

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**

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

**Auditor's Report and Financial Statements**

**June 30, 2021 and 2020**

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**For the Years Ended June 30, 2021 and 2020**

**Table of Contents:**

	Page
Independent Auditor's Report.....	1
Management's Discussion and Analysis (Unaudited) .....	3
Basic Financial Statements .....	
Statements of Net Position.....	13
Statements of Revenues, Expenses, and Changes in Net Position .....	14
Statements of Cash Flows.....	15
Notes to Financial Statements.....	17
Required Supplementary Information – Postemployment Benefit Information (Unaudited) .....	43



## INDEPENDENT AUDITORS' 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 the University of Louisville Athletic Association, Inc. (Association), a component unit of the University of Louisville, as of and for the years ended June 30, 2021 and 2020, 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' 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 opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Association as of June 30, 2021 and 2020, and the respective changes in financial position and, cash flows thereof for the year 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 12, and the Schedule of Funding Progress on Page 42, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.



**CliftonLarsonAllen LLP**

St. Louis, Missouri  
October 19, 2021

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Management Discussion and Analysis (Unaudited)**  
**For Years Ended June 30, 2021 and 2020**

**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, 2021 and 2020. Comparative information for the year ended June 30, 2019, has been provided where applicable. 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 nonprofit 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 Louisville, Kentucky. The Association is reported herein as a separate corporation and it is included in the consolidated 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 equality plans and offering a wide variety of sports and recreational outlets for the University community, alumni, and visitors.

The Association is committed to the academic achievement and community involvement of its student-athletes. During the 2020/2021 academic year, the overall student athlete GPA for the year was a combined 3.3 with 20 of the 23 sports teams having a collective GPA above 3.0.

The Association is also committed to community service and student-athlete involvement. UofL Athletics finished second in the 2020/2021 NCAA Team Works Award competition. In the competition, which ran from January through April 2021, UofL student-athletes amassed over 1,400 service hours and had 94 percent participation in a service opportunity during the time period.

During the 2020 academic year, the World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (referred to as the Pandemic). Response to this Pandemic has caused unprecedented changes in the delivery of education, research, healthcare, and administration. The University responded to the Pandemic by pivoting to a fully online delivery of educational instruction, continuing essential research with a hybrid remote/onsite approach, remote work plans for faculty, staff and administration, where possible, and immediate planning for the near-term needs and long-term strategy for continued educational, research, and community outreach. The Association faced significant revenue reductions from mandated restrictions on ticket sales to athletic events, namely football and basketball. The university enacted cost cutting measures including reducing salaries by 1%-10% for a brief period, reduction of employer matching contributions to the 403(b) retirement plan, furlough of employees in areas impacted by the reduction or elimination of campus activities, and budgeted reductions to curtail spending and eliminating unnecessary travel. In addition to the University wide operational changes, the Association initiated further spending cuts to offset the revenue losses.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Management Discussion and Analysis (Unaudited)**  
**For Years Ended June 30, 2021 and 2020**

The University took measures to make the campus environment safe for faculty, staff, and students by mandating the use of masks in close settings, providing on campus testing sites, and real time communications through emails and a dedicated website. The University, along with its affiliated hospital, offered COVID-19 vaccinations to the university population and the community at large.

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

**Using the Financial Statements**

The Association'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 Association is presented here as a single entity and is also included in the consolidated financial statements of the University.

**Statements of Net Position**

The statements of net position present the financial position of the Association at the end of each fiscal year. Net position represents the difference between total assets, total deferred outflows of resources, total liabilities, and total deferred inflow of resources. The change in net position indicates whether the overall financial condition has accumulated or consumed resources 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 version of the Association's assets, liabilities, and net position at June 30, 2021, 2020, and 2019 (in thousands) is summarized below:

	2021	2020	2019	2021-2020 Change	2020-2019 Change
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Current assets	\$ 44,683	\$ 39,496	\$ 59,071	\$ 5,187	\$ (19,575)
Long-term investments	755	954	1,155	(199)	(201)
Capital assets, net	211,676	218,364	223,134	(6,688)	(4,770)
Other	28,594	28,979	25,009	(385)	3,970
Deferred outflows of resources	1,585	1,499	1,340	86	159
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>287,293</b>	<b>289,292</b>	<b>309,709</b>	<b>(1,999)</b>	<b>(20,417)</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>					
Current liabilities	53,269	42,393	65,362	10,876	(22,969)
Noncurrent liabilities	109,514	118,739	119,699	(9,225)	(960)

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Management Discussion and Analysis (Unaudited)**  
**For Years Ended June 30, 2021 and 2020**

	2021	2020	2019	2021-2020 Change	2020-2019 Change
Deferred inflows of resources	1,799	1,827	2,645	(28)	(818)
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>164,582</b>	<b>162,959</b>	<b>187,706</b>	<b>1,623</b>	<b>(24,747)</b>
<b>NET POSITION</b>					
Net investment in capital assets	136,655	134,318	133,518	2,337	800
Restricted - nonexpendable	1,868	1,349	4,710	519	(3,361)
Restricted - expendable	18,033	17,485	17,371	548	114
Unrestricted	(33,845)	(26,819)	(33,596)	(7,026)	6,777
<b>TOTAL NET POSITION</b>	<b>122,711</b>	<b>126,333</b>	<b>122,003</b>	<b>(3,622)</b>	<b>4,330</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 287,293</b>	<b>\$ 289,292</b>	<b>\$ 309,709</b>	<b>\$ (1,999)</b>	<b>\$ (20,417)</b>

### Assets

The primary components of current assets are cash and cash equivalents, pledges and accounts receivable, investments held with the Foundation, and inventory. The Association experienced an increase in current assets of \$5.2 million when compared to June 30, 2020. Increases in cash of \$4.4 million and investments held with the Foundation of \$2.1 million comprise a majority the decrease.

The primary components of noncurrent assets are restricted cash, capital assets, and pledges and accounts receivable due in greater than a year.

### Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets applicable to a future period. The balance of \$1.6 million as of June 30, 2021, consist of a loss on bond refunding of \$748 thousand and \$837 thousand of future payments to be made for other postretirement employment benefits.

### Liabilities

The primary components of current liabilities are accounts payable, deferred compensation, deferred ticket revenue, and the current portion of notes payable. The current liabilities increase of \$10.9 million is accounted for with the addition of a line of credit for operational support. The Association had a balance of \$9.0 million drawn on the line of credit as of June 30, 2021.

