



# **UNIVERSITY OF LOUISVILLE & AFFILIATED CORPORATIONS**

**A Component Unit of the Commonwealth of Kentucky**

**Auditor's Report & Financial Statements  
June 30, 2023 & 2022**



**UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS**  
**A Component Unit of the Commonwealth of Kentucky**  
**For the Years Ended June 30, 2023 and 2022**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of Louisville and Affiliated Corporations (the University), collectively a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise University of Louisville's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the University, collectively a component unit of the Commonwealth of Kentucky, as of June 30, 2023 and 2022, and the changes in financial position, and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the University of Louisville Health, Inc. (UofL Health), the University of Louisville Real Estate Foundation, Inc. (ULREF) and University of Louisville Foundation, Inc. and Affiliates (the Foundation), which comprise 100% of the aggregate discretely presented component units of the University as of June 30, 2023 and 2022. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for UofL Health, ULREF and the Foundation are based solely on the reports of the other auditors. The financial statements of UofL Health, ULREF and the Foundation were not audited in accordance with *Government Auditing Standards*.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of University of Louisville 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 University of Louisville'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.

### ***Auditors' 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 auditors' 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 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 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 University of Louisville'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 University of Louisville'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 Analysis on pages 4 through 15 and the Post-employment Benefit Information on page 75 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 GAAS, 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 October 23, 2023, on our consideration of 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 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 University of Louisville'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 University of Louisville's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

St. Louis, Missouri  
October 23, 2023

**UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS**  
**A Component Unit of the Commonwealth of Kentucky**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Years Ended June 30, 2023 and 2022**

**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, 2023 and 2022. Comparative information for the year ended June 30, 2021 has been provided where applicable. The affiliated corporations include the University of Louisville Research Foundation, Inc. (Research Foundation) and the University of Louisville Athletic Association (Association), both blended component units of the University. The University of Louisville Foundation, Inc., University of Louisville Real Estate Foundation, Inc., and UL Health, Inc. are discretely presented component units of the University. The financial results of the discretely presented component units are presented in columnar format along side the University's financial statements with additional information presented in the notes to the financial statements. Comments presented in the management's discussion and analysis pertain to the university and its blended component units only and should be read in conjunction with the financial statements and notes that follow this section.

The University of Louisville is a state-supported research university located in Louisville, Kentucky. It was a municipally supported public institution for many decades prior to joining the university system in 1970. The University has three campuses. The 287-acre Belknap Campus is three miles from downtown Louisville and houses eight of the university's 12 colleges and schools. The Health Sciences Campus is situated in downtown Louisville's medical complex and houses the university's health-related programs and the University of Louisville healthcare enterprise (both in and out patient). The 243-acre Shelbyhurst Campus is located in eastern Jefferson County. This campus houses business offices and technology endeavors. The University offers approximately 73 undergraduate degree programs, 80 master level graduate degree programs, 36 doctoral degree programs, and 3 professional degree programs.

The University strives to be recognized as a great place to learn, a great place to work and a great place in which to invest because we celebrate diversity, foster equity and strive for inclusion. The University of Louisville pursues excellence and inclusiveness in its work 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.
- Providing engaged service and outreach that improves the quality of life for local and global communities.

**Component Units**

The University has affiliations with corporations that are designated as discretely presented component units due to the nature of the corporation's activities and operations. A description of the discretely presented component units of the University follows:

University of Louisville Foundation, Inc. (Foundation): 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, which were \$921.5 million as of June 30, 2023.

University of Louisville Real Estate Foundation, Inc. (ULREF): The ULREF is a nonprofit corporation formed with the purpose to acquire, maintain, improve, leverage, manage, lease and convey real and personal property for the benefit of the University.

UL Health, Inc. (UL Health): UL Health is a nonprofit corporation with the purpose to support the university and its school of medicine along with providing patient care.

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.

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The University received Federal stimulus funds totaling \$70.5 million through the Higher Education Emergency Relief Fund (HEERF) to help lessen the burden of additional cost and lost revenues brought on by the Pandemic and to provide aid to students. The funds were utilized over the 2020, 2021, and 2022 fiscal years.

The operations of the University have changed and evolved to meet the circumstances of a changing society. Further adaptive measures are anticipated to meet the needs of students, faculty, staff and the community as the Pandemic unfolds in the future.

The University adopted GASB standards No.94 - *Private and Public-Public Partnerships and Availability Payment Arrangements*, and No. 96 *Subscription-Based Information Technology Arrangements* during the current year. Implementation was not applied to the prior period presented due to the inability to calculate the effect of the accounting change. Instead, the beginning net position of the current year was restated. The new accounting standards resulted in new right-to-use assets, liabilities, and deferred inflows of assets related to contracts. Notes 1, 10, and 14 provide explanation and detail of the accounting changes.

### Using the Financial Statements

The University'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 are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities.

### Statements of Net Position

The statements of net position present a snapshot of financial position of the University at the end of the fiscal year and include all assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 accumulated depreciation. The change in net position indicates whether the University accumulated or consumed resources during the year.

A condensed version of the University's assets, liabilities, and net position at June 30, 2023, 2022, and 2021 (in thousands) is summarized below:

	2023	2022	2021 (Restated)	2023-2022 Change	2022-2021 Change
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Current assets	\$ 462,059	\$ 436,636	403,803	\$ 25,423	\$ 32,833
Noncurrent assets	852,078	828,521	834,362	23,557	(5,841)
Right-to-use assets, net	75,302	61,435	64,029	13,867	(2,594)
Capital assets, net	1,054,040	1,065,750	1,069,819	(11,710)	(4,069)
Deferred outflows of resources	20,299	19,129	17,305	1,170	1,824
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,463,778</b>	<b>2,411,471</b>	<b>2,389,318</b>	<b>52,307</b>	<b>22,153</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>					
Current liabilities	199,303	197,415	201,020	1,888	(3,605)
Noncurrent liabilities	481,557	454,663	459,907	26,894	(5,244)
Deferred inflows of resources	708,943	719,905	742,119	(10,962)	(22,214)
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>1,389,803</b>	<b>1,371,983</b>	<b>1,403,046</b>	<b>17,820</b>	<b>(31,063)</b>

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	2023	2022	2021 (Restated)	2023-2022 Change	2022-2021 Change
<b>NET POSITION</b>					
Net investment in capital assets	782,237	792,372	800,249	(10,135)	(7,877)
Restricted - nonexpendable	1,905	1,831	1,868	74	(37)
Restricted - expendable	74,031	67,387	73,377	6,644	(5,990)
Unrestricted	215,802	177,898	110,778	37,904	67,120
<b>TOTAL NET POSITION</b>	<b>1,073,975</b>	<b>1,039,488</b>	<b>986,272</b>	<b>34,487</b>	<b>53,216</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>					
	<b>\$ 2,463,778</b>	<b>\$ 2,411,471</b>	<b>\$ 2,389,318</b>	<b>\$ 52,307</b>	<b>\$ 22,153</b>

### Assets

Current assets consist primarily of cash, loans, accounts and contributions receivable, inventories, due from affiliates and investments held with the Foundation. The increase in current assets of \$25.4 million for the year ended June 30, 2023 as compared to June 30, 2022 is mainly attributed to an increase in accounts receivable of \$35.8 million, offset by a decrease in short-term investments of \$13.3 million. Due to the interest rate environment, the University shifted to long-term investment vehicles which caused the decrease in short-term investments in fiscal year 2023..

Noncurrent assets increased \$25.7 million in fiscal year 2023. Almost all noncurrent asset categories experienced significant increases or decreases. In an effort to maximize investment returns long-term investments increased by \$26.8 million. The implementation of subscription-based arrangements accounting changes increased right-to-use assets by \$13.9 million. These are offset by a reduction in restricted cash and cash equivalents of \$15.0 million for the usage of funds restricted for capital purchases.

In fiscal year 2022, current assets increased \$32.8 million this is mainly attributed to an increase in cash and equivalents of \$14.3 million, an increase of \$40.0 million in short-term investments, offset by a reduction of \$16.1 million in due from affiliates. The reduction in due from affiliates is a shift between current and noncurrent receivables represents investments that were liquidated and are now invested in cash equivalents at the University.

Noncurrent assets decreased \$12.5 million in fiscal year 2022. The majority of the decrease is attributed to a decrease in restricted cash of \$29.0 million along with a decrease in accounts receivable of \$10.4 million. Long-term investments increased \$20.1 million which helped minimized the overall decrease year over year.

### Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets applicable to a future period. These balances consist primarily of losses on bond refinancing that will be amortized to interest expense over the life of the refinanced debt and of future payments to be made for other postretirement employment benefits (OPEB). In fiscal year 2023, deferred outflows increased \$1.2 million to \$20.3 million as compared to \$19.1 million as of June 30, 2022.

The increase in deferred outflows of resources as of June 30, 2022 was \$1.8 million over the balance of \$17.3 million as of June 30, 2021.

### Liabilities

Current liabilities increased by \$1.9 million in fiscal year 2023 as compared to 2022. The operating line of credit of \$9.0 million converted to a long-term note payable which moved a majority of the balance to noncurrent liabilities. This reduction was offset by an increase in unearned revenues of \$3.6 million and subscription-based arrangements of \$5.9 million.

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Noncurrent liabilities decreased \$26.9 million during fiscal year 2023. Noncurrent liabilities consist primarily of unearned revenues, post-retirement benefits, and the portion of bonds, notes, and leases payable in excess of one year. Significant contributors to the increase were unearned revenues with an increase of \$36.2 million and subscription-based arrangements with an increase of \$12.5 million. These were offset by reductions in all other noncurrent liability categories.

Current liabilities decreased by \$3.6 million in fiscal year 2022 as compared to 2021. Accounts payable and accrued liabilities and unearned revenue comprise 79% of total current liabilities and decreased by \$9.4 million while current bonds and notes payable increased by \$5.7 million during fiscal year 2022. The \$5.2 million decrease in noncurrent liabilities during fiscal year 2022 primarily is due to the reduction of noncurrent bonds and notes payable of \$6.1 million.

### **Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to future periods. Deferred inflows decreased by \$11.0 million during fiscal year 2023. The most significant decrease is attributed to future revenues from leased assets of \$15.4 million and an increase in other post-retirement deferred inflows of \$5.9 million from assumptions used in the calculation of the OPEB liability.

In fiscal year 2022, deferred inflows of resources decreased \$22.2 million, which was attributed to decreases in future revenues from lease assets of \$15.2 million and changes in the assumptions used in the calculation of the OPEB liability of \$4.0 million

### **Net Position**

In fiscal year 2023, net position increased \$34.5 million. The University continues to strengthen its net position through operational diligence and improvements. The University benefited from an increase in unrestricted net position of \$37.9 million and restricted expendable net position of 6,644 but was negatively impacted by a reduction of \$10.1 million in capital assets.

In fiscal year 2022, net position increased \$53.2 million. This increase is a result of an increased in unrestricted net position of 67,120, which was offset by a decrease in of \$7.9 million in capital assets and a reduction of \$6.0 million in restricted expendables

### **Statements of Revenues, Expenses, and Changes in Net Position**

The University's condensed statements of revenues, expenses, and changes in net position for the years ended June 30, 2023, 2022, and 2021 (in thousands) are summarized below:

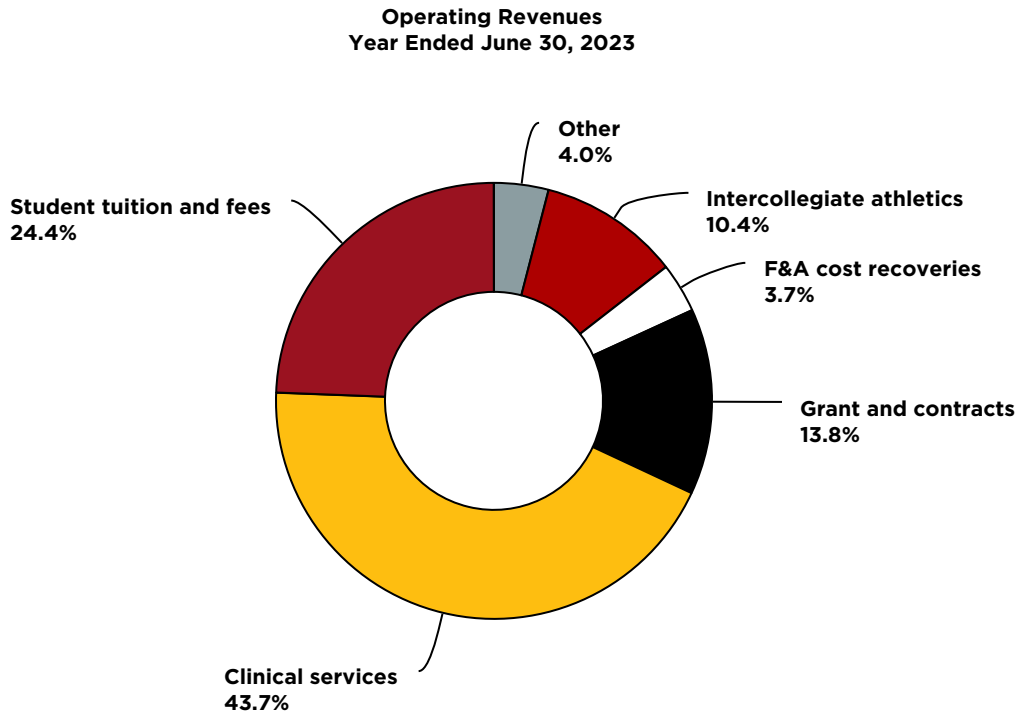
	2023	2022	2021 (Restated)	2023-2022 Change	2022-2021 Change
<b>OPERATING REVENUES</b>					
Student tuition and fees, net	\$ 227,520	\$ 240,060	\$ 231,505	\$ (12,540)	\$ 8,555
Clinical services and practice plan	407,158	404,628	388,069	2,530	16,559
Grants and contracts	128,518	132,023	107,418	(3,505)	24,605
Facilities and administrative cost recoveries	34,381	38,714	32,434	(4,333)	6,280
Intercollegiate athletics	97,495	96,940	62,384	555	34,556
Other	37,526	35,167	28,373	2,359	6,794
<b>TOTAL OPERATING REVENUE</b>	<b>932,598</b>	<b>947,532</b>	<b>850,183</b>	<b>(14,934)</b>	<b>97,349</b>
<b>OPERATING EXPENSES</b>					
Depreciation	67,089	61,983	63,128	5,106	(1,145)
Other	1,142,860	1,140,773	994,553	2,087	146,220
<b>TOTAL OPERATING EXPENSE</b>	<b>1,209,949</b>	<b>1,202,756</b>	<b>1,057,681</b>	<b>7,193</b>	<b>145,075</b>

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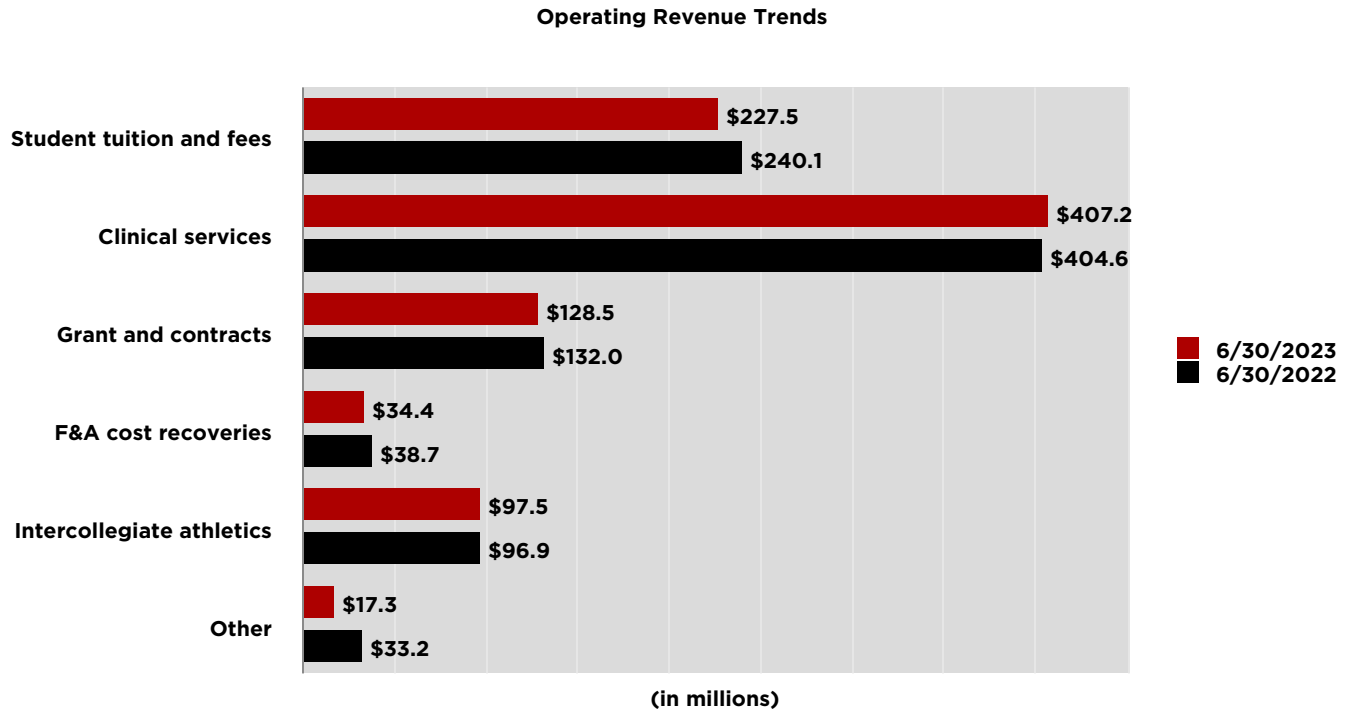
	2023	2022	2021 (Restated)	2023-2022 Change	2022-2021 Change
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State appropriations	147,718	131,725	125,420	15,993	6,305
Other nonoperating revenues	165,057	176,715	152,904	(11,658)	23,811
<b>TOTAL NONOPERATING REVENUE/ (EXPENSES)</b>	<b>312,775</b>	<b>308,440</b>	<b>278,324</b>	<b>4,335</b>	<b>30,116</b>
<b>INCREASE/(DECREASE) IN NET POSITION</b>	<b>35,424</b>	<b>53,216</b>	<b>70,826</b>	<b>(17,792)</b>	<b>(17,610)</b>
<b>Net position - beginning of year</b>	<b>1,039,488</b>	<b>986,272</b>	<b>915,446</b>	<b>53,216</b>	<b>70,826</b>
Cumulative effect of change in accounting principle	(937)	\$ —	\$ —	\$ —	\$ —
<b>Net position - end of year</b>	<b>\$ 1,073,975</b>	<b>\$ 1,039,488</b>	<b>\$ 986,272</b>	<b>\$ 35,424</b>	<b>\$ 53,216</b>

### Operating Revenues

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, 2023 and 2022:



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Revenues from tuition, clinical services, certain grants and contracts, intercollegiate athletics and auxiliary services are classified as operating revenues. While still an important source of support for University academic programs, other revenue sources, such as state appropriations, gifts, and contributions from the Foundation are considered non-operating revenues as defined by GASB.

