



UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.

A Component Unit of the University of Louisville

**Report of Independent Certified Public Accountant and
Financial Statements
June 30, 2025 & 2024**



UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
For the Years Ended June 30, 2025 and 2024

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
University of Louisville Research Foundation, Inc.

Report on the audit of the financial statements**Opinions**

We have audited the financial statements of the University of Louisville Research Foundation, Inc. (the “Entity”), a component unit of the University of Louisville, which comprise the statement of net position as of June 30, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as of June 30, 2025 and 2024, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinions

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

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

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the post-employment Benefit Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 US GAAS. These limited procedures 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 20, 2025 on our consideration of the Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

Grant Thornton LLP

Boston, Massachusetts
November 20, 2025

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Management Discussion and Analysis (Unaudited)
For Years Ended June 30, 2025 and 2024

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the University of Louisville Research Foundation, Inc. (Research Foundation) for the years ended June 30, 2025 and 2024. Comparative information for the year ended June 30, 2023 has been provided where applicable. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Research Foundation is a nonprofit corporation affiliated with the University of Louisville (University), a state-supported metropolitan research university located in Louisville, Kentucky. 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.

The University's strategic plan guides the Research Foundation's programs, along with the grand challenges from the Kentucky Council on Postsecondary Education: 1) empowering our communities, 2) advancing our health, and 3) developing our future economy. Each of these pillars seek to develop a strong translation research and innovation program to aid our community in attaining equity in health, education and economic advancement. The Research Foundation accepts funding for research, training, and service from extramural sources for programs and projects that match these goals. During the fiscal year ended June 30, 2025, total awards and contracts recorded were \$170.3 million. Some of the funding highlights include:

- Awards from the National Institute of Health (NIH) accounted for over \$60.7 million, including \$4.0 million dedicated to the IDEA Networks for Biomedical Research Excellence in Kentucky, supporting cutting-edge biomedical research.
- Funding of \$10.1 million was received from the Health Resources and Services Administration, an agency of the U.S. Department of Health and Human Services, which supports access to healthcare services for uninsured, isolated or medically vulnerable populations.
- The National Science Foundation contributed \$7.2 million in awards, advancing scientific discovery and innovation.
- The Department of Defense contributed \$4.4 million in awards to support critical research and development initiatives.

Using the Financial Statements

The Research Foundation's financial report includes 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 in accordance with the accounting principles established by the Government Accounting Standards Board (GASB), which provides the framework for external financial reporting for public colleges and universities. The Research Foundation is presented in these statements as a single entity for financial reporting purposes and is also incorporated in the consolidated financial statements of the University as a blended component unit.

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Statements of Net Position

The statements of net position present the financial position of the Research Foundation at the end of the fiscal year and include all assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position (the difference between assets, liabilities, deferred outflows of resources and deferred inflows of resources) provides a snapshot of the current financial condition of the Research Foundation at the end of a fiscal year. Items on the statements of net position are generally measured using current values with the exception of capital assets which are stated at historical cost less an allowance for accumulated depreciation. The change in net position indicates whether the Research Foundation accumulated or consumed resources during the year.

A condensed version of the Research Foundation's assets, liabilities, deferred inflows and outflows, and net position at June 30, 2025, 2024, and 2023 (in thousands) is summarized below:

	2025	2024	2023	2025-2024 Change	2024-2023 Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current assets	\$ 218,703	\$ 267,257	\$ 258,678	\$ (48,554)	\$ 8,579
Capital assets	58,533	59,415	58,102	(882)	1,313
Right-of-use assets, net	3,371	4,542	3,050	(1,171)	1,492
Other noncurrent assets	634,189	635,377	657,424	(1,188)	(22,047)
Deferred outflows of resources	8,689	5,508	6,450	3,181	(942)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 923,485	\$ 972,099	\$ 983,704	\$ (48,614)	\$ (11,605)
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current liabilities	\$ 46,357	\$ 48,744	\$ 54,014	\$ (2,387)	\$ (5,270)
Noncurrent liabilities	37,347	31,767	35,202	5,580	(3,435)
Deferred inflows of resources	619,445	625,274	644,204	(5,829)	(18,930)
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	703,149	705,785	733,420	(2,636)	(27,635)
NET POSITION					
Net investment in capital assets	59,550	60,462	59,149	(912)	1,313
Restricted - expendable	13,820	15,686	22,320	(1,866)	(6,634)
Unrestricted	146,966	190,166	168,815	(43,200)	21,351
TOTAL NET POSITION	220,336	266,314	250,284	(45,978)	16,030
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 923,485	\$ 972,099	\$ 983,704	\$ (48,614)	\$ (11,605)

Assets

As of June 30, 2025, the Research Foundation reported total current assets of \$218.7 million. These consist of \$69.0 million in cash and cash equivalents, \$146.0 million of accounts receivable and \$2.6 million due from affiliate. Cash and cash equivalents decreased by \$50.1 million compared to the previous year, primarily due to contributions made to the University. Accounts receivable increased by \$9.9 million largely due to an increase in outstanding patient receivable balances. The due from affiliates declined by \$10.7 million as a result of collections from the UL Health profit share.

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The noncurrent assets of \$696.1 million are primarily comprised of long-term lease receivable balances related to the contracted use of University or Research Foundation owned assets. Additionally, noncurrent assets include \$58.5 million of capital assets, which decreased by \$0.9 million due to depreciation expense exceeding asset acquisitions during the year.

Deferred Outflows of Resources

Deferred outflow of resources represents a consumption of net assets applicable to future reporting periods. The balance of \$8.7 million as of June 30, 2025 consisted of future payments related to other postretirement employee benefits.

Liabilities

Current liabilities amounted to \$46.4 million as of June 30, 2025. This includes \$2.1 million of unearned grant revenue for sponsored research activities, representing a \$0.3 million decrease from the prior year. Unearned grant revenue reflects funds received in advance of the related sponsored research activity, which would be returned to the sponsor if not used. Current liabilities also consists of \$41.0 million in trade accounts payable and accrued liabilities, which are up slightly from \$39.3 million as of June 30, 2024.

Deferred Inflows of Resources

Deferred inflows of resources, totaling \$619.4 million, represent the acquisition of net position applicable to future periods. Of this amount, \$613.2 million pertains to revenues from leased assets to be recognized in future periods. The remaining \$6.2 million relates to OPEB related actuarial adjustments, including the differences between expected and actual experience and changes in assumptions used in the calculation of the OPEB liability.

Net Position

Net position represents the residual interest in the Research Foundation's assets after all liabilities are deducted. The Research Foundation's net position at June 30, 2025 and 2024 totaled \$220.3 million and \$266.3 million, respectively. Net position is summarized into these major categories: net investment in capital assets of \$59.6 million and \$60.5 million, respectively; restricted expendable of \$13.8 million and \$15.7 million, respectively; and unrestricted of \$147.0 million and \$190.2 million, respectively.

The Research Foundation adopted GASB Statement No. 101, *Compensated Absences*, effective for fiscal year 2025. This statement provides updated guidance for the recognition and measurement for compensated absences. The effect of adoption of this Standard resulted in an immaterial decrease of \$3.6 million in net position as of June 30, 2024.

Fiscal Year 2024

The Research Foundation's financial position as of the fiscal year ended June 30, 2024 reflect a decrease in assets and a reduction in total liabilities with an overall increase in net position compared to the fiscal year ended June 30, 2023. Total assets and deferred outflows of resources decreased during the fiscal year ended June 30, 2024 by \$11.6 million. These decreases were due mainly to a decrease in cash and cash equivalents of \$18.3 million and \$21.3 million due from affiliates, offset by an increase of \$25.7 million in accounts receivables. The decrease in total liabilities of \$8.7 million includes a decrease in the amount due to the University of \$10.2 million offset by an increase in accounts payable of \$1.4 million. Net position increased \$16.0 million due primarily to a decrease in transfers to related entities.

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Statements of Revenues, Expenses, and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position present the Research Foundation's financial performance for the fiscal year. Revenues and expenses are categorized as either operating or nonoperating based on their source or purpose. Key nonoperating revenue sources include nonexchange grants and contracts and gifts. Capital assets are depreciated over their estimated useful lives, with depreciation and amortization expenses recorded as operating expenses.

