Dr. Pamela Feldhoff
Mr. Craig Greenberg
Ms. Monali Haldankar
Mr. Douglas Hall
Mr. Bruce Henderson
Ms. Angela Lewis-Klein
Ms. Brucie Moore
Dr. Jody Prather
Mr. Robert W. Rounsavall, III
Mr. Steve Wilson
Ms. Phoebe Wood

Absent: Mr. Jonathan Blue
Dr. Kevin Cosby

From the University: Dr. James R. Ramsey, President
Dr. Shirley Willihnganz, Executive Vice President and Provost
Dr. William Pierce, Executive Vice President for Research and Innovation
Dr. David L. Dunn, Executive Vice President for Health Affairs
Mr. Tom Jurich, Vice President for Athletics and Athletics Director
Mr. Keith Inman, Vice President for University Advancement
Mr. Dan Hall, Vice President for Community Engagement
Mr. Mitchell Payne, Sr. Assoc. VP for Finance and Budget Affairs
Ms. Susan Howarth, Assoc. Vice President for Finance and Budget Affairs
Mr. Jason Tomlinson, Assoc. Vice President for Finance and Budget Affairs
Dr. Mike Mardis, Interim VP for Student Affairs
Ms. Becky Simpson, Sr. Assoc. VP for Communications and Marketing

Nucleus

Ms. Wood updated the Board on Nucleus, noting funding for The Nucleus building was secured through a combination of New Market Tax credits and bond financing. Construction of The Nucleus at 300 E. Market was completed on budget and exceeded minority and work force participation goals. The Grand Opening of The Nucleus building was held in October 2013.

Atria was the anchor tenant and space in the building was fully committed. At the end of the fiscal year, tenants at The Nucleus included the Office of the Executive Vice President for Research and Innovation, Institute for Sustainable Health and Optimal Aging, Advanced Cancer Therapeutics, XLerateHealth, Interapt, MetaCyte and ULP. Tenants, including Atria, are working on fit out.

The Nucleus won the Business First 2014 Commercial Real Estate Deal of the Year and Best Office Project and was recognized for achieving LEED Silver certification - Rick Fedrizzi, Founder of the U.S. Green Building Council, presented the plaque. Nucleus also received the Silver Fleur-de-Lis Award from GLI in recognition for bringing together the elements essential for innovation and research commercialization success.

In recognition of an unrestricted $10M donation by J.D. Nichols, The Nucleus and all buildings in the 2-block area were part of the J.D. Nichols Campus for Innovation and Entrepreneurship. A parking garage feasibility study was completed for the Campus and garage construction should begin in October.

Nucleus welcomed 7 new companies to the TechCenter (Brook and Jefferson): John Darr Consulting, Apiq Semiconductor, Advanced Genomic Technologies, Hollison Technologies, Kotwal Bioconsulting, 3DSIM and Therapy X.

Nucleus launched Open Office Hours at the iHub; DMLO, Chrysalis Ventures, Fort Law and Blackstone Media provide free advice to local entrepreneurs with the iHub. Nucleus also hosted John Schnatter for an e+i event; subsequently aired by KET; LaunchIt classes for Fall, 2013 and Spring, 2014 enrolled almost 200 individuals who completed the training; and hosted four Startup Seminar Series events for entrepreneurs on the Nichols Campus.

The UofL Foundation purchased two new properties – the Dulworth Office Equipment building and a former restaurant called Icebreakers – to expand the leasable space at the Nichols Campus.

MINUTES OF THE EXECUTIVE COMMITTEE OF THE
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

In Open Session

Members of the Executive Committee of the University of Louisville Foundation, Inc., met at 1:11 p.m., on December 17, 2013, in the Jefferson Room, Grawemeyer Hall, Belknap Campus, with members present and absent as follows:

Present:	Ms. Joyce Hagen, Vice Chair Dr. James R. Ramsey, President, *ex officio* Mr. Frank Weisberg
Absent:	Ms. Debbie Scoppechio, Chair Mr. Junior Bridgeman
Legal counsel:	Mr. David Saffer, Stites & Harbison
From the Foundation:	Dr. Shirley Willihnganz, Vice President Mr. Jason Tomlinson, Assistant Treasurer Mrs. Kathleen Smith, Assistant Secretary Dr. Salem George Mr. Ed Glasscock Ms. Margaret Handmaker Mr. Frank Minnifield Dr. Jody Prather Dr. William Selvidge
From the University:	Dr. David Dunn, Executive Vice President for Health Affairs Dr. William Pierce, Executive Vice President for Research and Innovation Mr. Keith Inman, Vice President for University Advancement Mr. Mike Kramer, Director of Investment and Financial Management Ms. Anne Rademaker, Dir. Of General Reporting and University Accounting Ms. Susan Magness, Assistant Controller Mr. Justin Ruhl, Foundation Accounting Supervisor Mr. Mark Hebert, Director of Media Relations Ms. Susan Howarth, Assoc. Vice President for Finance and Budget Affairs Mr. Jake Beamer, Boards Liaison

I. Call to Order

Having determined a quorum present, Vice Chair Hagen called the meeting to order at 1:11 p.m.

Approval of Minutes, August 6, 2013

Dr. Ramsey made a motion, which Mr. Weisberg seconded, to approve the minutes of August 6, 2013. The motion passed.