Student tuition and fees, net of allowances for scholarships and fellowships were \$227.5 million and \$240.1 million, or 24.4% and 25.4% of total operating revenues for the years ended June 30, 2023 and 2022, respectively. Rates of scholarship and fellowship assistance provided by the University generally change at the same rate as tuition, though the types and number of students accepting financial aid can vary. Enrollment for the fall and spring semesters of fiscal year 2023 were stable and reflected the University's successful recruiting and retention efforts.

Clinical services and practice plan revenue amounted to \$407.2 million and \$404.6 million, or 43.7% and 42.8% of total operating revenues for fiscal years 2023 and 2022, respectively. These revenues relate to patient care performed in clinics under contractual arrangements with governmental and private insurers, laboratory services, clinical support provided to affiliated hospitals, and the University's professional practice plan arrangements. The slight increase for 2023 totaling \$2.5 million is from changes in volumes and reimbursements.

Revenue from operating grants and contracts totaled \$128.5 million and \$132.0 million for the years ended June 30, 2023 and 2022, respectively, an decrease of \$3.5 million. The decrease is attributed to a reduction in nongovernmental grants and contracts of \$3.2 million

The University's grants and contracts from government and private sources normally provide for the recovery of indirect or overhead costs. Facilities and administrative (F&A) cost recoveries were \$34.4 million and \$38.7 million for the years ended June 30, 2023 and 2022, respectively. F&A cost recovery revenues generally follow the trend in direct cost revenues and expenditures.

Revenues for intercollegiate athletics were \$97.5 million for the year ended June 30, 2023, an increase of \$555 thousand from \$96.9 million for the year ended June 30, 2022. Auxiliary revenues from housing and parking also increased by \$3.2 million during the year ended June 30, 2023 as compared to the year ended June 30, 2022.

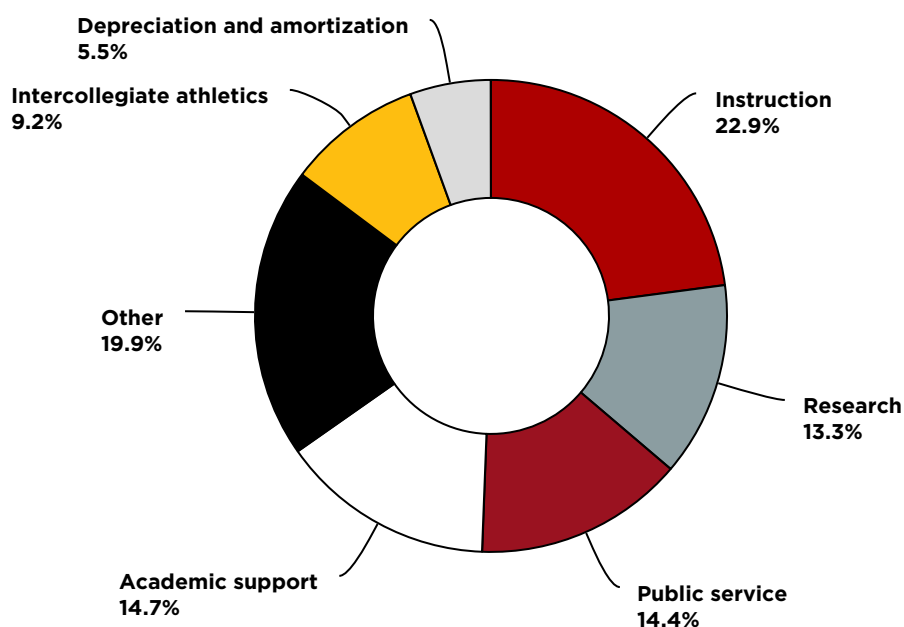
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Operating revenues increased \$97.3 million in fiscal year 2022 over fiscal year 2021. The most significant increases coming from clinical services and practice plan of \$16.6 million due to increased programmatic support and tuition and fees of \$8.6 million due to an increase in the tuition rate. Overall, revenues from grants and contracts increased \$24.6 million with the most significant increase being recorded in federal grants and contracts of \$15.0 million while state and local grants and contracts contributed \$7.2 million to the overall increase.

### Operating Expenses

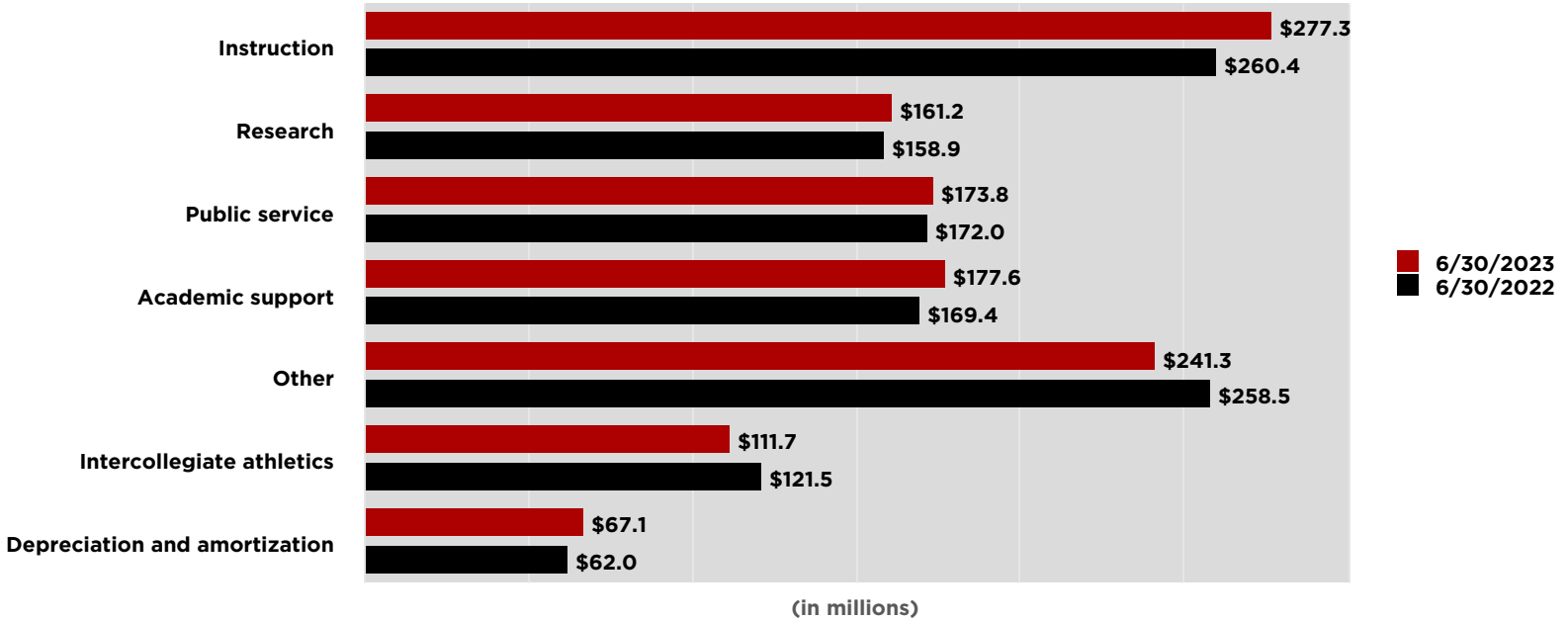
Graphic illustrations of total expenses by functional and natural classifications for the years ended June 30, 2023 and 2022 are summarized below:

**Operating Expenses by Functional Classification**  
**Year Ended June 30, 2023**

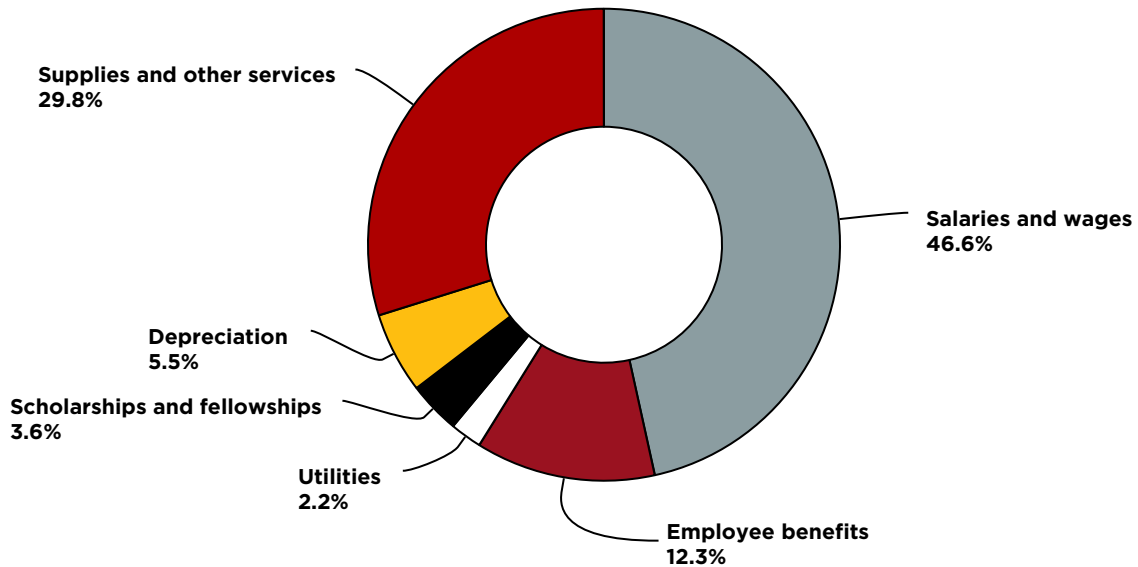


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**Functional Expense Trends**

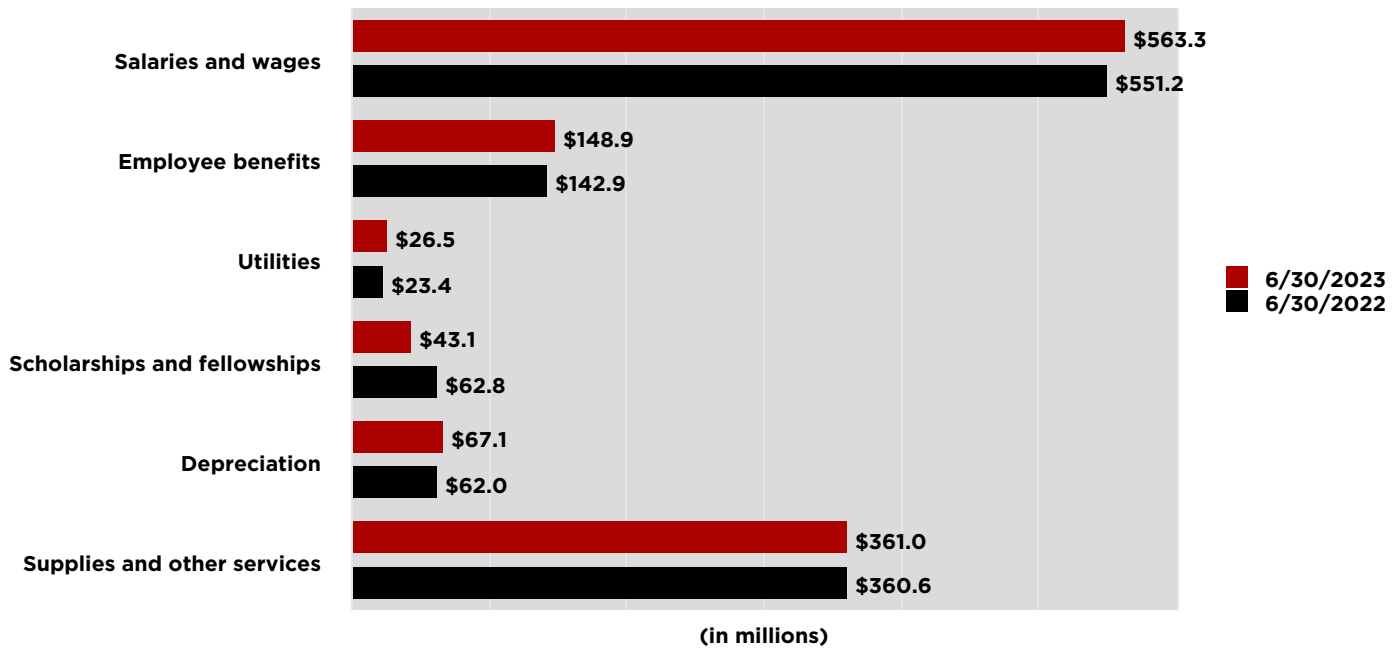


**Operating Expenses by Natural Classification**  
**Year Ended June 30, 2023**



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**Natural Expense Trends**



Operating expenses were \$1.21 billion and \$1.20 billion and exceeded operating revenues by \$277.4 million and \$255.2 million for the years ended June 30, 2023 and 2022, respectively. In fiscal year 2023, operating expenses increased \$7.2 million or 0.6%. Expenses in most functional classifications increased, the most significant being instruction of \$16.9 million and academic support of \$8.1 million.

Increases in salaries and wages and related employee benefits totaled \$18.2 million and accounts for a majority of operating cost increases. The allocation of more scholarship and fellowship cost to discount (based on sources of funds) reduced the natural expense classification by \$19.7 million.

Operating expenses increased \$145.1 million in fiscal year 2022 over fiscal year 2021. The dramatic increase is attributed to the bounce back in campus and athletic operations after pandemic shut downs. The most significant increases were in public service of \$24.4 million, instruction of \$19.0 million, and intercollegiate athletics of \$37.3 million.

**Nonoperating Revenues (Expenses)**

Nonoperating revenue and expenses, net, experienced an overall increase of \$0.1 million in fiscal year 2023. State appropriations increased by \$16.0 million. Investment income increased by \$9.4 million as interest rates increases helped boost earnings. Contributions from the Foundation increased by \$12.4 million as a result of increased utilization of gift and endowment funds. Contracts declined by \$28.4 million as the University did not receive HEERF funds during fiscal year 2023.

Nonoperating revenue and expenses, net, increased \$28.6 million in fiscal year 2022. This increase is attributed to the growth in gifts and donations of \$11.9 million, state appropriations of \$6.3 million, and nonexchange grants and contracts of \$8.1 million.

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**Management's Discussion and Analysis (Unaudited)**  
**For the Years Ended June 30, 2023 and 2022**

**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, 2023, 2022, and 2021 (in thousands) are summarized below:

	2023	2022	2021 (Restated)	2023-2022 Change	2022-2021 Change
<b>CASH (USED)/PROVIDED BY:</b>					
Operating activities	\$ (264,982)	\$ (220,574)	\$ (161,306)	\$ (44,408)	\$ (59,268)
Noncapital financing activities	326,726	313,393	267,468	13,333	45,925
Capital and related financing activities	(77,397)	(47,294)	(25,514)	(30,103)	(21,780)
Investing activities	(4,800)	(60,197)	(9,166)	55,397	(51,031)
<b>NET (DECREASE)/INCREASE IN CASH EQUIVALENTS</b>	<b>(20,453)</b>	<b>(14,672)</b>	<b>71,482</b>	<b>(5,781)</b>	<b>(86,154)</b>
Cash and cash equivalents - beginning of year	247,966	262,638	191,156	(14,672)	71,482
<b>CASH AND CASH EQUIVALENTS- END OF YEAR</b>	<b>\$ 227,513</b>	<b>\$ 247,966</b>	<b>\$ 262,638</b>	<b>\$ (20,453)</b>	<b>\$ (14,672)</b>

Total cash and cash equivalents decreased by \$20.5 million during fiscal year 2023 due to increased cost of operations and holding additional funds in investments. Cash used in operations increased by \$44.4 million in fiscal year 2023 as compared to fiscal year 2022 as a result of the effects of the full on-campus operations and cost increases for labor, supplies and goods.

Net cash provided by noncapital financing activities increased \$13.3 million, providing \$326.7 million in fiscal year 2023 as compared to \$313.4 million in fiscal year 2022. The largest contributor to this increase was state appropriations increasing \$16.0 million from fiscal year 2022.

The University consumed \$77.4 million in cash for capital and related financing during fiscal year 2023, which was an increase of \$30.1 million from prior year.

Investing activities resulted in a usage of cash of \$4.8 million during fiscal year 2023. The net increase in usage is a result of \$15.8 million more of investment purchases over maturities.

Total cash and cash equivalents decreased \$14.7 million in fiscal year 2022 as compared to fiscal year 2021. Cash used by operating activities increased \$59.3 million as a result of returning to full on-campus operations and increasing cost for all operational categories. Cash provided by noncapital financing activities increased \$45.9 million. Contributions from affiliated accounted for \$13.2 million of the increase and other activities increased \$15.2 million. Cash consumed by capital and financing activities was increased by \$21.8 million in fiscal year 2022 as compared to fiscal year 2021. Capital assets constructed or purchased increased accounted for this increase with the construction of the dormitory.

**Capital Asset Activities**

A critical factor in sustaining the quality of the University's academic and research programs and residential life is the development and maintenance of its capital assets. The University continues to invest in new facilities and renovate existing facilities to meet the needs of students, faculty and staff. Infrastructure and building projects completed during the year are offset by depreciation of these assets. The University's capital assets, net of depreciation, decreased by \$11.7 million.

