



UNIVERSITY OF LOUISVILLE & AFFILIATED CORPORATIONS

A Component Unit of the Commonwealth of Kentucky

Report of Independent Certified Public Accountant and
Financial Statements
June 30, 2024 & 2023



UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS
A Component Unit of the Commonwealth of Kentucky
For the Years Ended June 30, 2024 and 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
University of Louisville and Affiliated Corporations

Report on the financial statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the University of Louisville and Affiliated Corporations (the "University"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements present fairly, in all material respects, the respective 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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), which represents 60%, 35%, and 99% of the assets, net position and revenues, respectively of the aggregate discretely presented component units of the University as of and for the year ended June 30, 2024. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for UofL Health, is based solely on the report of the other auditors.

Basis for opinions

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

Other matter

The financial statements of the University as of and for the year ended June 30, 2023 were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated October 23, 2023.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 17 and the Post-employment Benefit Information on page 75, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other reporting required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2024 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.



Boston, Massachusetts
November 22, 2024

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, 2024 and 2023

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, 2024 and 2023. Comparative information for the year ended June 30, 2022 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 inpatient and outpatient). 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 strategic plan outlines efforts to make the University become recognized as a great place to learn, discover, connect and work. These pillars are supported by the following strategies:

- **Great place to learn** by attracting, retaining and graduating a talented, diverse student body through a meaningful and structured commitment to student success. Prepare critical thinking, global citizens capable of lifelong, self-directed learning to lead, and shape the future.
- **Great place to discover** by increasing efforts and support of innovation, research, scholarship, and creative activities. Develop strong translational research, innovation, and entrepreneurship programs to maximize societal impact of the University's research.
- **Great place to connect** by improving awareness, accessibility, value, and impact of community, industry, government, and alumni partnerships.
- **Great place to work** by fostering a culture of care, trust, accountability, equity, and transparency. Become an employer of choice that intentionally attracts and retains the most talented and diverse faculty and staff though meaningful and structured commitment to employee success.

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 are as 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 \$1.0 billion as of June 30, 2024.

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.

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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.

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, 2024, 2023, and 2022 (in thousands) is summarized below:

	2024	2023	2022	2024-2023 Change	2023-2022 Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current assets	\$ 424,233	\$ 462,059	\$ 436,636	\$ (37,826)	\$ 25,423
Noncurrent assets	845,711	852,078	828,521	(6,367)	23,557
Right-of-use assets, net	70,290	75,302	61,435	(5,012)	13,867
Capital assets, net	1,058,180	1,054,040	1,065,750	4,140	(11,710)
Deferred outflows of resources	17,033	20,299	19,129	(3,266)	1,170
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2,415,447	2,463,778	2,411,471	(48,331)	52,307
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current liabilities	182,281	199,303	197,415	(17,022)	1,888
Noncurrent liabilities	465,776	481,557	454,663	(15,781)	26,894
Deferred inflows of resources	682,345	708,943	719,905	(26,598)	(10,962)
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,330,402	1,389,803	1,371,983	(59,401)	17,820
NET POSITION					
Net investment in capital assets	765,365	782,237	792,372	(16,872)	(10,135)
Restricted - nonexpendable	2,109	1,905	1,831	204	74
Restricted - expendable	74,509	74,031	67,387	478	6,644
Unrestricted	243,062	215,802	177,898	27,260	37,904
TOTAL NET POSITION	1,085,045	1,073,975	1,039,488	11,070	34,487
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
	\$ 2,415,447	\$ 2,463,778	\$ 2,411,471	\$ (48,331)	\$ 52,307

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Assets

Current assets consist primarily of cash, student tuition and fees, accounts and contributions receivable, inventories, due from affiliates and investments held with the Foundation. The decrease in current assets of \$37.8 million for the year ended June 30, 2024 as compared to June 30, 2023 is mainly attributed to decreases in cash of \$57.5 million, short-term investments of \$3.8 million, and deposits with bond trustee of \$8.9 million offset by an increase in accounts receivable of \$42.5 million.

Noncurrent assets decreased \$6.4 million in fiscal year 2024. Almost all noncurrent asset categories experienced significant increases or decreases. In an effort to maximize investment returns, long-term investments and restricted cash and cash equivalents increased by \$11.7 million and \$10.8 million, respectively. These were offset by a reduction student tuition and fee, accounts, and contributions receivable of \$19.9 million and due from affiliates of \$10.6 million. These decreases were attributable to cash payments that were received during fiscal 2024.

In fiscal year 2023, current assets increased \$25.4 million. This 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. The decrease was attributed to the University shifting funds from short-term investments to long-term investment vehicles to maximize investment earnings.

Total noncurrent assets increased \$23.6 million in fiscal year 2023. Almost all noncurrent asset categories experienced significant increases or decreases. In an effort to maximize investment returns, other long-term investments increased by \$29.4 million. The implementation of the subscription-based arrangements accounting standard resulted in an increase of right-of-use assets by \$13.9 million, which were offset by a reduction in restricted restricted cash and cash equivalents of \$15.0 million for the usage of funds restricted for capital purchases.

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 2024, deferred outflows decreased \$3.3 million to \$17.0 million as compared to \$20.3 million as of June 30, 2023.

The increase in deferred outflows of resources as of June 30, 2023 was \$1.2 million to \$20.3 million as compared to \$19.1 million as of June 30, 2022.

Liabilities

Current liabilities decreased by \$17.0 million in fiscal year 2024 as compared to 2023. The decrease is primarily attributed to decreases in accounts payable of \$14.5 million and bonds and notes payable of \$4.3 million. These reductions were offset by an increase in unearned compensation and wages payable of \$1.6 million.

Noncurrent liabilities decreased \$15.8 million during fiscal year 2024. 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 decrease were a reduction in bonds and notes payable of \$10.9 million due to payments on the obligations and subscription-based arrangements with a decrease of \$3.9 million primarily due to amortization.

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 the balance to noncurrent liabilities. The reduction was offset by an increase in unearned revenue of \$3.6 million and subscription-based arrangements of \$5.9 million.

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Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods. Deferred inflows decreased by \$26.6 million during fiscal year 2024. The most significant decreases are attributed to future revenues from leased assets of \$18.8 million and a decrease in other post-retirement deferred inflows of \$5.0 million from assumptions used in the calculation of the OPEB liability.

In fiscal year 2023, deferred inflows of resources decreased by \$11.0 million, which was attributed to decreases in future revenues from leased assets of \$15.4 million offset by an increase in other post-retirement deferred inflows of \$5.9 million from the assumptions used in the calculation of the OPEB liability.

Net Position

In fiscal year 2024, net position increased \$11.1 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 \$27.3 million and restricted expendable net position of \$0.5 million but was negatively impacted by a reduction of \$16.9 million in capital assets.

In fiscal year 2023, net position increased \$34.5 million, which were attributable to an increase in unrestricted net position of \$37.9 million and restricted expendable net position of \$6.6 million, which was offset by a decrease of \$10.1 million in net investment in capital assets.

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, 2024, 2023, and 2022 (in thousands) are summarized below:

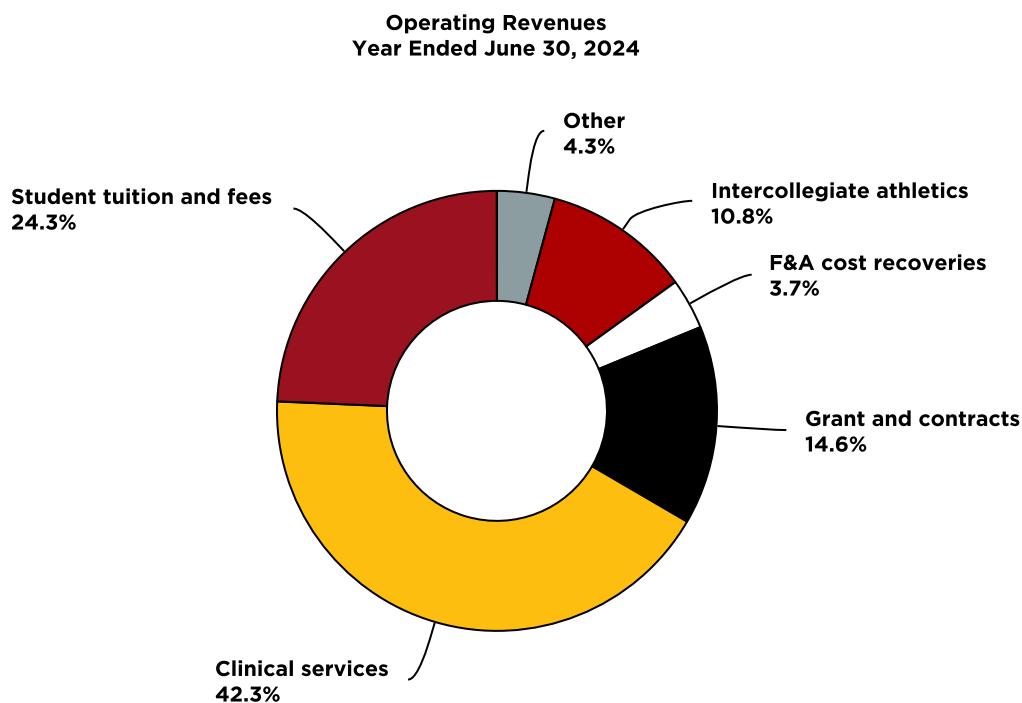
	2024	2023	2022	2024-2023 Change	2023-2022 Change
OPERATING REVENUES					
Student tuition and fees, net	\$ 234,296	\$ 227,520	\$ 240,060	\$ 6,776	\$ (12,540)
Clinical services and practice plan	407,774	407,158	404,628	616	2,530
Grants and contracts	140,891	128,518	132,023	12,373	(3,505)
Facilities and administrative cost recoveries	36,006	34,381	38,714	1,625	(4,333)
Intercollegiate athletics	104,111	97,495	96,940	6,616	555
Other	40,945	37,526	35,167	3,419	2,359
TOTAL OPERATING REVENUE	964,023	932,598	947,532	31,425	(14,934)
OPERATING EXPENSES					
Depreciation and amortization	65,429	67,089	61,983	(1,660)	5,106
Other	1,230,728	1,142,860	1,140,773	87,868	2,087
TOTAL OPERATING EXPENSE	1,296,157	1,209,949	1,202,756	86,208	7,193

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	2024	2023	2022	2024-2023 Change	2023-2022 Change
NONOPERATING REVENUES (EXPENSES)					
State appropriations	146,373	147,718	131,725	(1,345)	15,993
Other nonoperating revenues	196,831	165,057	176,715	31,774	(11,658)
TOTAL NONOPERATING REVENUE	343,204	312,775	308,440	30,429	4,335
INCREASE/(DECREASE) IN NET POSITION					
Net position - beginning of year	1,073,975	1,038,551	986,272	35,424	52,279
Net position - end of year	\$ 1,085,045	\$ 1,073,975	\$ 1,039,488	\$ 11,070	\$ 34,487