II. Action Item: Approval of Resolution regarding Loan to CCG

Mr. Saffer explained the conditions of the resolution and fielded questions from board members. Dr. Ramsey made a motion, which Mr. Weisberg seconded, to approve the following resolution:

> **WHEREAS, the Managers (each a "Manager" and collectively, the "Managers") of CCG-Louisville, LLC, a Kentucky limited liability company ("CCG-Louisville"), and wholly-owned subsidiary of the University of Louisville Foundation, Inc., a Kentucky non-profit corporation (the "Foundation"), are presently negotiating the terms and conditions under which CCG-Louisville would enter into an agreement to purchase certain real property and other assets known as the "Cardinal Club Golf Club" all located at 401 Champions Way, Simpsonville, Kentucky (the "Property") from Champions Way, LLC, a Kentucky limited liability company (the "Seller"), and accept a gift from Seller, by executing and delivering an Asset Purchase and Gift Agreement, by and among CCG-Louisville, the Seller and Chester W. Musselman (the "Purchase Agreement");**
>
> **WHEREAS, the Managers currently estimate that CCG-Louisville will be able to purchase the Property from the Seller (the "Purchase") for a purchase price of approximately Three Million Five Hundred Thousand and No/100 Dollars ($3,500,000.00) plus the cost of certain inventory of the Seller (collectively, the "Purchase Price");**
>
> **WHEREAS, the Managers estimate that CCG-Louisville will require working capital to make certain improvements to and operate the Property (the "Working Capital");**
>
> **WHEREAS, the Managers of CCG-Louisville have requested that the Foundation make a loan (the "Loan") to CCG-Louisville in an amount not to exceed $4,000,000.00, which Loan will be (i) used by CCG-Louisville to pay the Purchase Price and provide for the necessary Working Capital and (ii) evidenced by a promissory note requiring CCG-Louisville to repay the Loan over a thirty (30) year period at two percent (2%) interest, in annual installments of principal and interest beginning December 1, 2018, which is callable by the Foundation, in its sole and absolute discretion, on December 6, 2028, and at any time thereafter;**

WHEREAS, the Executive Committee, on behalf of the Board of Directors of the Foundation deems it to be in the best interest of the Foundation to make the Loan to CCG-Louisville.

NOW, THEREFORE, BE IT RESOLVED, that the Executive Committee, on behalf of the Board of Directors of the Foundation hereby authorizes the officers (each an "Authorized Officer" and collectively, the "Authorized Officers") of the Foundation, acting together or individually, to execute and deliver any and all documents required to make the Loan to CCG-Louisville (the "Loan Transaction"), including, without limitation, loan agreements, promissory notes, certificates and all other documents, instruments and certificates as any such Authorized Officer shall, in their sole discretion, deem necessary, convenient or desirable to evidence the Loan Transaction (collectively, the "Loan Documents"), in such form and with such changes, additions, deletions and/or amendments to the Loan Documents as may be approved by any such Authorized Officer, such approval to be conclusively evidenced by the execution thereof by such Authorized Officer, and when so executed, such Loan Documents, as modified or amended, shall be binding and enforceable against the Foundation;

FURTHER, RESOLVED, that any and all Loan Documents previously or hereafter executed and delivered on behalf of the Foundation in connection with the Loan Transaction and pursuant to the foregoing resolutions shall be deemed to be the act and deed of the Foundation and shall be binding and enforceable against the Foundation in all respects;

FURTHER, RESOLVED, that any and all documents or instruments previously or hereafter executed and delivered on behalf of the Foundation in connection with the formation of CCG-Louisville shall be deemed to be the act and deed of the Foundation and shall be binding and enforceable against the Foundation in all respects;

FURTHER RESOLVED, that the Executive Committee, on behalf of the Board of Directors of the Foundation, hereby authorizes the Authorized Officers, acting together or individually, to execute and deliver any further amendments, modifications, renewals or supplements of or to any of the foregoing agreements, documents or instruments as may be approved by any such Authorized Officer, such approval to be conclusively evidenced by the execution thereof by such Authorized Officer, and when so executed, shall be binding and enforceable against the Foundation; and

FURTHER RESOLVED, that all actions taken previously or hereafter by the officers of the Foundation, with respect to the formation of CCG-Louisville and the preparation, execution and delivery of the Loan

Documents, and all other actions taken in connection with the Loan Transaction referred to by the foregoing resolutions be, and they hereby are, in all respects, approved, ratified and confirmed.

The motion passed.

III. Adjournment

Mr. Weisberg made a motion, which Dr. Ramsey seconded, to adjourn the meeting at 1:29 p.m.

The motion passed.

Approved by:

Signature on File
Asst. Secretary

MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF LOUISVILLE

November 29, 2016

In Open Session

Members of the University of Louisville Board of Trustees met at 10:03 a.m. on November 29, 2016, in Rooms 101 and 102 of the Kosair Charities Clinical and Translational Research Building, with members present and absent as follows:

Present:
Dr. Larry Benz, Chairman
Mr. William Armstrong
Mrs. Marie Abrams
Mr. Jonathan Blue (via videoconference)
Mr. Stephen Campbell (via videoconference)
Dr. Emily Bingham
Mr. Craig Greenberg
Mr. Doug Hall
Mr. Larry Hayes
Mr. Bruce Henderson
Dr. Robert Curtis Hughes
Ms. Brucie Moore
Dr. Jody Prather
Mr. William Summers, IV
Prof. Enid Trucios-Haynes
Mr. Aaron Vance

Absent:
Mr. Robert P. Benson, Jr.

