



## **UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.**

**A Component Unit of the University of Louisville**

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



**UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.**  
**A Component Unit of the University of Louisville**  
**For the Years Ended June 30, 2024 and 2023**

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
University of Louisville Research Foundation, Inc

**Report on the financial statements****Opinion**

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

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

**Basis for opinion**

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Other matter**

The financial statements of the Entity 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 Entity's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

**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 opinion. 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 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 we:

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

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

**Required supplementary information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, and the Post-employment Benefit Information on page 33 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.

*Grant Thornton LLP*

Boston, Massachusetts  
November 22, 2024

**UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.**  
**A Component Unit of the University of Louisville**  
**Management Discussion and Analysis (Unaudited)**  
**For 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 Research Foundation, Inc. (Research Foundation) for the years ended June 30, 2024 and 2023. Comparative information for the year ended June 30, 2022 has been provided where applicable. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Research Foundation is a nonprofit corporation affiliated with the University of Louisville (University), a state-supported metropolitan research university located in Louisville, Kentucky. The Research Foundation was established in 1989 for the purpose of promoting and supporting research projects, investigations, and other activities relating to the educational, scientific, literary, artistic, health care and public service missions of the University.

The University's strategic plan guides the Research Foundation's programs, along with the grand challenges from the Kentucky Council on Postsecondary Education: 1) empowering our communities, 2) advancing our health, and 3) developing our future economy. Each of these pillars seek to develop a strong translation research and innovation program to aid our community in attaining equity in health, education and economic advancement. The Research Foundation accepts funding for research, training, and service from extramural sources for programs and projects that match these goals. During the fiscal year ended June 30, 2024, total awards and contracts recorded were \$188.3 million, which the institutional record of awards received in a non-COVID year. Some of the funding highlights include:

- Awards from the National Institute of Health (NIH) accounted for over \$66.9 million, including \$4.1 million for IDEA Networks for Biomedical Research Excellence in Kentucky.
- The Department of Defense contributed \$20.3 million in awards during 2024.
- The Health Resources and Services Administration, an agency of the U.S. Department of Health, provided \$12.6 million of funding, which supports access to health care services for people who are uninsured, isolated or medically vulnerable.

## **Using the Financial Statements**

The Research Foundation's financial report includes the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. The Research Foundation is presented here as a single entity and is also included in the consolidated financial statements of the University.

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## Statements of Net Position

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

A condensed version of the Research Foundation's assets, liabilities, and net position at June 30, 2024, 2023, and 2022 (in thousands) is summarized below:

	2024	2023	2022	2024-2023 Change	2023-2022 Change
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Current assets	\$ 267,257	\$ 258,678	\$ 208,829	\$ 8,579	\$ 49,849
Capital assets	59,415	58,102	51,475	1,313	6,627
Right-of-use assets, net	4,542	3,050	5,035	1,492	(1,985)
Other noncurrent assets	635,377	657,424	680,915	(22,047)	(23,491)
Deferred outflow of resources	5,508	6,450	5,964	(942)	486
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>972,099</b>	<b>983,704</b>	<b>952,218</b>	<b>(11,605)</b>	<b>31,486</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>					
Current liabilities	48,744	54,014	46,369	(5,270)	7,645
Noncurrent liabilities	31,767	35,202	38,035	(3,435)	(2,833)
Deferred inflows of resources	625,274	644,204	659,534	(18,930)	(15,330)
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>705,785</b>	<b>733,420</b>	<b>743,938</b>	<b>(27,635)</b>	<b>(10,518)</b>
<b>NET POSITION</b>					
Net investment in capital assets	60,462	59,149	51,519	1,313	7,630
Restricted - expendable	15,686	22,320	24,422	(6,634)	(2,102)
Unrestricted	190,166	168,815	132,339	21,351	36,476
<b>TOTAL NET POSITION</b>	<b>266,314</b>	<b>250,284</b>	<b>208,280</b>	<b>16,030</b>	<b>42,004</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 972,099</b>	<b>\$ 983,704</b>	<b>\$ 952,218</b>	<b>\$ (11,605)</b>	<b>\$ 31,486</b>

## Assets

Current assets of \$267.3 million consist of \$119.1 million in cash and cash equivalents, \$136.1 million of accounts receivable and \$10.7 million due from affiliate. The Research Foundation's cash and cash equivalents decreased \$18.3 million from the previous year due to payments received from contracted clinical activities. Accounts receivable increased \$37.1 million mostly representing an increase in outstanding patient receivable balances. The due from affiliates decrease of \$10.7 million stems from the collection of payments due from the UL Health profit share.

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Noncurrent assets of \$699.3 million consist mainly of long-term receivables of \$631.5 million, which primarily relate to future lease payments receivable for the contracted use of University or Research Foundation assets. Additionally, noncurrent assets includes \$59.4 million of capital assets, which increased by \$1.3 million due to asset purchases, net of depreciation.

### **Deferred Outflows of Resources**

Deferred outflow of resources represents a consumption of net assets applicable to a future period. The balance of \$5.5 million as of June 30, 2024 consisted of future payments to be made for other post-employment benefits.

### **Liabilities**

The Research Foundation's current liabilities of \$48.7 million consist of \$2.4 million of unearned grant revenue for sponsored research activities, a decrease of \$1.4 million compared to June 30, 2023. The Research Foundation is required to set up a liability when awards are paid in advance, as they are responsible for paying back any unused funds to the sponsor. Current liabilities also consists of \$39.3 million related to trade accounts payable and accrued liabilities which are up slightly from \$37.9 million at June 30, 2023.

### **Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to future periods. The balance of \$625.3 million represents \$617.6 million of future revenues to be recognized from leased assets and \$7.7 million of accumulated OPEB changes in actuarial assumptions and the difference between expected and actual experience used in the other post employment benefit liability.

### **Net Position**

Net position represents the residual interest in the Research Foundation's assets after liabilities are deducted. The Research Foundation's net position at June 30, 2024 and 2023 was \$266.3 million and \$250.3 million, respectively. Net position is summarized into these major categories: net investment in capital assets of \$60.5 million and \$59.1 million, respectively; restricted expendable of \$15.7 million and \$22.3 million, respectively; and unrestricted of \$190.2 million and \$168.8 million, respectively.

### **Fiscal Year 2023**

The Research Foundation's financial position as of the fiscal year ended June 30, 2023 shows an increase in assets, a decrease in liabilities with an overall increase in net position. Assets and deferred outflows of resources increased during the fiscal year ended June 30, 2023 by \$31.5 million, as compared to the fiscal year ended June 30, 2022. This increase was due mainly to an increase in cash and equivalents of \$30.6 million and \$17.4 million from all other accounts receivable, offset by a reduction of \$21.9 million in receivables from affiliates. The increase in liabilities of \$4.8 million includes an increase in accounts payable and accrued liabilities of \$8.2 million and the amount due to the University of \$1.0 million.

Net position increased \$42.0 million due primarily to a decrease in transfers to related entities.