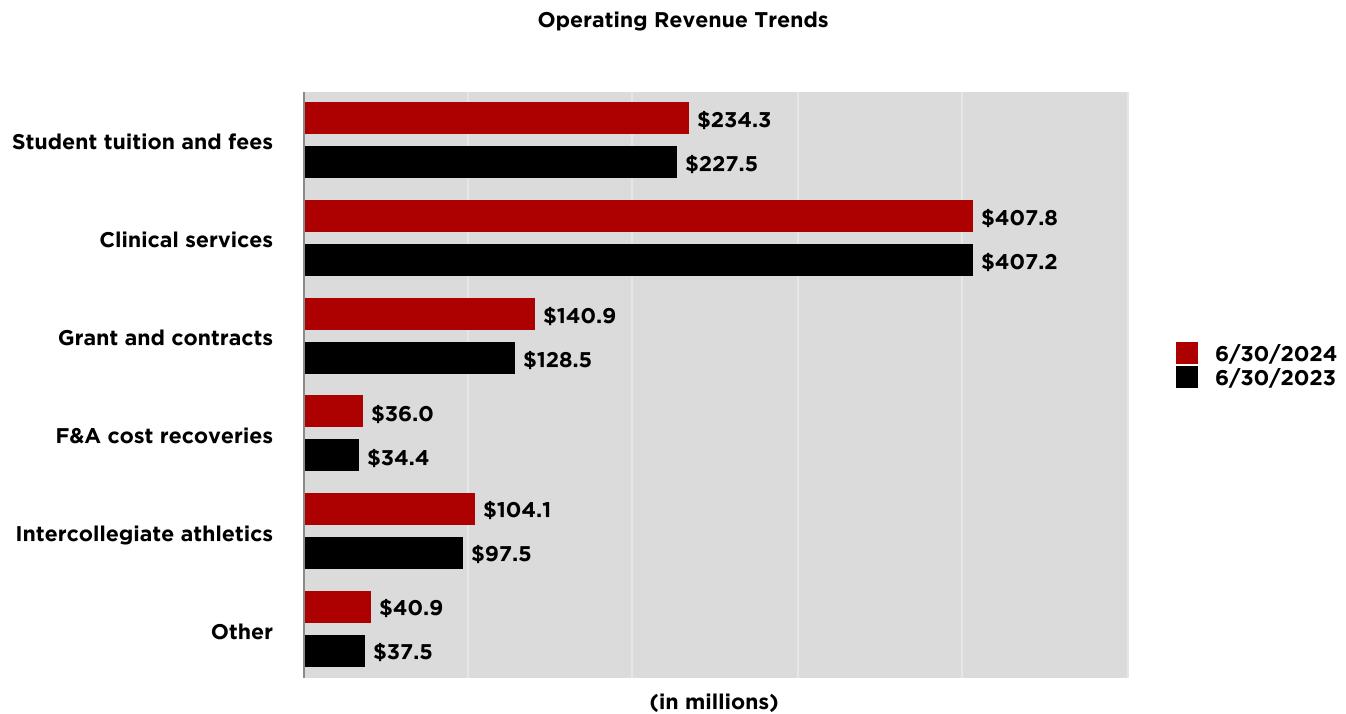
Operating Revenues

The following chart reflects the percentage of operating revenues by source that are used to fund the University's operating activities for the year ended June 30, 2024:



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The following chart illustrates operating revenue trends by source for the years ended June 30, 2024 and 2023:



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 \$234.3 million and \$227.5 million, or 24.3% and 24.4% of total operating revenues for the years ended June 30, 2024 and 2023, 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 2024 were stable and reflected the University's successful recruiting and retention efforts.

Clinical services and practice plan revenue amounted to \$407.8 million and \$407.2 million, or 42.3% and 43.7% of total operating revenues for fiscal years 2024 and 2023, 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 2024 totaling \$0.6 million is due to changes in volumes and reimbursements.

Revenue from operating grants and contracts totaled \$140.9 million and \$128.5 million for the years ended June 30, 2024 and 2023, respectively, an increase of \$12.4 million. The increase is attributed to an increase in federal grants and contracts of \$17.9 million offset by a reduction in state and local grants and contracts of \$5.1 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 \$36.0 million and \$34.4 million for the years ended June 30, 2024 and 2023, respectively. F&A cost recovery revenues generally follow the trend in direct cost revenues and expenditures.

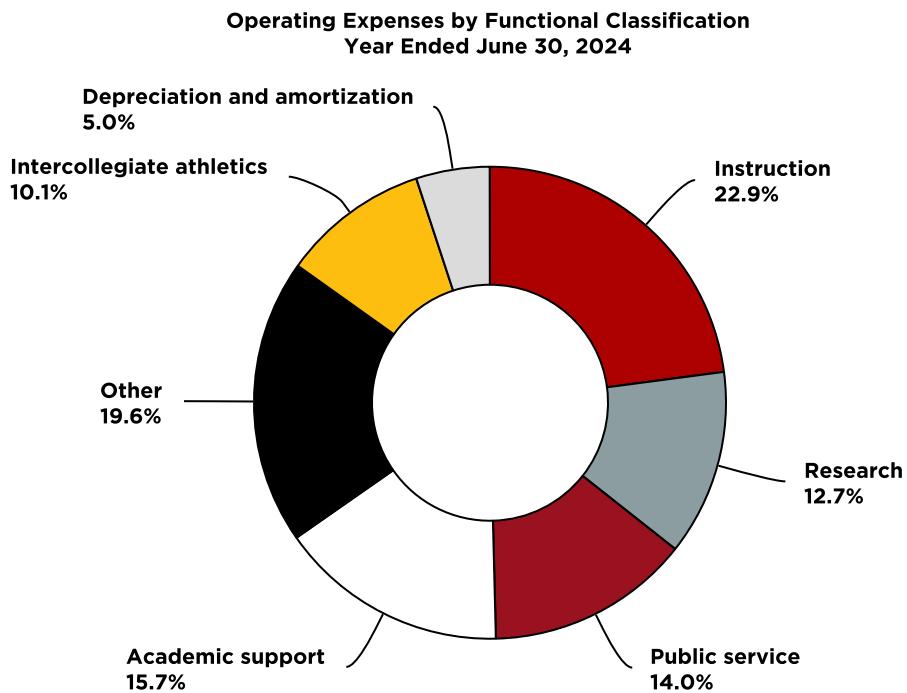
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Revenues for intercollegiate athletics were \$104.1 million for the year ended June 30, 2024, an increase of \$6.6 million from \$97.5 million for the year ended June 30, 2023. Auxiliary revenues from housing and parking also increased by \$4.9 million during the year ended June 30, 2024 as compared to the year ended June 30, 2023.

Operating revenues decreased \$14.9 million in fiscal year 2023 over fiscal year 2022. The most significant decrease came from student tuition and fees of \$12.5 million which resulted from an increase in the scholarship allowance. The decrease was offset by an increase in auxiliary revenue of \$3.2 million.

Operating Expenses

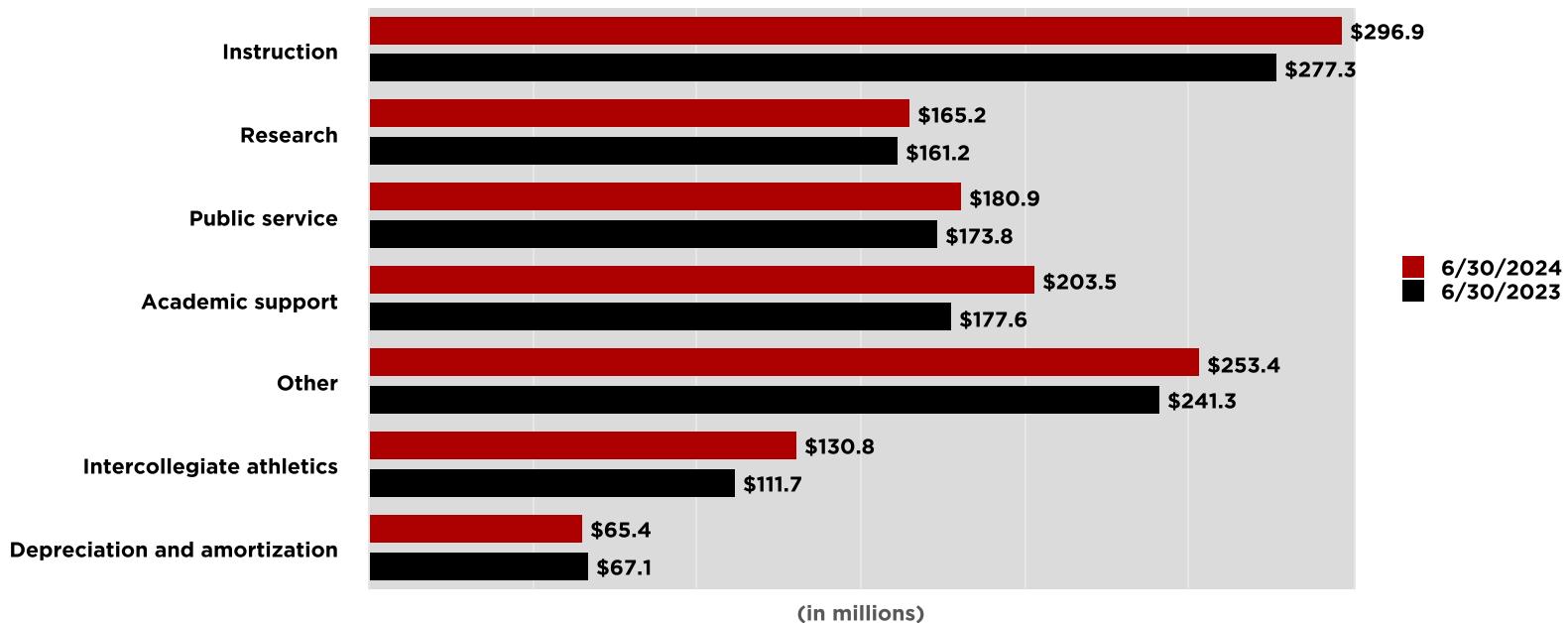
The following chart reflects the percentage of total operating expenses by functional classification for the year ended June 30, 2024:



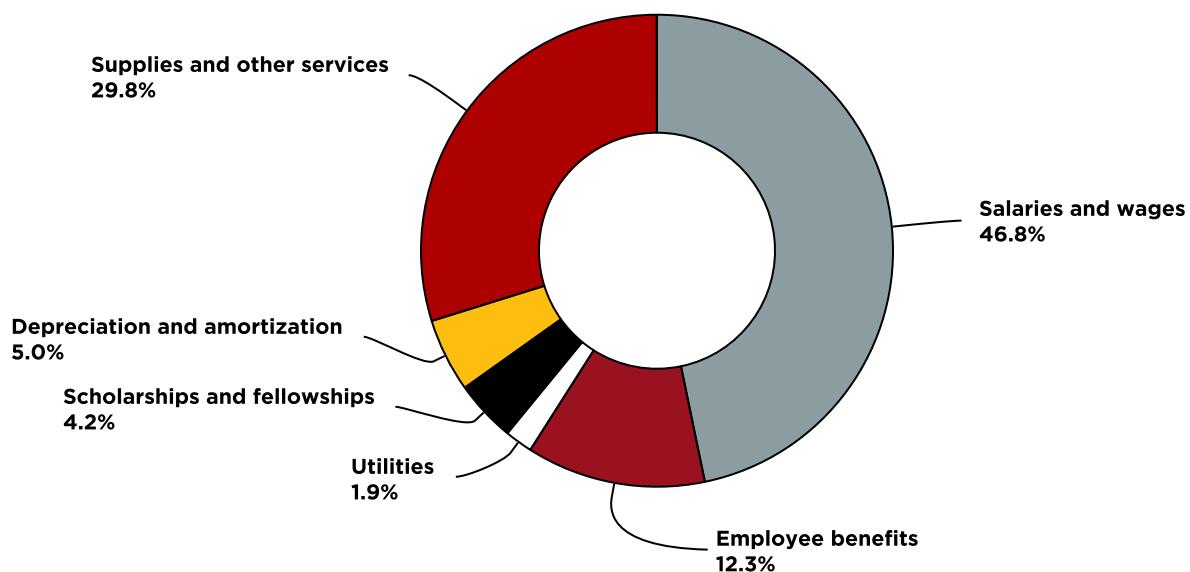
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The following chart compares functional expense trends for the years ended June 30, 2024 and 2023, and the chart at the bottom of the page reflects the percentage of operating expenses by natural classification for the year ended June 30, 2024:

Functional Expense Trends

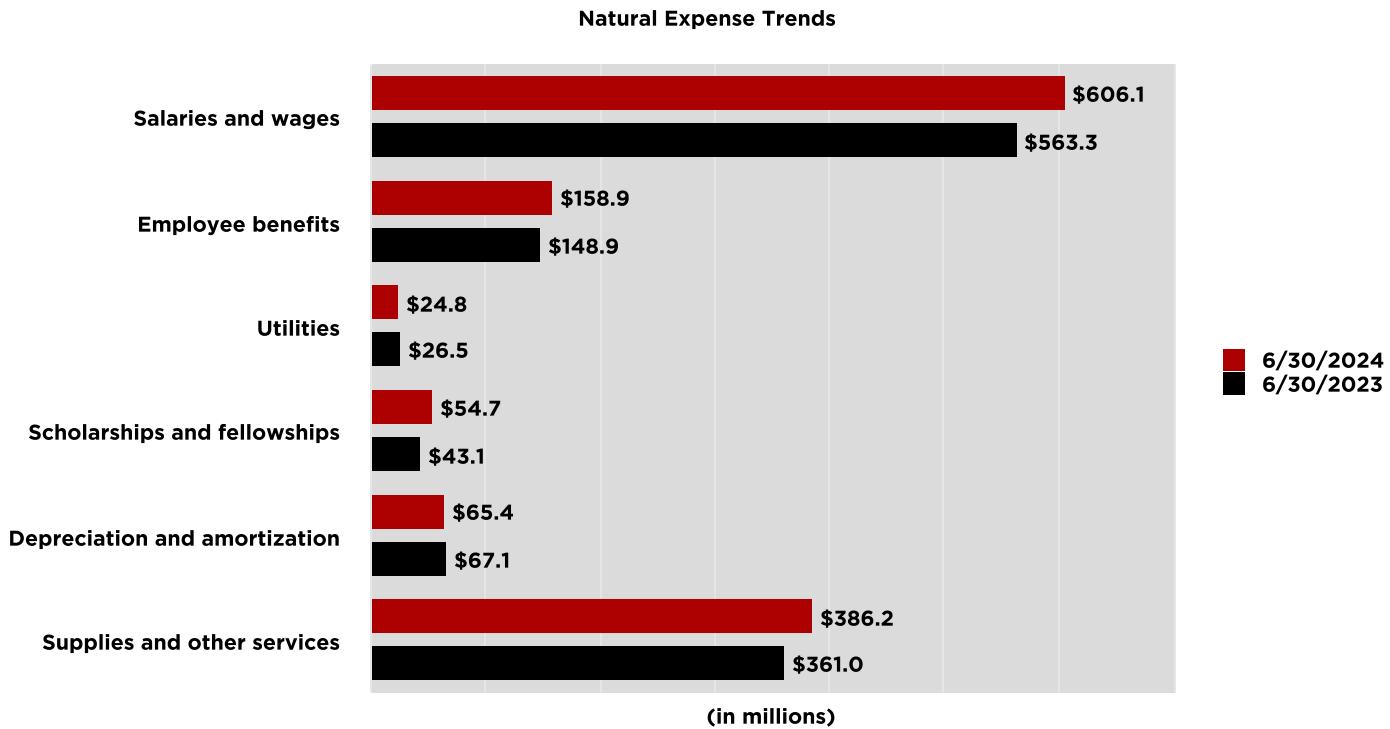


Operating Expenses by Natural Classification
Year Ended June 30, 2024



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The following chart provides a comparison of expenses by natural expense classifications for the years ended June 30, 2024 and 2023:



Operating expenses were \$1.30 billion and \$1.21 billion and exceeded operating revenues by \$332.1 million and \$277.4 million for the years ended June 30, 2024 and 2023, respectively. In fiscal year 2024, operating expenses increased \$86.2 million or 7.0%. Expenses in most functional classifications increased, the most significant being instruction of \$19.6 million and academic support of \$26.0 million.

Increases in salaries and wages and related employee benefits totaled \$52.8 million and accounted for a majority of operating cost increases. The allocation of more scholarship and fellowship cost to discount (based on sources of funds) increased the natural expense classification by \$11.6 million.

Operating expenses increased \$7.2 million in fiscal year 2023 over fiscal year 2022. The most significant increases were for instruction of \$16.9 million and academic support of \$8.1 million offset by decreases in scholarships and fellowships of \$19.2 million.

Nonoperating Revenues (Expenses)

Nonoperating revenue and expenses, net, experienced an overall increase of \$30.4 million in fiscal year 2024. Investment income and investment market value adjustments increased a total of \$8.9 million as a result of the interest rate market. The University received more funding for Pell student aid grants, which increased nonexchange grant revenue by \$5.4 million. Other nonoperating revenues also increased by \$7.0 million, which was offset by a decrease in gifts and donations of \$7.3 million. Capital appropriations increased \$23.1 million when compared to fiscal year 2023 due to appropriations received from the state for asset preservation and the construction of the new engineering building.

Nonoperating revenue and expenses, net, increased \$4.3 million in fiscal year 2023. This increase is attributed increases in state appropriations of \$16.0 million, contributions from the Foundation of \$12.4 million, and investment income of \$9.4 million offset by decreases in nonexchange grants and contracts of \$28.4 million and other nonoperating revenues and expenses of \$13.6 million.

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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, 2024, 2023, and 2022 (in thousands) are summarized below:

	2024	2023	2022	2024-2023 Change	2023-2022 Change
CASH (USED)/PROVIDED BY:					
Operating activities	\$ (340,064)	\$ (264,982)	\$ (220,574)	\$ (75,082)	\$ (44,408)
Noncapital financing activities	324,428	326,727	313,393	(2,299)	13,334
Capital and related financing activities	(39,589)	(77,397)	(47,294)	37,808	(30,103)
Investing activities	8,549	(4,800)	(60,197)	13,349	55,397
NET DECREASE IN CASH EQUIVALENTS	(46,676)	(20,452)	(14,672)	(26,224)	(5,780)
Cash and cash equivalents - beginning of year	227,514	247,966	262,638	(20,452)	(14,672)
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 180,838	\$ 227,514	\$ 247,966	\$ (46,676)	\$ (20,452)

Total cash and cash equivalents decreased by \$46.7 million during fiscal year 2024 due to increased cost of operations and holding additional funds in investments. Cash used for operations increased by \$75.1 million in fiscal year 2024 as compared to fiscal year 2023 due to increased costs for labor, supplies, and goods.

Net cash provided by noncapital financing activities decreased \$2.3 million, providing \$324.4 million in fiscal year 2024 as compared to \$326.7 million in fiscal year 2023. The largest contributor to this decrease was state appropriations decreasing \$1.3 million from fiscal year 2023.

The University consumed \$39.6 million in cash for capital and related financing during fiscal year 2024, which was a decrease of \$37.8 million from prior year.

Investing activities resulted in an increase of cash of \$8.5 million during fiscal year 2024. The increase is primarily due to shifting funds to interest-bearing investments to capitalize earning potential from the prior year.

Total cash and cash equivalents decreased \$20.5 million in fiscal year 2023 as compared to fiscal year 2022 due to increased cost of operations and holding additional funds in investments. Cash used in operating activities increased \$44.4 million as a result of increased operating costs. Net cash provided for noncapital financing activities increased \$13.3 million, which was due to additional state appropriations of \$16.0. Cash consumed by capital and related financing activities increased by \$30.1 million in fiscal year 2023 as compared to fiscal year 2022.

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, increased by \$4.1 million.

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The most significant capital projects and acquisitions completed during the fiscal year ended June 30, 2024 are listed below (in millions):

Project	Capitalized Cost
HVAC Projects (CPM/Vogt/Thrust)	\$ 4.9
Patterson Stadium Improvements	1.0

The University is undertaking a significant asset preservation project directed toward improving campus safety, and preservation of education and general facilities. The State allotted the University the following capital appropriations to support these projects (in millions):

State Biennial Capital Appropriation	Estimated Budget
Asset Preservation FY 2023-2024	\$ 81.9
Asset Preservation FY 2025-2026	69.1

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
Major Renovations (Life & Natural Sciences/55A/JB Speed)	33.5
Building System Upgrades	11.2
Biocontainment Laboratory Pressurization Upgrade	10.8
HVAC Projects	5.0
Roof replacements various buildings	4.2
3rd & Brandies Project	3.7

Debt and Financing Activities

As of June 30, 2024, the University had outstanding \$290.1 million of bonds, leases, and notes payable (inclusive of discounts/premiums) as compared to \$305.4 million as of June 30, 2023. The \$15.3 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 2024-2025 operating budget can be found online at:

<https://louisville.edu/finance/budget/opuds/OperatingBudget2025>

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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 improve, future enrollment streams. The University's plan includes the following:

- a. Enhancing financial aid programs to students.
- b. Expanding recruitment and scholarship efforts to out-of-state markets to help offset the declining high school enrollment in Kentucky.
- c. Increasing graduate student stipends to help attract and retain the best graduate students from around the world.
- d. Focusing on student retention through a coordinated undergraduate advising center, and continued expansion of mental health services.

Stresses in the financial markets could pose significant risks to the University. Restrictive monetary policy or severe disruptions to stock and bond markets could ripple through the University affecting enrollment, labor costs, supplies and services. To ensure the University can manage unanticipated revenue or expense exposures, the University has taken a risk-based approach for creating the budget.

- a. Implementing savings programs in each academic and support unit to preserve days of cash on hand.
- b. Providing a contingency budget to mitigate any unplanned expenditures.
- c. Continuing to require each academic and support unit to balance their expenses and resources during each budget cycle.
- d. Requiring every academic and support unit to set aside one percent of its general expense budget into a contingency account.

The University has committed funds to help support initiatives linked to the strategic plan:

- a. Students - Additional student funding totaling \$11.3 million to honor the financial aid requirements related to the Cardinal Commitment, the UL Health collaboration, and the Border Benefit Program. The University is also investing in student recruitment activities and the Center for Engaged Learning programs.
- b. Faculty and Staff - In order to stay competitive in recruiting and retaining faculty and staff, a 2.5% cost-of-living salary increase was effective July 1, 2024. Additionally, the University is implementing the recommendations per the faculty compensation study.
- c. Research and Innovation - The emphasis on preserving its R1 status was budgeted through investments in technology, including upgrades to research performance computing capacity and enhanced IT security. The University is investing \$2.9 million in 2025 for research computing hardware, has committed \$2.1 million for a new firewall to protect the University's systems and data, and continues to invest in the implementation of a new enterprise resource planning system, Workday Finance, which is scheduled to go live in fiscal year 2025.
- d. University Infrastructure : The University continues to work with the state to fund several capital projects and preserve the capital assets already in-service. The following are on-going or upcoming capital project supported by University and State funds:
 - In the 2024 fiscal year, the Commonwealth appropriated bond funds of \$65.0 million to construct a new building for the School of Engineering. For 2025, the Commonwealth appropriated an additional \$15.0 million for this project. The four-story, 114,000 square-foot facility will house classrooms, a maker's space, high-tech lab facilities and rooms for events and student engagement. This facility is currently under construction and is anticipated to be completed during the 2025 academic year.
 - Beginning in fiscal year 2025, the Commonwealth and the University will partner on a new round of funds for asset preservation. The \$69.0 million of state funds over two years will be matched by \$17.3 million of University funds. New asset preservation investments will include updating classrooms and research labs, installing new roofs, ventilation systems, plumbing and electrical renovations, and chilled water plant upgrades.

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- The University also received a historic budget appropriation from the Commonwealth of \$260.0 million for the Health Sciences Campus (HSC) Simulation Center and Collaboration Hub, supplemented by a \$20.0 million investment from the University. This facility will be the new home to the School of Public Health and Information Sciences and will not only serve the HSC schools, but also neighboring colleges and medical facilities. This commitment represents the largest investment from the Commonwealth for a single project in the University's history.

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, 2024 and 2023
(in thousands)

	University of Louisville		Discretely Presented Component Units	
	2024	2023	2024	2023
ASSETS				
Current assets				
Cash and cash equivalents	\$ 158,001	\$ 215,518	\$ 153,036	\$ 301,559
Short-term investments	30,772	34,558	235,982	249,176
Deposit with bond trustee and escrow agent	5,777	14,697	—	—
Student tuition and fees, accounts and contributions receivable, net	191,692	149,164	384,457	361,750
Due from affiliates	17,018	27,627	6,285	13,699
Inventories	6,616	6,285	61,244	54,649
Investments held with University of Louisville Foundation, Inc.	3,908	3,537	—	—
Other assets	10,449	10,673	263,064	180,825
Total current assets	424,233	462,059	1,104,068	1,161,658
Noncurrent assets				
Restricted cash and cash equivalents	22,837	11,996	—	—
Deposit with bond trustee and escrow agent	17,097	15,413	—	—
Student tuition and fees, accounts and contributions receivable, net	713,529	733,467	—	—
Due from affiliates	2,654	13,262	—	—
Other long-term investments	87,928	76,245	1,134,768	1,024,641
Right-of-use assets, net	70,290	75,302	523,561	506,206
Other long-term assets	1,666	1,695	103,978	106,864
Capital assets, net	1,058,180	1,054,040	644,235	565,215
Total noncurrent assets	1,974,181	1,981,420	2,406,542	2,202,926
Total assets	2,398,414	2,443,479	3,510,610	3,364,584
DEFERRED OUTFLOWS OF RESOURCES	17,033	20,299	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,415,447	\$ 2,463,778	\$ 3,510,610	\$ 3,364,584