A condensed version of the Research Foundation's revenues, expenses and changes in net position for the years ended June 30, 2025, 2024, and 2023 (in thousands) is summarized below:

	2025	2024	2023	2025-2024 Change	2024-2023 Change
OPERATING REVENUES					
Clinical services and practice plans	\$ 470,717	\$ 399,484	\$ 398,426	\$ 71,233	\$ 1,058
Grants and contracts	137,785	140,896	128,546	(3,111)	12,350
Facilities and administrative cost recoveries	37,172	36,004	34,378	1,168	1,626
Other operating revenues	6,972	7,315	7,741	(343)	(426)
TOTAL OPERATING REVENUE	652,646	583,699	569,091	68,947	14,608
OPERATING EXPENSES					
Depreciation and amortization	10,096	8,820	8,451	1,276	369
Other operating expenses	643,664	544,421	487,571	99,243	56,850
TOTAL OPERATING EXPENSE	653,760	553,241	496,022	100,519	57,219
NONOPERATING REVENUES (EXPENSES)					
Nonexchange grants and contracts	68	195	—	(127)	195
Transfers to related entities	(47,997)	(21,116)	(38,451)	(26,881)	17,335
Other nonoperating revenue	6,795	6,584	7,482	211	(898)
Interest expense	(118)	(91)	(96)	(27)	5
TOTAL NONOPERATING REVENUE/ (EXPENSE)	(41,252)	(14,428)	(31,065)	(26,824)	16,637
INCREASE/(DECREASE) IN NET POSITION	(42,366)	16,030	42,004	(58,396)	(25,974)
Net position, beginning of year	266,314	250,284	208,280	16,030	42,004
Cumulative effect of change in accounting principle	(3,612)	—	—	(3,612)	—
Net position, end of year	\$ 220,336	\$ 266,314	\$ 250,284	\$ (45,978)	\$ 16,030

Operating Revenues

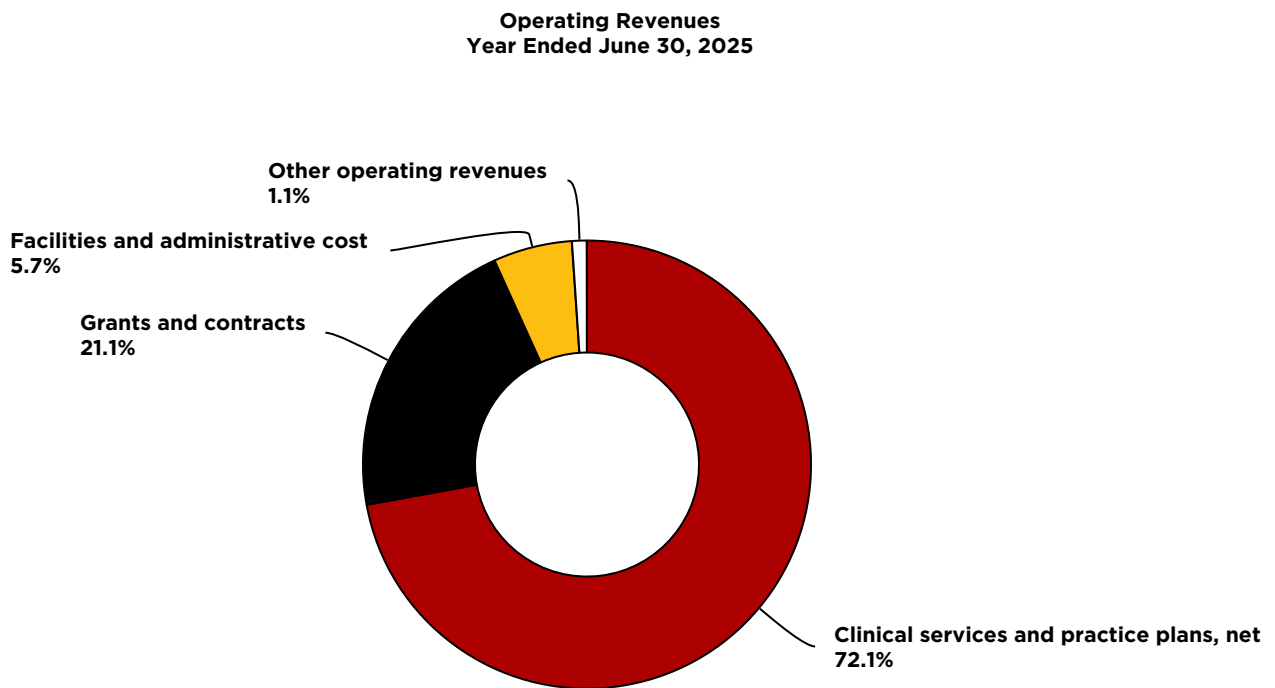
For the fiscal year ended June 30, 2025, the Research Foundation reported revenues from operations of \$652.6 million compared to \$583.7 million for the fiscal year ended June 30, 2024. This growth was primarily attributed to a \$71.2 million increase in clinical services and practice plan revenues offset by a \$3.1 million decrease in grants and contracts.

Revenues from facilities and administrative cost recoveries totaled \$37.2 million and \$36.0 million for the years ended June 30, 2025 and 2024, respectively, reflecting a modest increase of \$1.2 million. The Research Foundation compensates the University for a portion of the cost recoveries in support of

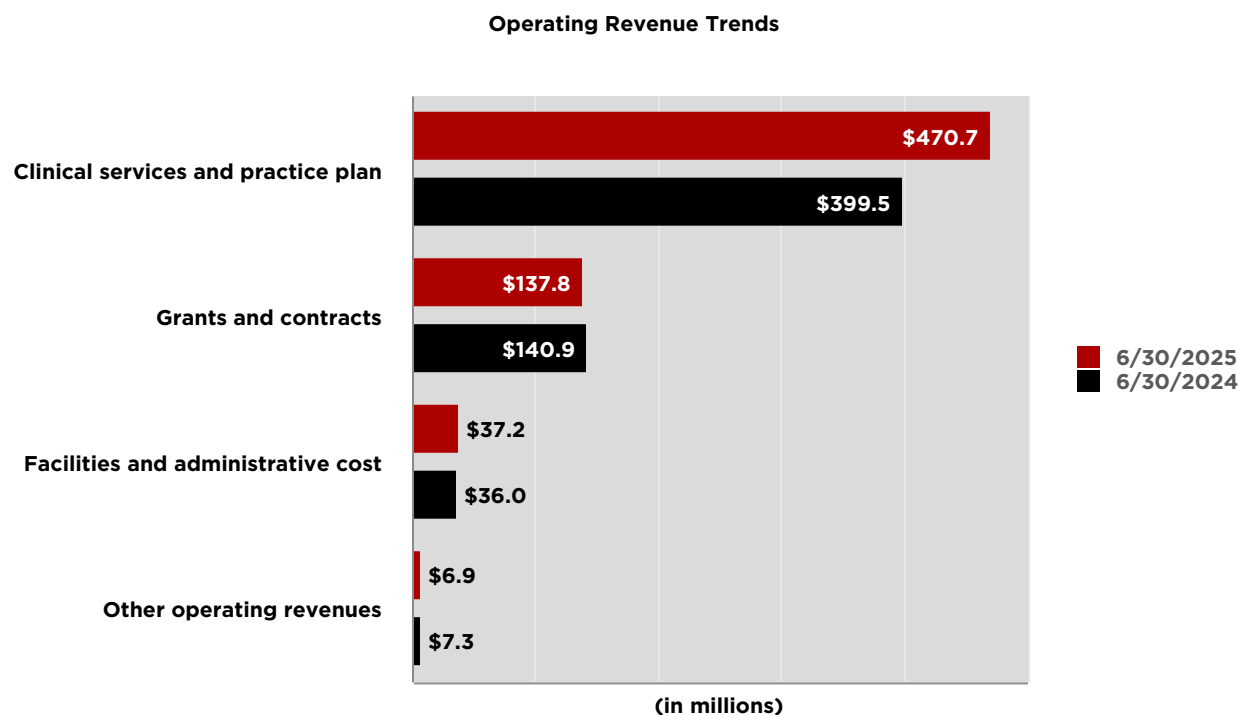
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University expenditures. For the years ended June 30, 2025 and 2024, approximately \$19.3 million and \$22.7 million, respectively, was transferred to the University for this purpose.

The accompanying charts illustrate the percentage distribution for the Research Foundation's operating revenues by major source for the year ended June 30, 2025. Additionally, a comparative chart is provided on the next page to provide operating revenue trends for the years ended June 30, 2025 and 2024:



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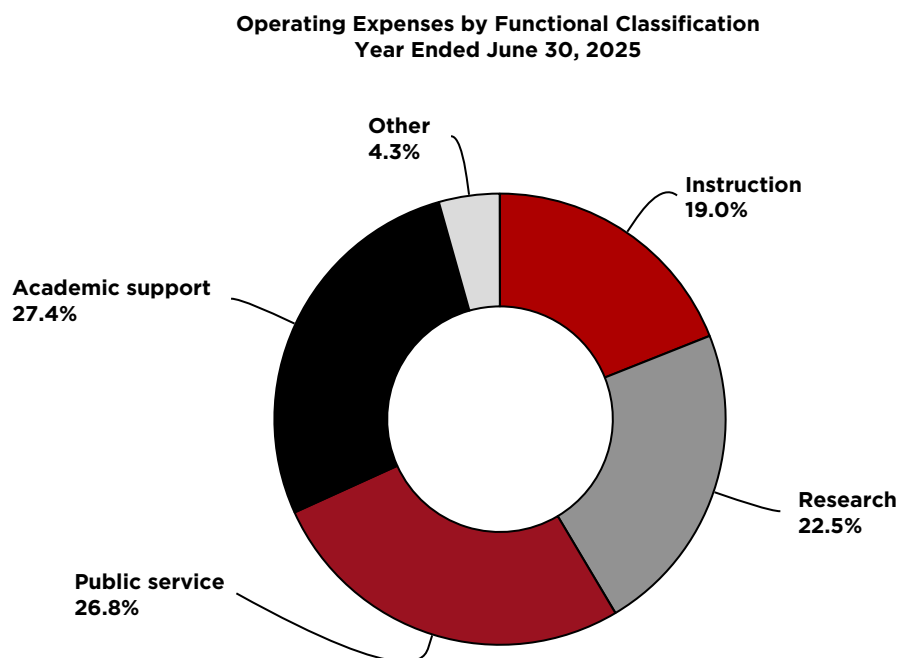


Operating Expenses by Functional and Natural Classification

For the fiscal year ended June 30, 2025, total operating expenses were \$653.8 million, representing an increase of \$100.5 million compared to \$553.2 million for the fiscal year ended June 30, 2024. This significant increase was attributable to increases in expenditures for supplies and services of \$73.2 million, scholarships and fellowships of \$0.9 million, and increases in salaries and benefits of \$25.1 million as compared to the prior year.

