UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.

A Component Unit of the University of Louisville

Auditor's Report and Financial Statements
June 30, 2016 and 2015

UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.

A Component Unit of the University of Louisville

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Directors
University of Louisville Athletic Association, Inc.
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of University of Louisville Athletic Association, Inc. (Association), a component unit of the University of Louisville, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association, as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11, and the Schedule of Funding Progress on page 38, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
November 11, 2016

UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.

A Component Unit of the University of Louisville

Management's Discussion and Analysis (Unaudited)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the University of Louisville Athletic Association, Inc. (Association) as of and for the years ended June 30, 2016, 2015, and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and related notes, which follow this section.

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 (University), a state-supported metropolitan research university located in Kentucky's largest city. The Association is reported herein as a separate corporation and it is included in the financial statements of the University.

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.

The Association continues to support the athletic achievements of the students by expanding and improving the facilities. During the current fiscal year, construction of the $16 million Thornton Academic Center was substantially completed. The Association announced plans and has begun fundraising for the second expansion of Papa John's Cardinal Stadium. Construction is scheduled to begin upon conclusion of the 2016 football season.

The Association continues to invest in the academic achievement and community involvement of the student-athletes. During the 2015/2016 academic year in the ACC, the Association had 346 student-athletes included in the ACC Honor Roll. In addition, nine teams – baseball, men's basketball, women's lacrosse, men's and women's cross country, women's track and field, field hockey, men's tennis and men's golf – were recognized by their national associations for academic achievement.

Financial Highlights

The Association's financial position at June 30, 2016 is characterized by the following:

- Total assets were $280.1 million, an increase of $16.5 million, or 6%, from June 30, 2015, due mainly to increases in accounts and contributions receivable and capital assets for funding and construction of the Academic Center.

- Total liabilities were $140.4 million, an increase of $14.8 million, or 12%, compared to June 30, 2015, due mainly to the new $15 million loan made to the Association from the University for the construction of the Thornton's Academic Center.

- Net position, which represents the residual interest in assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was $140.0 million, an increase of $2.2 million compared to June 30, 2015.

- Operating revenues amounted to $71.3 million and when offset by operating expenses of $100 million, an operating loss of $28.6 million resulted. The operating loss was offset by net nonoperating revenues of $30.8 million resulting in an increase in net position of $2.2 million for the year ended June 30, 2016.

- Net nonoperating revenues of $30.8 million consisted of $38.6 million in gifts and $.8 million of other net losses, offset by $2.3 million of interest on capital related debt and $4.7 million of realized and unrealized losses.

As of June 30, 2016, assets exceed liabilities by a ratio of 2 to 1, consistent with the prior year. The Association's most significant asset, the Stadium, is reflected at its historic cost of $153.7 million less $45.8 million in accumulated depreciation for a net capitalized value of $107.9 million.

Statements of Net Position

The statements of net position present the financial position of the Association at the end of each fiscal year and include all assets, liabilities, and deferred inflows and outflows of resources. Net position, the difference between total assets, total deferred outflows of resources, total liabilities, and total deferred inflow of resources, provides a summary of the current financial condition of the Association at the end of a fiscal year. The change in net position indicates whether the overall financial condition has improved or deteriorated during the year. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values. Pledges receivable with payment terms greater than one year are discounted. Capital assets are stated at historical cost less an allowance for accumulated depreciation. The condensed statements of the Association's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2016, 2015, and 2014 are as follows:

Condensed Statements of Net Position
June 30, 2016, 2015, and 2014
(In Thousands)

	2016	2015	2014	2016 - 2015 Change	2015 - 2014 Change
ASSETS					
Current assets	$ 52,709	$ 50,327	$ 46,628	$ 2,382	$ 3,699
Long-term investments	27,938	30,583	34,314	(2,645)	(3,731)
Capital assets, net	165,384	153,014	154,147	12,370	(1,133)
Other	34,067	29,640	31,138	4,427	(1,498)
Total assets	280,098	263,564	266,227	16,534	(2,663)
DEFERRED OUTFLOWS OF RESOURCES	441	110	48	331	62
LIABILITIES					
Current liabilities	58,841	50,284	51,317	8,557	(1,033)
Noncurrent liabilities	81,550	75,343	82,379	6,207	(7,036)
Total liabilities	140,391	125,627	133,696	14,764	(8,069)
DEFERRED INFLOWS OF RESOURCES	175	238	304	(63)	(66)
NET POSITION					
Net investment in capital assets	113,091	92,034	92,999	21,057	(965)
Restricted - nonexpendable	1,633	1,791	1,656	(158)	135
Restricted - expendable	24,362	36,230	24,392	(11,868)	11,838
Unrestricted	887	7,754	13,228	(6,867)	(5,474)
Total net position	$ 139,973	$ 137,809	$ 132,275	$ 2,164	$ 5,534

Assets

Current assets of $52.7 million represent 19% of total assets. These assets mainly consist of $39.0 million in cash and cash equivalents, $7.0 million in accounts and contributions receivable, and $5.8 million in deposits with bond trustees. Current assets increased by $2.4 million, with an increase in cash and cash equivalents and a decrease in accounts and contributions receivable. The $3.2 million increase in current cash and equivalents is primarily a result of cash received from men's basketball ticket sales for the 2016 season. Season ticket renewals were sent out earlier in fiscal year 2016 compared to past years, resulting in an increase in deferred revenue. The continued collection of payments due on existing pledges contributed to the $1.3 million decrease in accounts and contributions receivable.

The remaining $227.4 million, or 81% of total assets, is classified as noncurrent. The Association's most significant long-term assets are $165.4 million in net capital assets, $26.0 million in investments held with the Foundation, and $24.9 million in accounts and contributions receivable. Noncurrent assets increased $14.2 million compared to the prior year, due to additions to capital assets for the Academic Center and other projects. The decrease in investments was mostly offset by the increase in accounts and contributions receivable.

Liabilities

Current liabilities were $58.8 million at June 30, 2016, representing an increase of $8.6 million compared to the prior year. This consists primarily of $39.6 million held for advanced ticket sales and sponsorships. Advances increased $3.6 million over the prior year. Accounts payable and accrued liabilities increased $3.1 million over the prior year.

Noncurrent liabilities were $81.6 million, or 58% of total liabilities, at June 30, 2016. The most significant noncurrent liability consists of $43.6 million in bonds and notes payable for the Stadium and other capital projects. The Association also has $23.3 million in interest-free and interest bearing loans from the University and the Foundation in noncurrent liabilities. These loans relate to the construction of the Stadium, Cardinal Park and the Academic Center. Noncurrent liabilities increased $6.2 million, or 8%, when compared to the prior year, due mainly to the long term portion of the $15 million loan from the University.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Association reports deferred outflows and inflows of resources, which represent a consumption or acquisition of net position that applies to future periods. The Association recognizes the fair market value of two financial derivatives related to outstanding debt in other long-term assets or other long-term liabilities. As both derivatives are considered to be effective in the reduction of risk, the change in their fair market value is shown as a deferred outflows or inflows of resources. In total, the fair market values related to the derivatives decreased by $0.4 million, with the fair value of the interest rate swap remaining in deferred outflow of resources due to its negative position of $0.4 million.

The Association reports as deferred outflows of resources the loss on refunding of the bonds related to the Stadium refunded in 2008, with a balance of $7 thousand as of June 30, 2016.