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	University of Louisville		Discretely Presented Component Units	
	2024	2023	2024	2023
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	98,665	113,212	327,433	250,094
Line of credit	—	—	300	—
Unearned compensation and wages payable	2,788	1,145	85,939	87,380
Unearned revenue	45,918	45,600	—	—
Due to affiliate	—	—	30,368	31,488
Lease liabilities	4,663	4,629	31,371	33,156
Subscription-based information technology arrangements	5,747	5,936	—	—
Bonds and notes payable	24,500	28,781	22,044	17,338
Total current liabilities	182,281	199,303	497,455	419,456
Noncurrent liabilities				
Note payable to University of Louisville Foundation, Inc.	1,000	1,000	—	—
Unearned compensation and wages payable	3,042	1,386	—	—
Deposits	1,668	1,057	—	—
Unearned revenue	39,416	42,184	—	—
Amounts due to federal government for student loan programs	13,697	13,758	—	—
Due to affiliate	—	—	2,915	18,241
Other post-retirement benefits	79,475	79,415	—	—
Other long-term liabilities	—	—	17,275	15,182
Lease liabilities	53,288	53,695	525,286	507,309
Subscription-based information technology arrangements	8,551	12,491	—	—
Bonds and notes payable	265,639	276,571	478,918	498,980
Total noncurrent liabilities	465,776	481,557	1,024,394	1,039,712
Total liabilities	648,057	680,860	1,521,849	1,459,168
DEFERRED INFLOWS OF RESOURCES	682,345	708,943	—	—
NET POSITION				
Net investment in capital assets	765,365	782,237	—	—
Restricted:				
Nonexpendable	2,109	1,905	572,863	491,695
Expendable	74,509	74,031	456,417	447,462
Unrestricted	243,062	215,802	959,481	966,259
Total net position	1,085,045	1,073,975	1,988,761	1,905,416
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,415,447	\$ 2,463,778	\$ 3,510,610	\$ 3,364,584

See notes to financial statements

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS
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Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2024 and 2023
(in thousands)

	University of Louisville		Discretely Presented Component Units	
	2024	2023	2024	2023
OPERATING REVENUES				
Gross tuition and fees	\$ 357,851	\$ 339,998	\$ —	\$ —
Less: scholarship allowance	(123,555)	(112,478)	—	—
Student tuition and fees, net	234,296	227,520	—	—
Clinical services and practice plan	407,774	407,158	—	—
Patient service revenue	—	—	2,277,548	2,168,675
Federal grants and contracts	115,082	97,210	—	—
State and local grants and contracts	10,966	16,069	—	—
Nongovernmental grants and contracts	14,843	15,239	—	—
Sales and services of educational departments	3,470	3,357	—	—
Facilities and administrative cost recoveries	36,006	34,381	—	—
Auxiliary enterprises, net of discount of \$2,139 in 2024 and \$2,434 in 2023	25,121	20,180	—	—
Intercollegiate athletics	104,111	97,495	—	—
Other operating revenue	12,354	13,989	251,427	272,472
Total operating revenue	964,023	932,598	2,528,975	2,441,147
OPERATING EXPENSES				
Instruction	296,923	277,290	—	—
Research	165,161	161,236	—	—
Public service	180,887	173,793	—	—
Academic support	203,521	177,562	—	—
Student services	40,445	38,788	—	—
Institutional support	90,626	85,536	2,520,666	2,331,331
Operation and maintenance of plant	66,999	66,901	—	—
Scholarships and fellowships	44,687	39,483	—	—
Auxiliary enterprises	10,661	10,576	—	—
Intercollegiate athletics	130,818	111,695	—	—
Depreciation and amortization	65,429	67,089	64,033	58,169
Contributions to affiliates	—	—	65,646	67,874
Total operating expense	1,296,157	1,209,949	2,650,345	2,457,374
Operating loss	(332,134)	(277,351)	(121,370)	(16,227)

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For the Years Ended June 30, 2024 and 2023
(in thousands)

	University of Louisville		Discretely Presented Component Units	
	2024	2023	2024	2023
NONOPERATING REVENUES (EXPENSES)				
State appropriations	146,373	147,718	—	—
Gifts and donations	30,185	37,447	59,596	46,637
Nonexchange grants and contracts	61,189	55,787	—	—
Contributions from University of Louisville Foundation, Inc.	57,279	56,858	—	—
Investment income	16,135	10,355	133,696	65,522
Realized and unrealized gain on investments	3,742	597	—	—
Interest expense	(13,643)	(13,028)	—	—
Other nonoperating revenue (expense)	9,358	2,386	11,423	(18,245)
Net nonoperating revenue	310,618	298,120	204,715	93,914
Income/(loss) after other revenue, expense, gains/(loss)	(21,516)	20,769	83,345	77,687
Capital appropriations	28,837	5,781	—	—
Capital gifts	3,749	8,874	—	—
Total other revenue	32,586	14,655	—	—
Increase in net position	11,070	35,424	83,345	77,687
NET POSITION				
Net position - beginning of year	1,073,975	1,038,551	1,905,416	1,827,729
Net position - end of year	\$ 1,085,045	\$ 1,073,975	\$ 1,988,761	\$ 1,905,416

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS
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Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023
(in thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 226,988	\$ 223,584
Clinical services and practice plan	365,295	351,063
Grants and contracts	126,175	138,902
Sales and services of educational departments	3,470	3,357
Payments to suppliers, vendors and contractors	(381,158)	(354,116)
Payments for utilities	(24,584)	(26,431)
Payments to employees	(604,904)	(563,610)
Payments for benefits	(173,985)	(161,945)
Payments for scholarships and fellowships	(54,698)	(43,100)
Net payments received from students	1,730	3,101
Auxiliary enterprises	21,695	20,239
Facilities and administrative cost recoveries	36,006	34,381
Intercollegiate athletics	106,791	106,369
Other receipts	11,115	3,224
Net cash used in operating activities	(340,064)	(264,982)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	146,373	147,718
Gifts	29,579	35,812
Nonexchange grants and contracts	61,189	55,787
Contributions from related entities	57,176	55,948
Due from affiliates	21,268	22,108
Other noncapital financing activities	8,843	9,354
Net cash provided by noncapital financing activities	324,428	326,727
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	28,837	5,781
Capital gifts received	911	1,908
Purchases of capital assets	(60,545)	(52,120)
Proceeds from issuance of bonds, notes payables, and contracts	10,336	13,819
Principal paid on bonds and notes payable	(23,705)	(25,680)
Interest paid on bonds, notes payable, and contracts	(14,920)	(14,134)
Deposits with bond trustee and escrow agent	6,367	(15,761)
Other capital financing	13,130	8,790
Net cash used in capital and related financing activities	(39,589)	(77,397)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	41,458	621,442
Purchase of investments	(49,914)	(637,226)
Interest on investments	17,005	10,984
Net cash provided by (used in) investing activities	8,549	(4,800)
Net decrease in cash and cash equivalents	(46,676)	(20,452)
Cash and cash equivalents - beginning of year	227,514	247,966
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 180,838	\$ 227,514

See notes to financial statements

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS
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Statements of Cash Flows
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(in thousands)

	2024	2023
RECONCILATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (332,134)	\$ (277,351)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	65,429	67,089
Loss on equipment disposals	1,160	3,827
Change in assets and liabilities:		
Student tuition and fees, accounts and contributions receivable	(34,988)	(65,640)
Inventories	(331)	(658)
Other assets	254	(2,144)
Other long-term assets	188	114
Accounts payable and accrued liabilities	(17,785)	(1,422)
Unearned revenue	(2,451)	40,679
Deposits	610	(712)
Due from affiliates	53	419
Unearned compensation and wages payable	3,299	(733)
Other long-term liabilities	(36)	(15,626)
Deferred outflows of resources	3,266	(1,862)
Deferred inflows of resources	(26,598)	(10,962)
Net cash used in operating activities	\$ (340,064)	\$ (264,982)
NON CASH TRANSACTIONS:		
Accrued liabilities for capital asset additions	\$ 7,572	\$ 3,178
Gifts of capital assets	\$ 349	\$ 776
Loss on disposal of assets	\$ 1,160	\$ 3,827
Amortization of bond premium and discount	\$ (1,845)	\$ (1,461)

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Notes to Financial Statements
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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, board governance, fiscal dependency, 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 statements for each component unit are disclosed in Note 21.

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.

The financial statement presentation required by GAAP is intended to provide a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

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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 \$5.8 million and \$14.7 million as of June 30, 2024 and June 30, 2023, 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 \$17.1 million and \$15.4 million as of June 30, 2024 and June 30, 2023, 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 charged 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. Lease Receivables

Lease receivables represent receivables for rent for which the University is providing the right for another entity to use its nonfinancial assets as stated in a contract for a period of time in an exchange or exchange like transaction. Management determines the allowance for uncollectible leases by identifying known leases that will not be collected and by estimating the remaining leases that are likely not to be collected. Currently, management has determined that all lease receivables are collectible for the years ended June 30, 2024 and 2023.

f. 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 21, Component Unit, subsection c, University of Louisville Foundation, Inc. and Affiliates.

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A Component Unit of the Commonwealth of Kentucky
Notes to Financial Statements
For the Years Ended June 30, 2024 and 2023

g. 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, 2024 and 2023.

h. Inventories

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

i. 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 and building improvements – 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.

Per GASB Statement No. 89, the University does not capitalize interest cost of related borrowings as a component of construction in progress.

j. Right-of-Use Assets and Liabilities

Right-of-use assets represent the University's right to occupy and/or utilize an asset over the correlating lease term. The University's financial statements include right-of-use assets based on GASB statement No. 87, *Leases* and No. 96 *Subscription-based Information Technology Arrangements* ("SBITAs"). Right-of-use assets are valued at the present value of the lease payments less accumulated amortization. Amortization expense is computed using the straight-line method over the lease term.

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

k. Impairment

The University evaluates capital, lease and subscription-based information technology arrangements for impairment when events or circumstances indicate a significant decline in the use of an asset has occurred. When an impairment is incurred, the accumulation depreciation or amortization will be adjusted and the impairment loss will be booked. As of June 30, 2024 and 2023, no impairments were recognized.

l. 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 similar to assets. Deferred outflows of assets were \$17.0 million and \$20.3 million for the years ended June 30, 2024 and 2023, 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 \$1.3 million and \$1.9 million for the years ended June 30, 2024 and 2023 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 \$15.7 million and \$18.4 million for the years ended June 30, 2024 and 2023 represent amounts to be paid for retiree employee healthcare after the actuarial measurement date but before the financial reporting date.

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m. Unearned Compensation Expenses

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

n. 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.

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.

o. 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.

p. Public-Private and Public-Public Arrangements

The University has contractual agreements with external parties to provide services to students, employees and guests on behalf of the University. The University recognizes a receivable for future payments to be received from the external parties. The initial measurement of the receivable is based on the present value of the estimated future payments, using rates applicable at the time the agreement commenced.

q. Net Bond Premium

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

r. 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 \$682.3 million and \$708.9 million for the years ended June 30, 2024 and 2023, respectively, consist of the following: gain on bond refinancing of \$441 thousand and \$567 thousand, respectively, postemployment benefit experience and assumptions changes of \$22.0 million and \$27.0 million, respectively, future revenues from leasing arrangements of \$631.2 million and \$650.0 million, respectively, and services concession arrangements of \$28.7 million and \$31.3 million, respectively.

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s. 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-of-use assets such as land, buildings, equipment, and depreciable library materials. 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.

The following table includes detail of the net position balances at June 30, 2024 and 2023 (in thousands):

	2024	2023
Net investment in capital assets	\$ 765,365	\$ 782,237
Restricted - Nonexpendable		
Scholarships and fellowships	2,109	1,905
Restricted - Expendable		
Scholarships and fellowships	1,799	1,632
Research	15,264	21,046
Instruction	7,385	8,081
Public service	512	9,545
Academic support	147	58
Institutional support	7,380	9,082
Loans	1,848	2,078
Capital projects	11,774	9,060
Debt service	28,400	13,449
Unrestricted	243,062	215,802
Total net position	\$ 1,085,045	\$ 1,073,975

t. 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.

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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.

u. 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.

v. 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.

w. 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.

x. 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.

y. 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. The accompanying financial statements include estimates for items such as contractual allowances, discounts on contribution receivables, estimated useful lives of assets, fair value of investments, other post employment benefits, bad debts, accrued expenses and other liability accounts.

z. Reclassification of Prior Years' Financial Statements

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 financial statements. These reclassifications had no effect on the change in net position.