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

A condensed version of the Research Foundation's revenues, expenses and changes in net position for the years ended June 30, 2024, 2023, and 2022 (in thousands) is shown below:

	2024	2023	2022	2024-2023 Change	2023-2022 Change
<b>OPERATING REVENUES</b>					
Clinical services and practice plans	\$ 399,484	\$ 398,426	\$ 398,098	\$ 1,058	\$ 328
Grants and contracts	140,896	128,546	132,023	12,350	(3,477)
Facilities and administrative cost recoveries	36,004	34,378	38,708	1,626	(4,330)
Other operating revenues	7,315	7,741	8,015	(426)	(274)
<b>TOTAL OPERATING REVENUE</b>	<b>583,699</b>	<b>569,091</b>	<b>576,844</b>	<b>14,608</b>	<b>(7,753)</b>
<b>OPERATING EXPENSES</b>					
Depreciation and amortization	8,820	8,451	9,043	369	(592)
Other operating expenses	605,415	543,358	546,123	62,057	(2,765)
<b>TOTAL OPERATING EXPENSE</b>	<b>614,235</b>	<b>551,809</b>	<b>555,166</b>	<b>62,426</b>	<b>(3,357)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Nonexchange grants and contracts	61,189	55,787	84,180	5,402	(28,393)
Transfers to related entities	(21,116)	(38,451)	(76,269)	17,335	37,818
Other nonoperating revenues	6,584	7,482	14,255	(898)	(6,773)
Interest expense	(91)	(96)	(130)	5	34
<b>TOTAL NONOPERATING REVENUE/ (EXPENSES)</b>	<b>46,566</b>	<b>24,722</b>	<b>22,036</b>	<b>21,844</b>	<b>2,686</b>
<b>INCREASE IN NET POSITION</b>	<b>16,030</b>	<b>42,004</b>	<b>43,714</b>	<b>(25,974)</b>	<b>(1,710)</b>
<b>Net position, beginning of year</b>	<b>250,284</b>	<b>208,280</b>	<b>164,566</b>	<b>42,004</b>	<b>43,714</b>
<b>Net position, end of year</b>	<b>\$ 266,314</b>	<b>\$ 250,284</b>	<b>\$ 208,280</b>	<b>\$ 16,030</b>	<b>\$ 42,004</b>

**Operating Revenues**

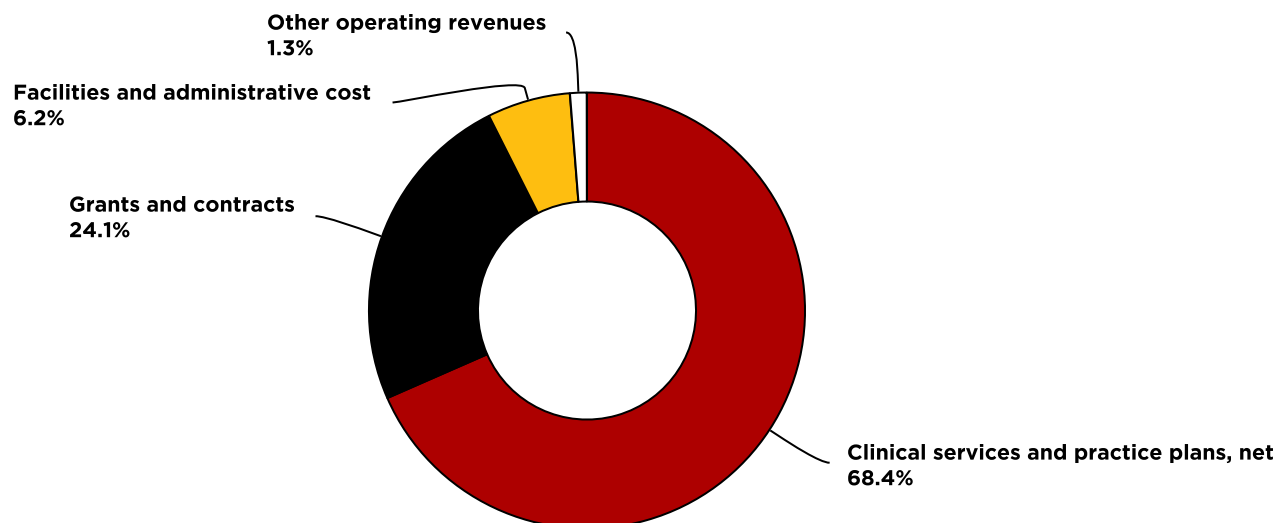
Revenues from operations increased to \$583.7 million for the year ended June 30, 2024 compared to \$569.1 million for the year ended June 30, 2023. The \$12.4 million increase in grants and contracts and the related increase of \$1.6 million in facilities and administrative cost recoveries account for the increase.

Revenues from facilities and administrative cost recoveries were \$36.0 million and \$34.4 million for the years ended June 30, 2024 and 2023, respectively. The Research Foundation compensates the University for a portion of the cost recoveries in support of University expenditures. For the years ended June 30, 2024 and 2023, approximately \$22.7 million and \$18.3 million respectively, was transferred to the University for this purpose.

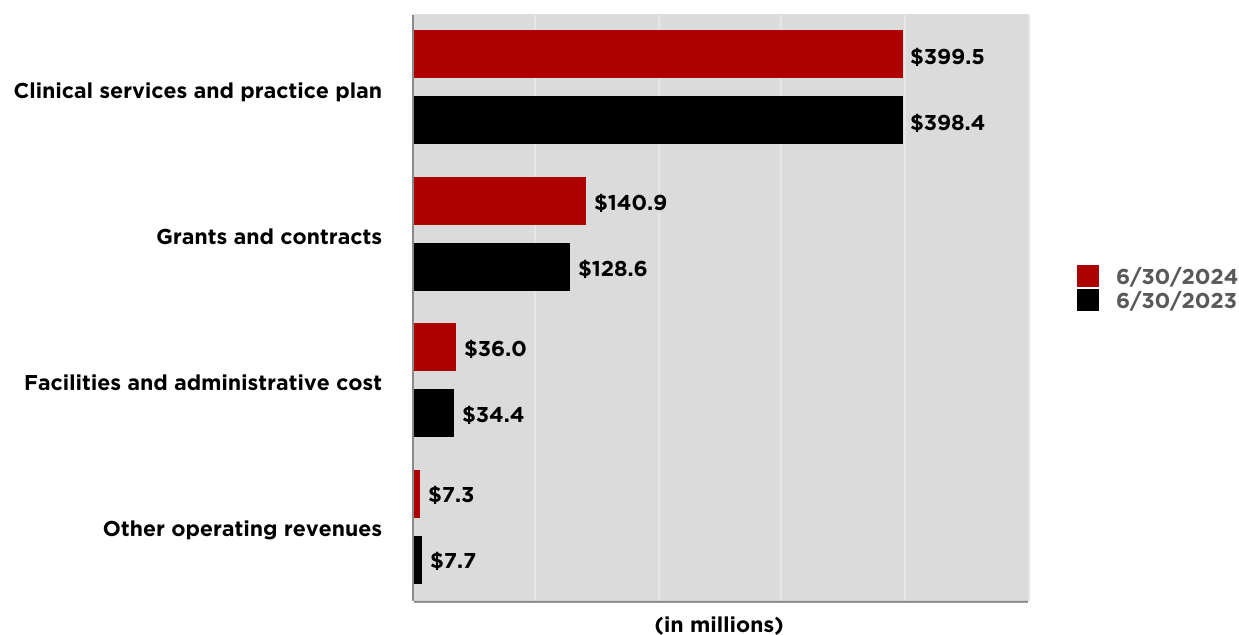
**UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.**  
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The following charts reflect the Research Foundation's percentage of operating revenues by major source for the year ended June 30, 2024 and the chart at the bottom of the page provides a comparison of operating revenue trends for the years ended June 30, 2024 and 2023:

**Operating Revenues**  
**Year Ended June 30, 2024**



**Operating Revenue Trends**

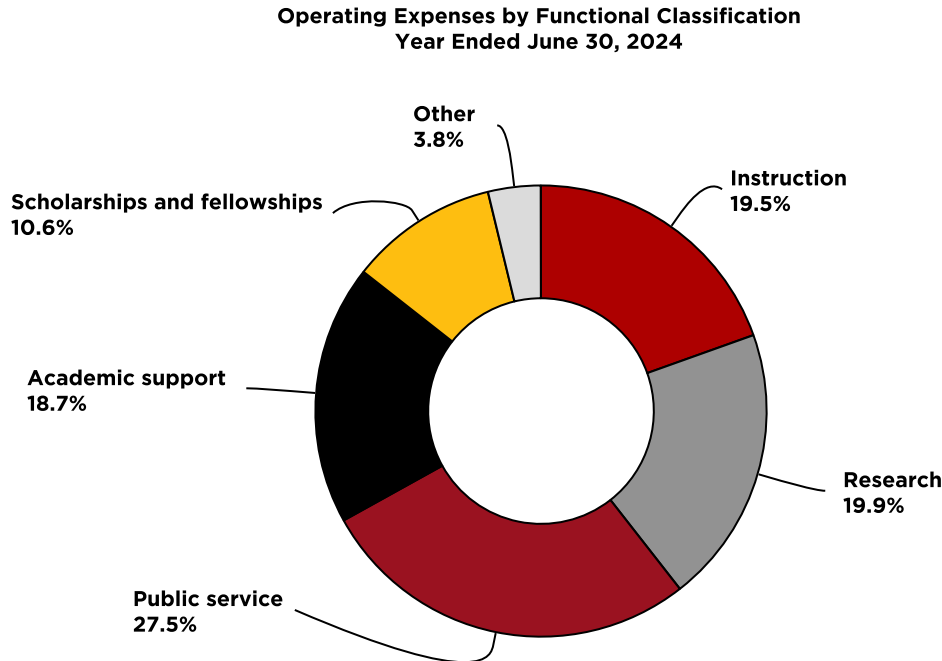


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**Operating Expenses by Functional and Natural Classification**

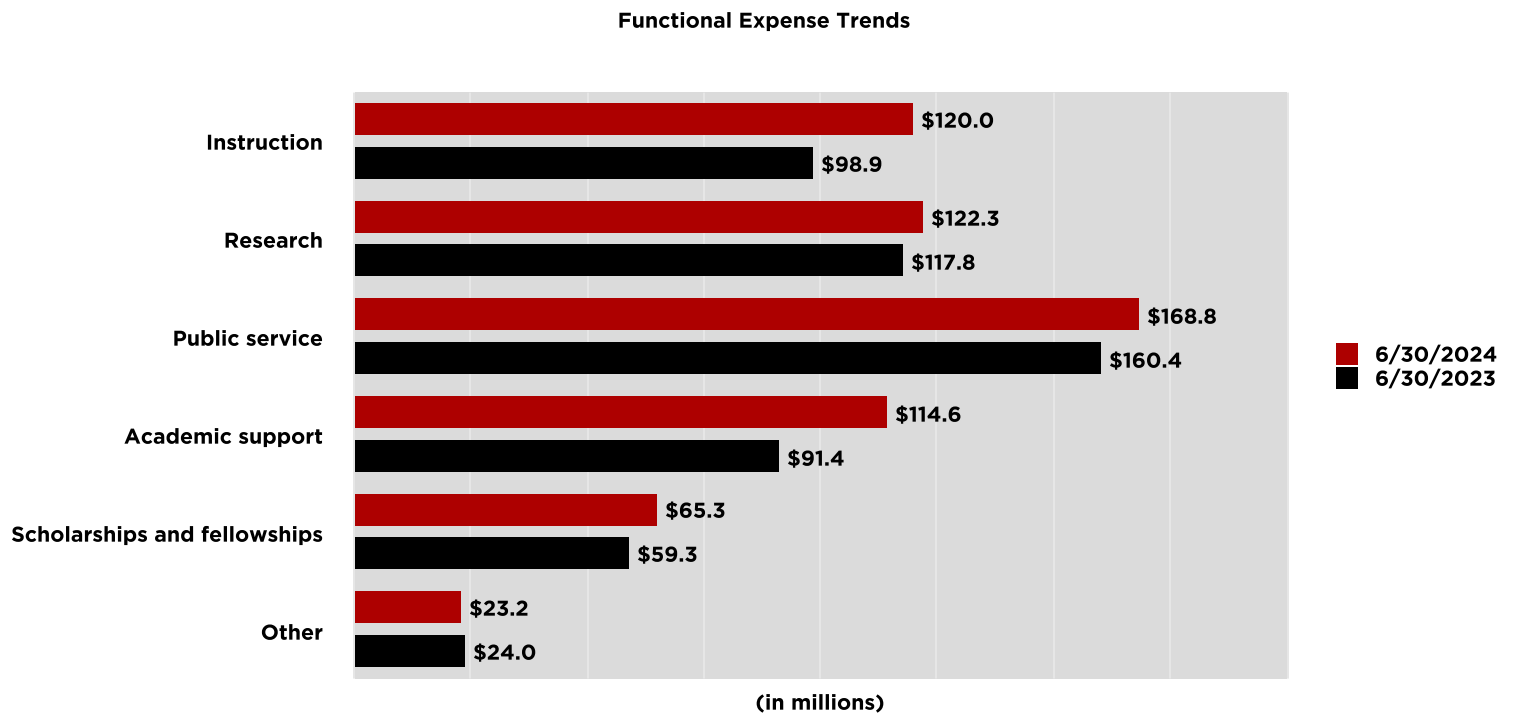
Total operating expenses were \$614.2 million and \$551.8 million for the fiscal years ended June 30, 2024 and 2023, respectively. In fiscal year 2024, operating expenses increased \$62.4 million. Expenditures for supplies and services increased by \$23.3 million while scholarships and fellowships increased by \$11.3 million. The remainder of the increase was attributed to increases in salary and wages expenses.