Noncurrent liabilities net decrease of \$9.2 million as of June 30, 2021, when compared to June 30, 2020, is attributed to debt activities. The Association repaid and refinanced existing debt and borrowings from the University. The most significant noncurrent liabilities are interest-free and interest-bearing loans from the University and the Foundation. These balances were reduced by \$15.5 million with a portion of the debt refinanced with a new note from a financial institution.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Management Discussion and Analysis (Unaudited)**  
**For Years Ended June 30, 2021 and 2020**

**Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of net position that applies to future periods. The balance of \$1.8 million consists of \$0.3 million of future receipts from a food service concession arrangement and \$1.5 million related to the change in actuarial assumptions and differences between expected and actual experience in the other postemployment benefit liability.

**Net Position**

Net position represents the residual interest in the Association's assets after liabilities are deducted. Total net position of \$122.7 million as of June 30, 2021, is reported in the following categories: net investment in capital assets of \$136.7 million; restricted nonexpendable of \$1.9 million; restricted expendable of \$18.0 million; and unrestricted of \$(33.9) million.

**Fiscal Year 2020**

Total assets at June 30, 2020, were \$289.3 million, a decrease of \$20.4 million from June 30, 2019. The decrease is attributable to usage of cash and liquidation of investments for the settlement of deferred compensation and reductions in ticket sales related to the Pandemic.

Deferred outflows of resources were \$1.5 million as of June 30, 2020 representing a minor increase of \$159 thousand from the balance as of June 30, 2019.

Liabilities at June 30, 2020, were \$163.0 million, a decrease of \$24.7 million compared to June 30, 2019. The significant decrease of \$14.7 million in accounts payable was primarily related to planned reductions in spending in response to the Pandemic. The decrease of \$7.6 million in advances was the result of lower deferred revenues from ticket sales and suite rentals, also related to the Pandemic.

Deferred inflows of resources experienced a net decrease of \$0.8 million from June 30, 2019 to June 30, 2020 due to future benefits of a service concession amortization of \$0.3 million and a decrease in changes in other postemployment benefits of \$0.5 million.

Net position at June 30, 2020, was \$126.3 million, an increase of \$4.3 million, or 3.5%, when compared to the June 30, 2019 net position. The majority of the increase is captured in unrestricted net position and is due to the overall income from operations.

**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.



**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Management Discussion and Analysis (Unaudited)**  
**For Years Ended June 30, 2021 and 2020**

The Association's condensed statements of revenues, expenses and changes in net position for the years ended June 30, 2021, 2020, and 2019 (in thousands) are summarized below:

	2021	2020	2019	2021-2020 Change	2020-2019 Change
<b>OPERATING REVENUES</b>					
Sports	\$ 39,716	\$ 61,528	\$ 64,310	\$ (21,812)	\$ (2,782)
Other operating revenues	22,668	25,031	22,516	(2,363)	2,515
<b>TOTAL OPERATING REVENUES</b>	<b>62,384</b>	<b>86,559</b>	<b>86,826</b>	<b>(24,175)</b>	<b>(267)</b>
<b>OPERATING EXPENSES</b>					
Sports	50,906	64,925	80,221	(14,019)	(15,296)
Other operating expenses	43,432	46,814	53,552	(3,382)	(6,738)
Depreciation	8,200	8,204	7,857	(4)	347
<b>TOTAL OPERATING EXPENSES</b>	<b>102,538</b>	<b>119,943</b>	<b>141,630</b>	<b>(17,405)</b>	<b>(21,687)</b>
<b>OPERATING LOSS</b>	<b>(40,154)</b>	<b>(33,384)</b>	<b>(54,804)</b>	<b>(6,770)</b>	<b>21,420</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gifts	27,124	39,240	41,939	(12,116)	(2,699)
Net realized and unrealized (loss)/gain on investments	1,010	(5)	477	1,015	(482)
Investment returns	21	56	23	(35)	33
Other nonoperating expenses	(799)	(789)	(1,329)	(10)	540
Contributions (to)/from related entities	9,176	(788)	(1,393)	9,964	605
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>36,532</b>	<b>37,714</b>	<b>39,717</b>	<b>(1,182)</b>	<b>(2,003)</b>
<b>INCREASE/(DECREASE) IN NET POSITION</b>	<b>(3,622)</b>	<b>4,330</b>	<b>(15,087)</b>	<b>(7,952)</b>	<b>19,417</b>
Net position - beginning of year	126,333	122,003	137,090	4,330	(15,087)
Net position - end of year	\$ 122,711	\$ 126,333	\$ 122,003	\$ (3,622)	\$ 4,330

### Operating Revenues

Total operating revenues were \$62.4 million for the year ending June 30, 2021, a decrease of \$24.2 million compared to \$86.6 million for the year ended June 30, 2020. Income from sports programs, primarily from football and basketball ticket sales, comprised \$39.7 million, or 63.7% of total operating revenues for the year compared to \$61.5, or 71.1% of total operating revenues for June 30, 2020. Restrictions on capacity for large social events enacted in response to the Pandemic limited the number of tickets that could be sold for athletic events. This directly impacted revenues from sports and related ancillary activities related to sports. Other operating revenues amounting to \$22.7 million for the year ended June 30, 2021, and include revenues from sources such as concession sales, parking, facilities rentals, sponsorships, and media contracts. The revenue reduction in these activities was not as severe as the reductions in ticket sales but are related to the lost opportunities from reduced athletic events.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Management Discussion and Analysis (Unaudited)**  
**For Years Ended June 30, 2021 and 2020**