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aa. Recent Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statement was implemented by the University for the fiscal year ended June 30, 2024 which did not have a financial impact:

Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB No. 62*: This Statement prescribes the accounting and financial reporting for each type of accounting change and error correction. The definition of accounting changes and error corrections is clarified and guidance for those reported retroactively by restating prior year's financial statements or if they are reported prospectively is provided.

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 established 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 implemented GASB 94 for the fiscal year ending June 30, 2023. Changes adopted conform to the provisions of this statement and were effective from July 1, 2022 forward.

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 costs. The University implemented GASB 96 for the fiscal year ending June 30, 2023. Changes adopted conform to the provisions of this statement and are effective from July 1, 2022 forward.

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

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

The following GASB Statements will be implemented in future reporting periods:

Fiscal Year 2025:

- a. GASB Statement No. 101, *Compensated Absences*: This Statement updates the recognition and measurement guidance for compensated absences. This is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.
- b. GASB Statement No. 102, *Certain Risk Disclosures*: This Statement requires the University to assess whether a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. The University will be required to assess whether an event or events associated with a concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within twelve months of the date the financial statements are issued.

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Fiscal Year 2026:

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

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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, 2024 and 2023 are as follows (in thousands):

	2024	2023
Deposits	\$ 186,615	\$ 242,211
Investments	139,705	129,753
Total	\$ 326,320	\$ 371,964

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

	2024	2023
Cash and cash equivalents	\$ 158,001	\$ 215,518
Short-term investments	30,772	34,558
Deposit with bond trustee - current	5,777	14,697
Deposit with bond trustee - noncurrent	17,097	15,413
Restricted cash and cash equivalents	22,837	11,996
Investments held with University of Louisville Foundation, Inc.	3,908	3,537
Other long-term investments	87,928	76,245
Total	\$ 326,320	\$ 371,964

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.

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At June 30, 2024 and 2023, the University had deposits subject to custodial credit risk as follows (in thousands):

2024					
	State Deposits		Overnight Investments		Total
Collateralized with securities held by pledging financial institution	\$ —	\$ 42,327	\$ 42,327	\$ 42,327	\$ 42,327
Collateralized with securities held by the Commonwealth in the Commonwealth's name	4,157	—	—	—	4,157
Total	\$ 4,157	\$ 42,327	\$ 46,484		
2023					
	State Deposits		Overnight Investments		Total
Collateralized with securities held by pledging financial institution	\$ —	\$ 41,004	\$ 41,004	\$ 41,004	\$ 41,004
Collateralized with securities held by the Commonwealth in the Commonwealth's name	4,667	—	—	—	4,667
Total	\$ 4,667	\$ 41,004	\$ 45,671		

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, 2024 and 2023, the University had investments subject to interest rate risk as reflected in the following schedules (in thousands) based on the maturity of the instrument as follows :

2024					
	Total	Less than 1 year	1-5 years	6-10 years	
US Treasury obligations	\$ 3,835	\$ —	\$ 3,835	\$ —	\$ —
US Agency obligations	59,351	24,616	34,735	—	—
Other government obligations	42,508	5,906	36,602	—	—
Repurchase agreement	17,097	—	—	17,097	—
Certificates of deposit	12,822	250	12,572	—	—
Total	\$ 135,613	\$ 30,772	\$ 87,744	\$ 17,097	
2023					
	Total	Less than 1 year	1-5 years	6-10 years	
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	—	—
Total	\$ 125,845	\$ 34,559	\$ 75,873	\$ 15,413	

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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, 2024 and 2023, the University had the following investments exposed to credit risk as reflected in schedules below (in thousands):

	2024			
	Aaa	Not Rated	Total	
Annuities	\$ 186	\$ —	\$ 186	
Investments held with the University of Louisville Foundation, Inc.	—	3,908	3,908	
Total	\$ 186	\$ 3,908	\$ 4,094	

	2023			
	Aaa	Not Rated	Total	
Annuities	\$ 372	\$ —	\$ 372	
Investments held with the University of Louisville Foundation, Inc.	—	3,537	3,537	
Total	\$ 372	\$ 3,537	\$ 3,909	

Investments held by the University that are not included in the table above were excluded as they are deemed to not have a credit risk.

e. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the University'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, 2024 and 2023, 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, 2024 and 2023 is as follows:

	2024	2023
Investment in partnerships	51 %	53 %
Marketable alternatives	9 %	9 %
Mutual funds	25 %	24 %
Fixed income	11 %	10 %
Preferred and common stock	4 %	4 %
Total	100 %	100 %

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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, 2024 and 2023.

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. 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

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asset allocation guidelines. The fair value of the investments in the fund have been determined using the fair value (or its equivalent) of the investments.

The table below presents the fair value measurements of assets and liabilities held by the University as of June 30, 2024 and 2023 (in thousands):

	2024				
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
Investments					
US Treasury obligations	\$ 3,835	\$ 3,835	\$ —	\$ —	—
US Agency obligations	59,351	59,351	—	—	—
Other governmental obligations	42,508	—	42,508	—	—
Certificates of deposit	12,822	12,822	—	—	—
University of Louisville Foundation, Inc. investment fund	3,908	—	—	—	3,908
Total investments measured at fair value	\$ 122,424	\$ 76,008	\$ 42,508	\$ 3,908	

	2023				
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
Investments					
US Treasury obligations	\$ 3,816	\$ 3,816	\$ —	\$ —	—
US Agency obligations	86,916	86,916	—	—	—
Other governmental obligations	10,382	—	10,382	—	—
Certificates of deposit	9,318	9,318	—	—	—
University of Louisville Foundation, Inc. investment fund	3,537	—	—	—	3,537
Total investments measured at fair value	\$ 113,969	\$ 100,050	\$ 10,382	\$ 3,537	

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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, 2024 and 2023 (in thousands):

	Total	2024					Measured at NAV
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3			
US Treasury obligations	\$ 148,848	\$ 148,848	\$ —	\$ —	—	—	—
Mutual funds	255,370	255,370	—	—	—	—	—
Domestic marketable equity securities	45,481	45,481	—	—	—	—	—
Mortgage bonds	66,633	—	66,633	—	—	—	—
Asset backed bonds	21,759	—	21,759	—	—	—	—
Mortgage backed securities	3,667	—	3,667	—	—	—	—
Corporate bonds	76,224	—	76,224	—	—	—	—
Funds held in trust by others	72,393	—	72,393	—	—	—	—
Hedge funds	88,585	—	—	—	—	—	88,585
Investments in partnerships	514,595	—	—	—	—	—	514,595
Total investments measured at fair value	\$ 1,293,555	\$ 449,699	\$ 240,676	\$ —	\$ 603,180		

	Total	2023					Measured at NAV
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3			
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
Total investments measured at fair value	\$ 1,234,302	\$ 408,528	\$ 260,061	\$ —	\$ 565,713		

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, 2024 and 2023 are presented below (in thousands):

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2024				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	\$ 88,585	\$ —	Various from monthly to illiquid	Various from 45 to 90 days
Investments in partnerships	514,595	91,363	Various from monthly to illiquid	Various from 10 to 60 days
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

4. Student Tuition and Fees, Accounts, and Contributions Receivable, Net

Student tuition and fees, accounts, and contributions receivable, net as of June 30, 2024 and 2023 (in thousands) are as follows:

2024				
	Gross Receivable	Allowance	Net Receivable	
Student tuition and fees	\$ 61,890	\$ (35,065)	\$ 26,825	
Patient care	106,224	(18,147)	88,077	
Contributions receivable	61,992	(7,025)	54,967	
Sponsored agreements	40,921	(3,500)	37,421	
Trade receivables	16,838	—	16,838	
Lease receivables	656,795	—	656,795	
Other	24,956	—	24,956	
Total	\$ 969,616	\$ (63,737)	\$ 905,879	
Less discount on contributions receivable due in more than one year				(658)
Total Receivables	\$ 905,221			
Current portion			\$ 191,692	
Noncurrent portion			\$ 713,529	

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	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
Lease receivables	669,193	—	669,193
Other	19,895	—	19,895
Total	\$ 946,736	\$ (63,327)	\$ 883,409
Less discount on contributions receivable due in more than one year			(778)
Total Receivables			\$ 882,631
Current portion			\$ 149,164
Noncurrent portion			\$ 733,467

Contributions receivable consist primarily of charitable gifts totaling \$62.0 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 5.38% as of June 30, 2024 and 0.0% to 5.11% as of June 30, 2023.

Contributions receivable as of June 30, 2024 and 2023 are due to be received as follows (in thousands):

	2024	2023
Less than one year	\$ 10,074	\$ 10,126
One to three years	10,697	11,509
Greater than three years	41,221	45,534
Total gross contributions receivable	61,992	67,169
Less discount	(657)	(778)
Less allowance	(7,025)	(6,972)
Net contributions receivable	\$ 54,310	\$ 59,419

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, 2024 and June 30, 2023.

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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 \$5.8 million and \$5.7 million to the University as of June 30, 2024 and 2023, 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, 2024 and 2023. 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 \$609 thousand and \$661 thousand during the years ending June 30, 2024 and 2023 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 \$814 thousand of the outstanding balance during the years ended June 30, 2024 and 2023, respectively. The outstanding note balance is \$0.8 million as of June 30, 2024 with \$769 thousand in current due from affiliates and the remaining \$17 thousand in noncurrent due from affiliates.

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, 2024 and 2023, receivables of \$110 thousand and \$97 thousand were due respectively.

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 for the year ended June 30, 2023, payable to the Research Foundation over three years. No amounts were approved for the year ended June 30, 2024. As of June 30, 2024, the remaining balance due is \$12.6 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, 2024 and 2023, receivables of \$23.6 million and \$13.3 million were due, respectively.

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6. Capital and Intangible Assets, Net

Capital assets and intangible assets as of June 30, 2024 and 2023 are as follows (in thousands):

	2024				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Cost - Nondepreciable					
Land	\$ 58,425	\$ —	\$ —	\$ —	\$ 58,425
Rare books	48,577	30	(610)	—	47,997
Construction in progress	14,115	40,358	—	(9,566)	44,907
Subtotal	121,117	40,388	(610)	(9,566)	151,329
Cost - Depreciable					
Buildings	1,582,428	843	(357)	7,478	1,590,392
Infrastructure	53,978	—	—	—	53,978
Land improvements	22,554	—	—	724	23,278
Equipment	255,668	16,713	(13,801)	1,400	259,980
Leasehold improvements	1,653	—	—	(36)	1,617
Library materials	179,453	2,511	(778)	—	181,186
Right-of-use assets - subscription-based information technology arrangements	29,023	2,293	—	—	31,316
Right-of-use assets - leases	73,789	4,601	(78)	—	78,312
Subtotal	2,198,546	26,961	(15,014)	9,566	2,220,059
Total capital and intangible assets, cost	2,319,663	67,349	(15,624)	—	2,371,388
Accumulated depreciation and amortization					
Buildings	751,082	37,369	(332)	—	788,119
Infrastructure	9,290	899	—	—	10,189
Land improvements	7,705	613	—	—	8,318
Equipment	221,451	11,270	(11,644)	—	221,077
Leasehold improvements	1,431	43	—	—	1,474
Library materials	171,853	3,328	(778)	—	174,403
Right-of-use assets - subscription-based information technology arrangements	10,820	6,230	—	—	17,050
Right-of-use assets - leases	16,689	5,677	(78)	—	22,288
Total accumulated depreciation and amortization	1,190,321	65,429	(12,832)	—	1,242,918
Capital and intangible assets, net	\$ 1,129,342	\$ 1,920	\$ (2,792)	\$ —	\$ 1,128,470

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	2023				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Cost - Nondepreciable					
Land	\$ 58,425	\$ —	\$ —	\$ —	\$ 58,425
Rare books	48,496	81	—	—	48,577
Construction in progress	41,916	24,640	(608)	(51,833)	14,115
Subtotal	148,837	24,721	(608)	(51,833)	121,117
Cost - Depreciable					
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-of-use assets - subscription-based information technology arrangements	26,123	2,900	—	—	29,023
Right-of-use assets - leases	72,561	1,718	(490)	—	73,789
Subtotal	2,130,207	27,315	(10,809)	51,833	2,198,546
Total capital and intangible assets, cost	2,279,044	52,036	(11,417)	—	2,319,663
Accumulated depreciation and amortization					
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 assets - subscription-based arrangements	5,085	5,735	—	—	10,820
Right to use assets - leases	11,127	5,562	—	—	16,689
Total accumulated depreciation and	1,130,821	67,089	(7,589)	—	1,190,321
Capital and intangible assets, net	\$ 1,148,223	\$ (15,053)	\$ (3,828)	\$ —	\$ 1,129,342

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following at June 30, 2024 and 2023 (in thousands):

	2024	2023
Salaries and benefits	\$ 37,238	\$ 37,737
Payroll taxes	3,716	16,090
Construction	7,572	3,178
Accrued interest	4,317	4,326
Other	45,822	51,881
Total	\$ 98,665	\$ 113,212

Accrued interest includes \$1.2 million related to leases payable as of June 30, 2024 and 2023. Accrued interest also includes \$303 thousand and \$404 thousand related to subscription-based arrangement payables as of June 30, 2024 and 2023, respectively.