The following chart illustrates total operating expenses by the respective percentage of the functional classification for the year ended June 30, 2024 (in millions):

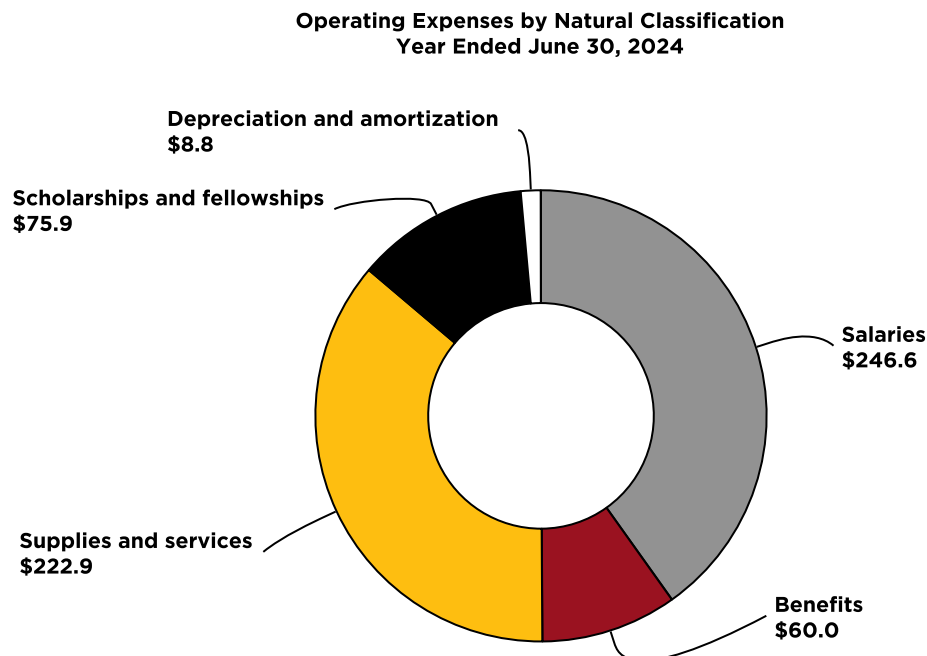


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The following chart compares functional expense trends for the years ended June 30, 2024 and 2023 (in millions):

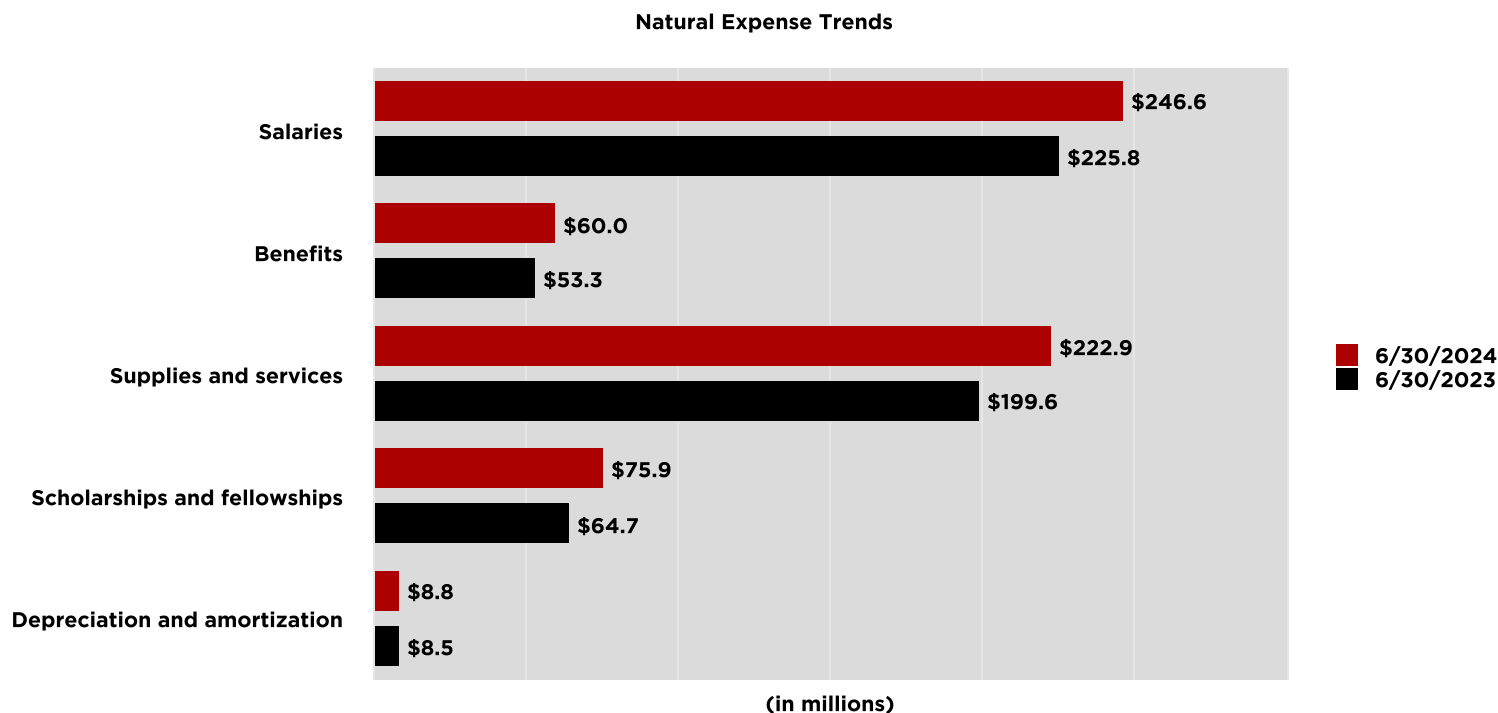


The following chart reflects percentage of total operating expenses by natural classification for the year ended June 30, 2024 (in millions):



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The following chart provides a comparison of natural expense trends for the years ended June 30, 2024, and 2023 (in millions):



### Nonoperating Revenues (Expenses)

Nonoperating revenues were \$46.6 million for the fiscal year ended June 30, 2024, which were mostly comprised of nonexchange grant and contract revenues of \$61.2 million reduced by transfers to the University of \$21.1 million. Total nonoperating revenues increased by \$21.8 million when compared to fiscal year ended June 30, 2023, which was attributed to increased financial aid grants offset by transfers to the University to support operations.

### Fiscal Year 2023

For the year ended June 30, 2023, the Research Foundation reported operating revenue of \$569.1 million, which was a decrease of \$7.8 million compared to the \$576.8 million reported for the year ended June 30, 2022.

Revenues from clinical services and practice plans were \$398.4 million for fiscal year 2023, an increase of \$0.3 million from the fiscal year ended June 30, 2022. Revenues from grants and contracts were \$128.5 million for the year ended June 30, 2023 as compared to \$132.0 million in revenues reported in the previous year, a \$3.5 million decrease. Revenue from facilities and administrative cost recoveries were \$34.4 million and \$38.7 million for the years ended June 30, 2023 and 2022, respectively.