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The most significant capital projects and acquisitions completed during the fiscal year ended June 30, 2023 are listed below (in millions):

Project	Capitalized Cost
New Residence Hall #2	\$ 39.8
IT Network Center	5.0

The University is undertaking a significant asset preservation project directed toward improving campus safety, and preservation of education and general facilities. The University was allotted \$81.9 million from the State to be received in two equal installments over two budget years.

Significant projects identified in the asset preservation project and other campus construction plans in progress, or in early planning stages (in millions):

Project	Estimated Budget
JB Speed School Building Construction	\$ 75.0
Replace HVAC various buildings	25.0
Purchase next generation ERP Support System	20.0
Biocontainment Laboratory Pressurization Upgrade	10.8
Roof replacements various buildings	4.2
Security system and camera upgrade	3.6
Steam Plant Tunnel Structure & Cooling Tower	1.8

### Debt and Financing Activities

As of June 30, 2023, the University had outstanding \$305.4 million of bonds, leases, and notes payable (inclusive of discounts/premiums) as compared to \$309.7 million as of June 30, 2022. The \$0.3 million decrease represents the net of paid principal of long term debts offset by new contractual financing obligations entered into during the current fiscal year.

### Economic Factors That May Affect the Future

Higher education faces many challenges in the years to come. Shifts in the number and ethnicity of graduating high school students; declining numbers of males attending college; and ideological clashes — including over the perceived benefits of a college education—may all impact the industry. Financial steadiness is important during these times and maintaining a solid financial foundation is key to the University's future success. The University takes these factors into consideration and attempts to incorporate contingencies and mitigating strategies as part of the budgeting and planning process. The fiscal year 2023-2024 operating budget can be found online at: <https://louisville.edu/finance/budget/opuds/2224/operating-budget-book-fy-2024>

Enrollment is a primary focus of the University because approximately one-fourth of operating revenues are generated from students in the form of tuition and fees, housing, and dining plans. While this risk exposure is prevalent to all universities and colleges, the University is actively engaged in activities to address the demographic enrollment cliff and ensure steady, and possibly improved, future enrollment streams. The University's plan includes the following:

- Creating a Demographic 25 Steering Committee to formulate ways to mitigate the expected drop in enrollment eligible graduates.
- Expanding recruitment efforts to out-of-state markets.
- Establishing new student financial aid programs.

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- d. Partnering with employers to connect offered academic programs to needed credentials and training for their employees and their dependents.
- e. Focusing on retention efforts at all stages of a student's educational journey is a priority to the University as demonstrated through expanded scholarship programs, additional support services and expanded mental health services.

State operating budget support has increased due to the state performance funding model. The University continues to outpace the sector average in the performance model and received additional state funding of \$14.0 million for fiscal year 2023. The state also continues to support the the University's capital projects for asset preservation, renovation and maintenance projects and will appropriate \$81.9 million during fiscal years 2023 and 2024. In addition, the state appropriated bond funds of \$65.0 million to construct a new building for the School of Engineering.

The University's 2023-2025 strategic plan, addresses how the university ensures student success, creates and supports a thriving workplace and how it connects with the community. The University designs its planning and budgeting to support the strategic plan but retains flexibility to meet possible future plan changes.

**Requests for Information**

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**  
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**Statements of Net Position**  
**As of June 30, 2023 and 2022**  
**(in thousands)**

	University of Louisville		Discretely Presented Component Units	
	2023	2022	2023	2022
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 215,518	\$ 220,996	\$ 301,559	\$ 216,929
Short-term investments	34,558	47,809	249,176	335,991
Deposit with bond trustee and escrow agent	14,697	33	—	—
Loans, accounts and contributions receivable, net	149,164	113,344	361,750	338,654
Due from affiliates	27,627	36,880	13,699	18,619
Inventories	6,285	5,627	54,649	54,120
Investments held with University of Louisville Foundation, Inc.	3,537	3,400	—	—
Other assets	10,673	8,547	180,825	158,183
<b>Total current assets</b>	<b>462,059</b>	<b>436,636</b>	<b>1,161,658</b>	<b>1,122,496</b>
Noncurrent assets				
Restricted cash and cash equivalents	11,996	26,970	—	—
Deposit with bond trustee and escrow agent	15,413	14,946	—	—
Loans, accounts and contributions receivable, net	733,467	712,437	—	4,926
Due from affiliates	13,262	25,625	—	—
Other long-term investments	76,245	46,865	1,024,641	987,448
Right-to-use assets, net	75,302	61,435	506,206	534,267
Other long-term assets	1,695	1,678	106,864	208,815
Capital assets, net	1,054,040	1,065,750	565,215	492,974
<b>Total noncurrent assets</b>	<b>1,981,420</b>	<b>1,955,706</b>	<b>2,202,926</b>	<b>2,228,430</b>
<b>Total assets</b>	<b>2,443,479</b>	<b>2,392,342</b>	<b>3,364,584</b>	<b>3,350,926</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>20,299</b>	<b>19,129</b>	<b>—</b>	<b>—</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,463,778</b>	<b>\$ 2,411,471</b>	<b>\$ 3,364,584</b>	<b>\$ 3,350,926</b>

See notes to financial statements

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	University of Louisville		Discretely Presented Component Units	
	2023	2022	2023	2022
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	113,212	113,262	250,094	197,126
Line of credit	—	9,000	—	—
Unearned compensation and wages payable	1,145	1,120	87,380	103,930
Unearned revenue	45,600	42,019	—	45,012
Due to affiliate	—	—	31,488	39,157
Lease payable	4,629	4,832	33,156	35,228
Subscription-based arrangements	5,936	—	—	—
Bonds and notes payable	28,781	27,182	17,338	10,548
<b>Total current liabilities</b>	<b>199,303</b>	<b>197,415</b>	<b>419,456</b>	<b>431,001</b>
Noncurrent liabilities				
Note payable to University of Louisville Foundation, Inc.	1,000	1,000	—	—
Unearned compensation and wages payable	1,386	2,144	—	—
Deposits	1,057	1,769	—	—
Unearned revenue	42,184	5,945	—	—
Amounts due to federal government for student loan programs	13,758	16,335	—	—
Due to affiliate	—	—	18,241	36,870
Other post-retirement benefits	79,415	85,940	—	—
Other long-term liabilities	—	2,045	15,182	16,507
Lease payable	53,695	56,992	507,309	512,140
Subscription-based arrangements	12,491	—	—	—
Bonds and notes payable	276,571	282,493	498,980	526,679
<b>Total noncurrent liabilities</b>	<b>481,557</b>	<b>454,663</b>	<b>1,039,712</b>	<b>1,092,196</b>
<b>Total liabilities</b>	<b>680,860</b>	<b>652,078</b>	<b>1,459,168</b>	<b>1,523,197</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>708,943</b>	<b>719,905</b>	<b>—</b>	<b>—</b>
<b>NET POSITION</b>				
Net investment in capital assets	782,237	792,372	—	—
Restricted:				
Nonexpendable	1,905	1,831	491,695	636,969
Expendable	74,031	67,387	447,462	288,012
Unrestricted	215,802	177,898	966,259	902,748
<b>Total net position</b>	<b>1,073,975</b>	<b>1,039,488</b>	<b>1,905,416</b>	<b>1,827,729</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 2,463,778</b>	<b>\$ 2,411,471</b>	<b>\$ 3,364,584</b>	<b>\$ 3,350,926</b>

See notes to financial statements

**UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS**  
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**(in thousands)**

	University of Louisville		Discretely Presented Component Units	
	2023	2022	2023	2022
<b>OPERATING REVENUES</b>				
Gross tuition and fees	\$ 339,998	\$ 335,805	\$ —	\$ —
Less: scholarship allowance	(112,478)	(95,745)	—	—
Student tuition and fees, net	227,520	240,060	—	—
Clinical services and practice plan	407,158	404,628	—	—
Patient service revenue	—	—	2,168,675	2,023,518
Federal grants and contracts	97,210	97,217	—	—
State and local grants and contracts	16,069	16,370	—	—
Nongovernmental grants and contracts	15,239	18,436	—	—
Sales and services of educational departments	3,357	1,884	—	—
Facilities and administrative cost recoveries	34,381	38,714	—	—
Auxiliary enterprises, net of discount of \$2,434 in 2023 and \$2,190 in 2022	20,180	16,961	—	—
Intercollegiate athletics	97,495	96,940	—	—
Other operating revenue	13,989	16,322	272,472	208,718
<b>Total operating revenue</b>	<b>932,598</b>	<b>947,532</b>	<b>2,441,147</b>	<b>2,232,236</b>
<b>OPERATING EXPENSES</b>				
Instruction	277,290	260,430	—	—
Research	161,236	158,936	—	—
Public service	173,793	172,005	—	—
Academic support	177,562	169,431	—	—
Student services	38,788	35,894	—	—
Institutional support	85,536	90,985	2,331,331	2,028,753
Operation and maintenance of plant	66,901	64,502	—	—
Scholarships and fellowships	39,483	58,654	—	—
Auxiliary enterprises	10,576	8,400	—	—
Intercollegiate athletics	111,695	121,536	—	—
Depreciation and amortization	67,089	61,983	58,169	55,766
Contributions to affiliates	—	—	67,874	56,161
<b>Total operating expense</b>	<b>1,209,949</b>	<b>1,202,756</b>	<b>2,457,374</b>	<b>2,140,680</b>
<b>Operating (loss) revenue</b>	<b>(277,351)</b>	<b>(255,224)</b>	<b>(16,227)</b>	<b>91,556</b>

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**UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS**  
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	University of Louisville		Discretely Presented Component Units	
	2023	2022	2023	2022
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	147,718	131,725	—	—
Gifts and donations	37,447	33,220	46,637	50,310
Nonexchange grants and contracts	55,787	84,180	—	—
Contributions from University of Louisville Foundation, Inc.	56,858	44,481	—	—
Investment income	10,355	941	65,522	(32,792)
Realized and unrealized gain on investments	597	(1,436)	—	—
Interest expense	(13,028)	(11,060)	—	—
Other nonoperating revenue (expense)	2,386	15,959	(18,245)	(35,610)
<b>Net nonoperating revenue</b>	<b>298,120</b>	<b>298,010</b>	<b>93,914</b>	<b>(18,092)</b>
<b>Income after other revenue, expense, gains and losses</b>	<b>20,769</b>	<b>42,786</b>	<b>77,687</b>	<b>73,464</b>
Capital appropriations	5,781	169	—	—
Capital gifts	8,874	10,261	—	—
<b>Total other revenue</b>	<b>14,655</b>	<b>10,430</b>	<b>—</b>	<b>—</b>
<b>Increase in net position</b>	<b>35,424</b>	<b>53,216</b>	<b>77,687</b>	<b>73,464</b>
<b>NET POSITION</b>				
Net position - beginning of year	1,039,488	986,272	1,827,729	1,754,265
Cumulative effect of change in accounting principle	(937)	—	—	—
<b>Net position - end of year</b>	<b>\$ 1,073,975</b>	<b>\$ 1,039,488</b>	<b>\$ 1,905,416</b>	<b>\$ 1,827,729</b>

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	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student tuition and fees	\$ 223,584	\$ 242,031
Clinical services and practice plan	351,063	389,095
Grants and contracts	138,902	134,296
Sales and services of educational departments	3,357	1,884
Payments to suppliers, vendors and contractors	(354,116)	(349,646)
Payments for utilities	(26,431)	(23,223)
Payments to employees	(563,610)	(555,038)
Payments for benefits	(161,945)	(148,212)
Payments for scholarships and fellowships	(43,100)	(62,758)
Net (loans issued to students)/payments received from students	3,101	(4,902)
Auxiliary enterprises	20,239	14,428
Facilities and administrative cost recoveries	34,381	38,714
Intercollegiate athletics	106,369	92,599
Other receipts	3,224	10,158
<b>Net cash used by operating activities</b>	<b>(264,982)</b>	<b>(220,574)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	147,718	131,725
Gifts	35,812	32,392
Nonexchange grants and contracts	55,787	84,180
Contributions from related entities	55,948	44,898
Due from affiliates	22,108	3,608
Other noncapital financing activities	9,353	16,590
<b>Net cash provided by noncapital financing activities</b>	<b>326,726</b>	<b>313,393</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital appropriations received	5,781	169
Capital gifts received	1,908	9,629
Purchases of capital assets	(52,120)	(54,449)
Proceeds from issuance of bonds, notes payables, and contracts	13,819	21,363
Payment of issuance costs	—	—
Principal paid on bonds and notes payable	(25,680)	(19,701)
Interest paid on bonds, notes payable, and contracts	(14,134)	(12,597)
Deposits with bond trustee and escrow agent	(15,761)	(83)
Other capital financing	8,790	8,375
<b>Net cash used by capital and related financing activities</b>	<b>(77,397)</b>	<b>(47,294)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	621,442	968,765
Purchase of investments	(637,226)	(1,030,391)
Interest on investments	10,984	1,429
<b>Net cash used by investing activities</b>	<b>(4,800)</b>	<b>(60,197)</b>
Net increase/(decrease) in cash and cash equivalents	(20,453)	(14,672)
Cash and cash equivalents - beginning of year	247,966	262,638
<b>CASH AND CASH EQUIVALENTS- END OF YEAR</b>	<b>\$ 227,513</b>	<b>\$ 247,966</b>

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	<b>2023</b>	<b>2022</b>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (277,351)	\$ (255,224)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	67,089	61,983
Loss on equipment disposals	3,827	1,737
Change in assets and liabilities:		
Loans, accounts and contributions receivable	(65,640)	4,828
Inventories	(658)	651
Other assets	(2,144)	1,131
Other long-term assets	114	193
Accounts payable and accrued liabilities	(1,422)	(3,419)
Unearned revenue	40,679	(8,997)
Deposits	(712)	627
Due from affiliates	419	(1,081)
Unearned compensation and wages payable	(733)	778
Other long-term liabilities	(15,626)	1,056
Deferred outflows of resources	(1,862)	(2,623)
Deferred inflows of resources	(10,962)	(22,214)
<b>Net cash used by operating activities</b>	<b>\$ (264,982)</b>	<b>\$ (220,574)</b>
<b>NON CASH TRANSACTIONS:</b>		
Accrued liabilities for capital asset additions	\$ 3,178	\$ 2,236
Gifts of capital assets	\$ 776	\$ 353
Loss on disposal of assets	\$ 3,827	\$ 1,737
Amortization of bond premium and discount	\$ (1,461)	\$ (1,976)

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**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 Louisville, Kentucky 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 ShelbyHurst 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.

**a. Basis of Presentation**

As required by generally accepted accounting principles (GAAP) the financial reporting entity includes the University and all of its component units. The University's component units are either blended or discretely presented in the University's financial statements. The blended component units, although legally separate, are, in substance, part of the University's operations and, therefore, are reported as if they were part of the University. Discretely presented component units' financial data are reported in separate financial statements because of their, separation of operations and management, use of different GAAP reporting models, and to emphasize their separate legal status.

**Blended Component Units**

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.

**Discretely Presented Component Units**

These legally separate University associated entities have been deemed component units because of the nature and significance of their relationship 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. The component units combined financial information is included in the accompanying financial statements. Condensed financial statement for each component unit are disclosed in Note 22.

University of Louisville Foundation, Inc. (Foundation) - The Foundation was established to receive funds derived from gifts and other sources and invest these funds on behalf of the University. The foundation holds and manages the endowment of the University. Earnings from endowed assets along with gifts are transferred to the University upon satisfaction of donor restrictions.

University of Louisville Real Estate Foundation (ULREF) - The ULREF was formed to acquire, maintain and manage real and personal property for the benefit of the University.

UofL Health, Inc. (UL Health) - UL Health is a fully integrated regional health system established to manage and operate the University's hospital assets and clinical activities of the Health Sciences Center.

UL Health is the parent corporation of two previously separately presented component units:

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University of Louisville Physicians, Inc. (ULP) - The ULP is the corporate entity that houses the clinical practices of the faculty of the University's School of Medicine.

University Medical Center, Inc. (UMC) - The UMC was established to lease and operate the acute-care teaching hospital and related medical facilities.

The financial statement presentation required by GAAP 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 consolidated financial statements of the University, along with the separate financial statements of the Association and the Research Foundation, can be found at the following:

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

**b. Cash and Cash Equivalents**

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

Restricted cash and cash equivalents include plant funds allocated for capital projects and debt service reserves.

**c. Deposits With Bond Trustee and Escrow Agent**

Short term deposits with bond trustee and escrow agents were \$14.7 million and \$33 thousand as of June 30, 2023 and June 30, 2022, respectively. These deposits are invested in money market funds and are related to contract arrangements. Long term deposits with bond trustee and escrow agent were \$15.4 million and \$14.9 million as of June 30, 2023 and June 30, 2022, respectively. These deposits are invested in governmental securities and repurchase agreements and are related to various bonds and contract arrangements. Investments in governmental securities are stated at market value. Repurchase agreements are stated at cost.

**d. Accounts and Contributions Receivable**

Accounts receivable consist of tuition and fee charges to students, auxiliary enterprise services provided to students, faculty, staff and external entities, reimbursement of costs from external entities and related foundations, charges for clinical services, and future receipts for leasing arrangements. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

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 changes in unrealized gains (losses) on the carrying value of investments.

Investments held with the Foundation are invested under the policies and objectives established for the Foundation's general endowment pool as described in Note 22, Component Unit, subsection c, University of Louisville Foundation, Inc. and Affiliates.

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**f. Loans to Students**

The University makes loans to students under various federal and other student loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The value of student loans, net allowance, was approximately \$0.6 million at June 30, 2023 and 2022.

**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 does not capitalize interest cost of related borrowings as a component of construction in progress.

**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 asset position similar to assets. Deferred outflows of assets of \$20.3 million and \$19.1 million for the years ended June 30, 2023 and 2022, respectively. Deferred outflow of resources consist of the following: loss on bond refinancing and amounts paid for other postemployment benefits. Deferred outflows of resources related to the loss on bond refinancing were \$1.9 million and \$2.6 million for the years ended June 30, 2023 and 2022 and will be amortized to interest expense using the effective interest method over the remaining life of the refinanced debt. Deferred outflows for other postemployment benefits of \$18.4 million and \$16.6 million for the years ended June 30, 2023 and 2022 represent amounts to be paid for retiree employee healthcare after the actuarial measurement date but before the financial reporting date.

**j. Unearned Compensation Expenses**

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

**k. Unearned Revenue**

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

Unearned revenue 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.