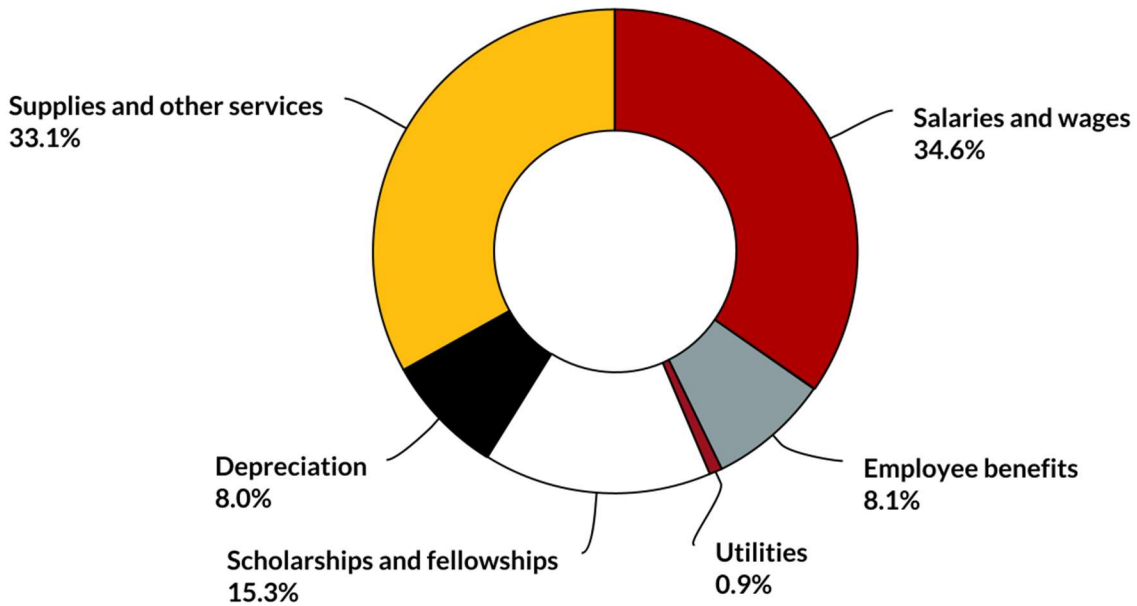
**Operating Expenses**

Total operating expenses were \$102.5 million and \$119.9 million for the years ended June 30, 2021 and 2020, respectively. For the year ended June 30, 2021, expenses consist mainly of \$50.9 million, or 49.6%, in direct sports-related expenses, a reduction of \$14.0 million, or 21.6%, compared to \$64.9 million as of June 30, 2020. The remaining \$51.6 million in operating expenses consist mainly of support and administrative services, marketing and development, and depreciation expense.

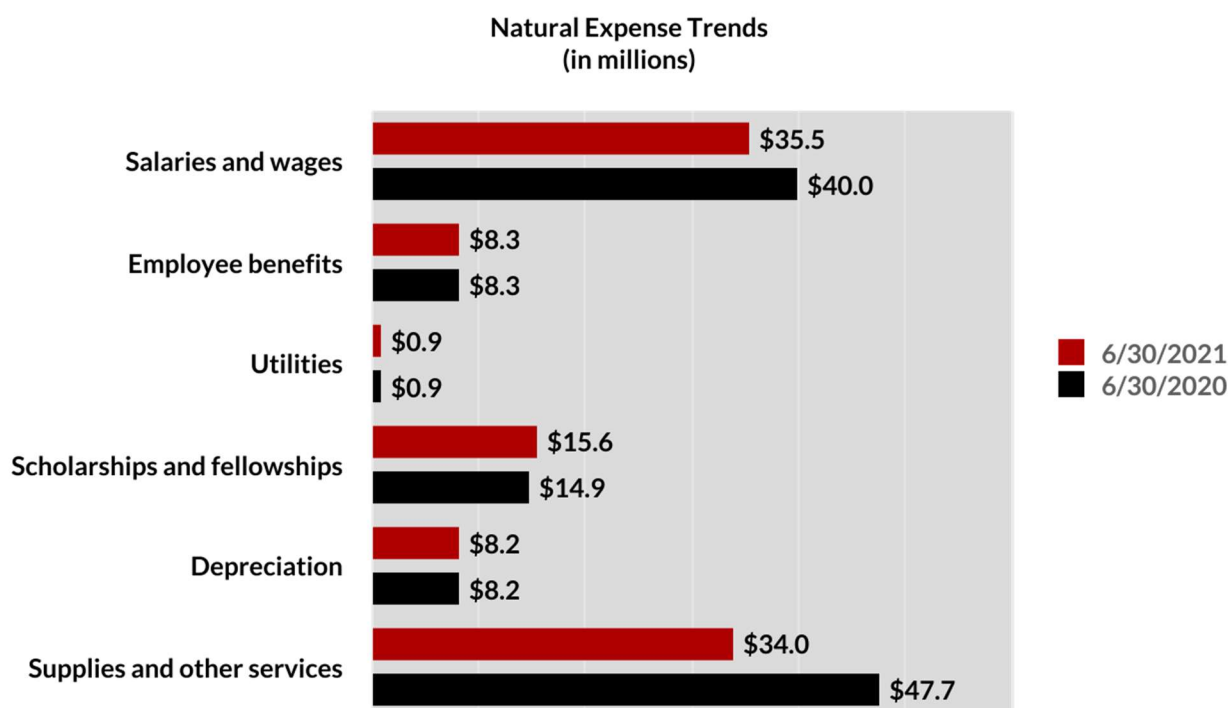
Total operating expenses decreased by \$17.4 million, or 14.5%, in the current year. The decrease was predominately in salary expenses and supplies and other services and directly related to cost saving measures enacted in response to restrictions brought on by the Pandemic, including furloughs and pay reductions, reduced travel, and reduced spending across all sport and administrative activities. Salary expenses were reduced 11.2% while supplies and other services were reduced 28.8%.

The illustrations below show total expenses by natural classification for the years ended June 30, 2021 and 2020:

**Operating Expenses by Natural Classification**  
**Year ended June 30, 2021**



**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Management Discussion and Analysis (Unaudited)**  
**For Years Ended June 30, 2021 and 2020**



**Operating Loss, Nonoperating Revenues, and Net Position**

The Association’s loss from operations amounted to \$40.2 million and \$33.4 million for the years ended June 30, 2021 and 2020, respectively. During the fiscal year ended June 30, 2021, the operating loss was offset by the \$36.5 million in nonoperating revenues and gifts, leaving a decrease in net position of \$3.6 million, compared to the \$4.3 million decrease in net position realized during the fiscal year ended June 30, 2020.

Overall, nonoperating revenues decreased \$1.2 million, or 3.1%. The most significant change being a decrease in gifts of \$12.1 million offset by increased contributions from related entities of \$10.0 million. The Association received \$5.2 million in COVID-19 relief funds from the University to supplement some of the revenues lost from concession sales and event parking, expenses for quarantine, social distancing, and expanded cleaning of facilities. These funds are reflected in contributions from related entities.

**Fiscal Year 2020**

The Association’s loss from operations amounted to \$33.4 million and \$54.8 million for the years ended June 30, 2020 and 2019, respectively. During the fiscal year ended June 30, 2020, the operating loss was offset by the \$37.7 million in nonoperating revenues and capital gifts, leaving an increase in net position of \$4.3 million compared to a loss of \$15.1 million recognized during fiscal year ended June 30, 2019.