Total operating expenses were \$551.8 million and \$555.2 million for the fiscal years ended June 30, 2023 and 2022, respectively. The decrease was attributed to scholarships offered to students from Higher Education Emergency Relief Fund (HEERF) Coronavirus student aid awards received during fiscal year 2022 which were not received in fiscal year 2023.

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Nonoperating revenues and expenses, net, were \$24.7 million and \$22.0 million for the fiscal years ended June 30, 2023 and 2022, respectively. The increase of \$2.7 million is due to a decrease in nonexchange grant activity offset by decreases in contributions to the University.

## Statements of Cash Flows

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

Condensed statements of the Research Foundation's 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
<b>CASH (USED)/PROVIDED BY:</b>					
Operating activities	\$ (75,020)	\$ (14,325)	\$ 16,142	\$ (60,695)	\$ (30,467)
Noncapital financing activities	68,739	58,608	51,894	10,131	6,714
Capital and related financing activities	(12,013)	(13,651)	(3,797)	1,638	(9,854)
<b>NET (DECREASE)/INCREASE IN CASH EQUIVALENTS</b>	<b>(18,294)</b>	<b>30,632</b>	<b>64,239</b>	<b>(48,926)</b>	<b>(33,607)</b>
Cash and cash equivalents, beginning of year	137,413	106,781	42,542	30,632	64,239
<b>CASH AND CASH EQUIVALENTS- END OF YEAR</b>	<b>\$ 119,119</b>	<b>\$ 137,413</b>	<b>\$ 106,781</b>	<b>\$ (18,294)</b>	<b>\$ 30,632</b>

## Operating Activities

The Research Foundation's operating activities consumed approximately \$75.0 million of cash during the fiscal year ended June 30, 2024, representing an increase of \$60.7 million compared to the prior year. Increased grant and other operating revenues offset by an increase in payments to suppliers, employees and scholarships and fellowships contributed to this increase.

## Other Activities

The net \$68.7 million cash provided by noncapital financing activities includes cash provided by nonexchange grants and contracts of \$61.2 million and \$11.0 million collected on receivables from affiliates offset by payments to the University of \$21.1 million for operating expenses.

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

## Fiscal Year 2023

The Research Foundation's operating activities consumed approximately \$14.3 million of cash during the fiscal year ended June 30, 2023, representing a decrease of \$30.5 million compared to the prior year. The increase in cash used for operations was primarily due to a decline in clinical service revenues and increases in payments to employees and scholarships and fellowships.

The net \$58.6 million cash provided by non-capital and financing activities is primarily due to \$55.8 million provided by nonexchange grants and contracts.

Cash used for capital and related financing activities increased \$9.9 million to \$13.7 million during the fiscal year ended June 30, 2023 as compared to the fiscal year ended June 30, 2022.

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### **Economic Factors that May Affect the Future**

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

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

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

- Effective July 1, 2024, the Department of Health and Human Services awarded \$11.5 million for the purpose of establishing the Louisville Clinical and Translational Research Center.
- The University continues to emphasize scholarly research and maintaining its R1 status. The University's fiscal year 2025 budget includes \$3.0 million to fund the expansion of research performance computing capacity, which will increase research productivity and funding from external sources. The computing infrastructure will enable new research in cutting edge fields such as microbiomics, machine learning, AI, and health and medical informatics.
- The state of Kentucky appropriated \$260.0 million in Bond Funds to the University for construction of a new Health Sciences Center Simulation Center and Collaboration Hub which will house the School of Public Health and Information Sciences and will serve the academic schools on the Health Sciences Campus, neighboring colleges, and medical facilities.
- Continued improved operations of clinical services through engaging in partnerships with Norton Healthcare, Inc. (Norton) and UL Health, Inc.
- The state of Kentucky implemented a performance-funding model in 2017 whereby institutions are incentivized to improve student outcomes based on priorities (metrics) identified by the state. Performance-based funding adds an element of budgetary uncertainty that could impact state funding for the University.
- The projected high school graduate population in the near- and medium-term future is strong through 2026. Institutions focused on first-time, full-time baccalaureate degree-seeking students will be gearing up and recruiting hard during the three year period 2024 to 2026 when graduation rates are expected to peak. However, between years 2027 and 2032, the average graduating class size is expected to decline to levels similar to 2013 which will heighten competition and constrain tuition revenue.

### **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 RESEARCH FOUNDATION, INC.**  
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**Statements of Net Position**  
**as of June 30, 2024 and 2023**  
**(in thousands)**

	2024	2023
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 119,119	\$ 137,413
Accounts receivable, net	136,121	99,025
Due from affiliate	10,712	21,394
Inventories	518	514
Other assets	787	332
<b>Total current assets</b>	<b>267,257</b>	<b>258,678</b>
Noncurrent assets		
Accounts receivable, net	631,493	642,911
Due from affiliate	2,654	13,262
Other long-term assets	1,230	1,251
Right-of-use assets, net	4,542	3,050
Capital assets, net	59,415	58,102
<b>Total noncurrent assets</b>	<b>699,334</b>	<b>718,576</b>
<b>Total assets</b>	<b>966,591</b>	<b>977,254</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,508</b>	<b>6,450</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 972,099</b>	<b>\$ 983,704</b>

See notes to financial statements



**UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.**  
**A Component Unit of the University of Louisville**  
**Statements of Net Position**  
**as of June 30, 2024 and 2023**  
**(in thousands)**

	2024	2023
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	39,336	37,975
Due to the University of Louisville	5,073	10,394
Unearned grant revenue	2,373	3,727
Lease liabilities	1,962	1,918
<b>Total current liabilities</b>	<b>48,744</b>	<b>54,014</b>
<b>Noncurrent liabilities</b>		
Other post-retirement benefits	27,816	27,795
Other long-term liabilities	8	8
Due to the University of Louisville	1,318	6,246
Lease liabilities	2,625	1,153
<b>Total noncurrent liabilities</b>	<b>31,767</b>	<b>35,202</b>
<b>Total liabilities</b>	<b>80,511</b>	<b>89,216</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>625,274</b>	<b>644,204</b>
<b>NET POSITION</b>		
Net investment in capital assets	60,462	59,149
Restricted:		
Expendable	15,686	22,320
Unrestricted	190,166	168,815
<b>Total net position</b>	<b>266,314</b>	<b>250,284</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 972,099</b>	<b>\$ 983,704</b>

See notes to financial statements

**UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.**  
**A Component Unit of the University of Louisville**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For Years Ended June 30, 2024 and 2023**  
**(in thousands)**