Net Position

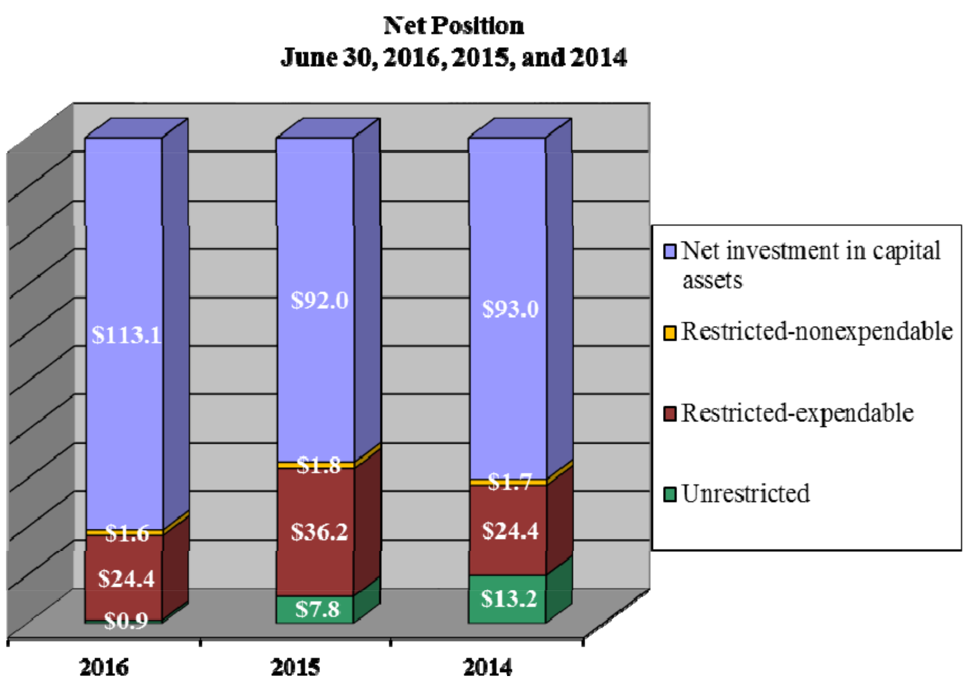
Total net position of $140.0 million as of June 30, 2016 is reported in the following categories: net investment in capital assets, $113.1 million (81%); restricted-nonexpendable, $1.6 million (1%); restricted-expendable, $24.4 million (17%); and unrestricted, $0.9 million (1%).

Net investment in capital assets primarily represents the net investment in the Stadium. The increase of $21.1 million relates mainly to additional construction in progress of $15.8 million and the additions in land improvements of $1.0 million. The additional capital assets are offset by the $5.1 million of depreciation expense recognized during the year.

Restricted-nonexpendable net position includes amounts that are subject to externally imposed restrictions that require the Association to maintain the assets in perpetuity. The Association's restricted-nonexpendable net position consists of permanent endowment for scholarships. The restricted-expendable net position of the Association consists of amounts subject to externally imposed restrictions from donors, debt instruments, and other contractual obligations that govern their use. When compared to June 30, 2015, restricted-expendable net position decreased $.2 million, as the earnings from the endowment declined.

Unrestricted net position decreased $6.9 million, or 89% as compared to the prior year. The decrease is due mainly to the use of operating income to contribute to debt and capital expenditures.

A graphic illustration of net position as of June 30, 2016, 2015, and 2014 is as follows:



Fiscal Year 2015

Total assets at June 30, 2015 were $263.6 million, a decrease of $2.6 million compared to the $266.2 million as of June 30, 2014. Noncurrent assets decreased $6.4 million compared to the prior year, due to the $3.7 million decrease in Investments held with the Foundation. This decrease resulted from the liquidation of certain investments to meet contractual obligations and the decreased market value of the Foundation's endowment pool.

Liabilities at June 30, 2015 were $125.6 million as compared to $133.7 million as of June 30, 2014. The decrease was related to decreases of $8.7 million in scheduled debt payments.
Deferred outflows of resources represent the unamortized portion of the loss on refinancing of the debt associated with the Stadium and the negative position of the interest rate swap on outstanding debt of the Association. The change from the prior year is due to the amortization of the loss over the remaining life of the debt and the recognition of the change to the negative position of the swap derivative. Deferred inflows of resources at June 30, 2015 of $0.2 million relate to the fair market value of the derivative associated with the Association's debt that is still in a positive position.

Net position at June 30, 2015 was $137.8 million, an increase of $5.5 million over the June 30, 2014 net position. The increase in net investment in capital assets of $16.7 million was partially offset by the $2.9 million decrease in restricted expendable net position. The increase in net position primarily relates to the construction in progress of $19.5 million, including the Dr. Mark and Cindy Lynn Soccer Stadium.

Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position present the Association's results of operations. Revenues and expenses are categorized as operating or nonoperating revenues or expenses according to their source or purpose. Significant sources of revenues such as gifts, investment returns and the supplemental income received from the University for gender equity purposes, as well as the student fees collected, are classified as nonoperating activities. Capitalized assets are being depreciated over their useful lives. Depreciation is recognized as an operating expense.

The Association's condensed statements of revenues, expenses and changes in net position for the years ended June 30, 2016, 2015 and 2014 are shown below:

Condensed Statements of Revenues, Expenses and Changes in Net Position
Years ended June 30, 2016, 2015, and 2014
(In Thousands)

	2016	2015	2014	2016 - 2015 Change	2015 - 2014 Change
OPERATING REVENUES					
Sports	$ 56,830	$ 55,512	$ 43,320	$ 1,318	$ 12,192
Other operating revenues	14,505	10,560	8,846	3,945	1,714
Total operating revenues	71,335	66,072	52,166	5,263	13,906
OPERATING EXPENSES					
Sports	60,382	55,353	52,712	5,029	2,641
Other operating expenses	34,410	33,151	29,750	1,259	3,401
Depreciation	5,175	4,986	4,353	189	633
Total operating expenses	99,967	93,490	86,815	6,477	6,675
Operating loss	(28,632)	(27,418)	(34,649)	(1,214)	7,231
NONOPERATING REVENUES (EXPENSES)					
Gifts	38,608	36,502	41,998	2,106	(5,496)
Net realized and unrealized (loss)/gain on investments	(4,710)	(2,465)	2,231	(2,245)	(4,696)
Investment returns	215	394	450	(179)	(56)
Other nonoperating expenses	(2,415)	(2,487)	(2,577)	72	90
Contributions (to)/from related entities	(902)	1,008	6,628	(1,910)	(5,620)
Net nonoperating revenues	30,796	32,952	48,730	(2,156)	(15,778)
Increase in net position	2,164	5,534	14,081	(3,370)	(8,547)
NET POSITION					
Net position-beginning of year	137,809	132,275	118,194	5,534	14,081
Net position-end of year	$ 139,973	$ 137,809	$ 132,275	$ 2,164	$ 5,534

Operating Revenues

Total operating revenues were $71.3 million and $66.1 million for the years ended June 30, 2016 and 2015, respectively. Income from sports programs, primarily from football and basketball ticket sales, comprised $56.8 million, or 80% of total operating revenues for the year. Other operating revenues amounting to $14.5 million and $10.6 million for the years ended June 30, 2016 and 2015, respectively, include revenues from sources such as concession sales, parking and facilities rentals, and media contracts. Operating revenues increased $5.3 million, or 8%, due mainly to the $3.7 million of guaranteed revenue in licensing agreements from the conference and $1.2 million for hosting the Men's Basketball NCAA Regional Final.

Operating Expenses

Total operating expenses were $100 million and $93.5 million for the years ended June 30, 2016 and 2015, respectively. For the year ended June 30, 2016, expenses consist mainly of $60.4 million in direct sports-related expenses. The remaining $39.6 million in operating expenses consist mainly of support services of $9.8 million; marketing and development of $7.8 million; and administrative expenses of $8.1 million. The depreciation expense of $5.2 million is associated primarily with the Stadium.

Total operating expenses increased by $6.5 million, or 7%, in the current year due mainly to direct sports-related expenses, which consists primarily of increased salaries and benefits of $2.5 million due to contractual obligations.

Operating Loss, Nonoperating Revenues and Net Position

The Association's loss from operations amounted to $28.6 million and $27.4 million for the years ended June 30, 2016 and 2015, respectively. During the fiscal year ended June 30, 2016, the operating loss was offset by the $30.8 million in nonoperating revenues and capital gifts, leaving an increase in net position of $2.2 million, compared to the $5.5 million increase in net position realized during the fiscal year ended June 30, 2015.

Overall, nonoperating revenues decreased $2 million, or 8%. Contributions from related entities decreased $2 million. Capital gifts increased $1.7 million. During the current fiscal year, the Association had a net realized and unrealized loss of $4.7 million compared to a net loss in the prior year of $2.5 million, resulting in an additional loss of $2.2 million. This decrease is a result of the market value of the investments held with the Foundation.