Total operating revenues were \$86.6 million for the year ending June 30, 2020 and flat compared to \$86.8 million for the year ended June 30, 2019.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Management Discussion and Analysis (Unaudited)**  
**For Years Ended June 30, 2021 and 2020**

Total operating expenses decreased by \$21.7 million, or 15.3%, for the year ended June 30, 2020 as compared to the year ended June 30, 2019. The decrease is the result of substantial cuts in salaries and operational cost to mitigate the impact of revenue losses and additional expenditures needed to combat the Pandemic. The salary expense decrease is also attributed to expenses incurred during the year ending June 30, 2019 for contractual payments to a prior coach.

Overall, nonoperating revenues decreased \$2.0 million, or 5.0% primarily from a reduction in gifts.

**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 financing, capital financing and investing activities.

The statements of cash flows provide additional information about the Association's financial results by reporting the major sources and uses of cash. The condensed statements of cash flows for the years ended June 30, 2021, 2020, and 2019 (in thousands) are summarized below:

	2021	2020	2019	2021-2020 Change	2020-2019 Change
<b>CASH (USED)/PROVIDED BY:</b>					
Operating activities	\$ (33,803)	\$ (47,230)	\$ (25,255)	\$ 13,427	\$ (21,975)
Noncapital financing activities	21,968	29,642	11,329	(7,674)	18,313
Capital financing activities	12,517	899	(8,986)	11,618	9,885
Investing activities	3,081	5,829	848	(2,748)	4,981
<b>NET (DECREASE)/INCREASE IN CASH EQUIVALENTS</b>	<b>3,763</b>	<b>(10,860)</b>	<b>(22,064)</b>	<b>14,623</b>	<b>11,204</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>22,261</b>	<b>33,121</b>	<b>55,185</b>	<b>(10,860)</b>	<b>(22,064)</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 26,024</b>	<b>\$ 22,261</b>	<b>\$ 33,121</b>	<b>\$ 3,763</b>	<b>\$ (10,860)</b>

**Operating Activities**

The Association's cash and cash equivalents increased by \$3.8 million during the year, mostly due to the reduction in operations and a line of credit obtained to support operational activities. The Association experienced a net outflow of \$33.8 million, which is a reduction in cash used for operations primarily related to restrictions on spending, travel, and salary and benefit reductions.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Management Discussion and Analysis (Unaudited)**  
**For Years Ended June 30, 2021 and 2020**

**Other Activities**

Cash provided by noncapital and related financing activities of \$22.0 million offset the cash used by operating activities. These cash flows consist primarily of \$20.7 million in gifts received to support the sports programs, draws on a line of credit of \$9.0 million, and offset by \$7.3 million of payments to affiliated entities. Cash provided by capital financing activities of \$12.5 million relates mainly to capital activities for the receipt of capital gifts and purchases of capital assets or payment of debt for capital assets.

**Fiscal Year 2020**

The Association's cash and cash equivalents decreased by \$10.9 million during the year, mostly due to the operating loss incurred by the Association for 2019. The Association experienced a net outflow of \$47.2 million in cash paid for operations. Noncapital financing activities provided \$29.6 million of revenues from gifts and investing activities provided \$5.8 million in revenues.

**Economic Factors that May Affect Future Periods**

As a result of the Pandemic commerce across the globe was shut down, including all sporting events. At the same time, the Association was notified by the NCAA that all winter and spring sport activities were cancelled, therefore stopping all sport activities of the Association for the remainder of the fiscal year ending June 30, 2020.

Senior leadership of the University of Louisville and the Association were able to successfully manage the reductions in revenue and incremental costs related to the Pandemic by taking aggressive measures that included budget cuts, pay reductions, furloughs, and reductions in retirement contributions. Senior leadership continues to believe that it is financially well-positioned despite the impact of the Pandemic 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 Pandemic will continue to have a significant impact on the University and the Association moving into fiscal year 2021. Some of the significant disruptions to revenue streams or changes to the expense base that may be impacted by the Pandemic are as follows:

- The University may lose state appropriations from the Commonwealth of Kentucky as the state economy has been hit with extensive reductions in tax revenues related to the Pandemic which are expected to be substantially lower until the economy recovers. General Fund revenues are expected to decline for the first time in over a decade.
- The University may lose tuition revenue if it were required to cancel face-to-face classes and was not able to convert the classes to an online format.
- The University could suffer reductions in spend policy on endowed gifts and interest income due to significant deterioration in the financial markets.
- The Athletic Association could suffer reductions in revenue from reduced ticket sales and other related athletic revenue streams due to canceled games or reduced fan base allowed at events.
- The University expects COVID-19 testing, personal protective equipment, and other safety measures to be an incremental cost for 2021.
- The University has moved many classes into a hybrid delivery model for the 2020/2021 academic year which is expected to be an incremental cost for 2020.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Management Discussion and Analysis (Unaudited)**  
**For Years Ended June 30, 2021 and 2020**

The Association's Board of Directors approved a balanced operating budget for the 2021 fiscal year of \$95.1 million. This represents a reduction of \$9.25 million or 8.86% from the 2020 fiscal year budget. The Association budget was approved with the knowledge that future sport activities are uncertain and adjustments to the budget to compensate for the changing environment may be necessary.

The goals of the Association continue to include: 1) zero level 1 or 2 NCAA violations, 2) win ACC and NCAA Championships, 3) end each year with a surplus, 4) trust and collaboration become the norm, and 5) improve diversity, equity and inclusion. Progress towards these goals is not eroded by setbacks brought on by the Pandemic.

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**  
**For Years Ended June 30, 2021 and 2020**  
(in thousands)

	2021	2020
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 19,500	\$ 15,089
Accounts and contributions receivable, net	14,997	13,079
Inventories	5,418	4,434
Investments held with University of Louisville Foundation, Inc.	3,410	5,460
Other assets	1,358	1,434
<b>Total current assets</b>	<b>44,683</b>	<b>39,496</b>
Noncurrent Assets		
Restricted cash and cash equivalents	6,524	7,172
Accounts and contributions receivable, net	22,070	21,807
Other long-term investments	755	954
Capital assets, net	211,676	218,364
<b>Total noncurrent assets</b>	<b>241,025</b>	<b>248,297</b>
<b>Total assets</b>	<b>285,708</b>	<b>287,793</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,585</b>	<b>1,499</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>287,293</b>	<b>289,292</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	7,964	7,191
Unearned compensation and wages payable	1,537	2,699
Advances	30,536	24,918
Due to the University of Louisville	4,232	5,213
Notes payable	—	2,372
Line of credit	9,000	—
<b>Total current liabilities</b>	<b>53,269</b>	<b>42,393</b>
Noncurrent liabilities		
Due to University of Louisville	80,687	96,205
Note payable to University of Louisville Foundation, Inc.	1,000	1,000
Unearned compensation and wages payable	949	2,549
Advances	6,019	6,358
Other post-retirement benefits	4,814	3,712
Other long-term liabilities	5,045	6,131
Notes payable	11,000	2,784
<b>Total noncurrent liabilities</b>	<b>109,514</b>	<b>118,739</b>
<b>Total liabilities</b>	<b>162,783</b>	<b>161,132</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,799</b>	<b>1,827</b>
<b>NET POSITION</b>		
Net investment in capital assets	136,655	134,318
Restricted - nonexpendable	1,868	1,349
Restricted - expendable	18,033	17,485
Unrestricted	(33,845)	(26,819)
<b>Total net position</b>	<b>122,711</b>	<b>126,333</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 287,293</b>	<b>\$ 289,292</b>