	2024	2023
<b>OPERATING REVENUES</b>		
Clinical services and practice plan, net of contractual allowances of \$110,513 in 2024 and \$75,146 in 2023	\$ 399,484	\$ 398,426
Federal grants and contracts	115,082	97,210
State and local grants and contracts	10,966	16,069
Nongovernmental grants and contracts	14,848	15,267
Facilities and administrative cost recoveries	36,004	34,378
Sales and services of educational departments	2,337	1,523
Other operating revenue	4,978	6,218
<b>Total operating revenue</b>	<b>583,699</b>	<b>569,091</b>
<b>OPERATING EXPENSES</b>		
Instruction	120,043	98,895
Research	122,323	117,843
Public service	168,842	160,413
Academic support	114,554	91,442
Institutional support	13,444	14,699
Operation and maintenance of plant	950	815
Scholarships and fellowships	65,259	59,251
Depreciation and amortization	8,820	8,451
<b>Total operating expense</b>	<b>614,235</b>	<b>551,809</b>
<b>Operating (loss) gain</b>	<b>(30,536)</b>	<b>17,282</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Gifts	354	1,044
Nonexchange grants and contracts	61,189	55,787
Interest expense	(91)	(96)
Other nonoperating revenue	6,230	6,438
<b>Net nonoperating revenue</b>	<b>67,682</b>	<b>63,173</b>
Transfers to related entities	(21,116)	(38,451)
<b>Total other revenue</b>	<b>46,566</b>	<b>24,722</b>
<b>Increase in net position</b>	<b>16,030</b>	<b>42,004</b>
<b>NET POSITION</b>		
Net position - beginning of year	250,284	208,280
<b>Net position - end of year</b>	<b>\$ 266,314</b>	<b>\$ 250,284</b>

See notes to financial statements

**UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.**  
**A Component Unit of the University of Louisville**  
**Statements of Cash Flows**  
**For Years Ended June 30, 2024 and 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Clinical services	\$ 358,540	\$ 341,938
Grants and contracts	126,613	140,233
Sales and service of educational departments	2,337	1,523
Payments to suppliers	(221,289)	(189,800)
Payments to employees	(246,616)	(225,806)
Payments for benefits	(59,658)	(58,360)
Payments for scholarships and fellowships	(75,929)	(64,649)
Facilities and administrative cost recoveries	36,004	34,378
Other operating revenue	4,978	6,218
<b>Net cash used in operating activities</b>	<b>(75,020)</b>	<b>(14,325)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Gifts	354	1,044
Nonexchange grants and contracts	61,189	55,787
Transfers to related entities	(21,116)	(38,451)
Due to affiliates	11,041	22,958
Other noncapital financing activities	17,271	17,270
<b>Net cash provided by noncapital financing activities</b>	<b>68,739</b>	<b>58,608</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(11,925)	(13,553)
Interest paid	(88)	(98)
<b>Net cash used in capital and related financing activities</b>	<b>(12,013)</b>	<b>(13,651)</b>
Net (decrease) increase in cash and cash equivalents	(18,294)	30,632
Cash and cash equivalents - beginning of year	137,413	106,781
<b>Cash and cash equivalents - end of year</b>	<b>\$ 119,119</b>	<b>\$ 137,413</b>

See notes to financial statements

**UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.**  
**A Component Unit of the University of Louisville**  
**Statements of Cash Flows**  
**For Years Ended June 30, 2024 and 2023**

	2024	2023
<b>RECONCILIATION OF NET OPERATING (LOSS) GAIN TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating (loss) gain	\$ (30,536)	\$ 17,282
Adjustments to reconcile operating (loss) gain to net cash used in operating		
Depreciation and amortization	8,820	8,451
Loss on equipment disposals	300	460
Bad debt expense	336	2,679
Change in assets and liabilities:		
Accounts receivable	(37,055)	(30,997)
Inventories	(4)	(49)
Other assets	(455)	(159)
Other long term assets	21	21
Accounts payable and accrued liabilities	1,358	8,162
Unearned grant revenue	(1,354)	688
Other long-term liabilities	1,537	(5,047)
Deferred outflows of resources	942	(486)
Deferred inflows of resources	(18,930)	(15,330)
<b>Net cash used in operating activities</b>	<b>\$ (75,020)</b>	<b>\$ (14,325)</b>

See notes to financial statements

**UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to the Financial Statements**  
**For Years Ended June 30, 2024 and 2023**

**1. Organization and Summary of Significant Accounting Policies**

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

**a. Basis of Presentation**

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

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

**b. Cash and Cash Equivalents**

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

**c. Accounts Receivable**

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

**d. Lease Receivables**

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

**e. Inventories**

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

**f. Capital Assets**

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

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

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

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

**g. Right-of-Use Assets and Liabilities**

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

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

**h. Impairment**

The Research Foundation evaluates capital assets and leases for impairment when events or circumstances indicate a significant decline in the use of an asset has occurred. When an impairment is incurred, the accumulated depreciation, or amortization will be adjusted and the impairment loss will be booked. As of June 30, 2024 and 2023, no impairments were recognized.

**i. Deferred Outflows of Resources**

Deferred outflows of resources are a consumption of net assets that are applicable to a future reporting period and increase net position, similar to assets. Deferred outflows of resources of \$5.5 million and \$6.4 million for the years ended June 30, 2024 and 2023, respectively, consist of future payments to be made for other post-employment benefits and changes to assumptions used to calculate the future liability.

**j. Unearned Grant Revenue**

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

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

In the case of advanced funding, the Research Foundation receives funds prior to incurring costs pursuant to the sponsored agreement, with the stipulation that these funds may have to be returned to the sponsor in the event the project is not completed to the sponsor's satisfaction. These funds, totaling \$2.4 million and \$3.7 million as of June 30, 2024 and 2023, respectively, are recorded in the Research Foundation's financial statements as unearned grant revenue and recognized as revenue as reimbursable costs are incurred.

**k. Compensated Absences**

Research Foundation policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment.

Expense and the related liability are recognized as the vacation or sick benefits are earned, whether the employee is expected to realize the benefit as time off or as cash payment in the event of ending employment. Compensated

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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.

**I. Deferred inflows of Resources**

Deferred inflows of resources are an acquisition of net assets that are applicable to a future reporting period and decrease net position similar to liabilities. Deferred inflows of resources of \$625.3 million and \$644.2 million for the years ended June 30, 2024 and 2023 consist of changes in the other post-employment benefits liability of \$7.7 million and \$9.5 million, respectively, and \$617.6 million and \$634.7 million of future revenues from leasing arrangements and will be amortized during future periods.

**m. Net Position**

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

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

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

	2024	2023
Net investment in capital assets	\$ 60,462	\$ 59,149
Restricted expendable for:		
Research	15,264	21,046
Instruction	198	427
Public service	219	313
Academic support	5	—
Institutional support	—	534
Unrestricted	190,166	168,815
<b>Total net position</b>	<b>\$ 266,314</b>	<b>\$ 250,284</b>

**n. Revenue and Expense Classifications**

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

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

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

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**o. Net Clinical Services Revenue**

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

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

**p. Tax Status**

As an affiliate of a state institution of higher education, the income of the Research Foundation is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the Research Foundation is subject to federal income tax on any unrelated business income.