Fiscal Year 2015

The Association's loss from operations amounted to $27.4 million and $34.6 million for the years ended June 30, 2015 and 2014, respectively. During the fiscal year ended June 30, 2015, the operating loss was offset by the $32.9 million in nonoperating revenues leaving an increase in net position of $5.5 million. This is a decrease of $8.6 million as compared to the $14.1 million increase in net position realized during the fiscal year ended June 30, 2014.

Overall, nonoperating revenues decreased $15.8 million, or 32%. Contributions from related entities decreased $5.6 million as the prior year included a transfer of a one-time gift of $6.7 million. As the Association had fewer capital projects in process during the year, capital gifts decreased $5.0 million. During the current fiscal year, the Association had a net realized and unrealized loss of $2.5 million compared to a net gain in the prior year of $2.2 million, resulting in a decrease of $4.7 million. This decrease is a result of the market value of the investments held with the Foundation.

Statements of Cash Flows

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

A summary of the Association's cash flow activity for the years ended June 30, 2016, 2015 and 2014 is shown below:

Condensed Statements of Cash Flows
Years ended June 30, 2016, 2015, and 2014
(In Thousands)

	2016	2015	2014	2016 - 2015 Change	2015 - 2014 Change
Cash (used)/provided by:					
Operating activites	$ (23,054)	$ (20,300)	$ (31,453)	$ (2,754)	$ 11,153
Noncapital financing activities	30,468	29,957	35,874	511	(5,917)
Capital financing activities	(2,386)	(9,030)	(21,543)	6,644	12,513
Investing activities	(2,282)	1,348	1,046	(3,630)	302
Net increase/(decrease) in cash and cash equivalents	2,746	1,975	(16,076)	771	18,051
Cash and cash equivalents, beginning of year	45,290	43,315	59,391	1,975	(16,076)
Cash and cash equivalents, end of year	$ 48,036	$ 45,290	$ 43,315	$ 2,746	$ 1,975

Operating Activities

The Association's cash and cash equivalents increased by $2.7 million during the year. The Association experienced a net outflow of $23.1 million in cash paid for operations, an increase of $2.8 million from the fiscal year ended June 30, 2015. Other athletic program receipts increased $4.0 million.

Other Activities

Cash provided by noncapital and related financing activities of $30.5 million offset the cash used by operating activities. These cash flows consist primarily of $31.4 million in gifts received to support the sports programs. Cash used by capital financing activities relates mainly to the $11.5 million of cash used for principal and interest payments on long-term liabilities and the $15.0 million of cash used to purchase capital assets.

Cash required by investing activities was $2.3 million, a decrease from the $1.3 million provided in the prior year. During the prior year, the Association liquidated a portion of investments held with the Foundation to fulfill planned contractual obligations.

Fiscal Year 2015

The Association's cash and cash equivalents increased by $2.0 million during the year. The Association experienced a net outflow of $20.3 million in cash paid for operations, a decrease of $11.2 million, or 35% compared to the fiscal year ended June 30, 2014. Other athletic program receipts increased $6.6 million and cash provided from NCAA distributions increased $6.3 million due to the participation in a new conference and performance by the teams.

Cash provided by noncapital and related financing activities of $30.0 million offset the cash used by operating activities. These cash flows consist primarily of $28.9 million in gifts received to support the sports programs. Cash used by capital financing activities relates mainly to the $11.1 million of cash used for principal and interest payments on long-term liabilities and the $6.6 million of cash used to purchase capital assets. The $12.5 million decrease in cash used by capital financing is due to the multiple construction projects during the fiscal year ended June 30, 2014 that were completed during the first part of the current fiscal year.

Cash provided by investing activities was $1.3 million, similar to the $1.0 million provided in the prior year. During the prior year, the Association liquidated a portion of investments held with the Foundation to support the University and fulfill planned contractual obligations.

Economic Factors that May Affect Future Periods

The Association's budgetary goals for the current year include opening the Academic Center on the south side of the Stadium and beginning construction on the second expansion of the Papa John's Cardinal Stadium. Additionally, the intention is to grow merchandising and licensing programs to become more visible, both nationally and internationally. The Association continues to meet extensively with the conference administration and uses those discussions as a basis for estimated revenue from the conference.

The Association's Board of Directors approved a balanced operating budget for the 2017 fiscal year. The balanced budget calls for $96.4 million in revenues and expenses, a 4.2% increase over the original 2016 fiscal year budget of $92.5 million. The budget includes an increase in football revenue of 5%, due primarily to an increase in the ticket prices for the home games and media revenue. On the expenses, sports operating budgets increased $3.1 million, from $48.0 million budgeted for the 2016 fiscal year, due primarily to contractual obligations.

This financial report is designed to provide a general overview of the Association's finances and to show the Association'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 Athletic Association, Inc.
A Component Unit of the University of Louisville
Statements of Net Position
As of June 30, 2016 and 2015
(In Thousands)

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 39,012	$ 35,797
Deposits with bond trustee	5,754	5,678
Accounts and contributions receivable, net	7,028	8,284
Other assets	915	568
Total current assets	52,709	50,327
Noncurrent Assets:		
Restricted cash	9,024	9,493
Accounts and contributions receivable, net	24,868	19,909
Investments held with University of Louisville Foundation, Inc.	25,952	30,583
Other long-term investments	1,986	-
Other long-term assets	175	238
Capital assets, net	165,384	153,014
Total noncurrent assets	227,389	213,237
Total assets	280,098	263,564
DEFERRED OUTFLOWS OF RESOURCES	441	110
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	8,253	5,104
Unearned compensation and wages payable	1,686	522
Advances	39,574	35,963
Due to University of Louisville	585	-
Bonds and note payable	8,743	8,695
Total current liabilities	58,841	50,284
Noncurrent Liabilities:		
Due to University of Louisville	9,173	9,173
Due to University of Louisville Foundation, Inc.	316	316
Unearned compensation and wages payable	7,895	7,599
Note payable to University of Louisville	14,115	-
Note payable to University of Louisville Foundation, Inc.	1,000	1,000
Advances	3,745	3,711
Other long-term liabilities	1,753	1,248
Bonds and note payable	43,553	52,296
Total noncurrent liabilities	81,550	75,343
Total liabilities	140,391	125,627
DEFERRED INFLOWS OF RESOURCES	175	238
NET POSITION		
Net investment in capital assets	113,091	92,034
Restricted:		
Nonexpendable		
Scholarships and fellowships	1,633	1,791
Expendable		
Scholarships and fellowships	891	810
Institutional support	2,203	1,942
Capital projects	5,869	21,612
Debt service	15,399	11,866
Unrestricted	887	7,754
Total net position	$ 139,973	$ 137,809

See notes to the financial statements

University of Louisville Athletic Association, Inc.
A Component Unit of the University of Louisville
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2016 and 2015
(In Thousands)

	2016	2015
OPERATING REVENUES		
Sports:		
Basketball	$ 21,729	$ 22,066
Football	33,567	31,677
Other sports	1,534	1,769
Total sports	56,830	55,512
Papa John's Cardinal Stadium	844	661
Marketing & development	10,916	7,246
Administration	902	1,203
Support services	769	535
Other operating revenues	1,074	915
Total operating revenues	71,335	66,072
OPERATING EXPENSES		
Sports:		
Basketball	14,698	13,436
Football	20,506	18,896
Other sports	25,178	23,021
Total sports	60,382	55,353
Papa John's Cardinal Stadium	1,301	1,215
Marketing & development	7,817	7,244
Administration	8,070	6,847
Support services	9,847	8,811
Game management/facilities operations	2,997	2,947
Depreciation	5,175	4,986
Other operating expenses	4,378	6,087
Total operating expenses	99,967	93,490
Operating loss	(28,632)	(27,418)
NONOPERATING REVENUES (EXPENSES)		
Gifts	28,928	28,567
Investment returns	215	394
Net realized and unrealized (loss)/gain on investments	(4,710)	(2,465)
Interest on capital related debt	(2,336)	(2,557)
Other nonoperating (expenses)/revenues	(79)	70
Net nonoperating revenues	22,018	24,009
Capital gifts	9,680	7,935
Contributions (to)/from related entities	(902)	1,008
Total other revenues	30,796	32,952
Increase in net position	2,164	5,534
NET POSITION		
Net position-beginning of year	137,809	132,275
Net position-end of year	$ 139,973	$ 137,809