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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 net bond premium using the effective interest method over the life of the bonds.

**n. 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 \$708.9 million and \$719.9 million for the years ended June 30, 2023 and 2022, respectively, consist of the following: gain on bond refinancing of \$567 thousand, and \$707 thousand respectively, postemployment benefit experience and assumptions changes of \$27.0 million and \$21.2 million, respectively, future revenues from leasing arrangements of \$650.0 million and \$665.4 million, respectively, and services concession arrangements of \$31.3 million and \$32.6 million, respectively.

**o. Net Position**

The University's net position is summarized into four major categories as follows:

- a. Net investment in capital assets represents the University's investment in capital assets and right-to-use assets such as land, buildings, equipment, depreciable library materials, and right-to-use assets. The balances are net of accumulated depreciation and amortization, related deferred outflows and related deferred inflows of resources and debt attributable to the acquisition, construction, or improvement of those assets.
- b. 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.
- c. 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.
- d. 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.

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The following table includes detail of the net position balances at June 30, 2023 and 2022 (in thousands):

	2023	2022
Net investment in capital assets	\$ 782,237	\$ 792,372
Restricted - Nonexpendable		
Scholarships and fellowships	1,905	1,831
Restricted - Expendable		
Scholarships and fellowships	1,632	1,568
Research	21,046	21,103
Instruction	8,081	995
Public service	9,545	9,774
Academic support	58	5
Institutional support	9,082	13,954
Loans	2,078	2,787
Capital projects	9,060	2,216
Debt service	13,449	14,985
Unrestricted	215,802	177,898
<b>Total net position</b>	<b>\$ 1,073,975</b>	<b>\$ 1,039,488</b>

**p. Revenue and Expense Classifications**

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

Operating revenues and expenses – Operating revenues include activities that have the characteristics of exchange transactions, meaning revenues are received in exchange for goods and services, such as tuition, clinical operations, grants and contracts, and intercollegiate activities. With the exception of interest expense, all expense transactions are classified as operating expenses.

Nonoperating revenues – Certain significant revenues relied on for fundamental operational support of the University are mandated by GASB requirements to be recorded as nonoperating revenues. Nonoperating revenues, meaning revenues received and the University provided no goods or services, include activities such as state appropriations, capital appropriations, Pell and other grants and contracts, gifts and contributions.

**q. 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.

**r. 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.

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**s. 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.

**t. 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 and state income tax on any unrelated business taxable income.

**u. 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.

**v. Reclassification of Prior Years' Financial Statements**

In the statements of net position, revenue expenses and changes in net position, and cash flows certain prior year balances have been reclassified to conform to current year presentation. The reclassifications more accurately represent revenue and expense activities in the categories presented on the statements. These reclassifications had no effect on the change in net position.

**w. Recent Accounting Pronouncements and Restatement**

As of June 30, 2023 the following GASB Statements were implemented which had a financial or disclosure impact on the financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The pronouncement establishes definitions of public-private and public-public partnerships (P3) and availability payment arrangements (APA). The objective of the pronouncement is to provide guidance for the accounting and financial reporting for transactions that meet these definitions. The University has implemented GASB 94 for the period ending June 30, 2023. Changes adopted conform to the provisions of this statement and are effective from July 1, 2022 forward. A restatement of the financial statements for all prior periods presented was not practicable and the cumulative effect of applying this statement retroactively was not calculable to warrant a restatement of beginning net position.

GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. This pronouncement defines subscription-based information technology arrangements (SBITA) as a contract that conveys the control of the right to use a vendor's IT software. The objective of the pronouncement is to provide guidance for the accounting and financial reporting for the resulting capital and intangible assets and associated cost. The University has implemented GASB 96 for the period ending June 30, 2023. Changes adopted conform to the provisions of this statement and are effective from July 1, 2022 forward. A restatement of the financial statements for all prior periods presented was not practicable and the cumulative effect of applying this statement retroactively was not calculable to warrant a restatement of beginning net position.

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The cumulative effect of the adoption of the accounting pronouncements on net position as of June 30, 2022 is show below (in thousands) :

Net position reported at June 30, 2022, as previously reported	\$ 1,039,488
Adjustment for P3 arrangements change in accounting	(1,333)
Adjustment for subscription-based arrangements change in accounting	396
Net position as of June 30, 2022, as restated	<u>\$ 1,038,551</u>

The following statements will be implemented in future reporting periods:

GASB Statement No. 101, *Compensated Absences*. The statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The Association has not yet adopted the standard and is evaluating the impact it may have on its financial statements. As of June 30, 2023 the following GASB Statements were implemented which had a financial or disclosure impact on the financial statements.

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**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, 2023 and 2022 are as follows (in thousands):

	2023	2022
Deposits	\$ 242,211	\$ 247,999
Investments	129,753	113,020
<b>Total</b>	<b>\$ 371,964</b>	<b>\$ 361,019</b>

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

	2023	2022
Cash and cash equivalents	\$ 215,518	\$ 220,996
Short-term investments	34,558	47,809
Deposit with bond trustee - current	14,697	33
Deposit with bond trustee - noncurrent	15,413	14,946
Restricted cash and cash equivalents	11,996	26,970
Investments held with University of Louisville Foundation, Inc.	3,537	3,400
Other long-term investments	76,245	46,865
<b>Total</b>	<b>\$ 371,964</b>	<b>\$ 361,019</b>

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**b. Custodial Credit Risk**

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. 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. Depository accounts held with the Commonwealth are pooled with other agencies of the Commonwealth and are substantially covered by federal depository insurance or by collateral held by the Commonwealth in the Commonwealth's name. The University does not have a formal policy addressing custodial credit risk.

At June 30, 2023 and 2022, the University had deposits subject to custodial credit risk as follows (in thousands):

<b>2023</b>				
	<b>State Deposits</b>		<b>Overnight Investments</b>	<b>Total</b>
Collateralized with securities held by pledging financial institution	\$ —	\$	41,004	\$ 41,004
Collateralized with securities held by the Commonwealth in the Commonwealth's name	4,667		—	4,667
<b>Total</b>	<b>\$ 4,667</b>	<b>\$</b>	<b>41,004</b>	<b>\$ 45,671</b>

<b>2022</b>				
	<b>State Deposits</b>		<b>Overnight Investments</b>	<b>Total</b>
Collateralized with securities held by pledging financial institution	\$ —	\$	(140,463)	\$ (140,463)
Collateralized with securities held by the Commonwealth in the Commonwealth's name	27,311		—	27,311
<b>Total</b>	<b>\$ 27,311</b>	<b>\$</b>	<b>(140,463)</b>	<b>\$ (113,152)</b>

**c. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an 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 a repurchase agreement 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 maturity under this agreement is March 1, 2027.

As of June 30, 2023 and 2022, the University had investments subject to interest rate risk as reflected in the following schedules (in thousands):

<b>2023</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>6-10 years</b>
US Treasury obligations	\$ 3,816	\$ —	\$ 3,816	—
US Agency obligations	86,916	30,486	56,430	—
Other government obligations	10,382	4,073	6,309	—
Repurchase agreement	15,413	—	—	15,413
Certificates of deposit	9,318	—	9,318	—
<b>Total</b>	<b>\$ 125,845</b>	<b>\$ 34,559</b>	<b>\$ 75,873</b>	<b>\$ 15,413</b>

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2022				
	Total	Less than 1 year	1-5 years	6-10 years
US Agency obligations	\$ 74,465	\$ 35,016	\$ 39,449	\$ —
Other government obligations	19,646	12,794	6,852	—
Repurchase agreement	14,946	—	—	14,946
<b>Total</b>	<b>\$ 109,057</b>	<b>\$ 47,810</b>	<b>\$ 46,301</b>	<b>\$ 14,946</b>

**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, 2023 and 2022, the University had the following investments exposed to credit risk as reflected in schedules below (in thousands):

2023				
	Aaa	Not Rated	Total	
Annuities	\$ 372	\$ —	\$ 372	
Investment held with the University of Louisville Foundation, Inc.	—	3,537	3,537	
<b>Total</b>	<b>\$ 372</b>	<b>\$ 3,537</b>	<b>\$ 3,909</b>	

2022				
	Aaa	Not Rated	Total	
Annuities	\$ 563	\$ —	\$ 563	
Investment held with the University of Louisville Foundation, Inc.	—	3,400	3,400	
<b>Total</b>	<b>\$ 563</b>	<b>\$ 3,400</b>	<b>\$ 3,963</b>	

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**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, 2023 and 2022, 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, 2023 and 2022 is as follows:

	2023	2022
Investment in partnerships	53 %	54 %
Marketable alternatives	9 %	10 %
Mutual funds	24 %	21 %
Fixed income	10 %	11 %
Preferred and common stock	4 %	4 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

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, 2023 and 2022.

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### **3. Fair Value Measurements**

Fair value is based on an exit price, which 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. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value.

Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The University and the component units presented in the accompanying financial statements use the fair value hierarchy to value their financial instruments.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 - Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1.

The University classifies certificates of deposit securities and US Treasury obligations in Level 1 of the fair value hierarchy because they are valued using prices quoted in active markets for those securities.

The component units classify mutual funds, domestic equity, and US Treasury obligations as Level 1 investments.

Level 2 - Quoted prices in the markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets and liabilities for which all significant inputs are observable, either directly or indirectly are classified as Level 2.

The University classifies other governmental obligations, U.S. agency obligations, and derivative instruments as Level 2. The evaluated prices of these investments may be determined by factors which include but are not limited to, market quotations, yields, maturities, call features, ratings, and standard pricing models using current forward rate assumptions and/or volatility to predict cash flows.

The component units classify mortgage, asset backed and corporate bonds as Level 2 investments. The fair value of the funds held in trust by others is determined at the market value of the underlying debt and equity securities held in the beneficial trust. The Foundation's fair 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.

Level 3 - Investments classified as Level 3 have significant unobservable inputs as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment.

The University and component units do not have any investments classified as Level 3.

Net Asset Value (NAV) - 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, equity method investments, 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.

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The table below presents the fair value measurements of assets and liabilities held by the University as of June 30, 2023 and 2022 (in thousands):

2023						
			Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV
	Total					
Investments						
US Treasury obligations	\$ 3,816	\$ 3,816	\$ —	\$ —	\$ —	—
US Agency obligations	86,916	86,916	—	—	—	—
Other governmental obligations	10,381	—	10,381	—	—	—
Certificate of deposit	9,318	9,318	—	—	—	—
University of Louisville Foundation, Inc. investment fund	3,537	—	—	—	—	3,537
Total investments measured at fair value	\$ 113,968	\$ 100,050	\$ 10,381	\$ —	\$ 3,537	

		2022								
		Total		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										
US Agency obligations	\$	74,465	\$	74,465	\$	—	\$	—	\$	—
Other governmental obligations		19,646		—		19,646		—		—
University of Louisville Foundation, Inc. investment fund		3,400		—		—		—		3,400
Total investments measured at fair value	\$	97,511	\$	74,465	\$	19,646	\$	—	\$	3,400

Investments held by the University measured at NAV (in thousands) as of June 30, 2023 and 2022 (in thousands):

2023			
	Fair Value	Redemption Frequency	Redemption Notice Period
University of Louisville Foundation, Inc. investment fund	\$ 3,537	Various from monthly to illiquid	Various from 10 to 90 days
2022			
	Fair Value	Redemption Frequency	Redemption Notice Period
University of Louisville Foundation, Inc. investment fund	\$ 3,400	Various from monthly to illiquid	Various from 30 to 180 days

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The table below presents the fair value measurements of assets and liabilities held by the discretely presented component units as of June 30, 2023 and 2022 (in thousands):

2023						
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV	
US Treasury obligations	\$ 151,030	\$ 151,030	\$ —	\$ —	\$ —	—
Mutual funds	218,199	218,199	—	—	—	—
Domestic marketable equity securities	39,299	39,299	—	—	—	—
Mortgage bonds	79,146	—	79,146	—	—	—
Asset backed bonds	28,997	—	28,997	—	—	—
Corporate bonds	86,015	—	86,015	—	—	—
Funds held in trust by others	65,903	—	65,903	—	—	—
Hedge funds	83,467	—	—	—	—	83,467
Investments in partnerships	482,246	—	—	—	—	482,246
<b>Total investments measured at fair value</b>	<b>\$ 1,234,302</b>	<b>\$ 408,528</b>	<b>\$ 260,061</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 565,713</b>

2022						
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV	
US Treasury obligations	\$ 101,303	\$ 38,385	\$ 62,918	\$ —	\$ —	—
Mutual funds	195,579	195,579	—	—	—	—
Domestic marketable equity securities	34,748	34,748	—	—	—	—
Mortgage bonds	27,663	—	27,663	—	—	—
Asset backed bonds	9,933	—	9,933	—	—	—
Corporate bonds	91,028	—	91,028	—	—	—
Funds held in trust by others	63,360	—	63,360	—	—	—
Hedge funds	87,449	—	—	—	—	87,449
Investments in partnerships	478,467	—	—	—	—	478,467
<b>Total investments measured at fair value</b>	<b>\$ 1,089,530</b>	<b>\$ 268,712</b>	<b>\$ 254,902</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 565,916</b>

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The fair value of alternative investments has been estimated using the NAV per share of the investments. Alternative investments held by the discretely presented component units at June 30, 2023 and 2022 are presented below (in thousands):

2023					
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	
Hedge funds	\$ 83,467	\$ —	Various from monthly to illiquid	Various from 45 to 90 days	
Investments in partnerships	482,246	74,173	Various from monthly to illiquid	Various from 10 to 60 days	
2022					
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	
Hedge funds	\$ 87,449	\$ —	Various from monthly to illiquid	Various from 30 to 90 days	
Investments in partnerships	478,467	97,727	Various from monthly to illiquid	Various from 30 to 180 days	

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**4. Loans, Accounts, and Contributions Receivable, Net**

Loans, accounts, and contributions receivable, net as of June 30, 2023 and 2022 (in thousands):

		2023		
		Gross Receivable	Allowance	Net Receivable
Student tuition and fees	\$	57,856	\$ (30,872)	\$ 26,984
Patient care		86,703	(22,416)	64,287
Contributions receivable		67,169	(6,972)	60,197
Sponsored agreements		27,559	(3,067)	24,492
Trade receivables		18,361	—	18,361
Rent receivables		669,193	—	669,193
Other		19,895	—	19,895
<b>Total</b>	<b>\$</b>	<b>946,736</b>	<b>\$ (63,327)</b>	<b>\$ 883,409</b>
Less discount				(778)
<b>Total Receivables</b>				<b>\$ 882,631</b>
Current portion				149,164
Noncurrent portion				733,467

		2022		
		Gross Receivable	Allowance	Net Receivable
Student tuition and fees	\$	56,110	\$ (26,913)	\$ 29,197
Patient care		43,396	(18,425)	24,971
Contributions receivable		34,055	(5,109)	28,946
Sponsored agreements		37,255	(1,763)	35,492
Trade receivables		15,354	—	15,354
Rent receivables		677,983	—	677,983
Other		14,754	—	14,754
<b>Total</b>	<b>\$</b>	<b>878,907</b>	<b>\$ (52,210)</b>	<b>\$ 826,697</b>
Less discount				(916)
<b>Total Receivables</b>				<b>\$ 825,781</b>
Current portion				113,344
Noncurrent portion				712,437

Contributions receivable consist primarily of charitable gifts totaling \$67.2 million pledged from individual and corporate donors that are associated with the construction projects and general fundraising of the Association. Receivables with payment schedules in excess of one year are stated at their present value, using discount rates ranging from 0.0% to 5.11% as of June 30, 2023.

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Contributions receivable as of June 30, 2023 and 2022 are due to be received as follows (in thousands):

	2023	2022
Less than one year	\$ 10,126	\$ 11,195
One to three years	11,509	8,923
Greater than three years	45,534	13,937
<b>Total gross contributions receivable</b>	<b>67,169</b>	<b>34,055</b>
Less discount	(778)	(916)
Less allowance	(6,972)	(5,109)
<b>Net contributions receivable</b>	<b>\$ 59,419</b>	<b>\$ 28,030</b>

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.

Rent receivables are future payments due from tenants leasing the university's equipment or real estate, stated at their present value. Other receivables consist primarily of receivables under service concession arrangements as of June 30, 2023 and June 30, 2022.

## **5. Due From Affiliates**

### **a. University of Louisville Foundation, Inc.**

The Foundation receives, invests, manages and administers private gifts, bequests and endowments donated for the benefit of the University. The Foundation acts in a fiduciary capacity, distributing the donated and earned funds as required by the terms of the gifts and consistent with the donor's intent. The Foundation owed \$5.7 million and \$4.8 million to the University as of June 30, 2023 and 2022, respectively, to fund spending of these donations and earnings and is recorded in current due from affiliate.

### **b. University of Louisville Real Estate Foundation, Inc.**

The University manages ULREF owned dorms, including collection of rents, payment of related expenses and managing the properties. No balances for rents collected were due or reimbursement of expenses owed as of June 30, 2023 and 2022. The ULREF has executed ground leases with the University for each of the managed dorms. The ground lease stipulates an annual rent based on a calculation of net available cash flow for each dorm. The University earned rents of \$661 thousand and \$1.1 million during the years ending June 30, 2023 and 2022 respectively, which is included in current due from affiliates.

### **c. University of Louisville Physicians, Inc. (ULP)**

In June 2016, the Research Foundation received a \$5.9 million unsecured, noninterest bearing note from University of Louisville Physicians, Inc. (ULP), an affiliate entity, for past due fees owed the Research Foundation. ULP repaid \$823 thousand of the outstanding balance during the years ended June 30, 2023 and 2022, respectively. The outstanding note balance is \$1.6 million as of June 30, 2023 with \$831 thousand in current due from affiliate and the remaining \$769 thousand in noncurrent due from affiliate.

The University has receivables from ULP due through the normal course of business and reflected in loans, accounts and contributions receivable, net in the Statements of Net Position. As of June 30, 2023 and 2022, receivables of \$97 thousand and \$13 thousand were due respectively.