**q. Use of Estimates**

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

**r. Reclassifications**

Certain 2023 amounts have been reclassified to conform to the 2024 presentation. The reclassifications more accurately represent revenue and expense activities in the categories presented on the statement of revenues, expense and changes in net position. These reclassifications had no effect on the change in net position.

**s. Recent Accounting Pronouncements**

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

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 reported retroactively by restating prior year's financial statements or if they are reported prospectively is provided.

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 Research Foundation 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 Research Foundation 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 the government's 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.

**2. Cash and Cash Equivalents**

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

The University currently uses commercial banks and the Commonwealth of Kentucky (the Commonwealth) as its depositories. Deposits with commercial banks are covered up to the limits of federal depository insurance or collateral held by the bank in the University's name. At the Commonwealth, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth-pooled deposits are substantially covered by federal depository insurance or by collateral held by the Commonwealth in the Commonwealth's name. The Research Foundation does not have a formal policy addressing custodial credit risk.

**3. Transactions with Related Entities**

**a. Transfers with Related Entities**

The University provides certain facilities and administrative services to the Research Foundation for a share of the facilities and administrative cost recoveries. The current agreement provides for a transfer of 80%, after certain deductions, of the cost recoveries realized. Transfers from the Research Foundation to the University for their portion of cost recoveries totaled \$22.7 million and \$18.3 million for the years ended June 30, 2024 and 2023, respectively.

During the fiscal year ended June 30, 2024, research and operational support provided from the University to the Research Foundation totaled \$10.7 million. During the fiscal year ended June 30, 2023, \$7.1 million was provided to the University by the Research Foundation for research and operational support.

The Research Foundation transferred \$10.3 million and \$14.8 million of the academic and programmatic support payments received from UL Health to the University during the years ended June 30, 2024 and 2023. The Research Foundation transferred \$3.3 million and \$3.2 million related to capital projects and debt service payments during each of the fiscal years ended June 30, 2024 and 2023, respectively, to the University. These transfers relate to certain capital projects, which are financed by the University.

For each of the years ended June 30, 2024 and 2023, the Research Foundation was the recipient of \$2.9 million and \$5.0 million, respectively, from related entities to assist in funding cost share required by certain sponsored programs and grants.

**b. Receivables with Related Entities**

The Research Foundation received a \$5.9 million unsecured, non-interest bearing note from University of Louisville Physicians, Inc. (ULP), an affiliate entity, for past due fees owed to the Research Foundation. The outstanding note balance was \$0.8 million and \$1.6 million as of June 30, 2024 and 2023, respectively.

The Research Foundation has receivables from ULP due through the normal course of business which are reflected in accounts receivable, net in the Statements of Net Position. As of June 30, 2024 and 2023 receivables of \$110 thousand and \$97 thousand were due, respectively.

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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. No amounts were approved for the year ended June 30, 2024. During fiscal year 2024, the Research Foundation received payments of \$20.5 million related to the agreement with UL Health. As of June 30, 2024, the remaining balance due is \$12.5 million of which \$9.6 million is reported in current due from affiliate and \$2.6 million is reported in noncurrent due from affiliate.

The Research Foundation has receivables from UL Health due through the normal course of business which are reflected in accounts receivable, net in the Statements of Net Position. As of June 30, 2024 and 2023, receivables of \$23.6 million and \$13.3 million were due, respectively.

**4. Accounts Receivable, net**

Accounts receivable, net as of June 30, 2024 and 2023, are summarized as follows (in thousands):

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

<b>2023</b>			
	<b>Gross Receivable</b>	<b>Allowance</b>	<b>Net Receivable</b>
Patient care	\$ 86,703	\$ (22,416)	\$ 64,287
Sponsored agreements	27,559	(3,067)	24,492
Lease receivables	653,157	—	653,157
<b>Total</b>	<b>\$ 767,419</b>	<b>\$ (25,483)</b>	<b>\$ 741,936</b>
Current portion			\$ 99,025
Noncurrent portion			\$ 642,911

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**5. Capital and Intangible Assets, net**

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

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

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	2023				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Cost - Nondepreciable					
Land	\$ 351	\$ —	\$ —	\$ —	\$ 351
Construction in progress	602	6,406	(234)	—	6,774
<b>Subtotal</b>	<b>953</b>	<b>6,406</b>	<b>(234)</b>	<b>—</b>	<b>7,125</b>
Cost - Depreciable					
Buildings	71,002	116	—	—	71,118
Infrastructure	929	—	—	—	929
Land improvements	237	—	—	—	237
Equipment	102,044	6,673	(1,897)	—	106,820
Leasehold improvements	818	—	—	—	818
Library materials	62	—	(2)	—	60
Right-of-use assets	9,631	358	—	—	9,989
<b>Subtotal</b>	<b>184,723</b>	<b>7,147</b>	<b>(1,899)</b>	<b>—</b>	<b>189,971</b>
<b>Total capital and intangible assets, cost</b>	<b>185,676</b>	<b>13,553</b>	<b>(2,133)</b>	<b>—</b>	<b>197,096</b>
Accumulated depreciation and amortization					
Buildings	34,028	1,428	—	—	35,456
Infrastructure	132	16	—	—	148
Land improvements	76	6	—	—	82
Equipment	89,535	4,650	(1,673)	—	92,512
Leasehold improvements	749	6	—	—	755
Library materials	50	2	—	—	52
Right-of-use assets	4,596	2,343	—	—	6,939
<b>Total accumulated depreciation and amortization</b>	<b>129,166</b>	<b>8,451</b>	<b>(1,673)</b>	<b>—</b>	<b>135,944</b>
<b>Capital and intangible assets, net</b>	<b>\$ 56,510</b>	<b>\$ 5,102</b>	<b>\$ (460)</b>	<b>\$ —</b>	<b>\$ 61,152</b>

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**6. Leases**

**a. Lessee Arrangements**

The Research Foundation leases operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2034 and provide for renewal options ranging from one year to fifty years. The Research Foundation records right-of-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the Research Foundation's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. The Research Foundation does not have any leases subject to a residual value guarantee. Right-of-use assets recorded are for the lease of buildings.

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

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

For the years ending June 30,	Principal	Interest
2025	1,962	104
2026	1,097	59
2027	554	36
2028	565	19
2029	316	5
2030-2034	93	2
<b>Total future payments</b>	<b>\$ 4,587</b>	<b>\$ 225</b>

**b. Lessor Arrangements**

The Research Foundation holds the leases of the University hospitals with an external affiliated party. The leases expire at various dates through 2060 and have renewals for five-year periods. The Research Foundation records lease receivables as deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease or the Research Foundation's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. During the years ended June 30, 2024 and 2023, the Research Foundation recognized revenues relating to these lease arrangements totaling \$26.7 million.