From the University:
Dr. Neville Pinto, Acting President
Dr. Dale B. Billingsley, Acting Executive Vice President and Provost
Dr. Greg Postel, Interim Exec. VP for Health Affairs (via videoconference)
Dr. William Pierce, Executive Vice President for Research and Innovation
Mr. Harlan Sands, Sr. VP for Finance and Administration, CFO/COO
Ms. Leslie Strohm, Vice President for Strategy and General Counsel
Dr. Michael Mardis, Dean of Students
Mr. John Karman, Director of Media Relations
Mr. David Adams, CEO of the Institute for Product Realization
Ms. Becky Simpson, Sr. Assoc. VP for Communications and Marketing
Dr. Kimberly Kempf-Leonard, Dean of the College of Arts & Sciences
Dr. Charlie Leonard, Special Assistant to the Provost
Dr. Gary Gregg, Director of the McConnell Center
Dr. Deborah Keeling, Associate Dean of Faculty Affairs

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

3.2.13 fn24

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	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

3.2.13 fn25

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	Good (1/3) Performance	Better (2/3) Performance	Best (3/3) Performance	Progress Achieved
President						
	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 Overpass as initial projects	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 property	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 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.

UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC. REGARDING THE ACQUISITION OF PROPERTY

July 10, 2015

WHEREAS, the officers (each and "Officer" and collectively, the "Officers") of the University of Louisville Foundation, Inc., a Kentucky non-profit corporation (the "Foundation"), are presently negotiating the terms and conditions under which the Foundation would enter into an agreement to purchase certain real property and other assets known as the "K&I Lumber Property" located at 227 East Lee Street, Louisville, Kentucky (the "Property") from K-I Property, LLC (the "Seller"), by executing and delivering a Real Estate Purchase Agreement, by and between the Foundation and the Seller (the "Purchase Agreement");

WHEREAS, the Foundation is willing to spend up to Two Million Eight Hundred and Fifty Thousand and No/100 Dollars ($2,850,000.00) for the Foundation to acquire the Property from the Seller (the "Purchase");

WHEREAS, simultaneously with, or at any time after, the completion of the Purchase the Foundation may determine it to be in the best interest of the Foundation to transfer the Property (the "Transfer") to the University of Louisville Real Estate Foundation, Inc., a Kentucky non-profit corporation ("ULREF");

WHEREAS, based on the recommendation of the Finance Committee and after consultation with the Officers, the Board of Directors of the Foundation deems it to be in the best interest of the Foundation to enter into the Purchase Agreement, consummate the Purchase, and complete the Transfer.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Foundation hereby authorizes the Officers, acting together or individually, to execute and deliver any and all documents required to carry out the Purchase and the Transfer (the "Transaction"), including, without limitation, the Purchase Agreement, deeds, assignment and assumption agreements, lease agreements, affidavits, certificates and all other documents, instruments and certificates as any such Officer shall, in their sole discretion, deem necessary, convenient or desirable to evidence the Transaction (collectively, the "Documents"), in such form and with such changes, additions, deletions and/or amendments to the Documents as may be approved by any such Officer, such approval to be conclusively evidenced by the execution thereof by such Officer, and when so executed, such Documents, as modified or amended, shall be binding and enforceable against the Foundation;

FURTHER, RESOLVED, that any and all Documents previously or hereafter executed and delivered on behalf of the Foundation in connection with the Transaction and pursuant to the foregoing resolutions shall be deemed to be the act and deed of the Foundation and shall be binding and enforceable against the Foundation in all respects;

FURTHER RESOLVED, that the Board of Directors of the Foundation hereby authorizes the Officers, acting together or individually, to execute and deliver any further amendments, modifications, renewals or supplements of or to any of the foregoing agreements, documents or instruments as may be approved by any such Officer, such approval to be conclusively evidenced by the execution thereof by such Officer, and when so executed, shall be binding and enforceable against the Foundation; and

FURTHER RESOLVED, that all actions taken previously or hereafter by the Officers of the Foundation, with respect to the preparation, execution and delivery of the Documents, and all other actions taken in connection with the Transaction referred to by the foregoing resolutions be, and they hereby are, in all respects, approved, ratified and confirmed.

Action:

Passed: ____X______
Did Not Pass:______
Other:____________

Katalin M. Smith
Assistant Secretary

developing property owned and acquired as revenue producing assets. UHI is affiliated with the Foundation through certain common management and directors. The following are UHI's managed LLCs:

Cardinal Station, located at Third Street and Central Avenue, is a limited liability corporation formed in February 2008 whose sole member is the Foundation. It houses several of the University's primary care and medical specialty programs serving the south-central Louisville neighborhoods.

Jewish Hospital's Frazier Rehab Center offers a sports medicine program for conditioning and indoor strength activities associated with the baseball program. In addition the Athletic Association has recently leased space on the first floor for the Baseball staff through December 2024.

The Student Counseling Center will occupy their newly leased space beginning in August 2015 and will provide services and programs that support the psychological well-being, holistic development, and retention of University of Louisville students.

KYT is a limited liability corporation formed in November 2008 whose sole member is the Foundation. Its purpose is to manage the real estate purchased and to develop property adjacent to the University. Also in 2008, KYT acquired 33 acres at the former site of Kentucky Trailer to house the Belknap Engineering and Applied Science Research Park.

Phoenix Place is a limited liability corporation formed in April 2009 to develop and manage property acquired near UofL's Health Science Campus; its sole member is the Foundation. Phoenix Place Apartments is one of Louisville's finest downtown apartment communities located within walking distance of UofL Medical and Dental Schools, just blocks from many of Louisville's cultural attractions.