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**d. UL Health, Inc. (UL Health)**

In relation to the academic and programmatic support provided by UL Health, Inc. to the Research Foundation, UL Health, Inc.'s Board of Directors approved additional academic mission support of \$7.9 million and \$22.3 million for the years ended June 30, 2023 and 2022, respectively, payable to the Research Foundation over three years. During fiscal year 2023, the Research Foundation received payments of \$27.9 million related to the agreement with UL Health. As of June 30, 2023, the remaining balance due to the Research Foundation is \$33.0 million and is reported in current and noncurrent due from affiliates based on when receipt of payment is expected.

The University has receivables from UL Health due through the normal course of business and reflected in loans, accounts and contributions receivable, net in the Statements of Net Position. As of June 30, 2023 and 2022, receivables of \$13.3 million and \$8.4 million were due, respectively.

**6. Capital and Intangible Assets, Net**

Capital assets and intangible assets as of June 30, 2023 and 2022 are as follows (in thousands):

	<b>2023</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Cost - Nondepreciable</b>					
Land	\$ 58,425	\$ —	\$ —	\$ —	\$ 58,425
Rare books	48,496	81	—	—	48,577
Construction in progress	41,916	24,640	(608)	(51,833)	14,115
<b>Subtotal</b>	<b>148,837</b>	<b>24,721</b>	<b>(608)</b>	<b>(51,833)</b>	<b>121,117</b>
<b>Cost - Depreciable</b>					
Buildings	1,532,528	4,532	(419)	45,787	1,582,428
Infrastructure	53,978	—	—	—	53,978
Land improvements	21,310	308	—	936	22,554
Equipment	243,141	16,817	(9,400)	5,110	255,668
Leasehold improvements	2,117	36	(500)	—	1,653
Library materials	178,449	1,004	—	—	179,453
Right-to-use asset - subscription-based arrangements	26,123	2,900	—	—	29,023
Right-to-use asset - leases	72,561	1,718	(490)	—	73,789
<b>Subtotal</b>	<b>2,130,207</b>	<b>27,315</b>	<b>(10,809)</b>	<b>51,833</b>	<b>2,198,546</b>
<b>Total capital and intangible assets, cost</b>	<b>2,279,044</b>	<b>52,036</b>	<b>(11,417)</b>	<b>—</b>	<b>2,319,663</b>
<b>Accumulated depreciation and amortization</b>					
Buildings	712,159	39,114	(191)	—	751,082
Infrastructure	8,390	900	—	—	9,290
Land improvements	7,049	656	—	—	7,705
Equipment	215,335	13,009	(6,893)	—	221,451
Leasehold improvements	1,880	51	(500)	—	1,431
Library materials	169,796	2,062	(5)	—	171,853
Right-to-use asset - subscription-based arrangements	5,085	5,735	—	—	10,820
Right-to-use asset - leases	11,127	5,562	—	—	16,689
<b>Total accumulated depreciation and amortization</b>	<b>1,130,821</b>	<b>67,089</b>	<b>(7,589)</b>	<b>—</b>	<b>1,190,321</b>
<b>Capital and intangible assets, net</b>	<b>\$ 1,148,223</b>	<b>\$ (15,053)</b>	<b>\$ (3,828)</b>	<b>\$ —</b>	<b>\$ 1,129,342</b>

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	2022				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Cost - Nondepreciable					
Land	\$ 58,425	\$ —	\$ —	\$ —	\$ 58,425
Rare books	48,468	28	—	—	48,496
Construction in progress	37,752	42,114	—	(37,950)	41,916
<b>Subtotal</b>	<b>144,645</b>	<b>42,142</b>	<b>—</b>	<b>(37,950)</b>	<b>148,837</b>
Cost - Depreciable					
Buildings	1,501,606	2,233	(9,261)	37,950	1,532,528
Infrastructure	53,907	71	—	—	53,978
Land improvements	21,471	—	(161)	—	21,310
Equipment	235,521	8,682	(1,062)	—	243,141
Leasehold improvements	2,117	—	—	—	2,117
Library materials	177,375	1,074	—	—	178,449
Right-to-use asset - leases	69,538	3,023	—	—	72,561
<b>Subtotal</b>	<b>2,061,535</b>	<b>15,083</b>	<b>(10,484)</b>	<b>37,950</b>	<b>2,104,084</b>
<b>Total capital and intangible assets, cost</b>	<b>2,206,180</b>	<b>57,225</b>	<b>(10,484)</b>	<b>—</b>	<b>2,252,921</b>
Accumulated depreciation and amortization					
Buildings	678,554	41,204	(7,599)	—	712,159
Infrastructure	7,489	901	—	—	8,390
Land improvements	6,446	603	—	—	7,049
Equipment	205,158	11,157	(980)	—	215,335
Leasehold improvements	1,816	64	—	—	1,880
Library materials	167,360	2,436	—	—	169,796
Right to use asset	5,509	5,618	—	—	11,127
<b>Total accumulated depreciation and</b>	<b>1,072,332</b>	<b>61,983</b>	<b>(8,579)</b>	<b>—</b>	<b>1,125,736</b>
<b>Capital and intangible assets, net</b>	<b>\$ 1,133,848</b>	<b>\$ (4,758)</b>	<b>\$ (1,905)</b>	<b>\$ —</b>	<b>\$ 1,127,185</b>

## 7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following at June 30, 2023 and 2022 (in thousands):

	2023	2022
Salaries and benefits	\$ 37,737	\$ 37,913
Payroll taxes	16,090	26,269
Construction	3,178	4,046
Accrued interest	4,326	4,662
Other	51,881	40,372
<b>Total</b>	<b>\$ 113,212</b>	<b>\$ 113,262</b>

Accrued interest includes \$1.2 million and \$1.3 million related to leases payable as of June 30, 2023 and 2022, respectively. Accrued interest also includes \$404 thousand related to subscription-based arrangement payables as of June 30, 2023.

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**8. Line of Credit**

The University has a line of credit with a financial institution in the form of a revenue anticipation note in the amount of \$25.0 million with a maturity date of June 30, 2023. Advances on the line of credit bear interest at the daily Bloomberg short-term bank yield index rate plus 0.60%. No draws were made from the available credit through its expiration as of June 30, 2023 and 2022. The University renewed the line of credit on July 1, 2023 with a maturity date of June 30, 2024 with substantially the same terms.

The Association entered into a \$20.0 million line of credit with a financial institution to fund the Association's working capital expenses. The line of credit is secured by collateral, including funding and revenues of the Association and third-party pledges to the Association. The balance on the line of credit was \$9.0 million as of June 30, 2022. The balance drawn on the line converted to a 20-year note May 31, 2023 with principal and interest payments through April 30, 2043. The interest rate on the new note at conversion is fixed at 2.93%. The balance at the term note is \$8.8 million as of June 30, 2023.

**9. Leases**

**a. Lessee Arrangements**

The University leases operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2067 and provide for renewal options ranging from one year to fifty years. The University 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 University'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 University does not have any leases subject to a residual value guarantee.

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

	Net asset balance as of June 30, 2023		Net asset balance as of June 30, 2022	
Building	\$	56,531	\$	60,802
Land		569		632
<b>Total</b>	<b>\$</b>	<b>57,100</b>	<b>\$</b>	<b>61,434</b>

See Note 6, Capital Assets for balances of right-of-use assets and associated accumulated amortization. See Note 13 Other Liabilities for balances of lease liabilities.

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The University's total future minimum lease payments to be made under lease agreements are as follows (in thousands), subject to change with new leases:

For the year ending June 30,	Principal	Interest
2024	\$ 4,629	\$ 1,660
2025	2,987	1,551
2026	2,981	1,464
2027	2,575	1,381
2028	2,463	1,310
2029-2033	12,534	5,396
2034-2038	12,143	3,538
2039-2043	12,879	1,614
2044-2048	4,911	111
2049-2053	44	30
2054-2058	51	23
2059-2063	59	14
2064-2068	68	4
<b>Future minimum lease payments</b>	<b>\$ 58,324</b>	<b>\$ 18,096</b>

The University leases operating and office facilities from an affiliated party, and a related right-to-use lease asset and liability have been recorded. The leases provide for minimum annual lease payments totaling \$1.8 million expiring at various times through 2038, plus variable payments based on usage.

**b. Lessor Arrangements**

The University leases operating, office space and hospitals to external parties. The University 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, 2023 and 2022, the University recognized revenues relating to these lease arrangements totaling \$28.7 million and \$28.2 million, respectively. Of those receipts, \$26.7 million was received from a related party during June 30, 2023 and 2022.

**10. Subscription-Based Information Technology Arrangements (SBITA)**

The University contracts subscription-based information technology for operating activities for various terms under long-term, non-cancelable agreements. The agreements expire at various dates through 2028 and provide for renewal options ranging from one year to five years. The Association 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 Association'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 the current year.

Right-to-use assets acquired through subscription-based information technology agreements as of June 30, 2023 are \$29.0 million with accumulated amortization of the assets of \$10.8 million, resulting in a net value of \$18.2 million.

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The University's total future minimum payments to be made under the agreements are as follows (in thousands), subject to change with new agreements:

For the year ending June 30,	Principal	Interest
2024	\$ 5,936	\$ 423
2025	5,037	262
2026	3,298	154
2027	2,339	81
2028	1,817	22
<b>Future agreement payments</b>	<b>\$ 18,427</b>	<b>\$ 942</b>

## 11. Bonds, Notes, and Contracts

Long-term debt, net of discount, of the University consisted of the following at June 30, 2023 and 2022 (in thousands):

	Interest Rate	Fiscal Year of Maturity	2023	2022
General Receipts Bonds:				
Series B of 2010	5.5%	2028	\$ 20,942	\$ 20,942
Series A of 2012	5.0%	2023	—	1,635
Series A of 2016	2.0% to 5.0%	2036	8,565	9,435
Series B of 2016	3.0% to 5.0%	2028	12,715	15,025
Series C of 2016	2.0% to 4.0%	2029	33,525	38,370
Series D of 2016	3.0% to 5.0%	2036	45,195	45,295
Series E of 2016	2.2% to 3.0%	2023	—	1,055
Series F of 2016	5.0%	2028	13,255	15,540
Series A of 2020	2.0% to 5.0%	2051	45,320	45,320
Series A of 2021	1.5%	2032	19,025	20,980
Series B of 2021	2.0% to 5.0%	2051	38,530	39,300
Notes from direct placement	2.9%	2043	23,202	14,855
Contracts	1.8% to 10.7%	2021 to 2033	35,168	30,552
<b>Total long-term debt</b>			<b>295,442</b>	<b>298,304</b>
Net unamortized premium			9,910	11,371
<b>Long-term debt, net</b>			<b>\$ 305,352</b>	<b>\$ 309,675</b>

The change in bonds, notes from direct placement, and contracts is summarized as follows (in thousands):

	2023					
	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	\$ 252,897	\$ —	\$ (15,825)	\$ 237,072	\$ 19,380	\$ 217,692
Notes from direct placement	14,855	9,000	(653)	23,202	2,454	20,748
Contracts	30,552	13,819	(9,203)	35,168	5,404	29,764
<b>Total</b>	<b>298,304</b>	<b>22,819</b>	<b>(25,681)</b>	<b>295,442</b>	<b>27,238</b>	<b>268,204</b>
Less amortized net (discount)/premium	11,371	—	(1,461)	9,910	1,543	8,367
<b>Net long-term debt</b>	<b>\$ 309,675</b>	<b>\$ 22,819</b>	<b>\$ (27,142)</b>	<b>\$ 305,352</b>	<b>\$ 28,781</b>	<b>\$ 276,571</b>

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	<b>2022</b>					
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Noncurrent Portion</b>
Bonds payable	\$ 267,657	\$ —	\$ (14,760)	\$ 252,897	\$ 17,025	\$ 235,872
Notes from direct placement	11,000	4,979	(1,124)	14,855	465	14,390
Contracts	17,986	16,383	(3,817)	30,552	7,930	22,622
<b>Total</b>	<b>296,643</b>	<b>21,362</b>	<b>(19,701)</b>	<b>298,304</b>	<b>25,420</b>	<b>272,884</b>
Less amortized net (discount)/premium	13,347	—	(1,976)	11,371	1,762	9,609
<b>Net long-term debt</b>	<b>\$ 309,990</b>	<b>\$ 21,362</b>	<b>\$ (21,677)</b>	<b>\$ 309,675</b>	<b>\$ 27,182</b>	<b>\$ 282,493</b>

Principal maturities and interest on bonds, notes from direct placement and contracts for the fiscal years ending June 30 are as follows (in thousands):

	<b>Bonds Payable</b>		<b>Notes from Direct Placement</b>		<b>Contracts Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 19,380	\$ 8,664	\$ 2,454	\$ 691	\$ 5,404	\$ 1,025
2025	13,140	8,057	2,136	615	4,769	946
2026	16,410	7,423	1,920	550	4,715	790
2027	17,080	6,761	1,948	489	4,221	640
2028	37,732	5,463	1,985	427	4,177	500
2029-2033	53,325	17,133	12,759	854	11,882	852
2034-2038	33,055	8,533	—	—	—	—
2039-2043	16,210	5,104	—	—	—	—
2044-2048	18,435	2,878	—	—	—	—
2049-2051	12,305	492	—	—	—	—
<b>Total</b>	<b>\$ 237,072</b>	<b>\$ 70,508</b>	<b>\$ 23,202</b>	<b>\$ 3,626</b>	<b>\$ 35,168</b>	<b>\$ 4,753</b>

The University has capitalized leased equipment with a net book value of \$3.4 million and \$3.1 million as of June 30, 2023 and 2022, respectively.

The General Receipts Bonds are collateralized by mortgages on certain University properties. Association revenue totaling \$2.0 million annually 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 bond debt is \$307.6 million, with annual requirements ranging from \$4.3 million in 2037 to \$43.2 million in 2028.

As of June 30, 2023 and 2022, investments at fair value totaling approximately \$30.1 million and \$15.0 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.

#### **University of Louisville General Receipts Bonds, 2010 Series B**

In December 2010, the University issued \$20.9 million of University of Louisville, General Receipts Bonds, 2010 Series B at a total interest cost of 1.8%, 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 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. 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 67% of the interest

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payable on the General Receipts Bonds, 2010 Series B. The subsidy payment is contingent on federal regulations and may be subject to change. Final maturity of the bond is September 1, 2027.

**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). Final maturity on the 2012 Bonds was March 1, 2023.

**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 2.8%. 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). Final maturity on the 2016 Series A Bonds is March 1, 2036.

**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 2.2%. 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 used to retire the General Receipts Bonds 2007 Series A. Final maturity on the 2016 Series B bonds is September 1, 2027.

**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 2.5%. 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 used to retire General Receipts Bonds 2008 Series A. Final maturity on the 2016 Series C Bonds is September 1, 2028.

**University of Louisville General Receipts Bonds, 2016 Series D and Taxable General Receipts Bonds, 2016 Series E**

In December 2016, the University issued \$45.3 million of University of Louisville, General Receipts Bonds, 2016 Series D at a total interest cost of 3.8% and \$5.4 million of University of Louisville, Taxable General Receipts Bonds, 2016 Series E at a total interest cost of 2.5%. The proceeds of the 2016 Series D Bonds and the 2016 Series E Bonds will be used by the University to finance the expansion of the University's Papa John's Cardinal Stadium. Final maturity on the 2016 Series D and Series E Bonds is March 1, 2036 and March 1, 2023, respectively.

**University of Louisville General Receipts Bonds, 2016 Series F**

In December 2016, the University issued \$27.6 million of University of Louisville, General Receipts Bonds, 2016 Series F at a total interest cost of 2.7%. The bonds were issued to advance refund \$29.5 million of Metro Government Mortgage Revenue Bonds, Series 2008 B with a weighted average interest rate of 4.1%. The bond proceeds together with an issuance premium of \$3.6 million have been used to retire the Metro Government Mortgage Revenue Bonds, Series 2008 B. Final maturity on the 2016 Series F Bonds is March 1, 2028.

**University of Louisville General Receipts Bonds, 2020 Series A**

In June 2020, the University issued \$45.3 million of University of Louisville, General Receipts Bonds, 2020 Series A at a total interest cost of 2.7%. The bond proceeds together with an issuance premium of \$1.4 million will be used to finance a new 452 bed residence hall, including the construction, installation, equipping of the dormitory, and payment of interest through the construction period. Final maturity of the bonds is September 1, 2050.

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**University of Louisville General Receipts Bonds, 2021 Series A**

In June 2021, the University issued \$21.4 million of University of Louisville, General Receipts Bonds, 2021 Series A at a total interest cost of 1.55%. These bonds were a private placement with a financial institution. The proceeds were used to advance refund \$20.8 million of the General Receipt Bonds, 2010 Series A with a total interest cost of 3.6%. The bond proceeds have been deposited in escrow and will be used to redeem and retire the General Receipt Bonds, 2011 Series A on September 1, 2021. Final maturity on the General Receipt Bonds, 2021 Series A is September 1, 2031. The University will reduce its total debt service payments over the next ten years by \$4.2 million and realize net present value savings of approximately \$3.8 million as a result of the refinancing.

**University of Louisville General Receipts Bonds, 2021 Series B**

In May 2021, the University issued \$39.5 million of University of Louisville, General Receipts Bonds, 2021 Series B at a total interest cost of 2.7%. The bond proceeds together with an issuance premium of \$1.4 million will be used to finance a new 452 bed residence hall, including the construction, installation, and equipping of the dormitory. Final maturity of the bonds is September 1, 2051.

**Notes from Direct Placement**

In April 2021, the Association entered into a \$11.0 million term note with a financial institution. The note is secured by collateral, including funds and revenues of the Association and third-party pledges to the Association. Principal repayments will begin May 31, 2023 as the note carries an interest only period ending on April 30, 2023. The interest rate on the new note is fixed at 2.93%. The balance of the term note is was \$10.9 million and \$11.0 million as of June 30, 2023 and 2022, respectively.

The Association's \$9.0 million draw on a letter of credit converted to a 20-year term note with principal and interest payments beginning May, 2023. The interest rate is fixed at 2.93%. The balance at the term note is \$8.8 million as of June 30, 2023.

The Association entered into a financing arrangement with vendors to finance certain fixtures and equipment. The notes are payable over 10 years. The balance of the notes is \$3.2 million as of June 30, 2023.