See notes to the financial statements

University of Louisville Athletic Association, Inc.
A Component Unit of the University of Louisville
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015
(In Thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Ticket sales	$ 34,332	$ 27,336
NCAA/Conference distributions	24,781	24,284
Payments to suppliers	(36,124)	(29,730)
Payments to employees	(36,640)	(34,860)
Payments for utilities	(18)	(23)
Payments for benefits	(6,452)	(6,142)
Payments for scholarships and fellowships	(14,844)	(13,099)
Other athletic program receipts	11,911	11,934
Net cash used by operating activities	(23,054)	(20,300)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Gifts	31,399	28,949
Contributions to/from related entities	(902)	1,008
Other payments	(29)	-
Net cash provided by noncapital and related financing activities	30,468	29,957
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital gifts received	9,147	8,017
Proceeds from notes payable	15,000	-
Purchases of capital assets	(14,984)	(6,579)
Principal paid on bonds and notes payable	(7,077)	(8,487)
Interest paid on bonds and notes payable	(4,396)	(2,650)
Deposits with bond trustee	(76)	669
Net cash used by capital financing activities	(2,386)	(9,030)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,058	2,777
Purchase of investments	(3,555)	(1,549)
Interest on investments	215	120
Net cash provided by investing activities	(2,282)	1,348
Net increase/(decrease) in cash and cash equivalents	2,746	1,975
Cash and cash equivalents - beginning of year	45,290	43,315
Cash and cash equivalents - end of year	$ 48,036	$ 45,290
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (28,632)	$ (27,418)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	5,175	4,986
Change in assets and liabilities:		
Accounts and contributions receivable, net	(2,964)	(1,209)
Other assets	(344)	223
Accounts payable and accrued liabilities	1,133	1,118
Advances	968	603
Unearned compensation and wages payable	1,444	1,164
Other long-term liabilities	166	233
Net cash used by operating activities	$ (23,054)	$ (20,300)
SUPPLEMENTAL CASH FLOW INFORMATION		
Capital asset additions in accounts payable	$ 2,765	$ 204

See notes to the financial statements

University of Louisville Athletic Association, Inc.

A Component Unit of the University of Louisville

Notes to Financial Statements

June 30, 2016 and 2015

1. Basis of Presentation and Summary of Significant Accounting Policies

The University of Louisville Athletic Association, Inc. (Association) (a Kentucky not-for-profit corporation) is affiliated with the University of Louisville (University) and is included within the University's financial statements. The Association is a separate corporation organized for the purpose of promoting the intercollegiate athletic activities of the University. The Association has authorized the University to receive, hold and disburse funds on behalf of the Association.

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 Association 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 nonexchange transactions 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 externally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The Association 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 Association can be found at the following:
http://louisville.edu/finance/controller/univacct/finst-1

b. Cash and Cash Equivalents

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

c. Deposits with Bond Trustee

As of June 30, 2016 and 2015, deposits with bond trustees consist of cash and investments in governmental securities and a repurchase agreement totaling $5.8 million and $5.7 million, respectively, for the Stadium Project Revenue Bonds. Investments in governmental securities are stated at fair value. The repurchase agreement is stated at cost.

d. Contributions Receivable

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, the Association records operating and capital pledges as revenue when all eligibility requirements have been met. Endowment pledges are not recognized as revenue until the gifts are received.

e. Investments

Investments are stated at current fair value. Investments held with the University of Louisville Foundation, Inc. (Foundation) are invested under the policies and objectives established for the Foundation's general endowment pool. In an effort to mitigate market risk, the Foundation has adopted a policy of maintaining a diverse investment pool through the use of target asset allocation guidelines. These guidelines require that the Foundation's investment pool be made up of a mix of publicly traded fixed income and equity securities, private equities and other nonmarketable securities, and real estate investments.

The market risk inherent in certain of the Foundation's investments is primarily the potential loss arising from adverse changes in quoted market prices on equity securities and in interest rates on fixed income securities.

The Association's permanent endowment funds, held by the Foundation and invested in the Foundation's general endowment pool, are administered under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Commonwealth of Kentucky (Commonwealth). The Foundation's board of directors has interpreted UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The investment objectives of the Foundation are to preserve the principal of the endowment funds in both absolute and real terms while maximizing, over the long-term, the total rate of return (yield and appreciation) within reasonable risk parameters.

The Association purchased insurance annuity policies to fund deferred compensation arrangements as stipulated by the arrangements. These are classified as other long-term investments in the summary of net position.

The Foundation invests in various corporate debt, equity and mutual fund securities. Investment securities, in general, are exposed to various risks, such as interest rates, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Foundation's consolidated statements of financial position and the Association's statements of net position.

f. Capital Assets

Capital assets are stated principally at cost, if purchased, or at estimated acquisition value at date of receipt from donors. Capital assets are depreciated on the straight-line basis over the estimated useful lives of the assets, as follows: buildings – 40 years; equipment – 3-15 years; and leasehold improvements – 20 years.

The Association capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred for the years ended June 30, 2016 and 2015 was (in thousands):

	2016	2015
Interest capitalized	$ -	$ 105
Interest charged to expenses	2,336	$ 2,557
Total interest incurred	$ 2,336	$ 2,662

g. Deferred Outflows and Inflows of Resources

In accordance with GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, the Association reports deferred outflows of resources, deferred inflows of resources and net position in its statements of net position and related disclosures.

Deferred outflows of resources consist of loss on bond refinancing and the fair value of derivatives. Deferred outflows of resources related to the loss on bond refinancing will be amortized to interest expense evenly over the remaining life of the refinanced debt.

Deferred inflows of resources consist of the fair value of derivatives. As the derivatives are considered effective hedging instruments, changes in the fair value of derivatives are recognized as deferred inflows of resources.

h. Unearned Compensation Expenses

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

i. Compensated Absences

Association 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 when 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.

j. Advances

Advances, which consist primarily of amounts received from individual and season ticket holders for subsequent year intercollegiate athletic activities, suite rentals, parking revenue, and sponsorships, was approximately $43.3 million and $39.7 million at June 30, 2016 and 2015, respectively. Such advances are recognized over the term of the related athletic activities.

k. Classification of Revenues

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

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) tickets for athletic events, (2) concession sales, (3) parking and facilities rentals, and (4) media contracts.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as investment income.

l. Net Bond Premium

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

m. Net Position

The net position of the Association is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted-nonexpendable net position is subject to externally imposed restrictions that require the Association to maintain the assets in perpetuity. Restricted-expendable net position consists of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Association, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

n. Tax Status

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

o. 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 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.

p. Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 presentation. These reclassifications had no effect on the change in net position.

2. Cash, Cash Equivalents and Investments

a. Summary of Carrying Values

The carrying value of deposits and investments are included in the statements of net position as shown on the following page (in thousands):

	2016	2015
Deposits	$ 48,036	$ 45,290
Investments		
U.S. Treasury obligations	3,180	2,506
Repurchase agreement	2,574	3,172
Other long term investments	1,986	-
Investments held with the University of Louisville Foundation, Inc.	25,952	30,583
	$ 81,728	$ 81,551

Included in the following statements of net position captions:		
Cash and cash equivalents	$ 39,012	$ 35,797
Deposit with bond trustee-current	5,754	5,678
Restricted cash	9,024	9,493
Other long term investments	1,986	-
Investments held with the University of Louisville Foundation, Inc.	25,952	30,583
	$ 81,728	$ 81,551

b. Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Association's deposits or collateral securities may not be returned to it. For administrative convenience, cash balances of the Association 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 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.

All of the underlying securities for the Association's investments in the repurchase agreement at June 30, 2016 and 2015 are held by the counterparties in other than the Association's name. The Association's investment policy does not address how securities underlying repurchase and forward delivery agreements are to be held.

Other long term investments are insurance annuity policies at June 30, 2016. The Association's investment policy does not address the monitoring of the issuing party.

c. Interest Rate Risk

Interest rate risk is the risk the Association may face should interest rate variances affect the fair value of investments. The Association's policy is to invest in U.S. government and U.S. government agency securities, commercial paper, bankers' acceptances, and variable rate demand notes with a maturity not greater than one year.