See notes to 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 Years Ended June 30, 2021 and 2020**  
(in thousands)

	2021	2020
<b>OPERATING REVENUES</b>		
Sports:		
Basketball	\$ 8,986	\$ 19,342
Football	29,995	40,700
Other sports	735	1,486
<b>Total sports</b>	<b>39,716</b>	<b>61,528</b>
Cardinal Stadium	182	630
Marketing and development	7,445	7,967
Administration	736	3,031
Support services	1,604	1,111
Other operating revenues	12,701	12,292
<b>Total operating revenue</b>	<b>62,384</b>	<b>86,559</b>
<b>OPERATING EXPENSES</b>		
Sports:		
Basketball	8,739	13,962
Football	19,396	23,644
Other sports	22,771	27,319
<b>Total sports</b>	<b>50,906</b>	<b>64,925</b>
Cardinal Stadium	1,895	2,236
Marketing and development	6,873	9,814
Administration	3,644	5,204
Support services	12,284	12,709
Game management and facilities operations	2,981	3,819
Depreciation	8,200	8,204
Other operating expense	15,755	13,032
<b>Total operating expense</b>	<b>102,538</b>	<b>119,943</b>
<b>Operating loss</b>	<b>(40,154)</b>	<b>(33,384)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Gifts	18,342	33,603
Investment returns	21	56
Net realized and unrealized gain on investments	1,010	(5)
Interest on capital asset-related debt	(298)	(256)
Other nonoperating revenue (expense)	(501)	(533)
<b>Net nonoperating revenue</b>	<b>18,574</b>	<b>32,865</b>
Capital gifts	8,782	5,637
Contributions (to)/from related entities	9,176	(788)
<b>Total other revenue</b>	<b>17,958</b>	<b>4,849</b>
<b>Increase (decrease) in net position</b>	<b>(3,622)</b>	<b>4,330</b>
<b>NET POSITION</b>		
Net position - beginning of year	126,333	122,003
<b>Net position - end of year</b>	<b>\$ 122,711</b>	<b>\$ 126,333</b>

See notes to financial statements



**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Statements of Cash Flows**  
**For Years Ended June 30, 2021 and 2020**  
(in thousands)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Ticket sales	\$ 7,909	\$ 21,010
NCAA/Conference distributions	34,928	32,443
Marketing and development	7,445	7,967
Payments to suppliers, vendors and contractors	(34,959)	(63,379)
Payments for utilities	(895)	(869)
Payments to employees	(37,916)	(42,877)
Payments for benefits	(7,942)	(3,674)
Payments for scholarships and fellowships	(15,647)	(14,863)
Other athletic program receipts	13,274	17,012
<b>Net cash used by operating activities</b>	<b>(33,803)</b>	<b>(47,230)</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Gifts	20,790	36,358
Contributions to/from related entities	(7,323)	(5,867)
Payments of affiliate debt	—	(316)
Draw on line of credit	9,000	—
Other noncapital financing activity	(499)	(533)
<b>Net cash provided by noncapital financing activities</b>	<b>21,968</b>	<b>29,642</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital gifts received	8,782	5,637
Proceeds from notes payable	11,000	1,750
Purchases of capital assets	(1,512)	(3,454)
Principal paid on bonds and notes payable	(5,156)	(3,207)
Interest paid on bonds and notes payable	(14)	(118)
Other capital financing activities	(583)	291
<b>Net cash provided/(used) by capital and related financing activities</b>	<b>12,517</b>	<b>899</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	2,124	5,918
Purchase of investments	(74)	(141)
Interest on investments	1,031	52
<b>Net cash provided by investing activities</b>	<b>3,081</b>	<b>5,829</b>
Net increase/(decrease) in cash and cash equivalents	3,763	(10,860)
Cash and cash equivalents - beginning of year	22,261	33,121
<b>Cash and cash equivalents - end of year</b>	<b>\$ 26,024</b>	<b>\$ 22,261</b>

See notes to financial statements

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Statements of Cash Flows**  
**For Years Ended June 30, 2021 and 2020**  
**(in thousands)**

<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Operating loss		\$ (40,154)	\$ (33,384)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation		8,200	8,204
Loss on disposal of equipment		—	20
Change in assets and liabilities:			
Accounts and contributions receivable, net		(1,677)	(232)
Inventories		(984)	(1,222)
Other assets		76	(692)
Other long term assets		199	201
Accounts payable and accrued liabilities		773	(14,718)
Advances		2,822	(7,242)
Unearned compensation and wages payable		(2,762)	(2,924)
Other long-term liabilities		101	5,874
Deferred outflows		(369)	(297)
Deferred inflows		(28)	(818)
<b>Net cash used by operating activities</b>		<b>\$ (33,803)</b>	<b>\$ (47,230)</b>
<b>NON CASH TRANSACTIONS:</b>			
Loss on disposal of assets		\$ —	\$ 20

See notes to financial statements

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Statements of Cash Flows**  
**For Years Ended June 30, 2021 and 2020**  
**(in thousands)**

**1. Basis of Presentation and Summary of Significant Accounting Policies**

The University of Louisville Athletic Association, Inc. (Association) (a Kentucky nonprofit 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. Accounts and Contributions Receivable**

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.

Accounts receivable consist of charges and reimbursements for services provided to students, faculty, staff and external entities. Accounts receivable are recorded net of uncollectible amounts.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

**d. Inventories**

Inventories are valued at the lower of cost or market, under the first-in, first-out method. Inventories consist of equipment, clothing and supplies utilized in sporting activities.

**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.

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 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.

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 Foundation has a standing policy (the spending policy) of appropriating for expenditure each year a percentage of certain endowment funds' average market values over the prior three years through the calendar year-end preceding the year in which expenditure is planned. The Foundation will adjust the spending policy for a given year to mitigate adverse market performance on the level of support provided to the University. The Board of the Foundation approved the spend policy rate of 3.00% for fiscal year ending June 30, 2021 for support of the academic units, including the Association.