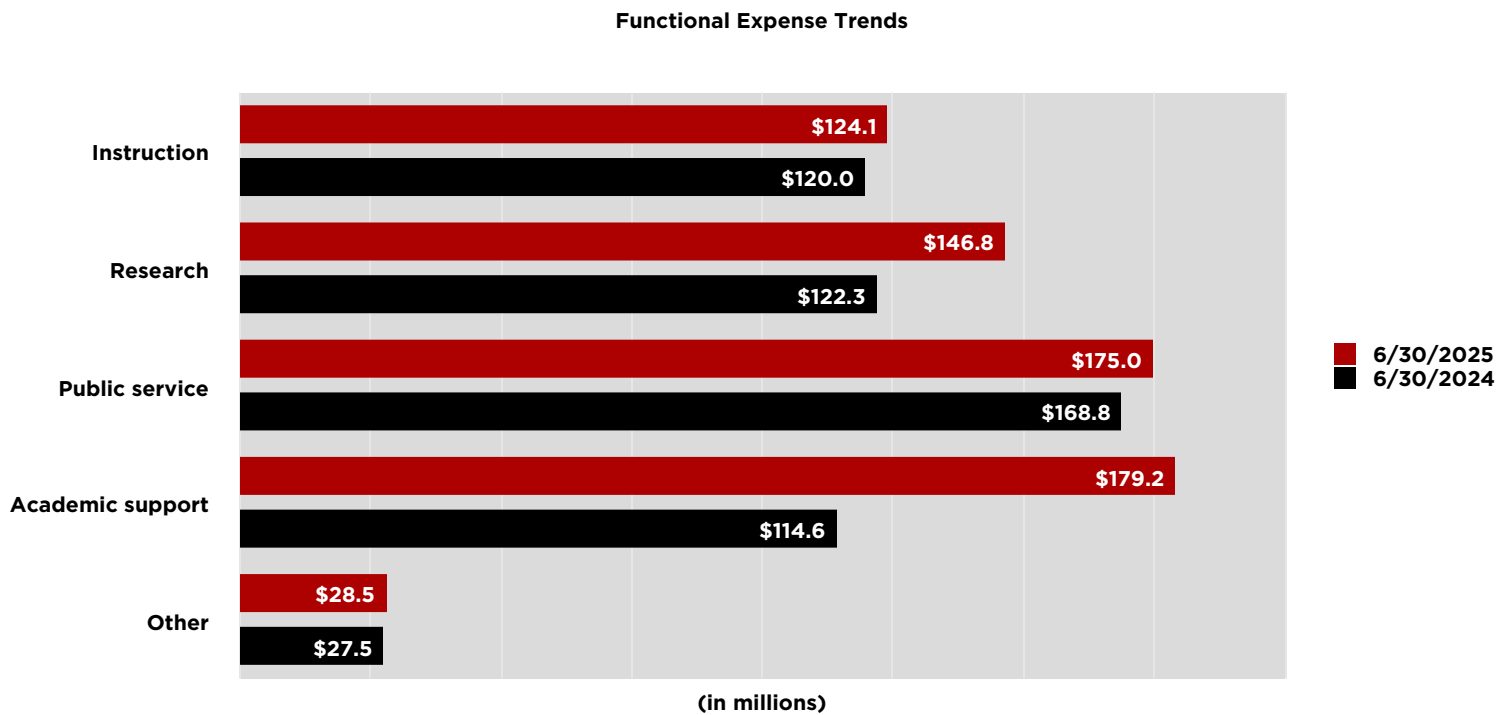
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The following chart presents total operating expenses by the respective percentage of the functional classification for the year ended June 30, 2025 (in millions):

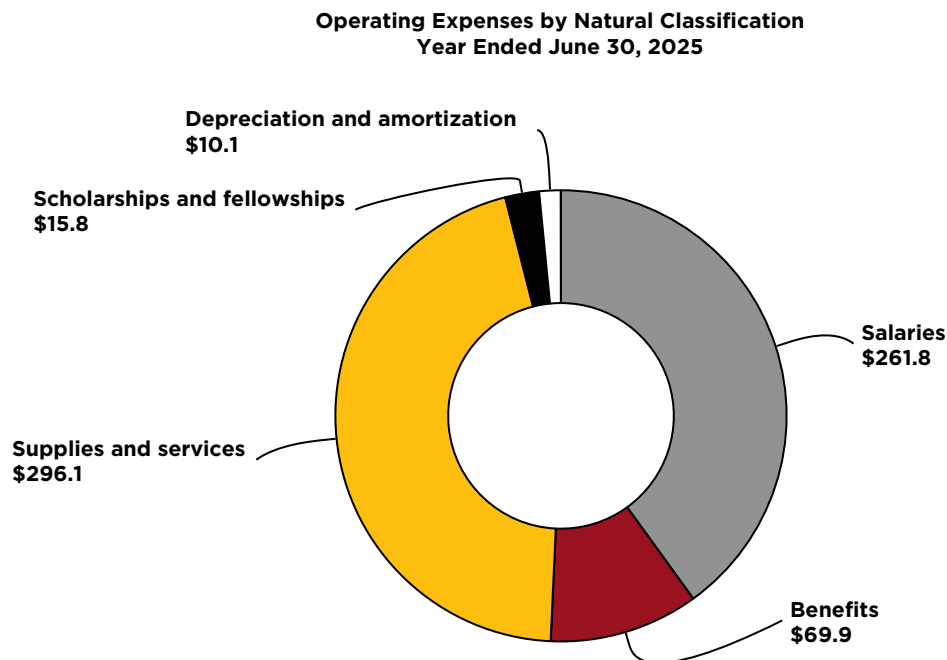


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The following chart compares functional expense trends for the years ended June 30, 2025 and 2024 (in millions):

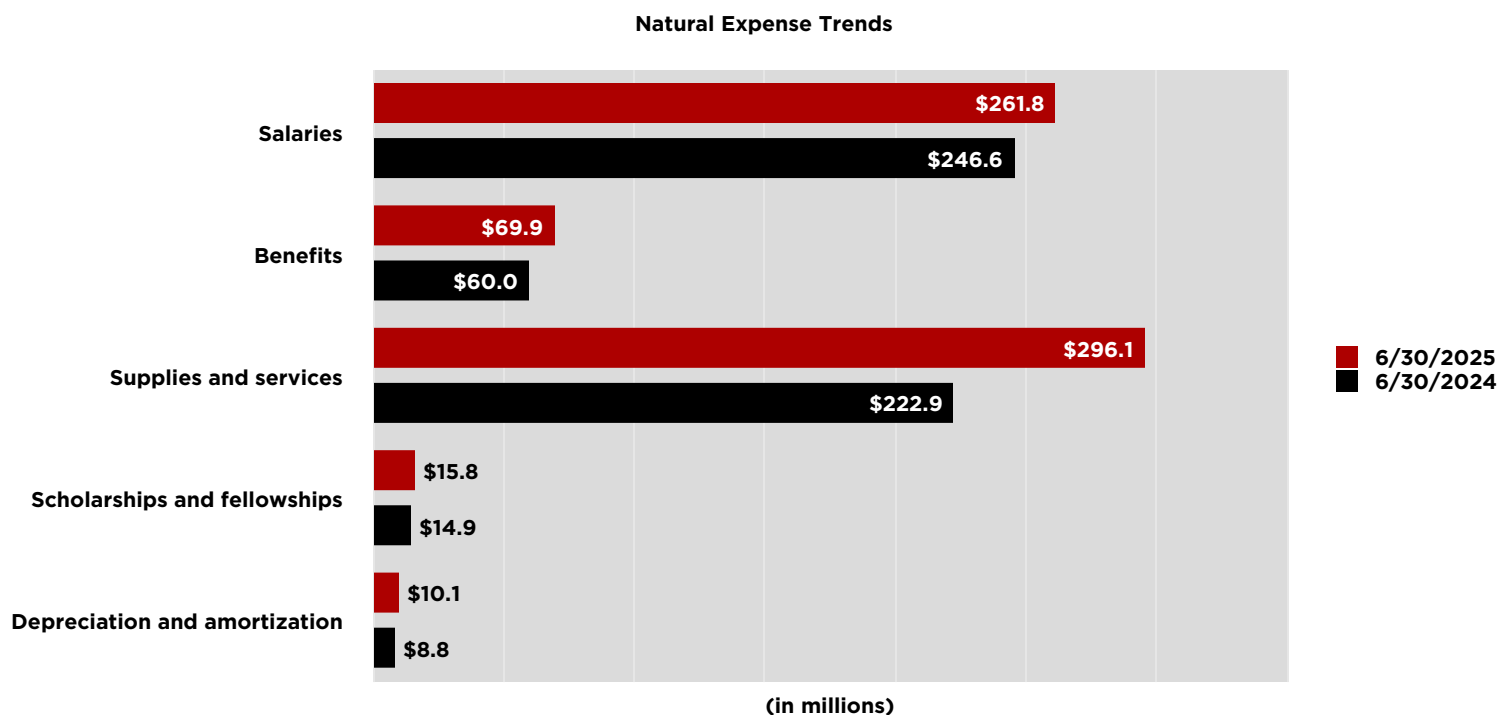


The following chart depicts the percentage distribution of total operating expenses by natural classification for the year ended June 30, 2025 (in millions):