University of Louisville Development Corporation (ULDC) is a limited liability corporation formed in September 2007 whose sole member is the Foundation. It was established to serve as the Foundation's master developer for the ShelbyHurst Research and Office Park in eastern Jefferson County. In addition, the Foundation provided matching funds to


UNIVERSITY OF
LOUISVILLE
Welcome to the
Institute for Product Realization
Dr. James R. Ramsey, President, University of Louisville
333
firstbuild
October 8, 2015

3.2.13 fn28

Institute for Product Realization (IPR)

- 1B | Firstbuild
- UL AMCC – Additive Manufacturing Competency Center
- EEG – Engineering Education Garage

CORPORATE VENTURE INVESTING

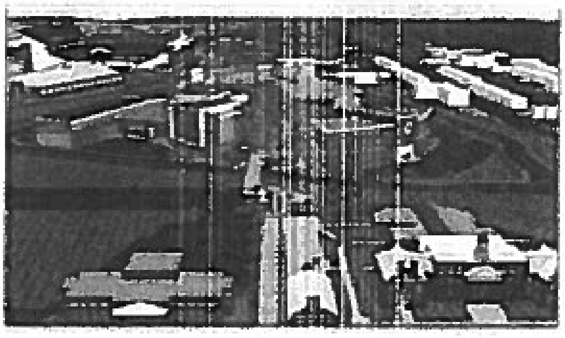
Through partnerships in the business community the Foundation strengthens the University's financial position while growing institutional standards. These alliances affect positive change in both the community and people's lives, and create breakthroughs that enhance the region and spur economic growth.

While new buildings are tangible examples of success and expansion on campus, the real catalysts of progress are the innovators and companies housed within those structures. The Foundation has invested in several start-up companies that are direct results of cutting-edge research enabling the University to become partners in several commercial ventures.

These new companies have created well-paying jobs for Kentucky and economic opportunity for our city.

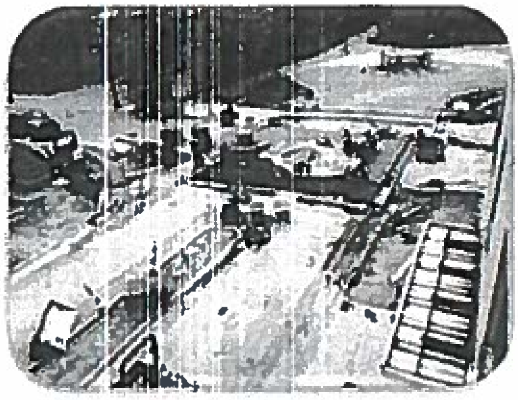
Nucleus: Kentucky's Life Sciences and Innovation Center, LLC was formed in February 2008 under the name Nucleus Healthcare, LLC. Its purpose is to integrate University resources, including life sciences, with those of the region. The Foundation is the sole member of Nucleus and UHI is the manager.

Nucleus was created primarily to help grow the science-, research-, and technology-based companies in our community by providing training and support services on the J.D. Nichols Campus.



South Ariel View of Belknap Engineering and Science Park

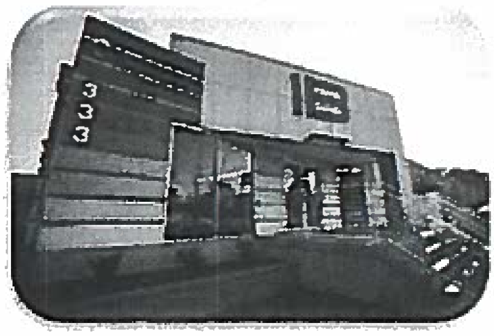
Belknap Engineering and Science Park is being constructed on a 39-acre tract bordering the J.B. Speed School of Engineering. The first building planned is a 225,000 square foot structure to house the Institute of Product Realization and Innovation. This Institute will conduct research in additive manufacturing and logistics, renewable energy, and analytics and computer science. The facility may also include Launchpad and Microfactory components consisting of staff, 3D printing, and equipment dedicated to support industry in the development of new products and processes.



Roadway and access improvements at Floyd and Warnock Sts.

To facilitate better access into and out of the research park, the Foundation has committed $10.7 million in matching dollars to assist the University in securing $47.3 million in allocations and grants from the Kentucky Transportation Cabinet to improve and provide infrastructure and roadways at the Belknap Campus and Research Park.

FirstBuild Micro-Factory opened in July 2014 on East Brandeis Avenue on the University of Louisville Belknap Campus. In collaboration with General Electric (GE) this factory will serve as an advanced manufacturing hub where students can conduct research while receiving practical training on the latest additive manufacturing techniques and technologies in a micro-factory setting. The micro-factory will focus on the future of cooking as its first set of projects. In partnership with Local Motors, the factory will create a new model for the manufacturing industry, providing a platform for a global community of innovators to prototype, iterate, and refine existing GE products, as well as develop new designs. Local community members will be encouraged to work alongside FirstBuild employees to bring these designs to life within the community.



Engineering Garage (EG), located adjacent to the FirstBuild Micro-Factory, serves students by providing classroom space, advanced manufacturing equipment, and engineers to assist in learning, share ideas and concepts, and create working prototypes. It extends outreach to regional schools from the elementary level through

3.2.13 fn30

UNIVERSITY OF LOUISVILLE.

Office of the President

Dec. 9, 2016

Honorable Mike Harmon
Auditor of Public Accounts
209 St. Clair Street
Frankfort, Ky. 40601

RE: Preliminary Response to Examination of the Governance of the University of Louisville Foundation and its Relationship to the University of Louisville

Dear Auditor Harmon:

We appreciate the Auditor's Office responding to our request for an examination of the University of Louisville Foundation and agree overall with your findings. We also thank you for the considerable time and effort expended by the Auditor of Public Accounts team in reviewing information.