The Association 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. The final maturity under this agreement is March 1, 2028.

As of June 30, 2016 and 2015, the Association had the following investments subject to interest rate risk (in thousands):

June 30, 2016

		Maturities in years			
Type	Total	Less than 1	1-5	6-10	More than10
U.S. Treasury obligations	$ 3,180	$ 1,750	$ 1,430	$ -	$ -
Repurchase agreement	2,574	713	203	1,350	308
	$ 5,754	$ 2,463	$ 1,633	$ 1,350	$ 308

June 30, 2015

		Maturities in years			
Type	Total	Less than 1	1-5	6-10	More than10
U.S. Treasury obligations	$ 2,506	$ 996	$ 1,510	$ -	$ -
Repurchase agreement	3,172	683	628	$ 1,259	$ 602
	$ 5,678	$ 1,679	$ 2,138	$ 1,259	$ 602

d. Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2016 and 2015, the $26 million and $30.6 million, respectively, in investments held by the Foundation are considered pooled investments and not rated as to credit risk.

e. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer, excluding investments issued or explicitly guaranteed by the U.S government and investments in mutual funds, external investment pools and other pooled investments.

The asset allocation for investments held with the Foundation as of June 30, 2016 and 2015 was as follows:

	2016	2015
Investment in partnerships	60%	62%
Marketable alternatives	14%	19%
Preferred and common stock	13%	5%
Mutual funds	10%	12%
Fixed income	2%	-
Equity method investments	1%	1%
Certificates of deposit	-	1%
	100%	100%

The Foundation's investments do not have a significant concentration of credit risk within any industry or specific institution.

f. Foreign Currency Risk

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Association had no investments denominated in foreign currency at June 30, 2016 or 2015.

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements as prescribed by GASB 72, *Fair Value Measurement and Application*, as of June 30, 2016 and 2015 (in thousands):

	Balance as of 6/30/2016	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV
Investments					
US Treasury securities	3,180	3,180	-	-	-
University of Louisville Foundation, Inc. investment fund	25,952	-	-	-	25,952
Investment derivative instruments					
Interest rate swap	434	-	434	-	-
Forward delivery agreement	(175)	-	-	(175)	-
Total investments measured at fair value	$ 29,391	$ 3,180	$ 434	$ (175)	$ 25,952

	Balance as of 6/30/2015	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV
Investments					
US Treasury securities	2,506	2,506	-	-	-
University of Louisville Foundation, Inc. investment fund	30,583	-	-	-	30,583
Investment derivative instruments					
Interest rate swap	95	-	95	-	-
Forward delivery agreement	(238)	-	-	(238)	-
Total investments measured at fair value	$ 32,946	$ 2,506	$ 95	$ (238)	$ 30,583

a. Investments

US Treasury securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Governmental obligations classified in Level 2 of the fair value hierarchy are valued using a pricing matrix technique.

b. Investment Derivative Instruments

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using standard pricing models using current forward rate assumptions and/or volatilities to predict cash flows. Derivative instruments classified in Level 3 of the fair value hierarchy are valued a market approach to assess future cash flows.

Investments measured at net asset value (NAV) (in thousands):

	Fair Value as of 6/30/16	Redemption Frequency	Redemption Notice Period
University of Louisville Foundation, Inc. investment fund	$ 25,952	Various from any valuation day to quarterly	Various from 5 to 90 days

	Fair Value as of 6/30/15	Redemption Frequency	Redemption Notice Period
University of Louisville Foundation, Inc. investment fund	$ 30,583	Various from any valuation day to quarterly	Various from 5 to 90 days

Investments within the University of Louisville Foundation, Inc. pooled investment fund consist of money market mutual funds, common and preferred stock, corporate bonds, mutual funds, investments in partnerships and funds of funds, U.S. Government securities and U.S. agency obligations. The Foundation has adopted a policy of maintaining a diverse investment pool through the use of targeted asset allocation guidelines. The fair value of the investments in the fund have been determined using the NAV per share (or its equivalent) of the investments.

4. Transactions with Related Organizations

a. University of Louisville

The Association has contracted with the University for certain administrative, operational, and maintenance services. During the years ended June 30, 2016 and 2015, the Association made no reimbursement per agreement with the University.

b. University of Louisville Foundation, Inc.

The Foundation is a separate corporation organized as a supporting organization of the University for the purpose of promoting the University's educational, scientific, literary and cultural interests. The Foundation serves in a fiduciary capacity and invests funds on behalf of the Association based on a formal trust agreement. As of June 30, 2016 and 2015, the Foundation held funds of the Association of approximately $26.0 million and $30.6 million, respectively, for investment purposes.

The Foundation is the guarantor for the Association's Louisville/Jefferson County Metro Government Mortgage Revenue Refunding and Improvement Bonds, Series 2008A and Series 2008B. In exchange for this guarantee, the Association pays to the Foundation a credit enhancement fee at each interest payment date.

c. Debt with Related Entities

As of June 30, 2016 and 2015, the Association has noninterest bearing debt with no specific repayment terms of approximately $9.2 million with the University. The debt relates to $8.6 million of expenditures incurred in fiscal years 1999 and 2000 during the construction of the Stadium and to $0.6 million of expenditures incurred during fiscal years 2003 and 2004 related to the Wright Natatorium.

In January 1999, the Association received an $8.5 million unsecured, noninterest bearing loan from the Foundation for the construction of Cardinal Park. The Association is obligated to repay the loan upon collection of contributions receivable. During the year ended June 30, 2016, the Association did not make a payment. The outstanding balance was approximately $1.0 million as of June 30, 2016 and 2015.

In July 2001, the Association received a $0.3 million unsecured, noninterest bearing loan with no specific repayment terms from the Foundation for the refurbishing of the Cardinal Basketball Offices. During the year ended June 30, 2016, the Association did not make a payment. The outstanding loan balance is approximately $0.3 million as of June 30, 2016 and 2015.

In April 2016, the Association received a $15.0 million unsecured loan bearing interest at 2.5% from the University. The Association is obligated to repay the loan in equal semi-annual payments over 20 years. During the year ended June 30, 2016, the Association repaid $0.3 million. The outstanding loan balance is $14.7 million as of June 30, 2016.

d. Contributions with Related Entities

The University, during its annual budgetary process, agrees to transfer funds to the Association to assist with expenses related to retention and gender issues. The University transferred $2.2 million for the years ended June 30, 2016 and 2015 for this purpose. Additionally, the University collects certain fees from students designated for use by the Association. The University transferred $2.0 million of student fees collected for the years ended June 30, 2016 and 2015.

The Association is the beneficiary of pledges related to certain capital projects, which are financed by the University, and as such, are recorded as assets of the University. The Association transfers cash received on these pledges, as well as other unrestricted funds to the University in order to fulfill the purpose of the gifts. The Association transferred $1.6 million related to capital projects and debt service payments during each of the fiscal years ended June 30, 2016 and 2015. During the each of the fiscal years ended June 30, 2016 and 2015, the University transferred to the Association \$0.3 and \$0.9 million, respectively, in pledge receipts related to capital projects that are financed by the Association, and as such, are recorded as assets of the Association.

Additionally, the Association transferred \$1.7 million to the University for the years ended June 30, 2016 and 2015, related to other transactions.

During the fiscal years ended June 30, 2016 and 2015, the Association transferred \$2.0 million and \$0.9 million, respectively, to the Foundation to support the operations of the golf facility owned by the Foundation. During the year ended June 30, 2015, the Association received \$7.0 million from the Foundation related to gifts received by the Foundation on the Association's behalf.