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The following chart provides a comparison of operating expense by natural classification expense trends for the years ended June 30, 2025, and 2024 (in millions):



Nonoperating Revenues (Expenses)

Net nonoperating expenses totaled \$41.3 million for the fiscal year ended June 30, 2025, which primarily consisted of transfers to the University of \$48.0 million to support its operations, partially offset by other nonoperating revenues of \$6.4 million.

Fiscal Year 2024

For the year ended June 30, 2024, the Research Foundation reported operating revenue of \$583.7 million, which reflected an increase of \$14.6 million compared to the \$569.1 million reported for the year ended June 30, 2023.

Revenues from clinical services and practice plans were \$399.5 million for fiscal year 2024, an increase of \$1.1 million from the fiscal year ended June 30, 2023. Revenues from grants and contracts were \$140.9 million for the year ended June 30, 2024 as compared to \$128.5 million in revenues reported in the previous year, a \$12.4 million increase. Revenue from facilities and administrative cost recoveries were \$36.0 million and \$34.4 million for the years ended June 30, 2024 and 2023, respectively.

Total operating expenses were \$553.2 million and \$496.0 million for the fiscal years ended June 30, 2024 and 2023, respectively. This significant increase was attributable to increases in salaries and benefits of \$33.5 million and expenditures for supplies and services of \$8.5 million.

Nonoperating revenues and expenses, net, were \$14.4 million and \$31.1 million for the fiscal years ended June 30, 2024 and 2023, respectively. The decrease of \$16.6 million is primarily due to contributions to the University.

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Statements of Cash Flows

The statements of cash flows provide a summary of the Research Foundation's cash position by reporting the sources and uses of cash during the year. Cash inflows and outflows are categorized into operating, noncapital financing, capital and related financing activities.

Condensed cash flow statements for the years ended June 30, 2025, 2024, and 2023 (in thousands) are summarized below:

	2025	2024	2023	2025-2024 Change	2024-2023 Change
CASH (USED)/PROVIDED BY:					
Operating activities	\$ (2,568)	\$ (14,026)	\$ 41,462	\$ 11,458	\$ (55,488)
Noncapital financing activities	(36,568)	7,745	2,821	(44,313)	4,924
Capital and related financing activities	(10,990)	(12,013)	(13,651)	1,023	1,638
NET (DECREASE)/INCREASE IN CASH EQUIVALENTS	(50,126)	(18,294)	30,632	(31,832)	(48,926)
Cash and cash equivalents, beginning of year	119,119	137,413	106,781	(18,294)	30,632
CASH AND CASH EQUIVALENTS- END OF YEAR	\$ 68,993	\$ 119,119	\$ 137,413	\$ (50,126)	\$ (18,294)

Operating Activities

The Research Foundation's operating activities consumed approximately \$2.6 million of cash during the fiscal year ended June 30, 2025, representing an decrease of \$11.5 million in cash usage as compared to the prior year. This change was due to increased clinical service and other operating revenues offset by an increase in payments to suppliers, employees and scholarships and fellowships.

Other Activities

The net \$36.6 million cash used by noncapital financing activities includes cash collected on receivables from affiliates of \$5.7 million offset by payments to the University for operating expenses of \$48.0 million.

Cash used for capital and related financing activities decreased by \$1.0 million to \$11.0 million during the fiscal year ended June 30, 2025, which was driven by a decrease in capital expenditures.

Fiscal Year 2024

The Research Foundation's operating activities consumed approximately \$14.0 million of cash during the fiscal year ended June 30, 2024, representing an increase of \$55.5 million compared to the prior year. The increase in cash used for operations was primarily due to an increase in payments to suppliers and employees.

The net \$7.7 million cash provided by non-capital and financing activities is primarily due to \$11.0 million collected on receivables from affiliates offset by payments to the University of \$21.1 million for operating expenses.

Cash used for capital and related financing activities decreased by \$1.6 million to \$12.0 million during the fiscal year ended June 30, 2024 as compared to the fiscal year ended June 30, 2023.

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Economic Factors that May Affect the Future

The Research Foundation is committed to achieving preeminence as a nationally recognized metropolitan research university and as an institution recognized for excellence in education, as well as pioneering in research and scholarly activity. Senior leadership continues to believe the Research Foundation is financially well-positioned to educate and serve its community through:

- Teaching diverse undergraduate, graduate, and professional students in order to develop engaged citizens, leaders, and scholars,
- Practicing and applying research, scholarship and creative activity, and
- Providing engaged service and outreach that improve the quality of life for local and global communities.

At the federal level, recent budget proposals and appropriation negotiations reflect a constrained funding outlook for research, particularly in discretionary spending categories. Although some mission-specific areas continue to receive targeted investment, overall research funding growth has slowed. Furthermore, competition for federal grants has intensified, leading to increased pressure on principal investigators and internal resources that support proposal development and compliance.

A key area of concern is the potential introduction of a cap on federal indirect cost recovery rates, also referred to as Facilities and Administrative (F&A) rates. These reimbursements are critical for sustaining the infrastructure that supports sponsored research, including compliance, laboratory operations, and administrative oversight. Any reduction or cap on allowable F&A rates would directly impact the Research Foundation's ability to fully recover the costs of conducting federally sponsored research. While no formal policy has been enacted to date, federal advisory bodies have signaled interest in reviewing indirect cost structures in upcoming fiscal cycle.

With respect to clinical services, patient volumes remain strong, however, reimbursement models, particularly those tied to government payers such as Medicare and Medicaid, have not kept pace with escalating input costs, including labor, pharmaceuticals, and medical supplies. This imbalance continues to place pressure on margins and has reinforced the need for sustained operational efficiency initiatives. The Research Foundation remains committed to maintaining financial sustainability of its healthcare delivery mission while preserving its commitment to high-quality patient care and advancing clinical education.

The following is a brief discussion of economic and other factors that could have an impact on the Research Foundation in the future:

- The Research Foundation remains steadfast in its commitment to advancing scholarly research and maintaining its prestigious R1 status. To support this mission, the University's fiscal year 2026 budget allocates \$10.0 million in state appropriations for strategic technology investments. These investments include upgrades to the research performance computing capacity and the establishment of a cybersecurity center. Coupled with sustained funding for faculty mentoring and modern research equipment, these initiatives are expected to amplify the impact of programs across multiple science disciplines.
- The Commonwealth of Kentucky has appropriated \$260.0 million in bond funds for construction of a new Health Sciences Center Simulation Center and Collaboration Hub. This facility will house the School of Public Health and Information Sciences and serve as a resource for collaborative tripartite efforts among all academic schools on the Health Sciences Campus, as well as neighboring colleges and medical facilities. Currently in the initial design phase, this project is anticipated to enhance the University's research and educational capabilities, potentially driving additional grant and partnership opportunities for the Research Foundation.
- The Research Foundation continues to improve operations of clinical services through strategic partnerships with Norton Healthcare, Inc. (Norton) and UL Health, Inc. These collaborations are expected to optimize service delivery and expand revenue streams, supporting the Research Foundation's mission to advance healthcare related research and innovation.