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.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

**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; land improvements – 40 years; equipment – 3-15 years; and leasehold improvements – 20 years.

Prior to the period ending June 30, 2018, the Association capitalized interest cost as a component of construction in progress, based on the interest cost of borrowings, net of interest earned from proceeds of borrowings. The Association ceased capitalizing interest after this date in accordance with updated GASB guidance.

**g. Deferred Outflows and Inflows of Resources**

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 of \$1.6 million and \$1.5 million for the years ended June 30, 2021 and 2020, respectively. Balances as of June 30, 2021, consist of loss on bond refinancing of \$0.7 million and future payments of other postemployment benefits of \$0.8 million. Balances as of June 30, 2020, consist of loss on bond refinancing of \$0.9 million, other postemployment benefits of \$0.5 million, and \$85 thousand of fair value derivative. As the derivative is considered an effective hedging instrument, changes in the fair value of the derivative is recognized as deferred outflows of resources. Deferred outflows of resources related to the loss on bond refinancing will be amortized as a component of interest expense using the effective interest method over the remaining life of the refinanced debt. Deferred outflows of resources related to other post-employment benefits consist of payments to be made in future periods.

Deferred inflows of resources of \$1.8 million as of June 30, 2021, consist of service concession arrangements of \$0.3 million, and changes in actuarial assumptions and differences between expected and actual experience in the other postemployment benefits liability of \$1.5 million. Deferred inflows of resources of \$1.8 million as of June 30, 2020, consist of service concession arrangements of \$0.4 million and changes in actuarial assumptions and differences between expected and active experience in the other postemployment benefits liability of \$1.4 million. Changes in the other postemployment benefits deferred inflow will be recognized in future periods. Deferred inflows from service concession arrangements will be recognized into revenue over the life of the contract.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

**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, and parking revenue was approximately \$36.6 million and \$31.3 million at June 30, 2021 and 2020. Such advances are recognized over the term of the related athletic activities.

**k. Net Position**

The net position of the Association is summarized into four major categories as follows:

- a. *Net investment in capital assets* primarily represents capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- b. *Restricted nonexpendable net position* consists of endowment gifts with specific restrictions. These endowments were made by donors to support scholarship expenses.
- c. *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. The Association's most significant components in this category are amounts restricted for capital projects, debt service and quasi-endowment gifts with donor stipulations.
- d. *Unrestricted net position* represents those balances from operational activities that have not been restricted by parties external to the Association, such as donors. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the Association's unrestricted net position has been designated for various sport, academic programs, or capital projects.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

The following table includes detail of the net position balances as of June 30, 2021 and 2020 (in thousands):

	2021	2020
Net investment in capital assets	\$ 136,655	\$ 134,318
Restricted - Nonexpendable		
Scholarships and fellowships	1,868	1,349
Restricted - Expendable		
Scholarships and fellowships	1,542	4,111
Institutional support	2,812	1,945
Capital projects	1,698	1,741
Debt Service	11,981	9,688
Unrestricted	(33,845)	(26,819)
<b>Total net position</b>	<b>\$ 122,711</b>	<b>\$ 126,333</b>

**I. Revenue and Expense Classifications**

The Association 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) tickets for athletic events, (2) concession sales, (3) parking and facilities rentals, and (4) media contracts. With the exception of interest expense, loss on investments and contributions to related entities, all expense transactions are classified as operating expenses.

Certain significant revenues relied on for fundamental operational support of the Association are mandated by GASB requirements to be recorded as nonoperating revenues. Nonoperating revenues, meaning revenues received and the Association provided no goods or services, include gifts and investment income.

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

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

**n. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

**o. Reclassifications**

Certain 2020 amounts have been reclassified to conform to the 2021 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.

**p. Recent Accounting Pronouncements and Restatement**

There were no new pronouncements adopted by the Association during the year ending June 30, 2021.

The Association evaluated the financial statement impact of GASB Statement No. 84, *Fiduciary Activities* for the years ending June 30, 2021 and June 30, 2020. This pronouncement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting. The Statement was not adopted by the Association as the potential impact was deemed immaterial to the financial statements.

The following statements will be implemented in future reporting periods:

GASB Statement No. 87, *Leases*. Requires recognition of certain lease assets and liabilities for leases that were previously classified as operating, and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use. The Association has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

GASB Statement No. 90, *Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61*. This pronouncement will improve financial reporting by providing users of the financial statements with essential information related to the presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. In addition, requiring reporting of information about component units if the government acquires a 100 percent equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The Association has not yet adopted this standard and is evaluating the impact it may have on its financial statements.



**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

GASB Statement No. 92 *Omnibus 2020*. This pronouncement addresses activities with derivative instruments, intra-entity transfers of assets, postemployment benefit arrangements and measurement of liabilities associated with asset retirement obligations. The Association has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. As a result of global reference rate reform, the most popular interbank offered rate (IBOR), London interbank offered rate (LIBOR), is expected to cease to exist in its current form prompting governments to amend or replace financial instruments. This pronouncement addresses the accounting and financial implications that result from the replacement of an IBOR. The Association has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and availability Payment Arrangements*. The objective of the pronouncement is to improve financial reporting related to public-private and public-public partnerships and availability payment arrangements. The Association has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. This pronouncement defines subscription-based information technology and provides guidance on accounting for the resulting capital and intangible assets and associated cost. The Association has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

**q. Risks and Uncertainties**

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the Pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the Association, the Pandemic may negatively impact various components of its revenue stream due to cancelled games or games played with limited or no fans resulting in reductions in ticket sales, suite agreements revenues, and contractual revenues. Additionally, the Association expects to pay incremental costs to keep its players and fans safe during the Pandemic. Management believes the Association is taking appropriate actions to mitigate the negative impact of the Pandemic. The full impact of the Pandemic is unknown and cannot be reasonably estimated as these events are still developing.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

**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):

	2021	2020
Deposits	\$ 26,024	\$ 22,261
Investments	4,165	6,414
<b>Total</b>	<b>\$ 30,189</b>	<b>\$ 28,675</b>
<b>Included in the following statements of net position captions:</b>		
Cash and cash equivalents	19,500	15,089
Restricted cash and cash equivalents	6,524	7,172
Investments held with University of Louisville Foundation, Inc.	3,410	5,460
Annuities	755	954
<b>Total</b>	<b>\$ 30,189</b>	<b>\$ 28,675</b>

**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. 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.

Other long-term investments are insurance annuity policies at June 30, 2021. 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.