5. Accounts and Contributions Receivable, Net

Accounts and contributions receivable as of June 30, 2016 and 2015 are as follows (in thousands):

2016	Gross	Allowance	Net
Trade receivables	$ 2,432	$ -	$ 2,432
Contributions receivable	32,113	$ (2,000)	30,113
Total	$ 34,545	$ (2,000)	32,545
Less: Discount			649
Current portion			7,028
Non current portion			$ 24,868

2015	Gross	Allowance	Net
Trade receivables	$ 2,682	$ -	$ 2,682
Contributions receivable	28,984	$ (3,080)	25,904
Total	$ 31,666	$ (3,080)	28,586
Less: Discount			393
Current portion			8,284
Non current portion			$ 19,909

Contributions receivable consist primarily of charitable gifts from individual and corporate donors that are associated with the construction projects of the Association. Contributions receivable with payment schedules in excess of one year are stated at their discounted present value. The discount rates ranged from 0.2% to 5.2%.

Contributions receivable as of June 30, 2016 and 2015 are due to be received as follows (in thousands):

	2016	2015
Less than one year	$ 5,319	$ 6,872
One to three years	16,398	10,076
Greater than three years	10,396	12,036
Subtotal	32,113	28,984
Less: discount	(649)	(393)
Less: allowance	(2,000)	(3,080)
Net contributions receivable	$ 29,464	$ 25,511

6. Capital Assets, Net

Capital assets as of June 30, 2016 and 2015 are shown below and on the following page (in thousands):

	2016				
	Beginning Balance	Additions	Retire-ments	Transfers	Ending Balance
Cost-Nondepreciable					
Land	$ 5,151	$ -	-	$ -	$ 5,151
Construction in progress	1,430	17,166	-	(1,367)	17,229
Subtotal	6,581	17,166	$ -	(1,367)	22,380
Cost-Depreciable					
Buildings	185,495	77	-	628	186,200
Land improvements	2,848	167	-	739	3,754
Equipment	2,783	135	(25)	-	2,893
Leasehold improvements	1,299	-	-	-	1,299
Subtotal	192,425	379	(25)	1,367	194,146
Total capital assets-cost	199,006	17,545	(25)	-	216,526
Accumulated depreciation					
Buildings	43,382	4,708	-	-	48,090
Land improvements	385	110	-	-	495
Equipment	1,498	299	(25)	-	1,772
Leasehold improvements	727	58	-	-	785
Subtotal	45,992	5,175	(25)	-	51,142
Capital assets, net	$ 153,014	$ 12,370	$ -	$ -	$ 165,384

	2015				
	Beginning Balance	Additions	Retire-ments	Transfers	Ending Balance
Cost-Nondepreciable					
Land	$ 5,151	$ -	-	$ -	$ 5,151
Construction in progress	18,385	1,513	-	(18,468)	1,430
Subtotal	23,536	1,513	-	(18,468)	6,581
Cost-Depreciable					
Buildings	165,829	1,387	$ -	18,279	$ 185,495
Land improvements	2,648	11	-	189	$ 2,848
Equipment	1,854	942	(13)	-	$ 2,783
Leasehold improvements	1,299	-	-	-	$ 1,299
Subtotal	171,630	2,340	(13)	18,468	192,425
Total capital assets-cost	195,166	3,853	(13)	-	199,006
Accumulated depreciation					
Buildings	38,790	4,592	-	-	$ 43,382
Land improvements	310	75	-	-	$ 385
Equipment	1,250	261	(13)	-	$ 1,498
Leasehold improvements	669	58	-	-	$ 727
Subtotal	41,019	4,986	(13)	-	45,992
Capital assets, net	$ 154,147	$ (1,133)	$ -	$ -	$ 153,014

7. Bonds and Notes Payable

Bonds and notes payable as of June 30, 2016 and 2015 are summarized as shown on the following page (in thousands):

	2016				
	Beginning Balance	Retire-ment	Ending Balance	Current Portion	Noncurrent Portion
Louisville/Jefferson County Metro Government Revenue Refunding and Improvement Bonds, Series 2008A Interest rates of 4.0% to 5.0% Final maturity in 2018	$ 15,485	$ (4,945)	$ 10,540	$ 5,145	$ 5,395
Louisville/Jefferson County Metro Government Revenue Refunding and Improvement Bonds, Series 2008B Interest rates of 3.8% to 4.8% Final maturity in 2028	31,325	(1,865)	29,460	1,940	27,520
Note payable, interest rate of 4.8% Secured by scoreboard equipment and fixtures. Final maturity in 2017	772	(375)	397	396	1
Term loan, variable interest rate of 1.3% as of June 30, 2014. Secured by revenue and pledges of the Project. Final maturity in 2018	13,421	(1,454)	11,967	1,230	10,737
Total bonds payable	61,003	(8,639)	52,364	8,711	43,653
Plus unamortized net premium	(12)	(56)	(68)	31	(99)
Bonds payable, net	$ 60,991	$ (8,695)	$ 52,296	$ 8,742	$ 43,554

	2015				
	Beginning Balance	Retire-ment	Ending Balance	Current Portion	Noncurrent Portion
Louisville/Jefferson County Metro Government Revenue Refunding and Improvement Bonds, Series 2008A Interest rates of 3.5% to 5.0% Final maturity in 2018	$ 20,235	$ (4,750)	$ 15,485	$ 4,945	$ 10,540
Louisville/Jefferson County Metro Government Revenue Refunding and Improvement Bonds, Series 2008B Interest rates of 3.5% to 4.8% Final maturity in 2028	33,125	(1,800)	31,325	1,865	29,460
Note payable, interest rate of 4.8% Secured by scoreboard equipment and fixtures. Final maturity in 2017	1,130	(358)	772	375	397
Term loan, variable interest rate of 1.3% as of June 30, 2013. Secured by revenue and pledges of the Project. Final maturity in 2018	15,000	(1,579)	13,421	1,454	11,967
Total bonds payable	69,490	(8,487)	61,003	8,639	52,364
Plus unamortized net premium	67	(79)	(12)	56	(68)
Bonds payable, net	$ 69,557	$ (8,566)	$ 60,991	$ 8,695	$ 52,296

Principal and interest payments on bonds payable due in the next five years and thereafter are as follows (in thousands):

For the Year Ended June 30	Principal	Interest	Total
2017	$ 8,711	$ 2,090	$ 10,801
2018	18,152	1,705	19,857
2019	2,100	1,146	3,246
2020	2,185	1,062	3,247
2021	2,270	974	3,244
2022 - 2026	12,925	3,297	16,222
2027 - 2031	6,021	448	6,469
Total	$ 52,364	$ 10,722	$ 63,086

Association revenue is pledged for the payment of the Metro Government Stadium expansion bonds (Series 2008), and a term loan excluding approximately $2.0 million annually, which is to be available for amounts owed by the Association under the Arena lease agreement. Total principal and interest remaining on the debt is $62.7 million, with annual requirements ranging from $3.2 million in 2028 to $19.9 million in 2018. For the current year, principal and interest paid by the Association and the total pledged revenue recognized were $11.1 million and $95.4 million, respectively.

Louisville/Jefferson County Metro Government Mortgage Revenue Refunding and Improvement Bonds, Series 2008A and Series 2008B

In July 2008, the Louisville Metro Government issued $39.8 million of Mortgage Revenue Bonds 2008 Series A and $43.5 million of Mortgage Revenue Bonds 2008 Series B (Mortgage Revenue Bonds) at a combined net interest cost of 4.2 percent. The bond proceeds were used on September 1, 2008 to retire the outstanding County of Jefferson Kentucky Governmental Lease Revenue Bonds, Series 1997, the proceeds of which financed the acquisition, construction, installation and equipping of the sports stadium known as University of Louisville Papa John's Cardinal Stadium (the Prior Project). Additional funds were used to finance a portion of the costs of acquisition, construction, installation and equipping of an expansion to the Prior Project. The bonds are secured by a mortgage on the University of Louisville Papa John's Cardinal Stadium and associated training and related facilities, and pledged Adjusted Gross Revenues, as defined by the official statement.

The Foundation is the guarantor of the Mortgage Revenue Bonds, and as such has agreed to maintain a balance of available cash sufficient enough to cover the next debt service payment. In exchange for the Foundation's willingness to serve as guarantor, the Association has agreed to pay the Foundation a credit enhancement fee and to exonerate and indemnify the Foundation from all liability in connection with the Mortgage Revenue Bonds, the obligations of the Association under the Loan Agreement and Mortgage, and any and all payments made by the Foundation as guarantor.