The University of Louisville Foundation has a critical mission to support the University of Louisville in its efforts to maintain its distinction as a premier, nationally recognized metropolitan research university. The foundation fulfills that mission in many ways, including through the funding and support of the university's education, research and service goals through such things as student scholarships, research chairs, endowed professorships, faculty grants and salaries and other academic initiatives. It is an invaluable asset.

We recognize and appreciate that many in the community—including UofL faculty and staff, students, alumni, supporters, donors and other stakeholders—have concerns about whether the foundation has adhered to best practices in its governance, accounting and financial record keeping. We can assure you that considerable time and energy have been and will continue to be spent addressing the issues that you have identified.

More specifically, we believe it is important to note that needed changes to the leadership of the foundation and some of its policies and procedures have occurred in recent months. We have pledged to operate in a spirit of transparency and openness while maintaining our commitment to advance the intellectual, social and economic development of our community.

We can report that substantial change and corrective action are already underway to address many of the findings in your governance review. These measures include:

- Hiring outside counsel through a University of Louisville Foundation Board resolution to help establish processes that have ensured we are now in compliance with our legal obligation to fulfill Open Records Requests in a timely manner.

- Creating a vastly improved working relationship between the University of Louisville Board of Trustees and University of Louisville Foundation Board. As one example, the two entities are working cooperatively on a Joint Audit Oversight Committee that recently selected Alvarez & Marsal Disputes and Investigations LLC to conduct a forensic audit of the foundation.

- Establishing a new foundation committee to oversee the foundation's governance and organizational structure and to suggest any needed modifications.
- Joining the Association of Governing Boards of Universities and Colleges (AGB), a premier organization focused on governance in higher education and assisting institutions with instilling best practices. Both the University of Louisville and the University of Louisville Foundation are now members.
- Hiring Keith Sherman as interim executive director/chief operating officer of the foundation to improve operations of the foundation and to implement best practices.
- Establishing a board orientation program. The first session will be held at the Dec. 21 board meeting focusing on foundation By-Laws, Open Record Request procedures and Conflict of Interest statements.
- Determining that the current interim president of the university would not serve as president of the foundation during this transition period.
- Ensuring that the university's senior vice president of finance and chief operating officer will serve on the foundation's Finance Committee.

Again, we thank you for the invaluable work by your team. This audit provides a roadmap for further improvements in the oversight and daily operations of the foundation, and we look forward to continuing the work necessary to ensure that public confidence and trust in this important resource is fully restored. We will provide a more detailed Corrective Action Plan to your office within the next 60 days. While much of that work remains, as we've stated above a tremendous amount has been accomplished in a short amount of time. It is truly a new day for the University of Louisville and the University of Louisville Foundation.

Neville G. Pinto

Bruce W Moore

Neville Pinto, Interim President
University of Louisville

Brucie Moore, Chair
University of Louisville Foundation

UNIVERSITY OF LOUISVILLE.

The Co
The I
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.
It's Happening Here.

February 13, 2017

Honorable Mike Harmon
Auditor of Public Accounts
209 St. Clair Street
Frankfort, KY 40601

RE: Corrective Action Plan in Response to the State Auditor's Examination of the Governance of the University of Louisville Foundation and its Relationship to the University of Louisville

INTRODUCTION

On December 6, 2016, the University of Louisville Foundation ("Foundation" or "ULF") and the University of Louisville ("UofL" or "University") received a preliminary report from Mike Harmon, Auditor of Public Accounts, for the Commonwealth of Kentucky ("APA"). This report was titled: "Draft Examination of the Governance of the University of Louisville Foundation and its Relationship to the University of Louisville" (hereinafter "Preliminary Report"). On December 9, 2016, the University and the Foundation jointly submitted a response to this Preliminary Report. The recommendations and most of the findings of the APA were agreed with generally. On December 14, 2016, Mr. Harmon's Office released its Final Report (hereinafter "Report") to the public.

This Corrective Action Plan, submitted jointly by the Foundation and the University more specifically responds to the Report and outlines the Foundation and University's corrective action plans, if any, to each finding. We again thank the Auditors Office for their hard work on this matter. The Examination has and will continue to serve as a roadmap for future operations.

Finding 1: Requests for documentation and other information were met with continued delays and unclear or inconsistent responses.

Recommendations and Corrective Action Plans:

1. ULF Board review policies and procedures to ensure accountability and transparency is a clear expectation of both officers and staff.

    Response: We agree that officers and staff must understand all policies and procedures to ensure appropriate accountability and transparency.

    Action: The Foundation hired a new Interim Executive Director to oversee the day-to-day operations of the Foundation. He, in conjunction with new Board leadership, is reviewing all policies and procedures. Current policies are being revised as necessary and new policies and procedures will be created where needed. To ensure that all operational expectations are clear, appropriate and meet the needs and expectations of our constituents, training will be provided to all ULF staff and Board Members to ensure a full understanding of policies and procedures. All policies and procedures will be reviewed annually.

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Start Date: December 2016

Target End Date: July 2017

Status: 20% Completed

2. That all ULF employees receive training on Board Policies, Open Meetings and Open Records and professional ethics.

    Response: We agree that all Foundation employees should receive training on Board Policies, Open Meeting and Open Records.

    Action: An orientation on Foundation Bylaws, Open Meetings and Open Records has been completed and presented to the Foundation Board of Directors during its December 21, 2016 Board meeting. The same training was provided to Foundation staff on January 19, 2017. As new policies and procedures are finalized, they too will be reviewed with ULF employees.

    Start Date: December 2016

    Target End Date: June 2017

    Status: 60% Completed

3. Review current operational processes and ensure records are organized to meet the accountability and transparency objectives of the ULF Board, including a budget to actual analysis for its operational costs.