**Contracts**

The University enters into financing arrangements with financial institutions or businesses for the purchase of equipment or services. The financing entity receives an exclusive security interest in any and all equipment acquired, built or maintained. The individual agreements specify as events of default failure to remit payments when such failure continues for 10 days after the due date, the application for or consent to the appointment of a receiver in bankruptcy, and failure to perform any other covenant for a period of 30 days. The University, through the financing arrangement, covenants not to grant secondary liens on the equipment financed, to carry adequate insurance with the financial institution as loss payee, and to not act or fail to act when such action or inaction would impair the tax exempt status of the interest under the lease.

**12. Notes 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 redemption of a life insurance policy pledged by a certain donor. The outstanding balance was approximately \$1.0 million for each of the years ended June 30, 2023 and 2022.

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**13. Other Liabilities**

Other liabilities of the University are summarized at June 30, 2023 and 2022 (in thousands):

<b>2023</b>							
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Noncurrent Portion</b>	
Unearned compensation and wages payable	\$ 3,264	\$ 481	\$ (1,214)	\$ 2,531	\$ 1,145	\$ 1,386	
Deposits	1,769	145	(857)	1,057	—	1,057	
Unearned revenue	47,964	59,241	(19,421)	87,784	45,600	42,184	
Amounts due federal government for student loan program	16,335	770	(3,347)	13,758	—	13,758	
Leases payable	61,824	1,717	(5,217)	58,324	4,629	53,695	
Subscription-based arrangements	20,201	2,900	(4,674)	18,427	5,936	12,491	
Other long-term liabilities	2,045	2,026	(4,071)	—	—	—	
<b>Total</b>	<b>\$ 153,402</b>	<b>\$ 67,280</b>	<b>\$ (38,801)</b>	<b>\$ 181,881</b>	<b>\$ 57,310</b>	<b>\$ 124,571</b>	

<b>2022</b>							
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>	<b>Noncurrent Portion</b>	
Unearned compensation and wages payable	\$ 2,486	\$ 5,387	\$ (4,609)	\$ 3,264	\$ 1,120	\$ 2,144	
Deposits	1,142	1,257	(630)	1,769	—	1,769	
Unearned revenue	57,436	349,498	(358,970)	47,964	42,019	5,945	
Amounts due federal government for student loan program	17,311	2	(978)	16,335	—	16,335	
Leases payable	63,469	2,811	(4,456)	61,824	4,832	56,992	
Other long-term liabilities	5,045	—	(3,000)	2,045	—	2,045	
<b>Total</b>	<b>\$ 146,889</b>	<b>\$ 358,955</b>	<b>\$ (372,643)</b>	<b>\$ 133,201</b>	<b>\$ 47,971</b>	<b>\$ 85,230</b>	

**14. Public-Private and Public-Public Arrangements**

The University has entered into contractual agreements with external parties to provide services to students, employees, and guest on behalf of the University. The contracted services include food service arrangements providing meals and concessions, print, copy and mail services, and bookstore services. The third parties (operators) receive the right to utilize and control university assets, such as infrastructure or other capital assets, to provide the services. In exchange for entering into the agreements, the University has received upfront payments, capital assets, and/or payments throughout the agreement term. The operators receive payments for services from customers or the university. The university has recognized \$1.1 million in current receivables and \$11.7 million in noncurrent receivables for future installment payments, \$10.7 million in capital asset additions or upgrades, net depreciation, and \$31.3 million in deferred inflows related to the agreements. Future installment payments were discounted using rates applicable at the time the agreement was commenced, between 0.75% - 1.56%.

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Under the agreements, the operator obtains the rights described in the table below:

Nature of rights granted	
Bookstore Operations	Design and operation of campus bookstore, providing course materials, branded materials and general merchandise to students, university employees and the general public.
Dining Operations	Design and operations of campus dining facilities utilized by students, university employees and the general public.
Event Concessions	Operation of food and merchandise concessions at athletic events.
Print and Mail Services	Providing and maintaining copy and print machinery for use by students and university employees. Providing contracted print services and campus mail collection and delivery

## 15. Natural Classification

The University's operating expenses by natural classification were as follows for the years ended June 30, 2023 and 2022 (in thousands):

	2023					
	Salary and wages	Employee benefits	Utilities	Scholarships and fellowships	Supplies and other	Total
Instruction	\$ 203,333	\$ 53,951	\$ 71	\$ 1,964	\$ 17,971	\$ 277,290
Research	87,646	23,300	40	1,818	48,432	161,236
Public service	52,826	14,291	48	50	106,578	173,793
Academic support	85,546	22,049	46	1,114	68,807	177,562
Student services	18,941	6,665	147	26	13,009	38,788
Institutional support	50,350	11,426	—	(119)	23,879	85,536
Operation and maintenance of plant	15,227	5,752	24,112	181	21,629	66,901
Scholarships and fellowships	4,691	979	—	33,056	757	39,483
Auxiliary enterprises	2,061	776	949	(208)	6,998	10,576
Intercollegiate athletics	42,640	9,745	1,114	5,218	52,978	111,695
Depreciation and amortization	—	—	—	—	—	67,089
<b>Total</b>	<b>\$ 563,261</b>	<b>\$ 148,934</b>	<b>\$ 26,527</b>	<b>\$ 43,100</b>	<b>\$ 361,038</b>	<b>\$ 1,209,949</b>

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	2022					
	Salary and wages	Employee Benefits	Utilities	Scholarships and fellowships	Supplies and other	Total
Instruction	\$ 193,660	\$ 50,673	\$ 10	\$ 1,404	\$ 14,683	260,430
Research	87,213	22,771	40	1,709	47,203	158,936
Public service	52,807	13,780	47	288	105,083	172,005
Academic support	83,661	20,791	137	1,022	63,820	169,431
Student services	18,451	6,325	125	61	10,932	35,894
Institutional support	49,361	12,880	—	(31)	28,775	90,985
Operation and maintenance of plant	14,605	5,228	21,416	272	22,981	64,502
Scholarships and fellowships	4,463	982	—	52,400	809	58,654
Auxiliary enterprises	1,651	636	664	(179)	5,628	8,400
Intercollegiate athletics	45,311	8,795	958	5,812	60,660	121,536
Depreciation and amortization	—	—	—	—	—	61,983
<b>Total</b>	<b>\$ 551,183</b>	<b>\$ 142,861</b>	<b>\$ 23,397</b>	<b>\$ 62,758</b>	<b>\$ 360,574</b>	<b>\$ 1,202,756</b>

## 16. 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 2022 to 2023.

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, 2023 and 2022, respectively, was approximately \$71.3 million and \$68.2 million, including \$6.0 million and \$5.9 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, 2023, June 30, 2022, and June 30, 2021 (in thousands):

Fiscal year ended June 30,	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2023	\$ 5,856	\$ 75,500	\$ (75,371)	\$ 5,985
2022	5,449	71,711	(71,304)	5,856
2021	5,287	68,376	(68,214)	5,449

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**17. Funding from Higher Education Relief Funds**

The Federal Government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 on December 27, 2020, and the American Rescue Plan Act of 2021 on March 11, 2021, all of which included funding for the Higher Education Emergency Relief Fund (HEERF). These funds were awarded to institutions of higher education in multiple allotments. The University received funding in two allotments: institutional aid to provide support for pivoting instruction to online delivery, and a student portion to provide emergency financial aid grants to students. The University received allocations totaling \$31.3 million for financial aid grants and \$39.2 million for institutional aid. As of June 30, 2022, all of the funding had been utilized. These revenues are included in nonexchange grants and contracts in Nonoperating revenue (expenses) while expenses are reported in institutional and scholarship in the operating expense section of the Statements of Revenues, Expenses, and Changes in Net Position.

**18. Retirement Plans**

**a. Defined Contribution 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 age 21. The Plan requires three years of continuous service for employees to vest in the University contributions.

Other information relating to this plan for the years ended June 30, 2023 and 2022 is presented as follows (in thousands):

	<b>2023</b>	<b>2022</b>
Total University payroll	\$ 572,419	\$ 556,154
Total payroll covered by the plan	\$ 542,125	\$ 528,172
Employee contributions	\$ 33,948	\$ 33,869
University contributions	\$ 38,719	\$ 37,628

As of June 30, 2023 and 2022, the University had no outstanding liability related to the Retirement Plan and \$452 thousand and \$193 thousand of forfeiture funds available to offset future employer contributions.

**b. Prior Service Defined Benefit Plan**

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, 2023 and June 30, 2022. 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, 2023 and 2022 are as follows (in thousands):

	<b>2023</b>	<b>2022</b>
Actuarial present value of nonvested accumulated plan benefits	\$ 445	\$ 479
Net assets available for benefits	\$ 922	\$ 965
Net pension surplus	\$ (477)	\$ (486)
Funded ratio	207 %	201 %

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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% for each of the years ended June 30, 2023 and 2022, for preretirement and postretirement periods.

## **19. Postemployment Healthcare Benefits**

### **a. Plan Description**

University and Association personnel are eligible for postemployment healthcare benefits as described in The University of Louisville Group Health Plan (Plan), administered by the University. 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.

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 following employees were covered by the benefit terms as of July 1, 2023 and 2022:

	2023	2022
Retirees and beneficiaries	1,916	1,586
Active plan members	4,446	4,701
<b>Total</b>	<b>6,362</b>	<b>6,287</b>

### **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, 2023 and 2022, the University contributed approximately \$3.9 million and \$3.7 million to the Plan, approximately 80% of total premiums for both years. Retired Plan members under age 65 receiving benefits contributed approximately \$958 thousand and \$924 thousand, approximately 20% of total premiums for both years. Health plan rates remained unchanged for the year ended June 30, 2023. Retired Plan members made monthly contributions according to the rate schedule below.

	PPO	EPO	PCA High	PCA Low
Employee	\$ 416	\$ 445	\$ 353	\$ 291
Employee and Spouse	\$ 1,000	\$ 1,069	\$ 847	\$ 698

Medicare-eligible retirees receive a monthly benefit of \$108 per individual covered. For the years ended June 30, 2023 and 2022, the University contributed \$2.5 million and \$2.2 million for Medicare-eligible retirees, respectively.

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

The University's total OPEB liability was measured by an actuarial valuation as of June 30, 2022. 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 cost trend rates	7.0% for 2021, decreasing 0%-0.25% per year to an ultimate rate of 4.25% for 2038 and later years

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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 is 3.69% as of the Measurement Date, 1.92% as of the beginning of the Measurement Period.

Changes in total reported liability for postemployment benefits obligations for the year ended June 30, 2023 and 2022 are summarized below (in thousands):

	<b>2023</b>	<b>2022</b>
Balance, beginning year	\$ 85,940	\$ 80,238
Changes for the year:		
Service cost	2,983	2,795
Interest	1,642	1,956
Differences between expected and actual experience	4,771	(458)
Changes of assumptions	(12,131)	4,967
Benefit payments	(3,790)	(3,558)
Net changes	(6,525)	5,702
<b>Balance, end year</b>	<b>\$ 79,415</b>	<b>\$ 85,940</b>

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):

	<b>2023</b>			<b>2022</b>		
	<b>1% Decrease (2.69)%</b>	<b>Discount Rate (3.69)%</b>	<b>1% Increase (4.69)%</b>	<b>1% Decrease (0.92)%</b>	<b>Discount Rate (1.92)%</b>	<b>1% Increase (2.92)%</b>
Net OPEB liability	\$ 88,490	\$ 79,415	\$ 71,721	\$ 96,719	\$ 85,940	\$ 76,935

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):

	<b>2023</b>			<b>2022</b>		
	<b>1% Decrease (6.0)%</b>	<b>Healthcare Cost Trend Rates (7.0)%</b>	<b>1% Increase (8.0)%</b>	<b>1% Decrease (6.0)%</b>	<b>Healthcare Cost Trend Rates (7.0)%</b>	<b>1% Increase (8.0)%</b>
Net OPEB liability	\$ 76,079	\$ 79,415	\$ 83,296	\$ 82,316	\$ 85,940	\$ 90,197

For the year ended June 30, 2023 the University recognized OPEB expense of \$1.5 million. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,972	\$ 2,858
Changes of assumptions	9,520	24,187
Contributions made in fiscal year ending 6/30/2023 after the measurement date of 6/30/2022	3,936	—
<b>Total</b>	<b>\$ 18,428</b>	<b>\$ 27,045</b>

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

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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):

<b>Year ended June 30:</b>	
2024	\$ (3,100)
2025	(3,100)
2026	(2,683)
2027	(2,583)
2028	(334)
Thereafter	(753)
<b>Total</b>	<b>\$ (12,553)</b>

**d. Funded Status and Funding Progress**

As of June 30, 2022, the most recent actuarial valuation date, the plan was 0% funded. The unfunded OPEB liability for benefits was \$79.4 million and \$85.9 million and there were no assets, resulting in an unfunded net OPEB liability of \$79.4 million and \$85.9 million as of June 30, 2023 and 2022, respectively. The covered payroll (annual payroll of active employees covered by the plan) was \$445.2 million and \$434.9 million, and the ratio of the unfunded net OPEB liability to the covered payroll was 18% and 20%, for the years ended June 30, 2023 and 2022, 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.

**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.

**20. Health Science Center Affiliations and Agreements**

**a. University Hospital Affiliation, Lease and Operating Agreements**

UL Health's operating agreement with the University states that profitable operations in excess of budget will be shared equally with the university. The profit share contribution was \$7.9 million and \$22.3 million for the years ended June 30, 2023 and 2022, respectively.

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, 2023 and 2022, support totaling approximately \$146.2 million and \$150.1 million, respectively, was received under these agreements.

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**b. Norton Healthcare**

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.

The Clinical Affiliation and Academic Affiliation Agreements between the University and NCMG provides for certain payments to the university for academic and departmental support of teaching and research. The Research Foundation received total support of \$86.1 million and \$84.5 million related academic, departmental and research support for June 30, 2023 and 2022, respectively. Norton made additional payments to the Research Foundation for professional services provided by clinical providers of \$1.4 million and \$2.3 million for the years ending June 30, 2023 and 2022, respectively.

**21. Commitments and Contingencies**

**a. Commitments**

At June 30, 2023, the University had approximately \$22.2 million in encumbrances outstanding for future expenditures.

**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.

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**22. Component Units**

**a. Blended Component Units – Combined Condensed Statements**

The consolidated schedules of the University, the Research Foundation and the Association as of June 30, 2023 and 2022, are on the following pages (in thousands):

	<b>2023</b>			
	<b>University</b>	<b>Research Foundation</b>	<b>Athletic Association</b>	<b>Total</b>
Current assets	\$ 158,963	\$ 258,678	\$ 44,418	\$ 462,059
Other noncurrent assets	137,935	657,424	56,719	852,078
Capital assets, net	817,896	61,152	250,294	1,129,342
<b>Total assets</b>	<b>1,114,794</b>	<b>977,254</b>	<b>351,431</b>	<b>2,443,479</b>
<b>Deferred outflows of resources</b>	<b>12,330</b>	<b>6,450</b>	<b>1,519</b>	<b>20,299</b>
<b>Total assets and deferred outflows of resources</b>	<b>1,127,124</b>	<b>983,704</b>	<b>352,950</b>	<b>2,463,778</b>
Current liabilities	93,576	54,014	51,713	199,303
Noncurrent liabilities	251,448	35,202	194,907	481,557
<b>Total liabilities</b>	<b>345,024</b>	<b>89,216</b>	<b>246,620</b>	<b>680,860</b>
<b>Deferred inflows of resources</b>	<b>61,783</b>	<b>644,204</b>	<b>2,956</b>	<b>708,943</b>
Net investment in capital assets	599,161	59,149	123,927	782,237
Restricted-nonexpendable	—	—	1,905	1,905
Restricted-expendable	46,475	22,320	5,236	74,031
Unrestricted	74,681	168,815	(27,694)	215,802
<b>Total net position</b>	<b>720,317</b>	<b>250,284</b>	<b>103,374</b>	<b>1,073,975</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 1,127,124</b>	<b>\$ 983,704</b>	<b>\$ 352,950</b>	<b>\$ 2,463,778</b>

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	2022			
	University	Research Foundation	Athletic Association	Total
Current assets	\$ 185,939	\$ 208,829	\$ 41,868	\$ 436,636
Other noncurrent assets	111,647	680,915	35,959	828,521
Capital assets, net	820,223	56,510	250,452	1,127,185
<b>Total assets</b>	<b>1,117,809</b>	<b>946,254</b>	<b>328,279</b>	<b>2,392,342</b>
<b>Deferred outflows of resources</b>	<b>11,601</b>	<b>5,964</b>	<b>1,564</b>	<b>19,129</b>
<b>Total assets and deferred outflows of resources</b>	<b>1,129,410</b>	<b>952,218</b>	<b>329,843</b>	<b>2,411,471</b>
Current liabilities	93,386	46,369	57,660	197,415
Noncurrent liabilities	253,916	38,035	162,712	454,663
<b>Total liabilities</b>	<b>347,302</b>	<b>84,404</b>	<b>220,372</b>	<b>652,078</b>
<b>Deferred inflows of resources</b>	<b>58,958</b>	<b>659,534</b>	<b>1,413</b>	<b>719,905</b>
Net investment in capital assets	613,648	51,519	127,205	792,372
Restricted - nonexpendable	—	—	1,831	1,831
Restricted - expendable	35,330	24,422	7,635	67,387
Unrestricted	74,172	132,339	(28,613)	177,898
<b>Total net position</b>	<b>723,150</b>	<b>208,280</b>	<b>108,058</b>	<b>1,039,488</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 1,129,410</b>	<b>\$ 952,218</b>	<b>\$ 329,843</b>	<b>\$ 2,411,471</b>