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Requests for Information

This financial report is designed to provide a general overview of the University's finances and to show the Research Foundation'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 RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Statements of Net Position
as of June 30, 2025 and 2024
(in thousands)

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 68,993	\$ 119,119
Accounts receivable, net	146,038	136,121
Due from affiliate	2,575	10,712
Inventories	453	518
Other assets	644	787
Total current assets	218,703	267,257
Noncurrent assets		
Accounts receivable, net	632,654	631,493
Due from affiliate	—	2,654
Other long-term assets	1,535	1,230
Right-of-use assets, net	3,371	4,542
Capital assets, net	58,533	59,415
Total noncurrent assets	696,093	699,334
Total assets	914,796	966,591
DEFERRED OUTFLOWS OF RESOURCES	8,689	5,508
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 923,485	\$ 972,099

See notes to financial statements

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Statements of Net Position
as of June 30, 2025 and 2024
(in thousands)

	2025	2024
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 40,993	\$ 39,336
Due to the University of Louisville	1,318	5,073
Unearned grant revenue	2,117	2,373
Lease liabilities	1,593	1,962
Subscription-based information technology arrangements	336	—
Total current liabilities	46,357	48,744
Noncurrent liabilities		
Other post-retirement benefits	35,750	27,816
Other long-term liabilities	12	8
Due to the University of Louisville	—	1,318
Lease liabilities	1,585	2,625
Total noncurrent liabilities	37,347	31,767
Total liabilities	83,704	80,511
DEFERRED INFLOWS OF RESOURCES	619,445	625,274
NET POSITION		
Net investment in capital assets	59,550	60,462
Restricted:		
Expendable	13,820	15,686
Unrestricted	146,966	190,166
Total net position	220,336	266,314
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 923,485	\$ 972,099

See notes to financial statements

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Statements of Revenues, Expenses, and Changes in Net Position
For Years Ended June 30, 2025 and 2024
(in thousands)

	2025	2024
OPERATING REVENUES		
Clinical services and practice plan, net of contractual allowances of \$115,534 in 2025 and \$110,513 in 2024	\$ 470,717	\$ 399,484
Federal grants and contracts	100,804	115,082
State and local grants and contracts	20,570	10,966
Nongovernmental grants and contracts	16,411	14,848
Facilities and administrative cost recoveries	37,172	36,004
Sales and services of educational departments	2,335	2,337
Other operating revenue	4,637	4,978
Total operating revenue	652,646	583,699
OPERATING EXPENSES		
Instruction	124,123	120,043
Research	146,835	122,323
Public service	174,987	168,842
Academic support	179,213	114,554
Student services	6	—
Institutional support	13,229	13,444
Operation and maintenance of plant	1,633	950
Scholarships and fellowships	3,638	4,265
Depreciation and amortization	10,096	8,820
Total operating expense	653,760	553,241
Operating (loss) gain	(1,114)	30,458
NONOPERATING REVENUES (EXPENSES)		
Gifts	429	354
Nonexchange grants and contracts	68	195
Interest expense	(118)	(91)
Other nonoperating revenue	6,366	6,230
Net nonoperating revenue	6,745	6,688
Transfers to related entities	(47,997)	(21,116)
Total other revenue/(expense)	(41,252)	(14,428)
Change in net position	(42,366)	16,030
NET POSITION		
Net position - beginning of year	266,314	250,284
Cumulative effect of change in accounting principle	(3,612)	—
Net position - end of year	\$ 220,336	\$ 266,314

See notes to financial statements

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Statements of Cash Flows
For Years Ended June 30, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Clinical services	\$ 449,125	\$ 358,540
Grants and contracts	144,968	126,613
Sales and service of educational departments	2,335	2,337
Payments to suppliers	(292,174)	(221,289)
Payments to employees	(261,777)	(246,616)
Payments for benefits	(71,043)	(59,658)
Payments for scholarships and fellowships	(15,811)	(14,935)
Facilities and administrative cost recoveries	37,172	36,004
Other operating revenue	4,637	4,978
Net cash used in operating activities	(2,568)	(14,026)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts	429	354
Nonexchange grants and contracts	68	195
Transfers to related entities	(47,997)	(21,116)
Due to affiliates	5,718	11,041
Other noncapital financing activities	5,214	17,271
Net cash provided by noncapital financing activities	(36,568)	7,745
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(10,881)	(11,925)
Interest paid	(109)	(88)
Net cash used in capital and related financing activities	(10,990)	(12,013)
Net (decrease) increase in cash and cash equivalents	(50,126)	(18,294)
Cash and cash equivalents - beginning of year	119,119	137,413
Cash and cash equivalents - end of year	\$ 68,993	\$ 119,119

See notes to financial statements

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Statements of Cash Flows
For Years Ended June 30, 2025 and 2024

	2025	2024
RECONCILIATION OF NET OPERATING (LOSS) GAIN TO NET CASH USED IN OPERATING ACTIVITIES		
Operating (loss) gain	\$ (1,114)	\$ 30,458
Adjustments to reconcile operating (loss) gain to net cash used in operating activities:		
Depreciation and amortization	10,096	8,820
Loss on equipment disposals	15	300
Bad debt expense	199	336
Change in assets and liabilities:		
Accounts receivable	(10,776)	(37,055)
Inventories	65	(4)
Other assets	143	(455)
Other long term assets	(306)	21
Accounts payable and accrued liabilities	1,512	1,358
Unearned grant revenue	(256)	(1,354)
Other long-term liabilities	6,864	1,537
Deferred outflows of resources	(3,181)	942
Deferred inflows of resources	(5,829)	(18,930)
Net cash used in operating activities	\$ (2,568)	\$ (14,026)

See notes to financial statements

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Notes to the Financial Statements
For Years Ended June 30, 2025 and 2024

1. Organization and Summary of Significant Accounting Policies

The University of Louisville Research Foundation, Inc. (the Research Foundation) is affiliated with the University of Louisville (the University) through common management and substantially the same Board of Directors. The Research Foundation is presented as a blended component unit in the University's financial statements. The Research Foundation is a separate corporation organized for the purpose of conducting the research, clinical operations, and other sponsored activities of the University. The significant accounting policies followed by the Research Foundation are described below.

a. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (GASB). The financial statements of the Research Foundation have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used by affiliates. Operating revenues and expenses include exchange transactions and program-specific, and interest on leases are included in nonoperating revenues and expenses. The Research Foundation first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

The financial statements of the Research Foundation and the University can be found online at the following:
<http://louisville.edu/finance/controller/univacct/finst-1>

b. Cash and Cash Equivalents

The Research Foundation considers all investments with an original maturity of three months or less to be cash equivalents.

c. Accounts Receivable

Accounts receivable consists of clinical and sponsored agreement charges and payment receipts due under lease agreements. Clinical receivables are comprised of patient and insurance charges. Healthcare entities are charged for contracted staff support services. Sponsored agreement receivables relate to sponsored programs that support the Research Foundation. Accounts receivable are recorded net of estimated uncollectible amounts.

d. Lease Receivables

Lease receivables represent receivables for rent for which the Research Foundation is providing the right for another entity to use its nonfinancial assets as stated in a contract for a period of time in an exchange or exchange like transaction. Management determines the allowance for uncollectible leases by identifying known leases that will not be collected and by estimating the remaining leases that are likely not to be collected. Currently, management has determined that all lease receivables are collectible.

e. Inventories

Inventories are stated at the lower of cost or market on a first-in, first-out (FIFO) basis.

f. 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. Leased assets are amortized on the straight-line basis over the estimated useful life of the asset, or the lease term, whichever is shorter.

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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For Years Ended June 30, 2025 and 2024

The Research Foundation 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.

Movable equipment costing \$5,000 and greater and having a useful life greater than one year are capitalized. Renovations to buildings, infrastructure and land improvements, if any, that significantly increase the value or extend the useful life of the structure and are in excess of \$100,000 are capitalized. Necessary and routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Prior to July 1, 2002 it was the policy of the University to record all capital assets purchased by the Research Foundation as property of the University.

g. Right-of-Use Assets and Liabilities

Right-of-use assets represent the Research Foundation's right to occupy and/or utilize an asset over the correlating lease term. The Research Foundation's financial statements include right-of-use assets based on GASB statement No. 87, *Leases*. Right-of-use assets are valued at the present value of the lease payments less accumulated amortization. Amortization expense is computed using the straight-line method over the lease term.

A lease liability represents the obligation to make lease payments arising from the use of the lease asset over the term of the lease. Lease liabilities are measured at the lease commencement date and are calculated at the present value of the future lease payments using the rate implicit in the contract, when available. If an implicit rate is not readily determinable, the Research Foundation uses an incremental borrowing rate.

h. Impairment

The Research Foundation evaluates capital assets and leases for impairment when events or circumstances indicate a significant decline in the use of an asset has occurred. When an impairment is incurred, the accumulated depreciation, or amortization will be adjusted and the impairment loss will be booked. As of June 30, 2025 and 2024, no impairments were recognized.

i. Deferred Outflows of Resources

Deferred outflows of resources are a consumption of net assets that are applicable to a future reporting period and increase net position, similar to assets. Deferred outflows of resources of \$8.7 million and \$5.5 million for the years ended June 30, 2025 and 2024, respectively, consist of future payments to be made for other post-employment benefits and changes to assumptions used to calculate the future liability.

j. Unearned Grant Revenue

The Research Foundation receives revenues relative to sponsored agreements via grants, contracts, or cooperative 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 Research Foundation 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 Research Foundation 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 in the event the project is not completed to the sponsor's satisfaction. These funds, totaling \$2.1 million and \$2.4 million as of June 30, 2025 and 2024, respectively, are recorded in the Research Foundation's financial statements as unearned grant revenue and recognized as revenue as reimbursable costs are incurred.

k. Compensated Absences

Research Foundation 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 the vacation or sick benefits are earned, whether the employee is expected to realize the benefit as time off or as cash payment in the event of ending employment. Compensated

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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Notes to the Financial Statements
For Years Ended June 30, 2025 and 2024

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 retirement contributions, social security, and Medicare taxes computed using rates in effect at that date. See note 1.t. for implementation of GASB No. 101, *Compensated Absences*.