    Response: We agree that all processes should be reviewed and that all records should be maintained to meet accountability and transparency objectives.

    Action: See number 1.1 above. The Foundation is preparing a line item budget for the upcoming fiscal year to ensure an ongoing budget to actual analysis is available to management as well as the Boards of ULF and the University. We also are working diligently to maintain records in a manner that is more readily producible.

    Start Date: December 2016

    Target End Date: July 2017

    Status: 30% Completed

4. ULF consider creating an internal audit function reporting to the ULF Board or committee thereto.

    Response: Due to the relatively small size of the Foundation staff, we have determined it would not be efficient to have an internal audit function. With enhanced governance, new leadership and a greater emphasis on training, we believe an external audit process is sufficient to ensure compliance with GAAP and our internal policies and procedures. Currently we have a services agreement with BKD LLP to provide this external audit support.

    Action: Continue outsourcing audit function

    Start Date: January 2017

    Target End Date: Ongoing

    Status: 100% Completed

Finding 2: Administrative operations of the University and its Foundation were at times indistinguishable and led to ineffective governance.

Recommendations and Corrective Action Plans:

1. UofL and ULF Boards discuss together, through designated committees of each board, the need and potential benefits and disadvantages of having the president of the UofL serve as the president of the Foundation.

    Response: We agree that the President of the University should not also serve as the President of the Foundation.

    Action: The Foundation and University already have taken steps to ensure the President of the University is not the President of the Foundation. Then Acting President Neville Pinto recused himself as President of the Foundation. Interim President Greg Postel has done the same. Then Foundation Chair Brucie Moore and Dr. Pinto hired an Interim Executive Director to run the day-to-day operations. A President cannot be appointed at the Foundation without the express approval of the Board of Directors, whose Chair has committed to not putting the University President in that role. As the Foundation's bylaws are updated this year, they will be affirmatively updated to prevent the University President from being the President of the Foundation.

    Start Date: November 2016

    Target End Date: June 2017

Status: 25% Completed

2. UofL and ULF Boards consider developing an MOU to establish an effective set of operational and governing policies. The MOU should be the result of a collaborative process between the two boards and should include a review of recommended principles and practices.

    Response: We agree with this recommendation. An MOU will provide an opportunity for both University and Foundation leaders to examine how the Foundation can most effectively advance the mission of the University, develop a shared vision for the future partnership, and clarify mutual expectations and responsibilities. This will further ensure that regardless of leadership changes at either entity all parties understand respective roles and responsibilities.

    Action: A joint work group comprised of members of each Board will be created to adopt the MOU. At its meeting on February 16, 2017, the University's Board of Trustees will charge an Ad Hoc Committee on Board Governance with responsibility for working with the Foundation on this MOU.

    Start Date: February 2017

    Target End Date: June 2017

    Status: 10% Completed

3. UofL administration review its human resource processes and management structure to determine whether they are appropriate for its organization and whether they provide fair and consistent treatment of UofL personnel. After the review is complete, we recommend the administration update its personnel policies to be consistent with the approved changes. As part of this policy review, we recommend the UofL administration develop administrative policies to establish guidelines and parameters by which additional benefits such as vehicle and cellphone allowances may be awarded. This policy should be formalized in writing and approved consistent with UofL policy.

    Response: A *University Administrative Policy Review and Approval Process* was developed in the fall of 2016. UofL HR is currently conducting a review of UofL HR policies consistent with this process.

    Action: The University's Associate Vice President in Human Resources will lead the initiative to review/update all HR policies & procedures for administrators and staff and will work with the appropriate parties to reconcile the 'Red Book'. Priority will be given to policies that affect employee benefits and compensation. A project plan and timeline will be presented to the University's administration in the first quarter of 2017. The project plan will include implementation and communication plans. Additionally, a recommendation will be presented to the

University's administration on accountability, monitoring and reporting systems to ensure implementation and compliance.

Start Date: January 2017

Target End Date: November 2017

Status: 20% Completed

4. University administration involve its General Counsel when considering matters that will result in any legal agreements or arrangements transferring funds from the University to the Foundation, and in any matters that could appear to be noncompliant with existing agreements, regulations or laws.

Response: The Board of Trustees and University Administration agree.

Action: Administration for the University has put in place a procedure to ensure that the General Counsel's Office is asked to review documentation whenever fund transfers to the Foundation are planned in order to ensure legal compliance

Start Date: February 2017

Target End Date: Ongoing

Status: Ongoing

5. UofL Board, or a committee of its body, consider creating a policy to address the University's ability to transfer funds to the Foundation. We recommend any consideration of such a policy be discussed with the appropriate University administrators, including the University's General Counsel. If a policy is created, we recommend the policy is formalized in writing, approved by the full Board, and distributed to all appropriate University personnel.

Response: The Board of Trustees and University Administration agree.

Action: The Board of Trustees' new Ad Hoc Committee on Board Governance, once in place, will review this issue and recommend to the full Board the adoption of a policy outlining financial transactions with appropriate dollar thresholds that will require Board of Trustees' approval. Examples could include:

• Approval of all fund transfers, loans, lines of credit, investments from the University to any UofL Foundation entity exceeding $250,000

Start Date: February 2017

__Target End Date:__ June 2017; Ongoing after Board approval

__Status:__ Ongoing

__Finding 3__: Conflict among members of the UofL Board and the administration created an environment of distrust resulting in a dysfunctional governing climate affecting both the University and the Foundation.