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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 that contained an original maturity date of June 30, 2023, with the option to renew in subsequent years. Advances on the line of credit bear interest at the Daily Simple SOFR (Secured Overnight Financing Rate) rate plus 0.60%. No draws were made from the available credit through its expiration as of June 30, 2024 and 2023. The University renewed the line of credit on July 1, 2024 with a maturity date of June 30, 2025 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 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 of the term note is \$8.6 million as of June 30, 2024.

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

	Net asset balance as of June 30, 2024	Net asset balance as of June 30, 2023
Building	\$ 55,514	\$ 56,531
Land	510	569
Total	\$ 56,024	\$ 57,100

See Note 6, Capital Assets and Intangible, Net 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
2025	\$ 4,663	\$ 1,653
2026	3,681	1,530
2027	3,125	1,429
2028	3,047	1,340
2029	2,808	1,247
2030-2034	12,660	5,056
2035-2039	12,484	3,172
2040-2044	12,882	1,217
2045-2049	2,387	36
2050-2054	45	29
2055-2059	52	21
2060-2064	61	12
2065-2069	56	3
Future minimum lease payments	\$ 57,951	\$ 16,745

The University leases operating and office facilities from an affiliated party, and a related right-of-use lease asset and liability have been recorded. The leases provide for minimum annual lease payments totaling \$0.5 million expiring at various times through 2069, plus variable payments based on usage.

b. Lessor Arrangements

The University leases operating, office space and hospital buildings 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, 2024 and 2023, the University recognized revenues relating to these lease arrangements totaling approximately \$28.7 million for both years. Of those receipts, \$26.7 million was received from a related party (UL Health) during the years ended June 30, 2024 and 2023.

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 University 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 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. There were no variable payments expensed during the current year.

Right-of-use assets acquired through subscription-based information technology agreements as of June 30, 2024 and were \$31.3 million and \$29.0 million with accumulated amortization of the assets of \$17.1 million and \$10.8 million, resulting in a net value of \$14.2 million and \$18.2 million, respectively.

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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
2025	\$ 5,747	\$ 303
2026	4,034	174
2027	2,577	86
2028	1,940	24
Future agreement payments	\$ 14,298	\$ 587

11. Bonds, Notes, and Contracts

Long-term debt, net of discount, of the University consisted of the following at June 30, 2024 and 2023 (in thousands):

	Interest Rate	Fiscal Year of Maturity	2024		2023	
			\$	\$	\$	\$
General Receipts Bonds:						
Series B of 2010	5.5%	2028	\$ 20,942	\$ 20,942		
Series A of 2016	2.0% to 5.0%	2036	7,660		8,565	
Series B of 2016	3.0% to 5.0%	2028	10,335		12,715	
Series C of 2016	2.0% to 4.0%	2029	28,480		33,525	
Series D of 2016	3.0% to 5.0%	2036	44,245		45,195	
Series F of 2016	5.0%	2028	10,855		13,255	
Series A of 2020	2.0% to 5.0%	2051	44,345		45,320	
Series A of 2021	1.5%	2032	17,035		19,025	
Series B of 2021	2.0% to 5.0%	2051	37,720		38,530	
Notes from direct placement	2.9%	2043	21,604		23,202	
Contracts	1.8% to 10.7%	2033	38,852		35,168	
Total long-term debt			282,073		295,442	
Net unamortized premium			8,066		9,910	
Long-term debt, net			\$ 290,139	\$ 290,139	\$ 290,139	\$ 290,139

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

	2024					
	Beginning Balance	Additions	Payments/Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	\$ 237,072	\$ —	\$ (15,455)	\$ 221,617	\$ 16,060	\$ 205,557
Notes from direct placement	23,202	—	(1,598)	21,604	1,379	20,225
Contracts	35,168	10,336	(6,652)	38,852	5,703	33,149
Total	295,442	10,336	(23,705)	282,073	23,142	258,931
Less amortized net premium	9,910	—	(1,844)	8,066	1,358	6,708
Net long-term debt	\$ 305,352	\$ 10,336	\$ (25,549)	\$ 290,139	\$ 24,500	\$ 265,639

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2023							
	Beginning Balance	Additions	Payments/ 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	
Total	298,304	22,819	(25,681)	295,442	27,238	268,204	
Less amortized net premium	11,371	—	(1,461)	9,910	1,543	8,367	
Net long-term debt	\$ 309,675	\$ 22,819	\$ (27,142)	\$ 305,352	\$ 28,781	\$ 276,571	

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

	Bonds Payable		Notes from Direct Placement		Contracts Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 16,060	\$ 8,057	\$ 1,379	\$ 650	\$ 5,703	\$ 1,328
2026	16,410	7,423	1,139	609	5,676	1,146
2027	17,080	6,761	1,144	571	5,222	956
2028	38,737	5,463	1,156	534	5,221	774
2029	15,355	4,221	1,197	493	5,310	591
2030-2034	46,665	15,245	5,286	1,920	11,720	1,045
2035-2039	27,440	7,382	5,499	1,140	—	—
2040-2044	16,625	4,687	4,804	285	—	—
2045-2049	18,935	2,384	—	—	—	—
2050-2051	8,310	220	—	—	—	—
Total	\$ 221,617	\$ 61,843	\$ 21,604	\$ 6,202	\$ 38,852	\$ 5,840

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.

As of June 30, 2024 and 2023, investments at fair value totaling \$22.9 million and \$30.1 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 projects financed consist 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 with 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 receives cash subsidy payments from the United States Treasury equal to approximately 67% of the interest payable on the General Receipts Bonds, 2010 Series B. The subsidy payment is contingent on federal regulations and may be subject to change. Final maturity of the bond is September 1, 2027.

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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 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 Bond 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 bond 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

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%. The proceeds of the 2016 Series D Bonds were used by the University to finance the expansion of the University's Papa John's Cardinal Stadium. Final maturity on the 2016 Series D is March 1, 2036.

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 were 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.

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 were deposited in escrow and were 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. As a result of the refinancing, the University reduced its total debt service payments over ten years by \$4.2 million and realized a net present value savings of approximately \$3.8 million.

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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 were 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, 2050.

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 began May 31, 2023 as the the note carried an interest only period that ended on April 30, 2023. The interest rate on the note is fixed at 2.93%. The balance of the term note was \$10.5 million and \$10.9 million as of June 30, 2024 and 2023, 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 of the term note was \$8.6 million and \$8.9 million as of June 30, 2024 and 2023, respectively.

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 were \$2.2 million and \$3.2 million as of June 30, 2024 and 2023, respectively.

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, 2024 and 2023.

13. Other Liabilities

Other liabilities of the University are summarized at June 30, 2024 and 2023 (in thousands):

	2024					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Unearned compensation and wages payable	\$ 2,531	\$ 9,860	\$ (6,561)	\$ 5,830	\$ 2,788	\$ 3,042
Deposits	1,057	1,140	(529)	1,668	—	1,668
Unearned revenue	87,784	283,194	(285,644)	85,334	45,918	39,416
Amounts due federal government for student loan program	13,758	211	(272)	13,697	—	13,697
Lease liabilities	58,324	6,049	(6,422)	57,951	4,663	53,288
Subscription-based information technology arrangements	18,427	2,619	(6,748)	14,298	5,747	8,551
Total	\$ 181,881	\$ 303,073	\$ (306,176)	\$ 178,777	\$ 59,116	\$ 119,662

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2023									
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion			
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			
Lease liabilities	61,824	1,717	(5,217)	58,324	4,629	53,695			
Subscription-based information technology arrangements	20,201	2,900	(4,674)	18,427	5,936	12,491			
Other long-term liabilities	2,045	2,026	(4,071)	—	—	—			
Total	\$ 153,402	\$ 67,280	\$ (38,801)	\$ 181,881	\$ 57,310	\$ 124,571			

14. Public-Private and Public-Public Arrangements

The University has entered into contractual agreements with external parties to provide services to students, employees, and guests 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 \$10.6 million in noncurrent receivables for future installment payments, \$13.1 million in capital asset additions or upgrades, net of depreciation, and \$28.7 million in deferred inflows related to the agreements. Future installment payments were discounted using rates applicable at the time the agreements commenced, between 0.75% - 1.56%.

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

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15. Natural Classification

The University's operating expenses by natural classification were as follows for the years ended June 30, 2024 and 2023 (in thousands):

	2024									
	Salary and wages	Employee benefits	Utilities	Scholarships and fellowships	Supplies and other	Total				
Instruction	\$ 211,890	\$ 56,344	\$ 21	\$ 4,661	\$ 24,007	\$ 296,923				
Research	91,521	23,921	43	1,716	47,960	165,161				
Public service	52,672	14,559	55	106	113,495	180,887				
Academic support	92,425	23,545	101	1,386	86,064	203,521				
Student services	20,395	6,970	150	178	12,752	40,445				
Institutional support	56,559	13,960	—	(50)	20,157	90,626				
Operation and maintenance of plant	17,728	6,503	22,279	222	20,267	66,999				
Scholarships and fellowships	5,410	744	—	40,899	(2,366)	44,687				
Auxiliary enterprises	3,075	659	1,208	(301)	6,020	10,661				
Intercollegiate athletics	54,386	11,737	977	5,881	57,837	130,818				
Depreciation and amortization	—	—	—	—	—	65,429				
Total	\$ 606,061	\$ 158,942	\$ 24,834	\$ 54,698	\$ 386,193	\$ 1,296,157				

	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				
Total	\$ 563,261	\$ 148,934	\$ 26,527	\$ 43,100	\$ 361,038	\$ 1,209,949				

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.

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The Fund covers losses to property from fire, wind, earthquake, flood and other named perils at replacement cost value with a deductible of \$10,000 per occurrence. 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 \$250,000 for any one person and \$4000,000 for multiple claims resulting from a single act of negligence. General Liability claims or 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 2023 to 2024.

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, 2024 and 2023, respectively, was approximately \$80.3 million and \$75.4 million, including \$5.4 million and \$6.0 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, 2024, June 30, 2023, and June 30, 2022 (in thousands):

Fiscal year ended June 30,	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2024	\$ 5,985	\$ 79,756	\$ (80,336)	\$ 5,405
2023	5,856	75,500	(75,371)	5,985
2022	5,449	71,711	(71,304)	5,856

17. 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, 2024 and 2023 is presented as follows (in thousands):

	2024	2023
Employee contributions	\$ 30,561	\$ 33,948
University contributions	\$ 41,254	\$ 38,719

As of June 30, 2024 and 2023, the University had no outstanding liability related to the Retirement Plan and \$440 thousand and \$452 thousand, respectively, of forfeiture funds available to offset future employer contributions.

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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, 2024 and June 30, 2023. 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, 2024 and 2023 are as follows (in thousands):

	2024	2023
Actuarial present value of nonvested accumulated plan benefits	\$ 424	\$ 445
Net assets available for benefits	\$ 878	\$ 922
Unfunded actuarial liability (plan surplus)	\$ (454)	\$ (477)
Funded ratio	207 %	207 %

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, 2024 and 2023, for preretirement and postretirement periods.

18. Postemployment Healthcare Benefits

a. Plan Description

University, Research Foundation, 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, 2024 and 2023:

	2024	2023
Retirees and beneficiaries	1,916	1,916
Active plan members	4,446	4,446
Total	6,362	6,362

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, 2024 and 2023, the University contributed \$3.8 million and \$3.9 million to the Plan, representing approximately 80% of total premiums for both years. Retired Plan members under age 65 receiving benefits contributed approximately \$918 thousand and \$958 thousand, representing approximately 20% of total premiums for both years. Health plan rates remained unchanged for the year ended June 30, 2024.