I. Deferred inflows of Resources

Deferred inflows of resources are an acquisition of net assets that are applicable to a future reporting period and decrease net position similar to liabilities. Deferred inflows of resources of \$619.4 million and \$625.3 million for the years ended June 30, 2025 and 2024 consist of changes in the other post-employment benefits liability of \$6.2 million and \$7.7 million, respectively, and \$613.2 million and \$617.6 million of future revenues from leasing arrangements and will be amortized during future periods.

m. Net Position

The net position of the Research Foundation is classified in three components.

- a. Net investment in capital assets consist of capital assets and right-of-use assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- b. Restricted expendable net position consists of non-capital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Research Foundation.
- c. Unrestricted net position consists of the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted net position. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the Research Foundation's unrestricted net position has been designated for various academic programs, research initiatives, and capital projects.

The following table includes detail of the net position balances at June 30, 2025 and 2024 (in thousands):

	2025	2024
Net investment in capital assets	\$ 59,550	\$ 60,462
Restricted expendable for:		
Research	12,793	15,264
Instruction	740	198
Public service	—	219
Academic support	—	5
Institutional support	287	—
Unrestricted	146,966	190,166
Total net position	\$ 220,336	\$ 266,314

n. Revenue and Expense Classifications

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

Operating revenues include activities that have the characteristics of exchange transactions, meaning revenues are received in exchange for goods and services, such as (1) clinical services, (2) grants and contracts, and (3) facilities and administrative cost recoveries. With the exception of interest expense and contributions to related entities, all expense transactions are classified as operating expenses.

Certain revenues relied on for fundamental operational support of the University are mandated by GASB requirements to be recorded as nonoperating revenues. Non-operating revenues, meaning revenues received where the Research Foundation provided no goods or services such as gifts.

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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Notes to the Financial Statements
For Years Ended June 30, 2025 and 2024

o. Net Clinical Services Revenue

The Research Foundation has agreements with third-party payers that provide for payments to the Research Foundation at amounts different from its established rates. Net clinical services revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for the services rendered and includes 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.

p. Federal and State Contract Revenue

Support funded by grants is recognized as the Research Foundation 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.

q. Tax Status

As an affiliate of a state institution of higher education, the income of the Research Foundation 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 Research Foundation is subject to federal income tax on any unrelated business income.

r. Use of Estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying financial statements include estimates for items such as bad debt and contractual allowances, estimated third-party settlements, accrued expenses, estimated useful lives of assets, and other post employment benefits.

s. Reclassifications

Certain 2024 amounts have been reclassified to conform to the 2025 presentation. During fiscal year 2024, student financial aid provided by Federal grants was presented as nonoperating revenue and an operating expense on the statements of revenues, expenses, and changes in net position for the Research Foundation. These revenues and expenses relate to the University and were reclassified to better align with the related entity. The reclassification had no effect on the change in net position.

t. Recent Accounting Pronouncements

Implemented for Fiscal Year Ended June 30, 2025

GASB Statement No. 101, *Compensated Absences*: This Statement provides updated guidance for the recognition and measurement for compensated absences to ensure consistent financial reporting. A liability for compensated absences is recognized when:

- Leave is unused, attributable to services already rendered, accumulates, and is more likely than not to be used for time off, paid in cash, or settled through noncash means.
- Leave has been used but remains unpaid in cash or unsettled through noncash means.

Exemptions include certain types of compensated absences such as parental leave, military leave and jury duty leave, which are recognized as liabilities only when the leave commences.

The adoption of this Standard resulted in an immaterial cumulative decrease of \$3.6 million in net position as of June 30, 2024.

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GASB Statement No. 102, *Certain Risk Disclosures*: This Statement requires the Research Foundation to evaluate whether a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. The Research Foundation will be required to assess whether an event or events associated with a concentration or constraint which could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within twelve months of the date the financial statements are issued. For the year ending June 30, 2025, no concentrations or constraints were identified that would require disclosure in the financial statements.

Implemented for Fiscal Year Ended June 30, 2024

Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB No. 62*: This Statement prescribes the accounting and financial reporting for each type of accounting change and error correction. The definition of accounting changes and error corrections is clarified and guidance for those reported retroactively by restating prior year's financial statements or if they are reported prospectively is provided. Adoption of this Standard did not have a financial impact on the financial statements.

GASB Statements to be implemented in fiscal year 2026:

GASB Statement No. 103, *Financial Reporting Model Improvements*: This Statement was issued to improve key components of the financial reporting model to enhance its effectiveness in providing information and assessing accountability. This Statement addresses requirements relating to Management's Discussion and Analysis, unusual or infrequent items, major component unit information, budgetary comparison information and the presentation of proprietary fund statement of revenues, expenses, and changes in fund net position.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*: This Statement mandates separate disclosure of certain types of capital assets note disclosures required by GASB Statement No. 34. It also establishes requirements for capital assets held for sale, including additional disclosures for such assets.

Management is evaluating the impact of these Statements on the financial statements.

2. Cash and Cash Equivalents

The Research Foundation maintains various deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Research Foundation's deposits or collateral securities may not be returned. For administrative convenience, cash balances of the Research Foundation are included in bank accounts maintained by the University. Details of accounting transactions affecting cash are maintained in such a manner as to ensure an appropriate segregation of amounts maintained by each entity.

The University currently uses commercial banks and the Commonwealth of Kentucky (the Commonwealth) as its depositories. Deposits with commercial banks are covered up to the limits of 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 Research Foundation does not have a formal policy addressing custodial credit risk.

3. Transactions with Related Entities

a. Transfers with Related Entities

The University provides certain facilities and administrative services to the Research Foundation for a share of the facilities and administrative cost recoveries. The current agreement provides for a transfer of 80%, after certain deductions, of the cost recoveries realized. Transfers from the Research Foundation to the University for their portion of cost recoveries totaled \$21.1 million and \$22.7 million and for the years ended June 30, 2025 and 2024, respectively.

During the fiscal years ended June 30, 2025 and 2024, research and operational support provided from the University to the Research Foundation totaled \$2.3 million and \$10.7 million.

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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Notes to the Financial Statements
For Years Ended June 30, 2025 and 2024

The Research Foundation transferred \$25.0 million and \$10.3 million of the academic and programmatic support payments received from UL Health to the University for the fiscal years ended June 30, 2025 and 2024. The Research Foundation transferred \$8.4 million and \$3.3 million related to capital projects and debt service payments during each of the fiscal years ended June 30, 2025 and 2024, respectively, to the University. These transfers relate to certain capital projects, which are financed by the University.

For each of the years ended June 30, 2025 and 2024, the Research Foundation was the recipient of \$4.2 million and \$2.9 million, respectively, from related entities to assist in funding cost share required by certain sponsored programs and grants.

b. Receivables with Related Entities

The Research Foundation received a \$5.9 million unsecured, non-interest bearing note from University of Louisville Physicians, Inc. (ULP), an affiliate entity, for past due fees owed to the Research Foundation. The outstanding note balance was \$0.8 million as of June 30, 2024. The note was fully repaid as of June 30, 2025.

The Research Foundation has receivables from ULP due through the normal course of business which are reflected in accounts receivable, net in the Statements of Net Position. As of June 30, 2025 and 2024 receivables of \$151 thousand and \$110 thousand were due, respectively.

UL Health, Inc.'s Board of Directors did not approve margin share payments to the Research Foundation for additional academic mission support for the years ending June 30, 2025 and 2024. During fiscal years 2025 and 2024, the Research Foundation received prior fiscal year margin share payments of \$9.8 million and \$20.5 million, respectfully, related to the agreement with UL Health. As of June 30, 2025, the remaining balance due is \$2.6 million which is reported in current due from affiliate.

The Research Foundation has receivables from UL Health due through the normal course of business which are reflected in accounts receivable, net in the Statements of Net Position. As of June 30, 2025 and 2024, receivables of \$48.7 million and \$23.6 million were due, respectively.