As of June 30, 2021 and 2020, the Association had no investments subject to interest rate risk.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

**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, 2021 and 2020, the \$3.4 million and \$5.5 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, 2021 and 2020, was as follows:

	2021	2020
Investment in partnerships	50 %	48 %
Marketable alternatives	15 %	19 %
Mutual funds	19 %	16 %
Fixed income	10 %	12 %
Preferred and common stock	6 %	5 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

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

**f. Foreign Currency Risk**

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Association had no investments denominated in foreign currency at June 30, 2021 and 2020.

**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; and Level 3 inputs are significant unobservable inputs.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements as of June 30, 2021 and 2020 (in thousands):

	2021				
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV
Investments					
University of Louisville Foundation, Inc. investment fund	\$ 3,410	\$ —	\$ —	\$ —	\$ 3,410
<b>Total investments measured at fair value</b>	<b>\$ 3,410</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,410</b>

	2020				
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV
Investments					
University of Louisville Foundation, Inc. investment fund	\$ 5,460	\$ —	\$ —	\$ —	\$ 5,460
Investment derivative instruments					
Interest rate swap	(85)	—	(85)	—	—
<b>Total investments measured at fair value</b>	<b>\$ 5,375</b>	<b>\$ —</b>	<b>\$ (85)</b>	<b>\$ —</b>	<b>\$ 5,460</b>

**a. Investments**

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 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.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

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

	Fair Value	2021 Redemption Frequency	Redemption Notice Period
University of Louisville Foundation, Inc. investment fund	\$ 3,410	Various from any valuation day to quarterly	Various from 5 to 90 days

	Fair Value	2020 Redemption Frequency	Redemption Notice Period
University of Louisville Foundation, Inc. investment fund	\$ 5,460	Various from any valuation day to quarterly	Various from 5 to 90 days

**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, 2021 and 2020, 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, 2021 and 2020, the Foundation held funds of the Association of approximately \$3.4 million and \$5.5 million, respectively, for investment purposes.

**c. Debt with Related Entities**

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 years ended June 30, 2021 and 2020, the Association repaid \$0.7 million and \$0.6 million in each respective year. The outstanding loan balance is \$11.6 million and \$12.2 million as of June 30, 2021 and 2020, respectively.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

In December 2016, the University issued \$27.6 million of University of Louisville, General Receipts Bonds, 2016 Series F, which the proceeds along with debt service reserve funds and existing University funds were used to complete the current refunding of the Association's Louisville/Jefferson County Metro Government Mortgage Revenue Refunding and Improvement Bonds, 2008 Series A and B (mortgage revenue bonds). Additionally, the University issued \$50.7 million of University of Louisville, General Receipts Bonds, 2016 Series D and E to finance the expansion of Papa John's Cardinal Stadium and athletic training center. The proceeds of the Series D, E and F bonds were loaned to the Association. The Association entered into an agreement with the University for the Association to repay the bonds based on the bond repayment schedules. This liability is stated in current and noncurrent due to University of Louisville and deferred outflow of resources for related loss on refinancing. The outstanding loan balance and related cost due to the University is \$64.8 million and \$74.0 million as of June 30, 2021 and 2020, respectively.

Change in interest bearing debt from related entities as of June 30, 2021 and 2020, are summarized as shown below (in thousands):

	2021					
	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Interest bearing debt due to University	\$ 86,272	\$ —	\$ (9,916)	\$ 76,356	\$ 4,232	\$ 72,124

	2020					
	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Interest bearing debt due to University	\$ 90,725	\$ —	\$ (4,453)	\$ 86,272	\$ 4,564	\$ 81,708

Principal maturities and interest on interest bearing debt from related entities for the fiscal years ending June 30, are as follows (in thousands):

	Principal	Interest	Total
2022	4,232	3,334	7,566
2023	3,448	3,181	6,629
2024	4,056	3,019	7,075
2025	4,244	2,834	7,078
2026	4,432	2,640	7,072
2027-2031	25,191	10,174	35,365
2032-2036	30,752	4,131	34,883
<b>Total</b>	<b>76,356</b>	<b>29,312</b>	<b>105,668</b>

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

As of June 30, 2021 and 2020, the Association has noninterest bearing debt with no specific repayment terms of approximately \$8.6 million with the University. The debt relates to \$8.6 million of expenditures incurred in fiscal years 1999 and 2000 during the construction Cardinal Stadium.

In May 2018, the Association received \$7.2 million from the University, which was borrowed under a master lease agreement with a financial institution. The funds were used to finance the construction of a television broadcast and production studio. The Association entered into an agreement with the University for the Association to repay the lease based on the lease repayment schedule. This liability is stated in current liabilities and noncurrent due to University of Louisville. The outstanding loan balance was \$6.0 million as of June 30, 2020 and was paid off during April 2021 through a refinance with a financial institution.

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, 2021, the Association did not make a payment. The outstanding balance was approximately \$1.0 million as of June 30, 2021 and 2020.

**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 equality. The University transferred \$1.8 million and \$1.7 million, respectively, for the years ended June 30, 2021 and 2020 for this purpose. Additionally, the University collects certain fees from students designated for use by the Association. The University transferred \$0.9 million of student fees collected for the years ended June 30, 2021 and 2020.

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 \$9.6 million and \$3.4 million related to capital projects and debt service payments during each of the fiscal years ended June 30, 2021 and 2020, respectively.

Additionally, other transfers of support for projects or endeavors occur between the Association and the University. The University transferred \$11.0 million to the Association for the year ended June 30, 2021 and the Association transferred \$0.1 million to the University for the year ended and June 30, 2020.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

The Federal Government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 on December 27, 2020, and the American Rescue Plan Act of 2021 on March 11, 2021, all of which included funding for the Higher Education Emergency Relief Fund (HEERF). The University transferred \$5.2 million in CARES and HEERF funding to the Association during the year ended June 30, 2021. These funds were used to reimburse additional expenses the Association incurred related to the COVID-19 pandemic.

During the fiscal years ended June 30, 2021 and 2020, the Association transferred \$0.2 million and \$0.9 million respectively, to the Foundation to support the operations of the golf facility owned by the Foundation. This transfer is recorded in other nonoperating expenses and revenues.