__Recommendations and Corrective Action Plans:__

1. UofL Board of Trustees operate in an atmosphere that welcomes open and forthright discussion of issues the University faces. Discussions at Board meetings should be civil and respectful even if there are disagreements.

__Response:__ The Board of Trustees and the University administration agree.

__Action:__ On January 7, 2017, the Kentucky General Assembly enacted new legislation transferring all authority, function and responsibility from the then active University of Louisville board of trustees to a newly created and established board of trustees. On January 17, 2017, the Kentucky Governor appointed 10 new members to the board of trustees, subject to confirmation by the State Senate. These ten new appointees join three constituent members representing the University's faculty, staff and students for a board with thirteen total members. The newly constituted board held its first meeting on January 21, 2017 and demonstrated its commitment to open, forthright, civil, and respectful discussion as it carried out its fiduciary responsibilities to the University, including the election of Board officers and the appointment of a new Interim President for the University.

In December of 2016, the University became a member of the Association of Governing Boards of Universities and Colleges, the leading higher education organization serving governing boards, trustees, and senior campus leaders. As an AGB member, the University, the trustees and the senior campus leaders will have access to extensive AGB resources discussing and fostering effective board governance. In addition, the new board members will benefit from an extensive board orientation program coordinated through Kentucky's Council on Postsecondary Education.

__Start Date:__ January 2017

__Target End Date:__ Ongoing.

__Status:__ Ongoing

Finding 4: Endowment funds totaling $67 million, budgeted for use by the University, were loaned to the Foundation and an affiliate organization without prior notification to, or approval, by the UofL Board.

Recommendations and Corrective Action Plans:

1. University refrain from loaning its funds to the Foundation and its affiliates.

    Response: The Board of Trustees and University Administration generally agree.

    Action: Future transfers between the entities will be governed by the Board of Trustees' policy to be adopted, as outlined in response to Finding 2.5 above.

    Start Date: February 2017

    Target End Date: June 2017; Ongoing after Board approval

    Status: Ongoing

2. UofL Board consider revising its Short-Term Investment Guidelines policy to again require annual reporting on the status of short-term investment funds by the UofL Senior Vice President (SVP) for Finance and Administration.

    Response: The Board of Trustees and University Administration agree.

    Action: The University's Short-term Investment Policy was revised in the spring of 2016 with the provision that the Board of Trustees would be updated as requested. The University will reinstitute a routine reporting on short-term investments as part of overall financial reporting activity no less frequently than annually.

    Start Date: February 2017

    Target End Date: Ongoing

    Status: Ongoing

3. University administration ensure any discussion involving "cash management strategies" and short-term investments be vetted by the SVP for Finance and Administration.

    Response: The Board of Trustees and University Administration agree.

    Action: The job description for the Chief Financial Officer should explicitly include setting direction and establishing supporting policies for cash management and short-term investments.

__Start Date:__ Immediately - completed

__Target End Date:__ Ongoing

__Status:__ Ongoing

4. ULF Board and the UofL Board each establish a policy establishing criteria for reporting financial activity to each board. The policy should include criteria such as the type of activity, dollar threshold, and limitations. The policy established by each board should be formally documented in writing, along with details noting the purpose of the presentation, the frequency, the level of detail to be reported to the board, and who should present reports.

   __Response:__ We agree with this recommendation.

   __Action:__ The University and the Foundation will develop policies that establish criteria for reporting financial activity to their respective Boards. These policies will formalize in writing the following:
   - Type of activity
   - Dollar threshold
   - Any limitations or exclusions
   - Frequency
   - Who will be responsible for said report

   __Start Date:__ February 2017

   __Target End Date:__ June 2017; Ongoing after Board approvals

   __Status:__ Ongoing

__Finding 5__: Action taken by the former UofL and ULF President to appoint an acting Chief Administrative Officer appears to violate ULF Bylaws.

__Recommendations and Corrective Action Plans:__

1. ULF Board and President abide by the ULF bylaws in all matters, including the appointment and compensation of ULF officers.

   __Response:__ We agree with this recommendation.

   __Action:__ We have provided training to the ULF Board on these requirements, have ensured that counsel for the Foundation is aware of these requirements, and will, through the work of the governance committee, ensure that, as new policies are created, at least one will specifically ensure no appointments, compensation or policies can be effectuated without express Board and/or Executive Committee approval.

Start Date: December 2016

Target End Date: June 2017

Status: 30% Completed

2. ULF Board should ensure appropriate checks and balances are put into place to avoid situations in which a single individual has the ability to take actions beyond those authorized. As such, we recommend the ULF Board not knowingly approve, ratify, or allow its president to take actions that are in contravention of the bylaws.

   Response: We agree with this recommendation.

   Action: We have provided training to the ULF Board on these requirements, have ensured that counsel for the Foundation is aware of these requirements and will, through the work of the governance committee, ensure that, as new policies are created, at least one will specifically ensure no appointments, compensation or policies can be effectuated without express Board and/or Executive Committee approval.

   Start Date: December 2016

   Target End Date: June 2017

   Status: 30% Completed

3. ULF Board designate a committee of its body to annually review the ULF bylaws to determine whether updates are needed. After the review is performed, the committee responsible for performing the review should report the review results to the full ULF Board.

   Response: We agree with this recommendation.

   Action: A governance committee of the Board will be re-constituted in light of Board member changes. This committee will work on revisiting and revising the current bylaws and overall governance of the Board. This will include an annual review of the same.

   Start Date: December 2016

   Target End Date: June 2017

__Status:__ 20% Completed

__Finding 6__: The ULF Board compensated the former UofL President beyond the amount approved by the UofL Board and beyond the amount provided under the terms of his contract.