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	<b>2023</b>			
	<b>University</b>	<b>Research Foundation</b>	<b>Athletic Association</b>	<b>Total</b>
Student tuition and fees, net	\$ 227,520	\$ —	\$ —	\$ 227,520
Clinical services and practice plan	8,732	398,426	—	407,158
Grants and contracts	(28)	128,546	—	128,518
Facilities and administrative cost recoveries	3	34,378	—	34,381
Other operating revenue	29,785	7,741	97,495	135,021
<b>Total operating revenues</b>	<b>266,012</b>	<b>569,091</b>	<b>97,495</b>	<b>932,598</b>
Depreciation	46,257	8,451	12,381	67,089
Other operating expenses	477,085	543,358	122,417	1,142,860
<b>Total operating expenses</b>	<b>523,342</b>	<b>551,809</b>	<b>134,798</b>	<b>1,209,949</b>
<b>Operating gain (loss)</b>	<b>(257,330)</b>	<b>17,282</b>	<b>(37,303)</b>	<b>(277,351)</b>
State appropriations	147,718	—	—	147,718
Gifts	756	1,044	35,647	37,447
Interest expense	(10,814)	(96)	(2,118)	(13,028)
Other nonoperating revenues	13,401	62,225	(6,501)	69,125
Capital appropriations	5,781	—	—	5,781
Capital gifts	—	—	8,874	8,874
Contributions from affiliates, net	56,858	—	—	56,858
Transfers	40,291	(38,451)	(1,840)	—
<b>Total nonoperating revenues</b>	<b>253,991</b>	<b>24,722</b>	<b>34,062</b>	<b>312,775</b>
<b>Change in net position</b>	<b>(3,339)</b>	<b>42,004</b>	<b>(3,241)</b>	<b>35,424</b>
Net position - beginning of year	723,150	208,280	108,058	1,039,488
Cumulative effect of change in accounting principle	506	—	(1,443)	(937)
<b>Net position - end of year</b>	<b>\$ 720,317</b>	<b>\$ 250,284</b>	<b>\$ 103,374</b>	<b>\$ 1,073,975</b>

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	2022			
	University	Research Foundation	Athletic Association	Total
Student tuition and fees, net	\$ 240,060	\$ —	\$ —	\$ 240,060
Clinical services and practice plan	6,530	398,098	—	404,628
Grants and contracts	—	132,023	—	132,023
Facilities and administrative cost recoveries	6	38,708	—	38,714
Other operating revenue	27,152	8,015	96,940	132,107
<b>Total operating revenues</b>	<b>273,748</b>	<b>576,844</b>	<b>96,940</b>	<b>947,532</b>
Depreciation	42,364	9,043	10,576	61,983
Other operating expenses	465,914	546,123	128,736	1,140,773
<b>Total operating expenses</b>	<b>508,278</b>	<b>555,166</b>	<b>139,312</b>	<b>1,202,756</b>
<b>Operating gain (loss)</b>	<b>(234,530)</b>	<b>21,678</b>	<b>(42,372)</b>	<b>(255,224)</b>
State appropriations	131,725	—	—	131,725
Gifts	693	5,488	27,039	33,220
Interest expense	(9,025)	(130)	(1,905)	(11,060)
Other nonoperating revenues	7,491	92,947	(794)	99,644
Capital appropriations	169	—	—	169
Capital gifts	—	—	10,261	10,261
Contributions from affiliates, net	44,481	—	—	44,481
Transfers	77,158	(76,269)	(889)	—
<b>Total nonoperating revenues</b>	<b>252,692</b>	<b>22,036</b>	<b>33,712</b>	<b>308,440</b>
<b>Change in net position</b>	<b>18,162</b>	<b>43,714</b>	<b>(8,660)</b>	<b>53,216</b>
Net position - beginning of year	704,988	164,566	116,718	986,272
<b>Net position - end of year</b>	<b>\$ 723,150</b>	<b>\$ 208,280</b>	<b>\$ 108,058</b>	<b>\$ 1,039,488</b>

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2023				
	University	Research Foundation	Athletic Association	Total
Cash (used)/provided by:				
Operating activities	\$ (220,629)	\$ (14,325)	\$ (30,028)	\$ (264,982)
Noncapital financing activities	238,042	58,608	30,076	326,726
Capital and related financing activities	(49,684)	(13,651)	(14,062)	(77,397)
Investing activities	(5,586)	—	786	(4,800)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(37,857)</b>	<b>30,632</b>	<b>(13,228)</b>	<b>(20,453)</b>
Cash and cash equivalents, beginning of year	116,862	106,781	24,323	247,966
<b>Cash and cash equivalents, end of year</b>	<b>\$ 79,005</b>	<b>\$ 137,413</b>	<b>\$ 11,095</b>	<b>\$ 227,513</b>

2022				
	University	Research Foundation	Athletic Association	Total
Cash (used)/provided by:				
Operating activities	\$ (192,572)	\$ 16,142	\$ (44,144)	\$ (220,574)
Noncapital financing activities	240,010	51,894	21,489	313,393
Capital and related financing activities	(64,448)	(3,797)	20,951	(47,294)
Investing activities	(60,200)	—	3	(60,197)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(77,210)</b>	<b>64,239</b>	<b>(1,701)</b>	<b>(14,672)</b>
Cash and cash equivalents, beginning of year	194,072	42,542	26,024	262,638
<b>Cash and cash equivalents, end of year</b>	<b>\$ 116,862</b>	<b>\$ 106,781</b>	<b>\$ 24,323</b>	<b>\$ 247,966</b>

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**b. Discretely Presented Component Units**

The combining schedule of the discretely presented component units University of Louisville Foundation, Inc., University of Louisville Real Estate Foundation, Inc., and UL Health, Inc., as of June 30, 2023 and 2022 are as follows (in thousands):

<b>2023</b>					
	<b>UL Foundation</b>	<b>UL RE Foundation</b>	<b>UL Health</b>	<b>Total</b>	
Current assets	\$ 27,337	\$ 13,875	\$ 1,120,446	\$	1,161,658
Capital assets	47,163	142,340	375,712		565,215
Other noncurrent assets	982,313	99,677	555,721		1,637,711
<b>Total assets</b>	<b>1,056,813</b>	<b>255,892</b>	<b>2,051,879</b>		<b>3,364,584</b>
Current liabilities	16,825	10,658	391,973		419,456
Other noncurrent liabilities	44,976	39,566	955,170		1,039,712
<b>Total liabilities</b>	<b>61,801</b>	<b>50,224</b>	<b>1,347,143</b>		<b>1,459,168</b>
Restricted nonexpendable	491,695	—	—		491,695
Restricted expendable	442,462	—	5,000		447,462
Unrestricted	60,855	205,668	699,736		966,259
<b>Total net position</b>	<b>995,012</b>	<b>205,668</b>	<b>\$ 704,736</b>		<b>1,905,416</b>
<b>Total liabilities and net position</b>	<b>\$ 1,056,813</b>	<b>\$ 255,892</b>	<b>\$ 2,051,879</b>	<b>\$</b>	<b>3,364,584</b>

<b>2022</b>					
	<b>UL Foundation</b>	<b>UL RE Foundation</b>	<b>UofL Health</b>	<b>Total</b>	
Current assets	\$ 31,243	\$ 16,983	\$ 1,074,270	\$	1,122,496
Capital assets	48,915	145,713	298,346		492,974
Other noncurrent assets	950,504	93,631	691,321		1,735,456
<b>Total assets</b>	<b>1,030,662</b>	<b>256,327</b>	<b>2,063,937</b>		<b>3,350,926</b>
Current liabilities	15,820	4,205	410,976		431,001
Other noncurrent liabilities	45,600	61,725	984,871		1,092,196
<b>Total liabilities</b>	<b>61,420</b>	<b>65,930</b>	<b>1,395,847</b>		<b>1,523,197</b>
Restricted nonexpendable	636,969	—	—		636,969
Restricted expendable	272,986	—	15,026		288,012
Unrestricted	59,287	190,397	653,064		902,748
<b>Total net position</b>	<b>969,242</b>	<b>190,397</b>	<b>\$ 668,090</b>		<b>1,827,729</b>
<b>Total liabilities and net position</b>	<b>\$ 1,030,662</b>	<b>\$ 256,327</b>	<b>\$ 2,063,937</b>	<b>\$</b>	<b>3,350,926</b>

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2023				
	UL Foundation	UL RE Foundation	UofL Health	Total
Patient revenue, net	\$ —	\$ —	\$ 2,168,675	\$ 2,168,675
Other operating revenue	8,412	37,567	226,493	272,472
<b>Total operating revenue</b>	<b>8,412</b>	<b>37,567</b>	<b>2,395,168</b>	<b>2,441,147</b>
Depreciation	2,201	8,902	47,066	58,169
Other operating expense	79,963	13,394	2,305,848	2,399,205
<b>Total operating expense</b>	<b>82,164</b>	<b>22,296</b>	<b>2,352,914</b>	<b>2,457,374</b>
<b>Operating income (loss)</b>	<b>(73,752)</b>	<b>15,271</b>	<b>42,254</b>	<b>(16,227)</b>
Gifts and donations	46,637	—	—	46,637
Investment income	52,885	—	12,637	65,522
Other nonoperating revenue (expense)	—	—	(18,245)	(18,245)
<b>Total nonoperating revenue (expense)</b>	<b>99,522</b>	<b>—</b>	<b>(5,608)</b>	<b>93,914</b>
<b>Change in net position</b>	<b>25,770</b>	<b>15,271</b>	<b>36,646</b>	<b>77,687</b>
Net position-beginning of year	969,242	190,397	668,090	1,827,729
<b>Net position-end of year</b>	<b>\$ 995,012</b>	<b>\$ 205,668</b>	<b>\$ 704,736</b>	<b>\$ 1,905,416</b>

2022				
	UL Foundation	UL RE Foundation	UofL Health	Total
Patient revenue, net	\$ —	\$ —	\$ 2,023,518	\$ 2,023,518
Other operating revenue	9,085	34,803	164,830	208,718
<b>Total operating revenue</b>	<b>9,085</b>	<b>34,803</b>	<b>2,188,348</b>	<b>2,232,236</b>
Depreciation	2,224	8,919	44,623	55,766
Other operating expense	66,642	11,360	2,006,912	2,084,914
<b>Total operating expense</b>	<b>68,866</b>	<b>20,279</b>	<b>2,051,535</b>	<b>2,140,680</b>
<b>Operating income (loss)</b>	<b>(59,781)</b>	<b>14,524</b>	<b>136,813</b>	<b>91,556</b>
Gifts and donations	50,310	—	—	50,310
Investment income	(31,966)	—	(826)	(32,792)
Other nonoperating revenue (expense)	—	—	(35,610)	(35,610)
<b>Total nonoperating revenue (expense)</b>	<b>18,344</b>	<b>—</b>	<b>(36,436)</b>	<b>(18,092)</b>
<b>Change in net position</b>	<b>(41,437)</b>	<b>14,524</b>	<b>100,377</b>	<b>73,464</b>
Net position-beginning of year	1,010,679	175,873	567,713	1,754,265
<b>Net position-end of year</b>	<b>\$ 969,242</b>	<b>\$ 190,397</b>	<b>\$ 668,090</b>	<b>\$ 1,827,729</b>

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**c. 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 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.

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. ULF - Description of Organization and Summary of Significant Accounting Policies**

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets. This ASU intends to improve the transparency of disclosures in the notes to financial statements by requiring distinct presentation of contributed non-financial assets within the statement of activities and clarification of the contributed non-financial assets by category within the notes. The ASU is effective for annual reporting periods ending after June 15, 2022, with early adoption permitted. The Foundation adopted this new standard for the fiscal year ended June 30, 2022.

**2. ULF - Endowment**

The Foundation's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments (board-designated endowment funds). As required by US GAAP, 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 has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted in the Commonwealth of Kentucky in July 2010, 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 net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This policy is consistent for both donor-restricted endowment funds and board-designated endowment funds that have donor restrictions.

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The composition of net assets by type of endowment fund at June 30, 2023 and 2022 was as follows (in thousands):

<b>2023</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ —	\$ 651,434	\$ 651,434
Board-designated endowment funds	36,381	173,129	209,510
	<b>\$ 36,381</b>	<b>\$ 824,563</b>	<b>\$ 860,944</b>

<b>2022</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ —	\$ 630,374	\$ 630,374
Board-designated endowment funds	35,510	170,066	205,576
	<b>\$ 35,510</b>	<b>\$ 800,440</b>	<b>\$ 835,950</b>

Changes in endowment net assets for the years ended June 30, 2023 and 2022 were as follows (in thousands):

<b>2023</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	<b>\$ 35,510</b>	<b>\$ 800,440</b>	<b>\$ 835,950</b>
Investment return:			
Investment and endowment income	—	—	—
Net appreciation	1,678	37,858	39,536
<b>Total investment return</b>	<b>1,678</b>	<b>37,858</b>	<b>39,536</b>
Contributions	232	12,853	13,085
Appropriations	(693)	(28,504)	(29,197)
Other changes	(346)	1,916	1,570
<b>Endowment net assets, end of year</b>	<b>\$ 36,381</b>	<b>\$ 824,563</b>	<b>\$ 860,944</b>

<b>2022</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	<b>\$ 36,987</b>	<b>\$ 826,461</b>	<b>\$ 863,448</b>
Investment return:			
Investment and endowment income	—	—	—
Net appreciation	(448)	(11,019)	(11,467)
<b>Total investment return</b>	<b>(448)</b>	<b>(11,019)</b>	<b>(11,467)</b>
Contributions	—	6,467	6,467
Appropriations	(786)	(24,352)	(25,138)
Other changes	(243)	2,883	2,640
<b>Endowment net assets, end of year</b>	<b>\$ 35,510</b>	<b>\$ 800,440</b>	<b>\$ 835,950</b>

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 U.S. GAAP, deficiencies of this nature are

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reported in net assets with or without donor restrictions and aggregated to approximately \$210 thousand and \$325 thousand at June 30, 2023 and 2022, respectively, in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of contributions with donor restrictions. The Foundation's spending policy allows for a pro-rated amount of appropriations in certain instances of endowments with these deficiencies.

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 achieve a minimum net total return that 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 (i.e., "spending policy") of appropriating for expenditure each year a percentage of certain endowment funds' average market values over the prior twelve-quarters through the calendar year-end preceding the year in which expenditure is planned. 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.

In April 2022, the Board of the Foundation approved a 4.00% spending policy for the fiscal year 2022-2032 for support to the academic units and allocated 0.75% for overall fundraising efforts and operations of the Foundation. The spending policy is based on a twelve-quarter moving average of certain market values as of December 31.

In January 2023, the Board of the Foundation approved a 4.00% spending policy for the fiscal year 2023-2024 for support to the academic units and allocated 0.75% for overall fundraising efforts and operations of the Foundation. The spending policy is based on a twelve-quarter moving average of certain market values as of December 31. The annual return (loss) for total endowment assets was 6.6% and (5)% in 2023 and 2022, respectively.

### **3. ULF - Investments**

Investments as of June 30 are as follows (in thousands):

	2023	2022
Cash equivalents	\$ 26,833	\$ 55,755
Alternate investments:		
Hedge Funds	83,467	87,449
Investments in partnerships	482,246	478,467
Mutual funds:		
Equity	200,692	168,635
Fixed Income	15,940	15,088
Marketable alternatives:		
Domestic marketable equity securities	39,299	34,748
Marketable debt securities:		
U.S. Treasury	63,367	38,385
<b>Total Investments</b>	<b>\$ 911,844</b>	<b>\$ 878,527</b>

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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. 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.

A major portion of investments is pooled in the total endowment assets, which is the main endowment pool for the Foundation. The total endowment assets are 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.

**4. ULF - Guarantees**

**a. Loan**

In December 2010, ULF guaranteed 51% of the outstanding loan of Campus One through September 1, 2028. As of June 30, 2023 and 2022, the amount under guarantee was \$5.9 million and \$6.3 million, respectively.

The Foundation has not made any payments on this guarantee to date.

The Foundation has not made any payments on these guarantees to date.

**b. 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%. The Foundation has not made any payments on this guarantee to date.

**5. ULF - Funds Held in Trust by Others**

The Foundation has been designated by the University as the income beneficiary of various trusts and financial entities that are held and controlled by others. One of these is a perpetual and irrevocable trust known as the University of Louisville Trust (the Trust). It was created in 1983 to receive, administer, and invest assets that result from gifts to the Trust. The market value of the Trust was approximately \$29.0 million and \$27.0 million as of June 30, 2023 and 2022, respectively.

The Foundation's portion of the market value of the remaining trusts was approximately \$32.0 million as of June 30, 2023 and 2022, respectively. These funds are invested in various equities and income-producing assets. For the years ended June 30, 2023 and 2022, the Foundation recorded (losses) income of \$5.4 million and (\$12.9) million, respectively, from these trusts, which is included in changes in funds held in trust by others on the consolidated statements of activities and changes in net assets.

**6. ULF - 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. As of June 30, 2023 and 2022, the Foundation held approximately \$3.5 million and \$3.4 million, respectively, for the Association's investment purposes.

The Foundation entered into an agreement with Legacy Foundation of Kentuckiana, formerly 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, 2023 and 2022, the Foundation held approximately \$10.6 million and \$10.4 million, respectively, for Jewish Hospital's investment purposes.

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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, 2023 and 2022, the Foundation held approximately and \$270,000 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 on the consolidated statements of activities, since these earnings are distributed to the owners of the funds.

**7. Related-Party Transactions**

Included in the spending policy contribution to the University is a specific component designed to approximate the Foundation's allocated portion of salaries, benefits, and certain other administrative support costs related to fundraising and advancement. These amounts were approximately \$5.0 million and \$4.9 million for the years ended June 30, 2023 and 2022, respectively, and are included in contributions and allocations to the University departments on the consolidated statements of activities and changes in net assets.

For the years ended June 30, 2023 and 2022, the Foundation recorded approximately \$2.1 million and \$2.3 million, respectively, in revenues from the University and related affiliates, which is included in net rental revenues and other revenues on the consolidated statements of activities and changes in net assets.

**8. ULF - Transactions with ULREF**

In connection with the assignment of certain membership interests to ULREF, the Foundation entered into a memorandum of agreement effective June 30, 2016, with ULREF and certain of its affiliates whereas ULREF promises, and agrees, to pay to the Foundation approximately \$28.9 million. The unpaid balances shall bear no interest. ULREF may make payments on the unpaid balance at any time, in whole or in part, without premium or penalty.

At June 30, 2023 and 2022, the net receivable from ULREF is \$4.6 million and \$8.6 million, respectively, and is included as due from ULREF on the consolidated statements of financial position. The amount due from ULREF is included within the endowment assets as of June 30, 2023 and 2022.

**d. 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, 215 Central Avenue, Suite 304, Louisville, KY 40292.

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**1. ULREF - Description of Organization and Summary of Significant Accounting Policies**

In December 2014, ULREF became a 51% owner of Campus Three, LLC (Campus Three). In March 2016, ULREF received a 51% ownership interest in Campus Two, LLC (Campus Two) from the Foundation. In July 2016, ULREF became a 51% owner of Campus 435, LLC (Campus 435); Campus 805, LLC (Campus 805); and Campus 815, LLC (Campus 815). These joint ventures build and manage commercial real estate property on the University's Shelby Campus.