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

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

Medicare-eligible retirees receive a monthly benefit of \$108 per individual covered. For the years ended June 30, 2024 and 2023, the University contributed \$2.4 million and \$2.5 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, 2023. The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

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

The investment rate of return is shown as not applicable (NA) since the University contributes only the amount necessary to pay current benefits. The discount rate is 3.86% as of the Measurement Date, 3.69% as of the beginning of the Measurement Period.

Changes in total reported liability for postemployment benefits obligations for the year ended June 30, 2024 and 2023 are summarized below (in thousands):

	2024	2023
Balance, beginning year	\$ 79,415	\$ 85,940
Changes for the year:		
Service cost	2,545	2,983
Interest	2,892	1,642
Differences between expected and actual experience	659	4,771
Changes of assumptions	(1,387)	(12,131)
Benefit payments	(4,649)	(3,790)
Net changes	60	(6,525)
Balance, end year	\$ 79,475	\$ 79,415

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):

	2024			2023		
	1% Decrease (2.86)%	Discount Rate (3.86)%	1% Increase (4.86)%	1% Decrease (2.69)%	Discount Rate (3.69)%	1% Increase (4.69)%
Net OPEB liability	\$ 88,217	\$ 79,475	\$ 72,021	\$ 88,490	\$ 79,415	\$ 71,721

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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):

	2024			2023		
	1% Decrease (6.0)%	Healthcare Cost Trend Rates (7.0)%	1% Increase (8.0)%	1% Decrease (6.0)%	Healthcare Cost Trend Rates (7.0)%	1% Increase (8.0)%
Net OPEB liability	\$ 75,933	\$ 79,475	\$ 83,595	\$ 76,079	\$ 79,415	\$ 83,296

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

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

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

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

Year ended June 30:		
2025	\$ (3,204)	
2026	(2,788)	
2027	(2,687)	
2028	(439)	
2029	(858)	
Thereafter	(100)	
Total	\$ (10,076)	

19. 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. There was no profit share contribution made for the year ended June 30, 2024. A profit share contribution of \$7.9 million was made for the year ended June 30, 2023.

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 operated 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.

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For the years ending June 30, 2024 and 2023, support totaling approximately \$151.4 million and \$146.2 million, respectively, was received under these agreements.

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 \$113.7 million and \$86.1 million related to academic, departmental and research support for June 30, 2024 and 2023, respectively. Norton made additional payments to the Research Foundation for professional services provided by clinical providers of \$1.8 million and \$1.4 million for the years ending June 30, 2024 and 2023, respectively.

20. Commitments and Contingencies

a. 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.

b. 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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21. 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, 2024 and 2023, are as follows (in thousands):

	2024			
	University	Research Foundation	Athletic Association	Total
Current assets	\$ 119,211	\$ 267,257	\$ 37,765	\$ 424,233
Other noncurrent assets	158,777	635,377	51,557	845,711
Capital assets, net	823,785	63,957	240,728	1,128,470
Total assets	1,101,773	966,591	330,050	2,398,414
Deferred outflows of resources	10,301	5,508	1,224	17,033
Total assets and deferred outflows of resources	1,112,074	972,099	331,274	2,415,447
Current liabilities	79,931	48,744	53,606	182,281
Noncurrent liabilities	249,096	31,767	184,913	465,776
Total liabilities	329,027	80,511	238,519	648,057
Deferred inflows of resources	54,553	625,274	2,518	682,345
Net investment in capital assets	582,626	60,462	122,277	765,365
Restricted-nonexpendable	—	—	2,109	2,109
Restricted-expendable	54,353	15,686	4,470	74,509
Unrestricted	91,515	190,166	(38,619)	243,062
Total net position	728,494	266,314	90,237	1,085,045
Total liabilities, deferred inflows of resources and net position	\$ 1,112,074	\$ 972,099	\$ 331,274	\$ 2,415,447

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	2023			
	University	Research Foundation	Athletic Association	Total
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
Total assets	1,114,794	977,254	351,431	2,443,479
Deferred outflows of resources	12,330	6,450	1,519	20,299
Total assets and deferred outflows of resources	1,127,124	983,704	352,950	2,463,778
Current liabilities	93,576	54,014	51,713	199,303
Noncurrent liabilities	251,448	35,202	194,907	481,557
Total liabilities	345,024	89,216	246,620	680,860
Deferred inflows of resources	61,783	644,204	2,956	708,943
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
Total net position	720,317	250,284	103,374	1,073,975
Total liabilities, deferred inflows of resources and net position	\$ 1,127,124	\$ 983,704	\$ 352,950	\$ 2,463,778

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	2024			
	University	Research Foundation	Athletic Association	Total
Student tuition and fees, net	\$ 234,296	\$ —	\$ —	\$ 234,296
Clinical services and practice plan	8,290	399,484	—	407,774
Grants and contracts	(5)	140,896	—	140,891
Facilities and administrative cost recoveries	2	36,004	—	36,006
Other operating revenue	33,630	7,315	104,111	145,056
Total operating revenues	276,213	583,699	104,111	964,023
Depreciation and amortization	44,185	8,820	12,424	65,429
Other operating expenses	486,010	605,415	139,303	1,230,728
Total operating expenses	530,195	614,235	151,727	1,296,157
Operating loss	(253,982)	(30,536)	(47,616)	(332,134)
State appropriations	146,373	—	—	146,373
Gifts	1,229	354	28,602	30,185
Interest expense	(11,347)	(91)	(2,205)	(13,643)
Other nonoperating revenues	22,749	67,419	256	90,424
Capital appropriations	28,837	—	—	28,837
Capital gifts	—	—	3,749	3,749
Contributions from affiliates, net	57,279	—	—	57,279
Transfers	17,039	(21,116)	4,077	—
Total nonoperating revenues	262,159	46,566	34,479	343,204
Change in net position	8,177	16,030	(13,137)	11,070
Net position - beginning of year	720,317	250,284	103,374	1,073,975
Net position - end of year	\$ 728,494	\$ 266,314	\$ 90,237	\$ 1,085,045

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	2023			
	University	Research Foundation	Athletic Association	Total
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
Total operating revenues	266,012	569,091	97,495	932,598
Depreciation	46,257	8,451	12,381	67,089
Other operating expenses	477,085	543,358	122,417	1,142,860
Total operating expenses	523,342	551,809	134,798	1,209,949
Operating gain (loss)	(257,330)	17,282	(37,303)	(277,351)
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)	—
Total nonoperating revenues	253,991	24,722	34,062	312,775
Change in net position	(3,339)	42,004	(3,241)	35,424
Net position - beginning of year	723,656	208,280	106,615	1,038,551
Net position - end of year	\$ 720,317	\$ 250,284	\$ 103,374	\$ 1,073,975

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2024					
	University	Research Foundation	Athletic Association	Total	
Cash (used)/provided by:					
Operating activities	\$ (241,457)	\$ (75,020)	\$ (23,587)	\$ (340,064)	
Noncapital financing activities	233,321	68,739	22,368	324,428	
Capital and related financing activities	(23,206)	(12,013)	(4,370)	(39,589)	
Investing activities	8,280	—	269	8,549	
Net decrease in cash and cash equivalents	(23,062)	(18,294)	(5,320)	(46,676)	
Cash and cash equivalents, beginning of year	79,006	137,413	11,095	227,514	
Cash and cash equivalents, end of year	\$ 55,944	\$ 119,119	\$ 5,775	\$ 180,838	
2023					
	University	Research Foundation	Athletic Association	Total	
Cash (used)/provided by:					
Operating activities	\$ (220,629)	\$ (14,325)	\$ (30,028)	\$ (264,982)	
Noncapital financing activities	238,043	58,608	30,076	326,727	
Capital and related financing activites	(49,684)	(13,651)	(14,062)	(77,397)	
Investing activites	(5,586)	—	786	(4,800)	
Net (decrease)/increase in cash and cash equivalents	(37,856)	30,632	(13,228)	(20,452)	
Cash and cash equivalents, beginning of year	116,862	106,781	24,323	247,966	
Cash and cash equivalents, end of year	\$ 79,006	\$ 137,413	\$ 11,095	\$ 227,514	

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b. Discretely Presented Component Units

The combining schedules 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, 2024 and 2023 are as follows (in thousands):

2024					
	UL Foundation	UL RE Foundation	UL Health	Total	
Current assets	\$ 28,396	\$ 9,354	\$ 1,066,318	\$ 1,104,068	
Capital assets	45,741	140,108	458,386	644,235	
Other noncurrent assets	1,086,662	91,162	584,483	1,762,307	
Total assets	1,160,799	240,624	2,109,187	3,510,610	
Current liabilities	17,060	7,436	472,959	497,455	
Other noncurrent liabilities	45,411	31,976	947,007	1,024,394	
Total liabilities	62,471	39,412	1,419,966	1,521,849	
Restricted nonexpendable	572,863	—	—	572,863	
Restricted expendable	456,417	—	—	456,417	
Unrestricted	69,048	201,212	689,221	959,481	
Total net position	1,098,328	201,212	689,221	1,988,761	
Total liabilities and net position	\$ 1,160,799	\$ 240,624	\$ 2,109,187	\$ 3,510,610	
2023					
	UL Foundation	UL RE Foundation	UofL Health	Total	
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	
Total assets	1,056,813	255,892	2,051,879	3,364,584	
Current liabilities	16,825	10,658	391,973	419,456	
Other noncurrent liabilities	44,976	39,566	955,170	1,039,712	
Total liabilities	61,801	50,224	1,347,143	1,459,168	
Restricted nonexpendable	491,695	—	—	491,695	
Restricted expendable	442,462	—	5,000	447,462	
Unrestricted	60,855	205,668	699,736	966,259	
Total net position	995,012	205,668	704,736	1,905,416	
Total liabilities and net position	\$ 1,056,813	\$ 255,892	\$ 2,051,879	\$ 3,364,584	

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2024					
	UL Foundation	UL RE Foundation	UofL Health	Total	
Patient revenue, net	\$ —	\$ —	\$ 2,277,548	\$ 2,277,548	
Other operating revenue	8,797	16,920	225,710	251,427	
Total operating revenue	8,797	16,920	2,503,258	2,528,975	
Depreciation	2,109	8,993	52,931	64,033	
Other operating expense	76,282	12,383	2,497,647	2,586,312	
Total operating expense	78,391	21,376	2,550,578	2,650,345	
Operating income (loss)	(69,594)	(4,456)	(47,320)	(121,370)	
Gifts and donations	59,596	—	—	59,596	
Investment income	113,314	—	20,382	133,696	
Other nonoperating revenue (expense)	—	—	11,423	11,423	
Total nonoperating revenue (expense)	172,910	—	31,805	204,715	
Change in net position	103,316	(4,456)	(15,515)	83,345	
Net position-beginning of year	995,012	205,668	704,736	1,905,416	
Net position-end of year	\$ 1,098,328	\$ 201,212	\$ 689,221	\$ 1,988,761	

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

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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 - 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 its 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.

The composition of net assets by type of endowment fund at June 30, 2024 and 2023 was as follows (in thousands):

2024				
	Without Donor Restrictions	With Donor Restrictions	Total	
Donor-restricted endowment funds	\$ —	\$ 710,115	\$ 710,115	
Board-designated endowment funds	41,284	187,839	229,123	
	\$ 41,284	\$ 897,954	\$ 939,238	

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

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Changes in endowment net assets for the years ended June 30, 2024 and 2023 were as follows (in thousands):

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 36,381	\$ 824,563	\$ 860,944
Investment return:			
Net appreciation	4,258	91,745	96,003
Total investment return	4,258	91,745	96,003
Contributions	5	16,149	16,154
Appropriations	(1,015)	(35,668)	(36,683)
Other changes	1,655	1,165	2,820
Endowment net assets, end of year	\$ 41,284	\$ 897,954	\$ 939,238

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

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 reported in net assets with donor restrictions and aggregated to approximately \$210,000 at June 30, 2023. There were no deficiencies at June 30, 2024. 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

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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.

The Board of the Foundation approved a 4.00% spending policy for the fiscal years 2023-2024 and 2024-2025 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 for total endowment assets was 11.8% and 6.6% in 2024 and 2023, respectively.

2. ULF - Investments

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

	2024	2023
Cash equivalents	\$ 37,330	\$ 26,833
Alternate investments:		
Hedge Funds	88,585	83,467
Investments in partnerships	514,595	482,246
Mutual funds:		
Equity	236,080	200,692
Fixed Income	17,805	15,940
Marketable alternatives:		
Domestic marketable equity securities	45,481	39,299
Marketable debt securities:		
U.S. Treasury	74,393	63,367
Total Investments	\$ 1,014,269	\$ 911,844

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.