Term Loan

In June 2014, the Association entered into a $15.0 million Term Loan with a national banking association. The proceeds were used to partially finance the renovation of the baseball and softball stadiums and the construction of a soccer stadium (the Project). The loan is secured by collateral, including funds and revenues of the Association from the Project and third-party pledges to the Association for the Project. The variable interest rate on the Term Loan is the Daily One Month LIBOR rate plus 1.14 percent, reset on the last day of each month.

8. Derivative Financial Instruments

a. Summary

At June 30, 2016, the Association has the following derivative instruments outstanding (in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Term Loan	$ 15,000	06/28/13	06/30/22	Pay 2.9%; receive LIBOR + 1.14%	$ (434)
Forward delivery agreement	Earn a higher rate of return than investments with shorter life	$ 1,510	08/05/08	03/01/18	Receive 6.4% on balance of scheduled reserve amount	$ 175

The Forward Delivery Agreement requires the counterparty to deposit securities into the Association's debt service reserve trust account and provides the Association with a guaranteed rate of return. The securities that are deposited into the debt service reserve trust accounts are required to mature prior to the scheduled debt service payment dates on the bond that is secured by the debt service reserve funds.

Eligible securities include cash and direct, full faith and credit, non-callable obligations of the United States of America. The Forward Delivery Agreement allows the Association to earn a guaranteed fixed rate of return over the life of the investment. This agreement is utilized by the Association to earn a rate of return in excess of a rate that would otherwise be feasible by investing in securities with a shorter term.

The fair value of the Forward Delivery Agreement is based on the value of the future discounted cash flows expected to be received over the life of the agreement and is included in other long-term assets on the statements of net position. As the Forward Delivery Agreement is an effective hedging instrument, the offsetting balance is reflected as deferred inflows of resources on the Association's statements of net position. For the year ended June 30, 2016, the fair value of the Forward Delivery Agreement decreased approximately $0.06 million. The Association receives settlement semi-annually and the settlement is included in interest expense.

The fair value of the Interest Rate Swap was determined using the market's current forward rate assumptions in order to predict future cash flows on the floating side and is included in other long-term liabilities on the statements of net position. As the Interest Rate Swap is an effective hedging instrument, the offsetting balance is reflected as deferred outflows of resources on the Association's statements of net position. For the year ended June 30, 2016, the increase in fair value of the Interest Rate Swap was approximately $0.3 million. No initial cash receipt or payment was made in relation to the Interest Rate Swap. The Association receives or pays a net amount monthly and includes the monthly settlement amount in interest expense.

b. Credit Risk

Credit risk is the risk that the counterparty will not fulfill its obligations. Under the terms of the Forward Delivery Agreement, the Association is either holding cash or an approved security within the debt service reserve funds. None of the principal amount of an investment under the

Forward Delivery Agreement is at risk to the credit of the counterparty. Should the counterparty default, the Association's maximum exposure is the positive termination value, if any, related to this agreement.

The Interest Rate Swap's fair value represented the Association's credit exposure to the counterparty as of June 30, 2016. Should the counterparty to this transaction fail to perform according to the terms of the swap agreement, the Association has a maximum possible loss equivalent to the Interest Rate Swap's fair value at that date. At June 30, 2016, the counterparty to the Interest Rate Swap had a credit rating of A3 from Moody's Investors Services.

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Association's financial instruments or cash flows. The fair market values of the derivative instruments are expected to fluctuate over the life of the agreement in response to changes in interest rates. The Association does not have a formally adopted policy related to interest rate risk related to derivative instruments.

d. Termination Risk

The Association or the counterparty may terminate the Forward Delivery Agreement if the other party fails to perform under the terms of the contract. In addition, the Association has an unrestricted option to terminate the Forward Delivery Agreement. If the Forward Delivery Agreement has a negative fair value at the time of termination, the Association would be liable to the counterparty for a payment equivalent to the fair market value of the instrument at the time of termination.

The Association or the counterparty may terminate the Interest Rate Swap if the other party fails to perform under the terms of the contract. The contract also provides for other termination events, including if the Term Loan matures, expires, is terminated or cancelled, or changes lenders. If the Interest Rate Swap terminates early and the Association is the defaulting party, the Association would be liable for the losses, if any, of the counterparty.

9. Other Liabilities

Other liabilities as of June 30, 2016 and 2015 are summarized as shown below and on the following page (in thousands):

	2016					
	Beginning Balance	Additions	Retire-ment	Ending Balance	Current Portion	Noncurrent Portion
Due to University of Louisville	$ 9,173	$ -	$ -	$ 9,173	$ -	$ 9,173
Note payable to University of Louisville	-	15,000	(300)	14,700	585	14,115
Due to University of Louisville Foundation Inc.	316	-	-	316	-	316
Unearned compensation and wages payable	8,121	$ 2,588	$ (1,128)	9,581	$ 1,686	7,895
Note payable to University of Louisville Foundation, Inc.	1,000	-	-	1,000	-	1,000
Advances	39,674	37,615	(33,970)	43,319	39,574	3,745
Other post-employment benefits	1,299	278	(119)	1,458	199	1,259
Other long-term liabilities	175	339	-	514	20	494
Total	$ 59,758	$ 55,820	$ (35,517)	$ 80,061	$ 42,064	$ 37,997

	2015					
	Beginning Balance	Additions	Retire-ment	Ending Balance	Current Portion	Noncurrent Portion
Due to University of Louisville	$ 9,173	$ -	$ -	$ 9,173	$ -	$ 9,173
Due to University of Louisville Foundation Inc.	316	-	-	316	-	316
Unearned compensation and wages payable	6,943	$ 1,717	$ (539)	8,121	$ 522	7,599
Note payable to University of Louisville Foundation, Inc.	1,000	-	-	1,000	-	1,000
Advances	38,613	36,156	(35,095)	39,674	35,963	3,711
Other post-employment benefits	1,050	401	(152)	1,299	206	1,093
Other long-term liabilities	121	74	(20)	175	20	155
Total	$ 57,216	$ 38,348	$ (35,806)	$ 59,758	$ 36,711	$ 23,047

Other long-term liabilities as of June 30, 2016 and 2015 consist of future expenses required by certain pledge agreements and the fair value of certain derivatives. The current portion of other post-employment benefits and other long-term liabilities is included in accounts payable and accrued liabilities in the statements of net position as of June 30, 2016 and 2015.

10. Natural Classification

Operating expenses by natural classification for the years ended June 30, 2016 and 2015 were approximately (in thousands):

	2016	2015
Salaries and Wages	$ 38,467	$ 35,524
Employee Benefits	6,610	6,375
Supplies and Services	34,420	33,172
Scholarships and Fellowships	15,277	13,410
Utilities	18	23
Depreciation	5,175	4,986
	$ 99,967	$ 93,490

11. Retirement Plan

Association and University personnel participate in a contributory retirement plan administered by the University. The University of Louisville 403(b) Retirement Plan (Retirement Plan) was established by the University and approved by the Board of Trustees. Permanent, full-time employees become eligible to participate in a defined contribution plan upon completion of one year's service and attainment of age 21. Eligible employees not contributing to the Retirement Plan are entitled to a 7.5% of base salary contribution on their behalf by the University. The University also matches up to an additional 2.5% of employee contributions. The Retirement Plan requires three years of continuous service for employees to vest in employer contributions.

The Association recorded expenses related to the defined contribution plan of approximately $1.8 million and $1.7 million and had no forfeitures during the years ended June 30, 2016 and 2015, respectively. As of June 30, 2016 and 2015, the Association had no outstanding liability related to the Retirement Plan.