**7. Other Liabilities**

Other liabilities of the Research Foundation consisted of the following at June 30, 2024 and 2023 (in thousands):

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

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	2023						
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion	
Lease liabilities	\$ 4,975	\$ 361	\$ (2,265)	\$ 3,071	\$ 1,918	\$ 1,153	
Other long-term liabilities	8	—	—	8	—	8	
<b>Total</b>	<b>\$ 4,983</b>	<b>\$ 361</b>	<b>\$ (2,265)</b>	<b>\$ 3,079</b>	<b>\$ 1,918</b>	<b>\$ 1,161</b>	

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

### a. Clinics and Laboratories

The University's Health Science Center operates various clinics, which generate revenues from the treatment of patients, as well as laboratory services. Net revenues associated with the operations of these clinics totaled \$97.2 million and \$129.2 million for the years ended June 30, 2024 and 2023, respectively.

### b. UL Health, Inc.

During the fiscal year ending June 30, 2020 UMC became wholly owned by UL Health, Inc. UL Health, Inc. consolidated the management of existing hospital facilities and facilities obtained in acquisition with operations of University Medical Center, Inc. d/b/a University of Louisville Hospital (UMC) and University of Louisville Physicians, Inc. (ULP) to optimize operations and management. UL Health, Inc.'s operating agreement with the University states that profitable operations in excess of budget will be shared equally with the university. There was no profit share contribution for the year ended June 30, 2024. The profit share contribution was \$7.9 million for the year ended June 30, 2023.

The Research Foundation, through the University, has an academic affiliation agreement with UL Health for the purpose of advancing the University's academic, education and research missions, providing quality patient care regardless of ability to pay and assurance that state-of-the-art facilities will be available for providing healthcare to patients. University employees, residents and students provide medical care utilizing UL Health run facilities, in return, UL Health receives revenues for the services provided. UL Health provides support to the University through annual funding for salaries, benefits and insurance coverage, annual academic support and annual departmental/administrative support pursuant to the terms of the master support and services agreement. For the years ending June 30, 2024 and 2023, support totaling approximately \$151.4 million and \$146.2 million, respectively, was received under these agreements.

### c. Norton Healthcare

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

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

The Research Foundation received total support of \$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.

### d. Other Clinical Revenues

The Research Foundation works with other area hospitals by providing support services, such as residents and other staff. Revenues associated with these activities totaled approximately \$31.7 million and \$24.9 million for the years ended June 30, 2024 and 2023, respectively.

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**9. Natural Classification**

Operating expenses by natural classification for the years ended June 30, 2024 and 2023 were approximately (in thousands):

	2024				
	Salary and wages	Employee benefits	Scholarships and fellowships	Supplies and other	Total
Instruction	\$ 80,179	\$ 19,511	\$ 6,789	\$ 13,564	\$ 120,043
Research	61,545	15,863	3,890	41,025	122,323
Public service	45,724	12,038	223	110,857	168,842
Academic support	47,587	10,694	1,461	54,812	114,554
Institutional support	9,171	1,578	—	2,695	13,444
Operation and maintenance of plant	752	256	—	(58)	950
Scholarships and fellowships	1,658	22	63,566	13	65,259
Depreciation and amortization	—	—	—	—	8,820
<b>Total</b>	<b>\$ 246,616</b>	<b>\$ 59,962</b>	<b>\$ 75,929</b>	<b>\$ 222,909</b>	<b>\$ 614,235</b>

	2023				
	Salary and wages	Employee benefits	Scholarships and fellowships	Supplies and other	Total
Instruction	\$ 69,661	\$ 16,595	\$ 2,535	\$ 10,104	\$ 98,895
Research	58,212	15,222	3,039	41,370	117,843
Public service	44,965	11,250	314	103,884	160,413
Academic support	43,224	9,580	905	37,733	91,442
Institutional support	7,814	306	—	6,579	14,699
Operation and maintenance of plant	665	262	—	(112)	815
Scholarships and fellowships	1,265	70	57,881	35	59,251
Depreciation and amortization	—	—	—	—	8,451
<b>Total</b>	<b>\$ 225,806</b>	<b>\$ 53,285</b>	<b>\$ 64,674</b>	<b>\$ 199,593</b>	<b>\$ 551,809</b>

**10. Retirement Plan**

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

The Research Foundation recorded expenses related to the defined contribution plan of \$14.8 million and \$13.8 million during the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, the Research Foundation had no outstanding liability related to the Plan.

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**11. Postemployment Healthcare Benefits**

**a. Plan Description**

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

To be eligible for the Healthcare Plan, a retired employee must be the earlier of the attainment of age 60 with seven years of service in eligible faculty or staff status, or as of the date that the sum of the employee's age and years of regular service of not less than 80% full-time equivalent at the University equals or exceeds 75.

The following employees were covered by the benefit terms as of July 1, 2024 and 2023:

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

**b. Funding Policy**

The Healthcare Plan is funded on a pay-as-you-go basis. The contribution requirements of the contributing members are determined by the University's management on an annual basis. During the years ended June 30, 2024 and 2023, the University contributed \$3.8 million and \$3.9 million to the Plan, approximately 80% of total premiums. Retired Healthcare Plan members under age 65 receiving benefits contributed \$918 thousand and \$958 thousand, approximately 20% of total premiums. Retired Healthcare 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 Post Employment Benefit (OPEB) Cost and Net OPEB Obligation**

The University's total OPEB liability was measured by an actuarial valuation as of June 30, 2023 (measurement date). The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.25%
Salary Increases	5.00%, average
Investment rate of return	NA
Healthcare trend rates	Initial rate of 7.0% 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 and 3.69% as of the beginning of the Measurement Period.



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Changes in total reported liability for postemployment benefits obligations for the years 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)
<b>Balance, end year</b>	<b>\$ 79,475</b>	<b>\$ 79,415</b>

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

	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

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	—
<b>Total</b>	<b>\$ 15,738</b>	<b>\$ 21,972</b>

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

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

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

**d. Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates about the future.

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

**12. Commitments and Contingencies**

**a. Litigation**

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

**b. Government Grants**

The Research Foundation is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditure of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

**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)
<b>Net change in OPEB Liability</b>	<b>\$ 60</b>	<b>\$ (6,525)</b>	<b>\$ 5,702</b>	<b>\$ 5,999</b>	<b>\$ 9,509</b>	<b>\$ (24,113)</b>	<b>\$ (3,179)</b>
OPEB liability - beginning of year	79,415	85,940	80,238	74,239	64,730	88,843	92,022
<b>OPEB liability - end of year</b>	<b>\$ 79,475</b>	<b>\$ 79,415</b>	<b>\$ 85,940</b>	<b>\$ 80,238</b>	<b>\$ 74,239</b>	<b>\$ 64,730</b>	<b>\$ 88,843</b>
Covered employee payroll	\$ 473,424	\$ 445,201	\$ 434,864	\$ 490,221	\$ 493,893	\$ 450,332	\$ 445,356
<b>Total OPEB liability as a percentage of covered employee payroll</b>	<b>16.79 %</b>	<b>17.84%</b>	<b>19.76%</b>	<b>16.37%</b>	<b>15.03 %</b>	<b>14.37 %</b>	<b>19.95 %</b>

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



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