3. 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, 2024 and 2023, the amount under guarantee was \$5.5 million and \$5.9 million, respectively. The Foundation has not made any payments on this guarantee to date.

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

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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.

4. 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 \$32.6 million and \$29.0 million as of June 30, 2024 and 2023, respectively.

The Foundation's portion of the market value of the remaining trusts was \$39.7 million and \$36.9 million as of June 30, 2024 and 2023, respectively. These funds are invested in various equities and income-producing assets. For the years ended June 30, 2024 and 2023, the Foundation recorded income of \$8.8 million and \$5.4 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.

5. 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, 2024 and 2023, the Foundation held \$3.9 million and \$3.5 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, 2024 and 2023, the Foundation held approximately \$11.6 million and \$10.6 million, respectively, for Jewish Hospital's investment purposes.

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, 2024 and 2023, the Foundation held approximately \$289,000 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.

6. 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 for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, the Foundation recorded approximately \$2.1 million, 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.

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7. 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, the net receivable from ULREF was \$4.5 million, and is included as due from ULREF on the consolidated statements of financial position. There are no balances due from ULREF as of June 30, 2024. The amount due to ULREF was paid in full during January 2024.

The amount due from ULREF is included within the endowment assets as of June 30, 2023.

8. ULF - Subsequent Event

Effective July 1, 2024, ULREF filed amended bylaws and amended and restated articles of incorporation in order to affect a reorganization such that ULREF would become a subsidiary of the University of Louisville Foundation, Inc. (ULF) with ULF as ULREF's sole member.

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.

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

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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, 2024 and 2023, ULREF recorded approximately \$832 thousand and \$21.1 million, respectively, of TIF revenues.

2. ULREF - Capital Assets

Capital assets at June 30, 2024 and 2023, consist of the following (in thousands):

	2024	2023
Land and land improvements	\$ 52,266	\$ 52,473
Buildings	106,526	106,771
Building improvements	2,526	2,414
Tenant finish	4,009	3,775
Furniture, fixtures, and equipment	4,603	2,510
	169,930	167,943
Accumulated depreciation	(30,827)	(26,578)
Construction-in-progress	1,006	975
	\$ 140,109	\$ 142,340

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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):

	2024		2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets and liabilities:				
In-place leases	\$ 354	\$ (343)	\$ 354	\$ (332)
Above-market leases	2,917	(1,143)	2,917	(1,020)
Tax incremental financing	116,600	(38,518)	116,600	(34,148)

Amortization expense for each of the years ended June 30, 2024 and 2023, was approximately \$4.5 million.

At June 30, 2024, 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):

	In-Place Leases	Above- Market Leases	Tax Incremental Financing
2025	\$ 9	\$ 123	\$ 4,364
2026	2	123	4,364
2027	—	123	4,364
2028	—	123	4,364
2029	—	123	4,364
Thereafter	—	1,159	56,262
Total	\$ 11	\$ 1,774	\$ 78,082

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4. ULREF - Debt

Debt in the consolidated statements of financial position at June 30, 2024 and 2023 consists of the following (in thousands):

	Description	Fiscal Year of Maturity	2024	2023
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	\$ 3,505	\$ 7,472
Northwestern Mutual Loan- Housing	Fixed 4.77% rate with 20-year amortization commencing November 2018; principal and interest payments monthly commencing January 2019	2038	33,964	35,564
Debt			\$ 37,469	\$ 43,036
Less debt issuance costs			(309)	(349)
Total debt			\$ 37,160	\$ 42,687

Preston is required to maintain a debt service coverage ratio of 1.00 to 1.00. At June 30, 2024, Preston was in compliance with this debt requirement.

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

Year ending June 30:		
2025	\$ 5,184	
2026	1,761	
2027	1,847	
2028	1,937	
2029	2,031	
Thereafter	24,709	
Total	\$ 37,469	

5. ULREF - Leasing Activities

ULREF leases space to tenants under non-cancelable operating leases. As of June 30, 2024, ULREF had various leases expiring monthly to 82 years, through 2106. These leases generally require ULREF to pay all executory costs (property taxes, maintenance, and insurance).

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

	2024	2023
Base minimum rents	\$ 14,386	\$ 13,898
Common area maintenance	116	158
Total	\$ 14,502	\$ 14,056

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

Year ending June 30:		
2025	\$	3,023
2026		2,550
2027		1,888
2028		1,410
2029		894
Thereafter		21,393
Total	\$	31,158

Included in the amounts above is a certain subleased property that requires ULREF to pay approximately \$450 thousand 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.

6. ULREF - Subsequent Events

Effective July 1, 2024, ULREF filed amended bylaws and amended and restated articles of incorporation in order to affect a reorganization such that ULREF would become a subsidiary of the University of Louisville Foundation, Inc. (ULF) with ULF as ULREF's sole member.

In August 2024, 220 South Preston, LLC entered into a note with a financial institution having a rate equal to the daily SOFR rate plus 125 basis points (1.25%), with principal due and payable in equal consecutive quarterly installments commencing September 1, 2024, and maturing June 1, 2029.

e. 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 (UMC), UofL Health - Louisville, Inc. d/b/a Jewish Hospital (Jewish Hospital), Inc., UofL Health - Shelbyville, Inc. (Jewish Hospital Shelbyville), University of Louisville Physicians, Inc. (ULP), Rehabilitation Hospital of Louisville East, LLC d/b/a Frazier Rehabilitation Hospital - Brownsboro (Frazier Brownsboro), and UofL Health Ambulatory Surgery Center, LLC d/b/a Kleinert Kutz Surgery Center, LLC (ASC). 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.

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.

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.

ASC is a limited liability company formed in 2024 to provide ambulatory surgery services to patients. UofL Health - Louisville is a 51% owner of ASC and is consolidated with the operations of UofL Health.

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 payer agreements. The composition of receivables from patients and third-party payers as of June 30, 2024 and 2023 is as follows:

	2024	2023
Medicare	11 %	11 %
Medicaid	3 %	3 %
Managed care	45 %	44 %
Commercial and other	39 %	40 %
Self-pay	2 %	2 %
	100 %	100 %

2. Net Patient Service Revenue

The composition of patient care service revenue by primary payer for the years ended June 30 are as follows:

	2024	2023
Medicare	13 %	12 %
Medicaid	3 %	2 %
Managed Care	28 %	28 %
Commercial and other	55 %	58 %
Self-pay	1 %	— %
	100 %	100 %

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3. 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 28 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 cancellable 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 2024 and 2023 are as follows (in thousands):

	2024	2023
Operating lease cost	\$ 55,809	\$ 55,088
Finance lease cost:		
Amortization expense	3,059	4,734
Interest on lease liabilities	2,434	1,236
Total finance lease cost	5,493	5,970
Short-term lease cost	25,076	23,979
Total lease expense	\$ 86,378	\$ 85,037

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The Corporation's ROU assets and lease liabilities as of the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Right-of-use assets		
Operating lease assets	\$ 523,561	\$ 506,206
Finance lease assets	32,255	36,551
Less: accumulated amortization	6,979	8,216
Finance lease assets, net	25,276	28,335
Total right-of-use assets	\$ 548,837	\$ 534,541
Lease liabilities		
Operating lease liabilities, current	30,792	31,015
Operating lease liabilities, noncurrent	498,814	480,457
Total operating lease liabilities	\$ 529,606	\$ 511,472
Finance lease liabilities, current	579	2,142
Finance lease liabilities, noncurrent	26,472	26,852
Total finance lease liabilities	\$ 27,051	\$ 28,994
	2024	2023
Weighted average remaining lease term		
Operating leases	24.40 years	25.27 years
Finance leases	18.27 years	18.15 years
Weighted average discount rate		
Operating leases	4.61 %	4.80 %
Finance leases	8.96 %	8.82 %

Maturities of lease obligations are as follows:

Years Ended June 30	Operating Leases	Finance Leases
2025	\$ 53,538	\$ 2,955
2026	48,927	2,638
2027	38,785	2,691
2028	34,243	2,745
2029	33,204	2,799
Thereafter	647,044	43,746
Total lease payments	\$ 855,741	\$ 57,574
Less: Interest	(326,135)	(30,523)
Present value of lease liabilities	\$ 529,606	\$ 27,051

For the years ended June 30, 2024 and 2023, the Corporation paid approximately \$27.3 million and \$27.5 million, respectively, of rent to related parties.

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4. Medical Malpractice Claims

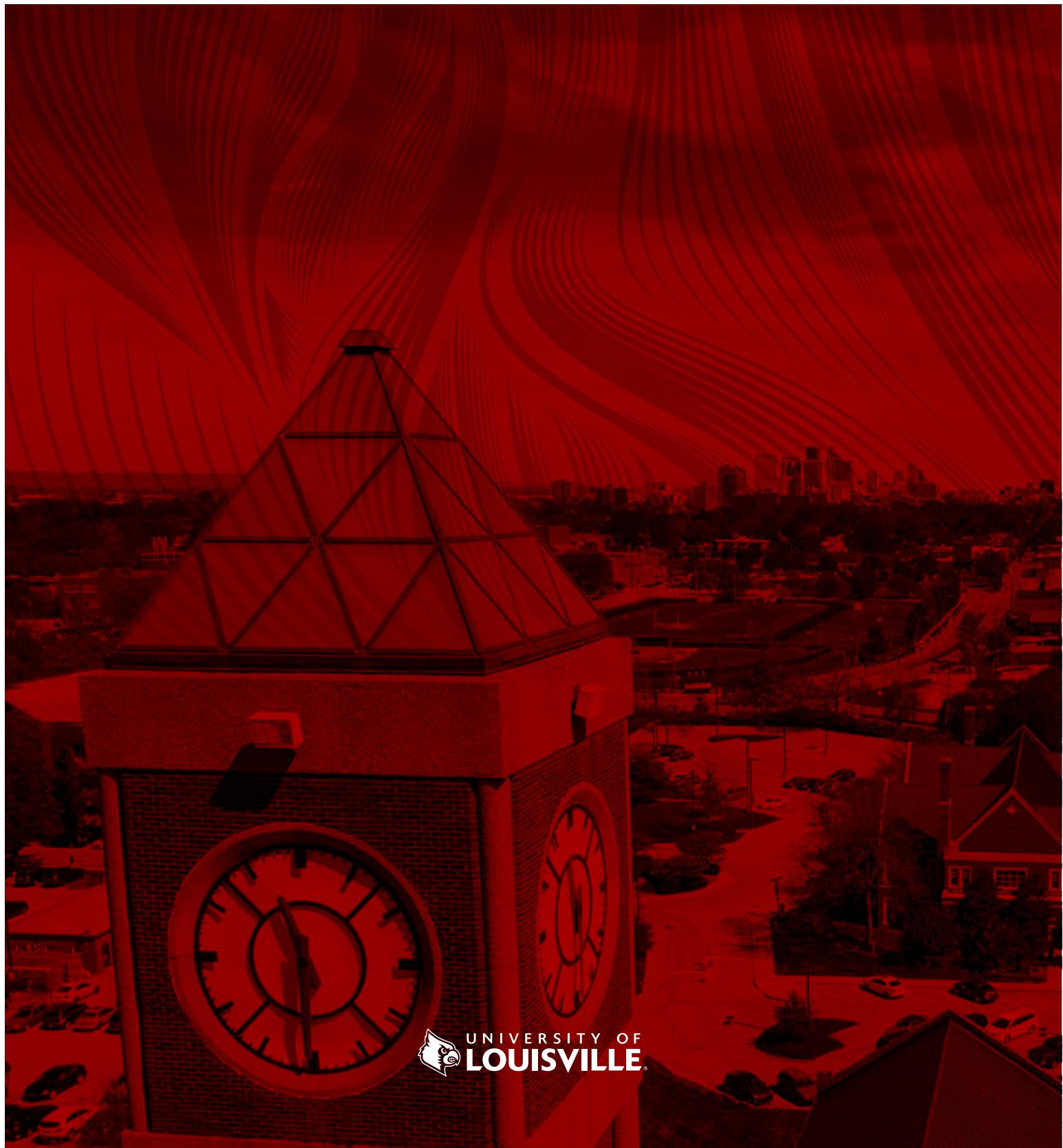
The Corporation is insured against medical malpractice claims under claims-made based policies, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policies, the Corporation 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 has appealed the verdict. The appeal is pending before the Court of Appeals. No liability has been recorded as of June 30, 2024. 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)

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

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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