The Foundation entered into ground leases to develop a portion of the University's Shelby Campus property. On or about the date of each respective lease, ULREF and NTS entered into a Development Agreement, an Operating Agreement, and a Management Agreement, which state that NTS Development Company (NTS DevCo) will be the developer and NTS Management Company (NTS Mgt Co) will be the manager, and which provide for management, leasing, and development fees to be paid by ULREF to NTS DevCo and NTS Mgt Co. The initial term of the Operating Agreement is ten years. Campus Two and Campus Three may terminate the Management Agreement for cause upon 60 days' written notice at any time. NTS may terminate the Management Agreement without cause upon 60 days' written notice or terminate the Management Agreement for cause at any time upon prior written notice, and, in such case, NTS may require ULREF to purchase NTS's interest in Campus Three and/or in Campus Two.

ULREF has evaluated these investments as variable interest entities (VIEs) in accordance with ASC 810, Consolidation. A legal entity is referred to as a VIE if any of the following conditions exist: (1) the total equity investment at risk is insufficient to permit the legal entity to finance its activities without additional subordinated financial support from other parties, or (2) the entity has equity investors who cannot make significant decisions about the entity's operations or who do not absorb their proportionate share of the expected losses or receive the expected returns of the entity.

A VIE's primary beneficiary is the entity that has the power to direct the VIE's significant activities and has an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. A VIE must be consolidated if an entity is deemed to be the primary beneficiary of the VIE.

All facts and circumstances are taken into consideration when determining whether ULREF has variable interests that would deem it the primary beneficiary and therefore require consolidation of the related VIE or otherwise rise to the level where disclosure would provide useful information to the users of ULREF's consolidated financial statements. In many cases, it is qualitatively clear based on whether ULREF has the power to direct the activities significant to the VIE and, if so, whether that power is unilateral or shared, and whether ULREF is obligated to absorb significant losses of, or has a right to receive, significant benefits from the VIE. In other cases, a more detailed qualitative analysis and possibly a quantitative analysis are required to make such a determination.

ULREF monitors the consolidated and unconsolidated VIEs to determine whether any reconsideration events have occurred that could cause any of them to no longer be a VIE. ULREF reconsiders whether it is the primary beneficiary of a VIE on an ongoing basis. A previously unconsolidated VIE is consolidated when ULREF becomes the primary beneficiary. A previously consolidated VIE is deconsolidated when ULREF ceases to be the primary beneficiary or the entity is no longer a VIE.

ULREF has concluded that it is not the primary beneficiary in any of these investments, and, therefore, these investments are accounted for using the equity method of accounting.

**Tax Incremental Financing Revenues**

TIF revenues are reimbursements from certain agreements between ULREF, the Commonwealth of Kentucky, and the Louisville/Jefferson County Metro Government. Revenues from these agreements are based on allocations of property taxes, sales and use tax, and income taxes, which vary based on the terms stated in each respective agreement. The TIF districts are located in downtown Louisville and the University's Belknap Campus area.

For the years ended June 30, 2023 and 2022, ULREF recorded approximately \$21.1 million and \$9.0 million, respectively, of TIF revenues.

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**2. ULREF - Capital Assets**

Capital assets at June 30, 2023 and 2022, consist of the following (in thousands):

	<b>2023</b>	<b>2022</b>
Land and land improvements	\$ 52,473	\$ 52,442
Buildings	106,771	106,852
Building improvements	2,414	2,171
Tenant finish	3,775	3,669
Furniture, fixtures, and equipment	2,510	1,750
	<b>167,943</b>	<b>166,884</b>
Accumulated depreciation	(26,578)	(22,293)
Construction-in-progress	975	1,122
	<b>\$ 142,340</b>	<b>\$ 145,713</b>

**3. ULREF - Acquired Lease Intangible Assets and Liabilities**

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

	<b>2023</b>		<b>2022</b>	
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>
Amortized intangible assets and liabilities:				
In-place leases	\$ 354	\$ (332)	\$ 354	\$ (321)
Above-market leases	2,917	(1,020)	2,917	(897)
Tax incremental financing	116,600	(34,148)	116,600	(29,785)

Amortization expense for each of the years ended June 30, 2023 and 2022, was approximately \$4.5 million.

At June 30, 2023, 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 (in thousands):

	<b>In-Place Leases</b>	<b>Above-Market Leases</b>	<b>Tax Incremental Financing</b>
2024	\$ 11	\$ 123	\$ 4,364
2025	9	123	4,364
2026	2	123	4,364
2027	—	123	4,364
2028	—	123	4,364
Thereafter	—	1,282	60,632
<b>Total</b>	<b>\$ 22</b>	<b>\$ 1,897</b>	<b>\$ 82,452</b>

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**4. ULREF - Debt**

Debt in the consolidated statements of financial position at June 30, 2023 and 2022 consists of the following (in thousands):

		Fiscal Year	2023	2022
Description		of Maturity		
Permanent Financing-22 Preston LLC	Fixed 3.65% rate with 5-year maturity and 20-year amortization commencing June 2019; quarterly principal and interest payments commencing September 2019 with all outstanding principal and interest payments due in full at the maturity date	2024	\$ 7,472	\$ 7,940
Note Payable - KYT, LLC	Variable rate based on 1-month SOFR rate, plus 2.05% with interest-only payments commencing July 2021 and principal payment at maturity	2023	—	8,000
Northwestern Mutual Loan- Housing	Fixed 4.77% rate with 20-year amortization commencing November 2018; principal and interest payments monthly commencing January 2019	2038	35,564	37,090
<b>Debt</b>			<b>\$ 43,036</b>	<b>\$ 53,030</b>
Less debt issuance costs			(349)	(393)
<b>Total debt</b>			<b>\$ 42,687</b>	<b>\$ 52,637</b>

Preston is required to maintain a debt service coverage ratio of 1.00 to 1.00. At June 30, 2023, Preston was in compliance with this debt requirement. 31.

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 note was paid in full in May 2023 and the obligation was discharged.

A summary of scheduled principal payments on the above obligations is as follows (in thousands):

Year ending June 30:	
2024	\$ 8,937
2025	1,672
2026	1,754
2027	1,839
2028	1,929
Thereafter	26,905
<b>Total</b>	<b>\$ 43,036</b>

**5. ULREF - Leasing Activities**

ULREF leases space to tenants under non-cancelable operating leases. As of June 30, 2023, ULREF had various leases expiring monthly to 83 years, through 2106. These leases generally require ULREF to pay all executory costs (property taxes, maintenance, and insurance)

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Rental revenue for the years ended June 30 was as follows (in thousands):

	<b>2023</b>	<b>2022</b>
Base minimum rents	\$ 13,898	\$ 13,635
Common area maintenance	158	142
<b>Total</b>	<b>\$ 14,056</b>	<b>\$ 13,777</b>

Future leasing rent payments due to ULREF on noncancellable leases are as follows (in thousands):

<b>Year ending June 30:</b>	
2024	\$ 3,395
2025	2,337
2026	2,043
2027	1,522
2028	1,053
Thereafter	21,789
<b>Total</b>	<b>\$ 32,139</b>

Included in the amounts above is a certain subleased property that requires ULREF to pay approximately \$450,000 annually in rent for ten years, with escalating provisions during the lease term. The basic provisions of ULREF's sublease for this property are equal to its lease commitment.

**d. UofL Health, Inc.**

The consolidated financial statements of UofL Health, Inc. (UofL Health) include the accounts of University Medical Center, Inc. d/b/a University of Louisville Hospital/James Graham Brown Cancer Center (UMC), UofL Health - Louisville (Jewish Hospital), Inc., UofL Health - Shelbyville, Inc. (Jewish Hospital Shelbyville), and University of Louisville Physicians, Inc. (ULP). All significant intercompany accounts and transactions have been eliminated in consolidation.

UofL Health is a nonprofit corporation incorporated on September 4, 2019. UofL Health is the sole corporate member of UMC, Jewish Hospital, Jewish Hospital Shelbyville, and ULP (collectively, the "Corporation"). The business and affairs of the Corporation are conducted by its Board of Directors. The Board of Directors (the Board) includes 11 voting directors consisting of 5 directors appointed by the University of Louisville (UofL), and 6 at-large directors, nominated and voted on by the Board. The Corporation is a component unit of the University of Louisville.

Frazier Brownsboro is a limited liability company formed in 2023 to provide rehabilitation services to patients. UofL Health - Louisville is a 51% owner of Frazier Brownsboro and is consolidated with the operations of UofL Health.

UMC is a nonprofit corporation incorporated on June 27, 1995. Norton Healthcare, Inc. (Norton), a Kentucky nonprofit corporation, Jewish Hospital & St. Mary's Healthcare, Inc. (formerly known as Jewish Hospital HealthCare Services, Inc. (Jewish)), a Kentucky nonprofit corporation, and UofL were the original members of a corporation. Effective July 1, 2007, Norton and Jewish resigned from the Board and UMC reverted to a nonmember, nonprofit corporation under Kentucky Revised Status Chapter 273.

Additionally, effective July 1, 2017, an amended and restated lease agreement between the Commonwealth of Kentucky, UofL and UMC was entered into. The Corporation also entered into an Amended and Restated Academic Affiliation Agreement (AAA) with UofL, effective July 1, 2017, which grants the Corporation the right to lease and operate an acute-care teaching hospital and related medical facilities. The AAA with UofL was superseded by the Master Academic Affiliation Agreement (MAAA) between UofL, UMC, Jewish Hospital and Jewish Hospital Shelbyville, effective November 1, 2020. The initial term of the MAAA is twenty-five years from the effective date with five-year renewal terms in accordance with the agreement.

UMC became a wholly owned subsidiary of UofL Health effective November 1, 2019.

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Jewish Hospital and Shelbyville were incorporated September 23, 2019. On November 1, 2019, UofL Health acquired assets through a business acquisition with KentuckyOne Health under the corporations of Jewish Hospital and Shelbyville. Additionally, as part of this transaction a portion of the acquisition was allocated and assigned to ULP.

ULP was established in August 2011 and is organized as a private, nonprofit corporation that functions as the corporate structure for clinical practices of the faculty of UofL School of Medicine. Operations began on January 1, 2012, when the first two physician groups (clinical departments) transitioned their practices into ULP. As of June 30, 2021 and 2020, ULP has seventeen clinical departments. ULP became a wholly owned subsidiary of UofL Health effective November 1, 2019.

Complete financial statements for UofL Health and prior financial statements for UMC can be obtained from the administrative office at UofL Health 530 S. Jackson Street Louisville, Kentucky 40202. Prior financial statements for ULP can be obtained from 300 E. Market Street Louisville, Kentucky 40202.

### **1. Patient Accounts Receivable**

The Corporation provides services without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors as of June 30, 2023 and 2022 is as follows:

	2023	2022
Medicare	11 %	13 %
Medicaid	3 %	3 %
Managed care	44 %	39 %
Commercial and other	40 %	43 %
Self-pay	2 %	2 %
	<b>100 %</b>	<b>100 %</b>

### **2. Net Patient Service Revenue**

The composition of patient care service revenue by primary payor for the year ended June 30 is as follows:

	2023	2022
Medicare	12 %	13 %
Medicaid	2 %	3 %
Managed Care	28 %	25 %
Commercial and other	58 %	58 %
Self-pay	— %	1 %
	<b>100 %</b>	<b>100 %</b>

### **3. Passport Health Plan by Molina Healthcare**

Passport is a comprehensive risk-based entity that has separate financial statements available. Passport contracts with the Commonwealth of Kentucky's Medicaid program to provide comprehensive medical services to patients in its region. Passport also has a Medicare replacement insurance product. In relation to the sale of certain Passport assets during 2020, the Corporation received payment of \$7.6 million during 2022, which resulted in a loss of \$2.7 million and is recorded within other non-operating income (expense) in 2022. As of June 30, 2023 and 2022, the Corporation has a 0% sponsorship interest in Passport.

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**4. Leases**

The Corporation recognizes right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Corporation has operating and finance leases for office facilities and information technology equipment used in connection with medical office buildings and equipment. Leasing arrangements required fixed payments. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. The Corporation's lease agreements do not contain any material restrictive covenants. The leases have remaining terms of 1 to 29 years.

The Corporation's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. The Corporation utilizes its collateralized incremental borrowing rate commensurate to the lease term as the discount rate for its leases unless the Corporation can specifically determine the lessor's implicit rate. The operating lease ROU asset includes any lease payments made and excludes lease incentives, if any.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are expensed on a straight-line basis over the lease term. The majority of the Corporation's short-term leases relate to office facilities and equipment.

In evaluating contracts to determine if they qualify as a lease, the Corporation considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the Corporation can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, the Corporation assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgment.

The components of lease cost for the years ended June 2023 and 2022 are as follows (in thousands):

	2023	2022
Operating lease cost	\$ 55,088	\$ 61,959
Finance lease cost:		
Amortization expense	4,734	3,924
Interest on lease liabilities	1,236	375
Total finance lease cost	5,970	4,299
Short-term lease cost	23,979	23,123
<b>Total lease expense</b>	<b>\$ 85,037</b>	<b>\$ 89,381</b>

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The Corporation's ROU assets and lease liabilities as of the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
<b>Right-of-use assets</b>		
Operating lease assets	\$ 506,206	\$ 534,267
Finance lease assets	36,551	16,482
Less: accumulated depreciation	8,216	9,507
Finance lease assets, net	28,335	6,975
<b>Total right-of-use assets</b>	<b>\$ 534,541</b>	<b>\$ 541,242</b>
<b>Lease liabilities</b>		
Operating lease liabilities, current	31,015	31,555
Operating lease liabilities, noncurrent	480,457	509,240
<b>Total operating lease liabilities</b>	<b>\$ 511,472</b>	<b>\$ 540,795</b>
Finance lease liabilities, current	2,142	3,673
Finance lease liabilities, noncurrent	26,852	2,900
<b>Total finance lease liabilities</b>	<b>\$ 28,994</b>	<b>\$ 6,573</b>
	2023	2022
<b>Weighted average remaining lease term</b>		
Operating leases	25.27 years	25.37 years
Finance leases	18.15 years	1.8 years
<b>Weighted average discount rate</b>		
Operating leases	4.80 %	4.48 %
Finance leases	8.82 %	3.61 %

Maturities of lease obligations are as follows:

Years Ended June 30	Operating Leases	Finance Leases
2024	\$ 53,115	\$ 4,377
2025	48,456	2,955
2026	44,495	2,638
2027	34,355	2,691
2028	29,773	2,745
Thereafter	648,284	46,546
<b>Total lease payments</b>	<b>\$ 858,478</b>	<b>\$ 61,952</b>
Less: Interest	(347,007)	(32,957)
<b>Present value of lease liabilities</b>	<b>\$ 511,471</b>	<b>\$ 28,995</b>

For the years ended June 30, 2023 and 2022, the Corporation paid approximately \$27.5 million and \$27.3 million, respectively, of rent to related parties.

## 5. CARES Act Stimulus Fund Grants Refundable Advances

During 2020 and 2021, Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution grants authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act were distributed to healthcare providers impacted by the outbreak of the Coronavirus (COVID-19) pandemic under Catalog of

**UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS**  
**A Component Unit of the Commonwealth of Kentucky**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2023 and 2022**

Federal Domestic Assistance (CFDA) #93.498. Revenues from PRF/ARP grants are recognized to the extent of expenses incurred specific to responding to the COVID-19 pandemic. In addition to these eligible expenses, lost revenues, as defined by PRF/ARP guidance, as a result of the pandemic could qualify as eligible for reimbursement. PRF grants of approximately \$13.4 million and \$20.2 million are included in the consolidated statement of operations and changes in net assets as federal grants during 2023 and 2022, respectively.

The guidance issued by the grantor to define eligible expenses and, more specifically, to determine changes in patient care service revenues related to the pandemic that would be eligible for reimbursement is open to interpretation and subject to audit by the granting agency. Therefore, these funds are subject to recoupment by the grantor in the event that the conditions for recognition are deemed not to be met. The Corporation has recorded a reserve of approximately \$0 and \$13.4 million as refundable advance liabilities on the balance sheets as of June 30, 2023 and 2022, respectively.

The passage of the CARES Act also authorized Centers for Medicare and Medicaid Services (CMS) to expand the Medicare Accelerated and Advancement Payment Program to a broader group of Medicare Part A providers and Part B suppliers. As eligible healthcare organizations, UMC, Jewish Hospital, Shelbyville, and ULP were eligible to request up to 100% of their Medicare payment amounts for a six-month period. These payments were issued in April 2020. Recoupment of the advance payment was to begin following a 120-day deferral period. The Continuing Appropriations Act, 2021 and Other Extensions Act which passed on September 30, 2020, allowed providers to extend repayment for a full year before recoupment begins. The recoupment process began April 2021 and payment for submitted claims is to be reduced by 25% for 11 months, then 50% for the following 6 months, and any outstanding payments after this period will be due in full to CMS. The advance payment is included in refundable advances on the consolidated balance sheet.

As of June 30, 2023 and 2022, approximately \$0 and \$31.6 million of unrecouped funds related to Medicare Accelerated and Advanced Payments are included in consolidated balance sheets as refundable advances

## **6. Medical Malpractice Claims**

The Corporation is insured against medical malpractice claims under claims-made based policies, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policies, the Corporation bears the risk of the ultimate costs of any individual claims or aggregate claims exceeding \$22.5 million for claims asserted in the policy year. In addition, the Corporation has an umbrella policy with additional coverage limits. Should the claims-made policies not be renewed or replaced with equivalent insurance, claims based on the occurrences during the claims-made term but reported subsequently will be uninsured.

In September 2023, ULP received an adverse verdict in a malpractice case for approximately \$17 million. Management intends to appeal this verdict. The final resolution is unknown at this time. No liability has been recorded as of June 30, 2023. The Corporation is not aware of any other medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled during the past three years that have exceeded policy coverage limits. The cost of this insurance policy represents the Corporation's cost for such claims for the year and it has been charged to operations as a current expense.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**For the Fiscal Year Ending**  
**(in thousands)**

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

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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**This publication was prepared by the University of Louisville and printed with state funds KRS 57.375.**

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