__Recommendations and Corrective Action Plans:__

1. ULF Board refrain from taking any actions that exceed its authority, such as increasing the President's university salary without an official recommendation from the UofL Board. Further, any offer from the ULF Board to assist beyond what was requested from the UofL Board should be considered and acted upon by the UofL Board in compliance with University Bylaws.

    __Response:__ We agree with this recommendation.

    __Action:__ The issue has been rendered moot by virtue of the President of the University no longer being able to serve as the President of the Foundation. We further have taken steps, as described in response to Finding 5.5.

    __Start Date:__ October 2016

    __Target End Date:__ Ongoing

    __Status:__ 100% Completed

2. ULF Board compensate its president in compliance with established contract terms.

    __Response:__ We agree with this recommendation.

    __Action:__ As discussed in response to Finding 5.5, we are developing more robust governance to ensure this is complied with.

    __Start Date:__ December 2016

    __Target End Date:__ June 2017

    __Status:__ 25% Completed

__Finding 7__: The University CFO was not included in meetings of the ULF Board Finance Committee in violation of its bylaws and in direct conflict with his contract with the Foundation.

__Recommendations and Corrective Action Plans:__

1. ULF Board structure its committees in accordance with the requirements established by its bylaws and that all ex officio members be properly notified of meetings. All committee members should review and be aware of their responsibilities.

Response: We agree with this recommendation.

Action: The soon to be revised bylaws will further ensure the requirements are clear and unmistakable and that that they are complied with to ensure notice is properly provided.

Start Date: December 2016

Target End Date: June 2017

Status: 75% Completed

2. University CFO be appropriately involved in financial decisions directly affecting the University.

Response: We agree with this recommendation.

Action: The University CFO will be formally apprised of all Foundation Board meetings, all Finance Committee Board meetings and any other committee meetings that affect the University. The Foundation takes seriously its mission to support the University in its academic endeavors. No decisions may or will be made that could affect the University financially without first involving the University CFO.

Start Date: December 2016

Target End Date: Ongoing

Status: 100% Completed

Finding 8: ULF Board members do not receive an orientation despite the growing complexity of Foundation operations.

Recommendations and Corrective Action Plans:

1. ULF Board, in consultation with the Foundation administration, develop and implement a formalized orientation for new and returning board members. This orientation should provide members with a clear understanding of the Foundation and its affiliated entities, their role, as well as their legal and fiduciary responsibilities as board members.

Response: We agree with this recommendation.

Action: We already have begun this development work, which will continue for the remainder of fiscal year and be reviewed annually. All Board members will receive this orientation. Additionally, it is expected that any new Foundation

Board member will receive an orientation about the Foundation within 60 days of being appointed.

Start Date: December 2016

Target End Date: Ongoing

Status: 25% Completed

2. ULF Board consider having an independent party involved in the organization, structure, and content of the board orientation, with involvement from the board attorney to ensure topics such as legal agreements, conflicts of interests, open records and open meetings, and ethics are sufficiently covered.

   Response: We agree it is important that all Foundation Board members can benefit from an orientation that includes topics such as legal agreements, conflicts of interest, open record and open meetings.

   Action: Each of these topics was reviewed with counsel and then presented at the Foundation's December 21, 2016 Board meeting. They will be reviewed annually for necessary updates and reviewed annually with the Board.

   Start Date: December 2016

   Target End Date: Ongoing

   Status: 25% Completed

3. Material for the orientation be written and formally presented as a manual to assist the orientation process and serve as a useful resource tool to board members. Because of the dynamic nature of the Foundation, the orientation should be reviewed periodically to ensure all materials are current and applicable. This orientation should be made mandatory for all new directors, and the materials should be available to all directors.

   Response: We agree with this recommendation and are in the process of achieving this.

   Action: As stated above, this will be completed no later than this fiscal year.

   Start Date: December 2016

   Target End Date: Ongoing

   Status: 25% Completed

Again, we thank you for the invaluable work by your team. As we have said in the past, it is a new day, with new leadership at the University of Louisville and the University of Louisville Foundation. We look forward to continuing the work necessary to ensure the public confidence and trust in this important resource are fully restored.

Dr. Greg Postel, Interim President
University of Louisville

Keith Sherman, Interim Executive Director & COO
University of Louisville Foundation

RESOLUTION OF THE BOARD OF TRUSTEES UNIVERSITY OF LOUISVILLE REGARDING THE APPOINTMENT OF AN AD HOC COMMITTEE ON BOARD GOVERNANCE

February 16, 2017

RESOLVED, that the Board of Trustees approves the creation of an Ad Hoc Committee on Board Governance. The Committee shall have four members to be appointed by the Chairman, one of whom is a constituency representative trustee (faculty, staff, or student).

The charge of the Ad Hoc Committee on Board Governance shall be as follows:

- Identify best practices in public university governance and recommend for consideration by the Board policies, procedures, and a committee structure that strengthen the Board's ability to carry out its fiduciary responsibilities.

- Identify best practices for forging an effective relationship between the University and the University of Louisville Foundation, Inc. and recommend for consideration by the Board a new Memorandum of Understanding that documents how the University and the Foundation will work together.

- Review the Board's current governance practices and documents (e.g., By-Laws and Redbook) and recommend for consideration by the Board updates and amendments that reflect best practices and conform to the requirements of Kentucky law.

- Educate Board members and constituencies regarding Board statutes, By-Laws, policies, procedures, and practices.

Board Action:
Passed: X
Did Not Pass: ______
Other: ______

Trisha Smith
Assistant Secretary