4. Accounts Receivable, net

Accounts receivable, net as of June 30, 2025 and 2024, are summarized as follows (in thousands):

2025			
	Gross Receivable	Allowance	Net Receivable
Patient care	\$ 125,319	\$ (19,880)	\$ 105,439
Sponsored agreements	33,484	(3,500)	29,984
Lease receivables	643,269	—	643,269
Total	\$ 802,072	\$ (23,380)	\$ 778,692
Current portion			\$ 146,038
Noncurrent portion			\$ 632,654

2024			
	Gross Receivable	Allowance	Net Receivable
Patient care	\$ 106,224	\$ (18,147)	\$ 88,077
Sponsored agreements	40,921	(3,500)	37,421
Lease receivables	642,117	—	642,117
Total	\$ 789,262	\$ (21,647)	\$ 767,615
Current portion			\$ 136,121
Noncurrent portion			\$ 631,493

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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Notes to the Financial Statements
For Years Ended June 30, 2025 and 2024

5. Capital and Intangible Assets, net

Capital assets and intangible assets as of June 30, 2025 and 2024 are summarized as follows (in thousands):

	2025				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Cost - Nondepreciable					
Land	\$ 351	\$ —	\$ —	\$ —	\$ 351
Construction in progress	7,485	95	—	(7,528)	52
Subtotal	7,836	95	—	(7,528)	403
Cost - Depreciable					
Buildings	71,118	—	—	7,528	78,646
Infrastructure	929	—	—	—	929
Land improvements	237	—	—	—	237
Equipment	111,716	8,459	(4,510)	—	115,665
Leasehold improvements	818	—	—	—	818
Library materials	60	—	(1)	—	59
Right-of-use asset - SBITAs	—	1,562	—	—	1,562
Right-of-use asset - leases	13,643	765	(1,341)	—	13,067
Subtotal	198,521	10,786	(5,852)	7,528	210,983
Total capital and intangible assets, cost	206,357	10,881	(5,852)	—	211,386
Accumulated depreciation and amortization					
Buildings	36,872	1,460	—	—	38,332
Infrastructure	163	16	—	—	179
Land improvements	88	6	—	—	94
Equipment	95,361	4,985	(1,548)	—	98,798
Leasehold improvements	761	5	—	—	766
Library materials	54	3	(1)	—	56
Right-of-use asset - SBITAs	—	1,216	—	—	1,216
Right-of-use asset - leases	9,101	2,405	(1,464)	—	10,042
Total accumulated depreciation and amortization	142,400	10,096	(3,013)	—	149,483
Capital and intangible assets, net	\$ 63,957	\$ 785	\$ (2,839)	\$ —	\$ 61,903

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For Years Ended June 30, 2025 and 2024

	2024				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Cost - Nondepreciable					
Land	\$ 351	\$ —	\$ —	\$ —	\$ 351
Construction in progress	6,774	711	—	—	7,485
Subtotal	7,125	711	—	—	7,836
Cost - Depreciable					
Buildings	71,118	—	—	—	71,118
Infrastructure	929	—	—	—	929
Land improvements	237	—	—	—	237
Equipment	106,820	7,560	(2,664)	—	111,716
Leasehold improvements	818	—	—	—	818
Library materials	60	—	—	—	60
Right-of-use assets	9,989	3,654	—	—	13,643
Subtotal	189,971	11,214	(2,664)	—	198,521
Total capital and intangible assets, cost	197,096	11,925	(2,664)	—	206,357
Accumulated depreciation and amortization					
Buildings	35,456	1,416	—	—	36,872
Infrastructure	148	15	—	—	163
Land improvements	82	6	—	—	88
Equipment	92,512	5,213	(2,364)	—	95,361
Leasehold improvements	755	6	—	—	761
Library materials	52	2	—	—	54
Right-of-use assets	6,939	2,162	—	—	9,101
Total accumulated depreciation and amortization	135,944	8,820	(2,364)	—	142,400
Capital and intangible assets, net	\$ 61,152	\$ 3,105	\$ (300)	\$ —	\$ 63,957

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6. Leases and Subscription-Based Information Technology Arrangements (SBITA)

a. Lessee Arrangements

The Research Foundation leases operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2035 and provide for renewal options ranging from one year to fifty years. The Research Foundation records right-of-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the Research Foundation's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. The Research Foundation does not have any leases subject to a residual value guarantee. Right-of-use assets recorded are for the lease of buildings.

Total future minimum lease payments to be made under lease agreements are as follows (in thousands):

For the years ending June 30,	Principal	Interest
2026	\$ 1,593	\$ 73
2027	582	37
2028	594	20
2029	316	5
2030	46	2
2031-2035	47	1
Total future payments	\$ 3,178	\$ 138

b. Lessor Arrangements

The Research Foundation holds the leases of the University hospitals with an external affiliated party. The leases expire at various dates through 2060 and have renewals for five-year periods. The Research Foundation records lease receivables as deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease or the Research Foundation's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. During the years ended June 30, 2025 and 2024, the Research Foundation recognized revenues relating to these lease arrangements totaling \$26.7 million.

c. Subscription-Based Information Technology Arrangements

During 2025, the Research Foundation contracted subscription-based information technology for operating activities for various terms under long-term non-cancelable agreements. The agreements expire at various dates through 2026 and provide for renewal options ranging from one year to five years. The Research Foundation records right-of-use assets and current or noncurrent liabilities based on the present value of expected payments over the term of the respective agreements. The expected payments are discounted using the Research Foundation's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. There were no variable payments expensed during fiscal year 2025.

Right-to-use assets acquired through subscription-based information technology agreements as of June 30, 2025 were \$1.5 million with accumulated amortization of the assets of \$1.2 million, resulting in a net value of \$346 thousand. The liability of \$336 thousand principal and \$28 thousand interest are all due and payable during FY2026.

See Note 5, Capital Assets for balances of right-of-use assets and associated accumulated amortization. See Note 7 Other Liabilities for balances of lease liabilities.

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7. Other Liabilities

Other liabilities of the Research Foundation consisted of the following at June 30, 2025 and 2024 (in thousands):

2025							
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion	
Lease liabilities	\$ 4,588	\$ 730	\$ (2,140)	\$ 3,178	\$ 1,593	\$ 1,585	
Subscription-based information technology arrangements	—	702	(366)	336	336	—	
Other long-term liabilities	8	4	—	12	—	12	
Total	\$ 4,596	\$ 1,436	\$ (2,506)	\$ 3,526	\$ 1,929	\$ 1,597	

2024							
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion	
Lease liabilities	\$ 3,071	\$ 3,733	\$ (2,217)	\$ 4,587	\$ 1,962	\$ 2,625	
Other long-term liabilities	8	—	—	8	—	8	
Total	\$ 3,079	\$ 3,733	\$ (2,217)	\$ 4,595	\$ 1,962	\$ 2,633	

8. Revenues from Clinical Services, Contractual Services and Practice Plans

a. Clinics and Laboratories

The University's Health Science Center operates various clinics, which generate revenues from the treatment of patients, as well as laboratory services. Net revenues associated with the operations of these clinics totaled \$120.0 million and \$97.2 million for the years ended June 30, 2025 and 2024, respectively.

b. UL Health, Inc.

During the fiscal year ending June 30, 2020 UMC became wholly owned by UL Health, Inc. UL Health, Inc. consolidated the management of existing hospital facilities and facilities obtained in acquisition with operations of University Medical Center, Inc. d/b/a University of Louisville Hospital (UMC) and University of Louisville Physicians, Inc. (ULP) to optimize operations and management. UL Health, Inc.'s operating agreement with the University states that profitable operations in excess of budget will be shared equally with the University. There was no profit share contribution for the years ended June 30, 2025 and 2024.

The Research Foundation, through the University, has an academic affiliation agreement with UL Health for the purpose of advancing the University's academic, education and research missions, providing quality patient care regardless of ability to pay and assurance that state-of-the-art facilities will be available for providing healthcare to patients. University employees, residents and students provide medical care utilizing UL Health run facilities, in return, UL Health receives revenues for the services provided. UL Health provides support to the University through annual funding for salaries, benefits and insurance coverage, annual academic support and annual departmental/administrative support pursuant to the terms of the master support and services agreement. For the years ending June 30, 2025 and 2024, support totaling approximately \$161.5 million and \$151.4 million, respectively, was received under these agreements.

c. Norton Healthcare

The Research Foundation, through the University, entered into an agreement with Norton Hospitals, Inc. and Norton Children's Medical Group, LLC (collectively "NCMG") to transition the ownership and operation of the pediatric clinical practice and amend and restate certain other aspects of the pediatric academic affiliation in order align teaching, research and patient care between the parties. As of March 1, 2020, NCMG assumed all operational responsibilities for pediatric clinical activities.

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The Clinical Affiliation and Academic Affiliation Agreements between the University and NCMG provide for certain payments to the University for academic and departmental support of teaching and research.

The Research Foundation received total support of \$148.4 million and \$113.7 million related to academic, departmental and research support for June 30, 2025 and 2024, respectively. Norton made additional payments to the Research Foundation for professional services provided by clinical providers of \$2.3 million and \$1.8 million for the years ending June 30, 2025 and 2024, respectively.

d. Other Clinical Revenues

The Research Foundation works with other area hospitals by providing support services, such as residents and other staff. Revenues associated with these activities totaled approximately \$38.5 million and \$31.7 million for the years ended June 30, 2025 and 2024, respectively.