12. Postemployment Healthcare Benefits

a. Plan Description

Association and University personnel are eligible for a postemployment healthcare benefits as described in The University of Louisville Group Health Plan (Plan), administered by the University. To be eligible for the Plan, a retired employee must be the earlier of the attainment of age 60 with seven years of service in eligible faculty or staff status, or the date that the sum of the employee's age and years of regular service of not less than 80% full-time equivalent at the University equals or exceeds 75. The Plan is a single-employer plan and the University's Board of Trustees determines the eligibility requirements related to the Plan. The Plan does not issue stand-alone financial reports and is not included in the report of any entity.

b. Funding Policy

The Plan is funded on a pay-as-you-go basis. The contribution requirements of the contributing members are determined by the University's management on an annual basis. During the years ended June 30, 2016 and 2015, the University contributed approximately $1.9 million and $1.7 million, approximately 66% and 65% of total premiums, respectively. Retired Plan members under age 65 receiving benefits contributed approximately $1.0 million and $0.9 million, approximately 39% and 35% of total premiums for the years ended June 30, 2016 and 2015, respectively, through their required monthly contributions according to the schedules below:

2016					
	PPO	Cardinal Care Plan	EPO	PCA High	PCA Low
Employee	$ 335	$ 447	$ 353	$ 281	$ 248
Employee and Spouse	$ 811	$ 871	$ 851	$ 692	$ 555

2015					
	PPO	Cardinal Care Plan	EPO	PCA High	PCA Low
Employee	$ 335	$ 407	$ 353	$ 281	$ 248
Employee and Spouse	$ 811	$ 831	$ 851	$ 692	$ 555

Medicare-eligible retirees receive a monthly benefit of $108 per individual covered. For the years ended June 30, 2016 and 2015, the University contributed $1.6 million and $1.5 million for Medicare-eligible retirees, respectively.

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

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB Statement No. 45). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years.
The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation (in thousands):

	2016	2015
Normal cost	$ 5,061	$ 4,536
AAL amortization	5,252	5,095
Annual required contribution (ARC)	10,313	9,631
Interest on above	1,258	1,171
Adjustment to ARC	(1,825)	(1,669)
OPEB liability gain	(3,566)	(8)
Annual OPEB cost (AOC)	6,180	9,125
Contributions made	(2,437)	(3,195)
Increase in net OPEB obligation	3,743	5,930
Net OPEB obligation - beginning of year	36,999	31,069
Net OPEB obligation - end of year	$ 40,742	$ 36,999

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 6,180	39%	$ 40,742
2015	9,125	35%	36,999
2014	6,817	45%	31,069
2013	5,746	41%	27,300

The University allocates a portion of the AOC, and the corresponding OPEB obligation, to its affiliated corporations, including the Association. For the years ended June 30, 2016 and 2015, the Association's portion of the AOC was $0.3 million and $0.4 million, respectively. As of June 30, 2016 and 2015, the Association's net OPEB obligation was $1.5 million and $1.3 million, respectively, of which $1.3 million and $1.1 million, respectively, was recorded in other long-term liabilities and $.2 million was recorded in accounts payable and accrued liabilities.

d. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $89.7 million and $89.1 million and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of $89.7 million and $89.1 million as of June 30, 2016 and 2015, respectively. The covered payroll (annual payroll of active employees covered by the plan) was $478.2 million and $459.6 million, and the ratio of the UAAL to the covered payroll was 19%, for the years ended June 30, 2016 and 2015, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

e. Actuarial Methods and Assumptions

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

In the July 1, 2015, actuarial valuation, the unit credit method actuarial cost method was used. The actuarial assumptions included a 3 percent investment rate of return (net of administrative expenses), which is based on the estimated return on the University's general assets, and an annual healthcare cost trend rate of 7.8 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 11 years. The gains on the benefit obligation recognized during the fiscal years ended June 30, 2016 and 2015 were due to updates made on expected future health claims and changes made to the retiree life insurance benefit. Expected claims have decreased based on a review of actual claims over the last three years as well as current COBRA rates. The UAAL is being amortized on a straight line basis over 30 years. The remaining amortization period at June 30, 2016 was 21 years.

13. Leases

a. Kentucky State Fair Board

The University has entered into a lease agreement with the Kentucky State Fair Board (KSFB) for use of an athletic building. The University's rights under this agreement have been assigned to the Association. The lease has an initial term of 26 years, ending June 30, 2023. Annual lease payments range from $25,000 to $66,550. Total lease expense for each of the years ended June 30, 2016 and 2015 amounted to approximately $61,000.

b. Central Station, LLC

The Association has entered into a lease agreement with AAF-Louisville, LLC (d/b/a Central Station, LLC), a related party, for use of the Central Station Office Building. The lease has an initial term of 21 years, ending September 30, 2026. Annual lease payments started at approximately $47,000, and are subject to increases based on increases in the CPI. Additional space was added, for a period of 10 years, ending December 31, 2024 with annual payments starting at approximately $80,000, subject to increase each year. Total lease expenses during the years ended June 30, 2016 and 2015 amounted to approximately $180,000 and $84,000, respectively, the increase due to the additional leased space.

c. Louisville Arena Authority, Inc.

In July 2008, the Association entered into a lease agreement with the Arena Authority. The lease has an initial term of 36 years. Annual lease payments are equal to the greater of 10% of gross ticket sales or a minimum lease amount of $10,000 per game for men's basketball games; the greater of 5% of gross ticket sales or a minimum of $5,000 for any other Association sponsored event; and, as payment for private suites, 12% of net private suite revenue. Total lease expense during the years ended June 30, 2016 and 2015 amounted to approximately $3.8 million and $3.7 million, respectively. Additionally, the lease agreement provides for the Association to purchase parking spaces from the Arena Authority. Total parking expense during each of the years ended June 30, 2016 and 2015 amounted to approximately $0.5 million each year.

Under the terms of the lease, the Association will receive payments from the Arena Authority as follows: (a) 50% of all payments received from third-party concessionaire and catering sales at all University-sponsored events or 25% of the gross proceeds of any Arena Authority owned concessions or catering sales; (b) 50% of all rental/commission payments received in connection with the gift shop and its operations, and 50% of any additional merchandise revenue received from any source other than the gift shop; (c) 50% of all revenue received from the sale of inventory of the permanent signage inside and outside the Arena structure, excluding any signage that is part of the 10% of permanent signage reserved for the Association; (d) 33.3% of all revenue from the sale of inventory on all video boards outside the Arena structure, excluding any video board inventory that is part of the Association's signage. Total lease revenue during the years ended June 30, 2016 and 2015 amounted to approximately $2.5 million and $2.4 million, respectively.

d. Future Minimum Lease Payments

Future minimum lease payments are as follows (in thousands):

For the years ending June 30,	Lease Payment Due
2017	$ 512
2018	513
2019	521
2020	523
2021	524
2022 - 2026	2,306
2027 - 2031	1,447
2032 - 2036	1,425
2037 - 2041	1,425
2042 - 2046	855
Future minimum lease payments	$ 10,051

14. Commitments and Contingencies

a. Commitments

At June 30, 2016 and 2015, the Association had approximately $5.2 million and $.8 million, respectively, in encumbrances outstanding for future expenditures related mainly to construction projects. As part of the entrance to the Atlantic Coast Conference, the Association committed to an unspecified amount of revenue to be withheld.

b. Litigation

The Association has been named as defendant in several lawsuits. 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 Association beyond the amounts already provided.

c. Investigation

The Association is currently involved in an inquiry by the National Collegiate Athletic Association (NCAA) regarding potential NCAA rule(s) violations. One of the potential results of this inquiry could be a monetary fine. The likelihood of a fine being imposed, or the amount, cannot be determined at this time.

15. Recent Accounting Pronouncements

As of June 30, 2016, the following GASB statement was implemented which had a financial or disclosure impact on the financial statements.

GASB Statement No. 72, *Fair Value Measurement and Application*. This statement requires state and local governments to measure certain assets and liabilities held as investments at fair value. The statement enhances financial statements by providing consistent definition and accepted valuation techniques for fair value measurement. The implementation of this Statement had no financial impact and additional disclosure requirements.

As of June 30, 2016, the following GASB statements were implemented which did not have a financial or disclosure impact on the financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles in the United States of America.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement.

As of June 30, 2016, the GASB has issued the following statements that could be applicable to the Association.

a. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Association has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

b. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Association has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

c. GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. The Association has not yet adopted this standard and is evaluating the impact it may have on its financial statements

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress by the University
For Other Postemployment Benefits
(in thousands)
Unaudited

Actuarial Value Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabaility (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
7/1/2015	$ -	89,683	89,683	0%	478,201	19%
7/1/2014	-	89,098	89,098	0%	459,588	19%
7/1/2013	-	85,282	85,282	0%	444,970	19%