9. Natural Classification

Operating expenses by natural classification for the years ended June 30, 2025 and 2024, were approximately (in thousands):

	2025				
	Salary and wages	Employee benefits	Scholarships and fellowships	Supplies and other	Total
Instruction	\$ 79,761	\$ 20,001	\$ 5,951	\$ 18,410	\$ 124,123
Research	74,232	19,476	5,015	48,112	146,835
Public service	44,181	12,587	867	117,352	174,987
Academic support	52,428	11,949	2,229	112,607	179,213
Student services	—	—	1	5	6
Institutional support	8,666	5,647	—	(1,084)	13,229
Operation and maintenance of plant	647	247	—	739	1,633
Scholarships and fellowships	1,862	25	1,751	—	3,638
Depreciation and amortization	—	—	—	—	10,096
Total	\$ 261,777	\$ 69,932	\$ 15,814	\$ 296,141	\$ 653,760

	2024				
	Salary and wages	Employee benefits	Scholarships and fellowships	Supplies and other	Total
Instruction	\$ 80,179	\$ 19,511	\$ 6,789	\$ 13,564	\$ 120,043
Research	61,545	15,863	3,890	41,025	122,323
Public service	45,724	12,038	223	110,857	168,842
Academic support	47,587	10,694	1,461	54,812	114,554
Institutional support	9,171	1,578	—	2,695	13,444
Operation and maintenance of plant	752	256	—	(58)	950
Scholarships and fellowships	1,658	22	2,571	14	4,265
Depreciation and amortization	—	—	—	—	8,820
Total	\$ 246,616	\$ 59,962	\$ 14,934	\$ 222,909	\$ 553,241

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10. Retirement Plan

Full and benefit eligible part-time employees can participate in the University of Louisville 403(b) Retirement Plan (Plan) immediately upon hire. The University contributes 7.5% of an eligible employee's base salary regardless of an employee's participation in the plan. Additionally, the University matches employee contributions up to 2.5% of base pay. Both the University contribution and match are subject to eligibility requirements of twelve-months of consecutive service and attainment of age 21. The Plan requires three years of continuous service for employees to vest in the University contributions.

The Research Foundation recorded expenses related to the defined contribution plan of \$16.2 million and \$14.8 million during the years ended June 30, 2025 and 2024, respectively. As of June 30, 2025 and 2024, the Research Foundation had no outstanding liability related to the Plan.

11. Postemployment Healthcare Benefits

a. Plan Description

Research Foundation's personnel are deemed University personnel and are eligible for postemployment healthcare benefits as described in The University of Louisville Group Health Plan (Health Plan), administered by the University. The Healthcare Plan is a single-employer plan and the University's Board of Trustees determines the eligibility requirements related to the Healthcare Plan. The Healthcare Plan does not issue stand-alone financial reports and is not included in the report of any entity.

To be eligible for the Healthcare 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 as of 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 following employees were covered by the benefit terms as of July 1, 2025 and 2024:

	2025	2024
Retirees and beneficiaries	2,080	1,916
Active plan members	5,182	4,446
Total	7,262	6,362

b. Funding Policy

The Healthcare 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, 2025 and 2024, the University contributed \$4.7 million and \$3.8 million to the Plan, approximately 80% of total premiums. Retired Healthcare Plan members under age 65 receiving benefits contributed \$1.1 million and \$918 thousand, approximately 20% of total premiums.

Retired Healthcare Plan members made monthly contributions according to the rate schedules below.

	2025			
	PPO	EPO	PCA High	PCA Low
Employee	\$511	\$539	\$428	\$358
Employee and Spouse	\$1,228	\$1,295	\$1,028	\$857

	2024			
	PPO	EPO	PCA High	PCA Low
Employee	\$454	\$474	\$383	\$316
Employee and Spouse	\$1,092	\$1,138	\$920	\$757

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Medicare-eligible retirees receive a monthly benefit of \$108 per individual covered. For the years ended June 30, 2025 and 2024, the University contributed \$2.5 million and \$2.4 million for Medicare-eligible retirees, respectively.

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

The University's total OPEB liability was measured by an actuarial valuation as of June 30, 2024 (measurement date). The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.25%
Salary Increases	5.00%, average
Investment rate of return	NA
Healthcare trend rates	Initial rate of 7.5% FY2025 and 7.0% FY2024, declining to an ultimate rate of 4.25% after 15 years

The investment rate of return is shown as not applicable (NA) since the University contributes only the amount necessary to pay current benefits. The discount rate was 3.97% and 3.86% as of the Measurement Dates and 3.86% and 3.69% as of the beginning of the Measurement Period as of June 30, 2024 and 2025, respectively..

Changes in total reported liability for postemployment benefits obligations for the years ended June 30, 2025 and 2024 are summarized below (in thousands):

	2025		2024	
Balance, beginning year	\$	79,475	\$	79,415
Changes for the year:				
Service cost		3,054		2,545
Interest		3,054		2,892
Differences between expected and actual experience		10,380		659
Changes of assumptions		(527)		(1,387)
Benefit payments		(3,769)		(4,649)
Net changes		12,192		60
Balance, end year	\$	91,667	\$	79,475

The following reflects the sensitivity of the net OPEB liability if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (in thousands):

	2025				2024			
	1% Decrease (2.97)%	Discount Rate (3.97)%	1% Increase (4.97)%	1% Decrease (2.86)%	Discount Rate (3.86)%	1% Increase (4.86)%		
Net OPEB liability	\$ 101,799	\$ 91,667	\$ 83,020	\$ 88,217	\$ 79,475	\$ 72,021		

The following reflects the sensitivity of the net OPEB liability if it were calculated using a healthcare cost trend rate that is one- percentage-point lower or one-percentage-point higher than current health care trend rate (in thousands):

	2025				2024			
	1% Decrease (6.0)%	Healthcare Cost Trend Rates (7.0)%	1% Increase (8.0)%	1% Decrease (6.0)%	Healthcare Cost Trend Rates (7.0)%	1% Increase (8.0)%		
Net OPEB liability	\$ 87,311	\$ 91,667	\$ 96,719	\$ 75,933	\$ 79,475	\$ 83,595		

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For the years ended June 30, 2025 and 2024, the University recognized OPEB expense of \$4.3 million and \$2.2 million, respectively. At June 30, 2025 and 2024, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2025		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	12,474	\$ 1,273
Changes of assumptions		5,097	14,693
Contributions made in fiscal year ending 6/30/2025 after the measurement date of 6/30/2024		4,709	—
Total	\$	22,280	\$ 15,966

2024		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	4,587	\$ 2,065
Changes of assumptions		7,309	19,907
Contributions made in fiscal year ending 6/30/2024 after the measurement date of 6/30/2023		3,842	—
Total	\$	15,738	\$ 21,972

The amount reported as contributions after the measurement date included in deferred outflows will be recognized as benefit payments during the following fiscal year.

Amounts reported as differences between expected and actual experience and changes in assumptions included under deferred inflows of resources will be recognized in OPEB expense during the following years as presented below (in thousands):

Year ended June 30:	
2026	\$ (1,412)
2027	(1,311)
2028	937
2029	518
2030	1,275
Thereafter	1,598
Total	\$ 1,605

d. Actuarial Methods and Assumptions

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 about the future.

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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.

12. Commitments and Contingencies

a. Litigation

The Research Foundation 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 coverages 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 or the Research Foundation beyond the amounts already provided.

b. Government Grants

The Research Foundation is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditure 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.

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Total OPEB liability								
Service Cost	\$ 3,054	\$ 2,545	\$ 2,983	\$ 2,795	\$ 2,538	\$ 2,437	\$ 4,630	\$ 5,203
Interest	3,054	2,892	1,642	1,956	2,318	2,497	3,296	2,728
Difference between expected and actual experience	10,380	659	4,771	(458)	(1,687)	1,923	(1,718)	(2,608)
Changes of assumption	(527)	(1,387)	(12,131)	4,967	5,757	5,488	(27,504)	(5,495)
Benefit payments	(3,769)	(4,649)	(3,790)	(3,558)	(2,927)	(2,836)	(2,817)	(3,007)
Net change in OPEB Liability	\$ 12,192	\$ 60	\$ (6,525)	\$ 5,702	\$ 5,999	\$ 9,509	\$ (24,113)	\$ (3,179)
OPEB liability - beginning of year	79,475	79,415	85,940	80,238	74,239	64,730	88,843	92,022
OPEB liability - end of year	\$ 91,667	\$ 79,475	\$ 79,415	\$ 85,940	\$ 80,238	\$ 74,239	\$ 64,730	\$ 88,843
Covered employee payroll	\$ 587,064	\$ 473,424	\$ 445,201	\$ 434,864	\$ 490,221	\$ 493,893	\$ 450,332	\$ 445,356
Total OPEB liability as a percentage of covered employee payroll	15.61 %	16.79 %	17.84 %	19.76 %	16.37 %	15.03 %	14.37 %	19.95 %

Notes to Schedule:

Discount Rate 3.97 % 3.86 % 3.69 % 1.92 % 2.45 % 3.13 % 3.87 % 3.58 %

Changes of assumptions reflect the effects of the discount rate each period.

FY2025 - The mortality tables, health care trend rates, participation rates, and two-person coverage rate for males assumptions were updated.

FY2023 - The health care trend rates were updated to better reflect the Plan's anticipated experience and the mortality assumptions were updated.

FY2021 - The health care trend rates were updated to reflect the repeal of the excise tax on high-cost employer health plans.

FY2020 - The retirement rates, participation rates, and health care trend rates were modified.

FY2019 - The per capita claims costs and the mortality improvement scale assumptions were modified.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
University of Louisville Research Foundation, Inc.

We have audited, 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 (*Government Auditing Standards*), the financial statements of the University of Louisville Research Foundation, Inc. (the "Entity") a component unit of the University of Louisville as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements, and have issued our report thereon dated November 20, 2025.

Report on internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Entity's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the Entity's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grant Thornton LLP

Boston, Massachusetts
November 20, 2025



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