**5. Accounts and Contributions Receivable, Net**

Accounts and contributions receivable as of June 30, 2021 and 2020, are as follows (in thousands):

	2021		
	Gross	Allowance	Net
Contributions receivable	\$ 34,982	\$ (6,408)	\$ 28,574
Trade receivables	9,396	—	9,396
<b>Total</b>	<b>\$ 44,378</b>	<b>\$ (6,408)</b>	<b>\$ 37,970</b>
Less discount			903
Current portion			\$ 14,997
Noncurrent portion			\$ 22,070

	2020		
	Gross	Allowance	Net
Contributions receivable	\$ 34,462	\$ (5,896)	28,566
Trade receivables	7,719	—	7,719
<b>Total</b>	<b>\$ 42,181</b>	<b>\$ (5,896)</b>	<b>\$ 36,285</b>
Less discount			1,399
Current portion			\$ 13,079
Noncurrent portion			\$ 21,807

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 0.0% to 2.25%.



**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

Contributions receivable as of June 30, 2021 and 2020, are due to be received as follows (in thousands):

	2021	2020
Less than one year	\$ 10,893	\$ 10,731
One to three years	10,009	9,070
Greater than three years	14,080	14,661
<b>Subtotal</b>	<b>34,982</b>	<b>34,462</b>
Less discount	(903)	(1,399)
Less allowance	(6,408)	(5,896)
<b>Net contributions receivable</b>	<b>\$ 27,671</b>	<b>\$ 27,167</b>

## 6. Capital Assets, Net

Capital assets as of June 30, 2021 and 2020, are shown below and on the following page (in thousands):

	2021				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<b>Cost - Nondepreciable</b>					
Land	\$ 5,151	\$ —	\$ —	\$ —	\$ 5,151
Construction in progress	902	401	—	—	1,303
<b>Subtotal</b>	<b>6,053</b>	<b>401</b>	<b>—</b>	<b>—</b>	<b>6,454</b>
<b>Cost - Depreciable</b>					
Buildings	277,179	152	—	756	278,087
Land improvements	4,977	—	—	—	4,977
Equipment	7,140	203	(30)	—	7,313
Leasehold improvements	1,299	—	—	—	1,299
<b>Subtotal</b>	<b>290,595</b>	<b>355</b>	<b>(30)</b>	<b>756</b>	<b>291,676</b>
<b>Total capital assets-cost</b>	<b>296,648</b>	<b>756</b>	<b>(30)</b>	<b>756</b>	<b>298,130</b>
<b>Accumulated depreciation</b>					
Buildings	72,167	7,147	—	—	79,314
Land improvements	1,069	155	—	—	1,224
Equipment	4,031	842	(30)	—	4,843
Leasehold improvements	1,017	56	—	—	1,073
<b>Total accumulated depreciation</b>	<b>78,284</b>	<b>8,200</b>	<b>(30)</b>	<b>—</b>	<b>86,454</b>
<b>Capital assets, net</b>	<b>\$ 218,364</b>	<b>\$ (7,444)</b>	<b>\$ —</b>	<b>\$ 756</b>	<b>\$ 211,676</b>

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

	Beginning Balance	2020			Ending Balance
		Additions	Retirements	Transfers	
<b>Cost - Nondepreciable</b>					
Land	\$ 5,151	\$ —	\$ —	\$ —	\$ 5,151
Construction in progress	—	2,153	—	(1,251)	902
<b>Subtotal</b>	<b>5,151</b>	<b>2,153</b>	<b>—</b>	<b>(1,251)</b>	<b>6,053</b>
<b>Cost - Depreciable</b>					
Buildings	275,389	539	—	1,251	277,179
Land improvements	4,797	180	—	—	4,977
Equipment	6,639	582	(81)	—	7,140
Leasehold improvements	1,299	—	—	—	1,299
<b>Subtotal</b>	<b>288,124</b>	<b>1,301</b>	<b>(81)</b>	<b>1,251</b>	<b>290,595</b>
<b>Total capital assets-cost</b>	<b>293,275</b>	<b>3,454</b>	<b>(81)</b>	<b>—</b>	<b>296,648</b>
<b>Accumulated depreciation</b>					
Buildings	65,053	7,114	—	—	72,167
Land improvements	912	157	—	—	1,069
Equipment	3,217	875	(61)	—	4,031
Leasehold improvements	959	58	—	—	1,017
<b>Total accumulated depreciation</b>	<b>70,141</b>	<b>8,204</b>	<b>(61)</b>	<b>—</b>	<b>78,284</b>
<b>Capital assets, net</b>	<b>\$ 223,134</b>	<b>\$ (4,750)</b>	<b>\$ (20)</b>	<b>\$ —</b>	<b>\$ 218,364</b>

## 7. Line of Credit

In April 2021, the Association entered into a \$20.0 million line of credit with a financial institution to fund the Association's working capital expenses. The line of credit is secured by collateral, including funding and revenues of the Association and third-party pledges to the Association. The line of credit converts to a 20-year note May 31, 2023 with principal and interest payments through April 30, 2043. The interest rate on the new loan is fixed at 2.93%. The balance of the line of credit is \$9.0 million as of June 30, 2021.

## 8. Debt

Debt payable as of June 30, 2021 and 2020, are summarized as shown below (in thousands):

	Interest Rate	Fiscal Year of Maturity	2021		2020	
			\$		\$	
Notes payable	2.9%	2043	\$ 11,000		\$ 5,156	

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

The change in notes payable is summarized as follows (in thousands):

	2021					
	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Notes payable	\$ 5,156	\$ 11,000	\$ (5,156)	\$ 11,000	\$ —	\$ 11,000

	2020					
	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Notes payable	6,613	\$ 1,750	\$ (3,207)	\$ 5,156	\$ 2,372	\$ 2,784

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

For the year ended June 30,	Principal	Interest	Total
2022	\$ —	\$ 322	\$ 322
2023	67	55	122
2024	410	320	730
2025	423	307	730
2026	436	294	730
2027-2031	9,664	1,230	10,894
<b>Total</b>	<b>\$ 11,000</b>	<b>\$ 2,528</b>	<b>\$ 13,528</b>

Association revenue is pledged for the payment of the term loan. For the current year, principal and interest paid by the Association and the total pledged revenue recognized were \$5.5 million and \$75.5 million, respectively.

#### **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 renovation of the baseball and softball stadiums and 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%, reset on the last day of each month. This term loan was refinanced in June 2018 and replaced with a \$9.6 million term loan with substantially the same terms. The interest rate on the new note is the daily one month LIBOR rate plus 100 basis points. The balance of the term loan was \$3.7 million as of June 30, 2020.

In July 2019, the Association entered into a \$1.75 million note with a bank. The proceeds will be used to finance the renovation of the seats at the baseball and football stadiums. The loan is secured by the pledge and transfer to the bank of a security interest in the Association's deposits, monies, securities and other property now or hereafter in the possession of or on deposit with the bank. Principal will be repaid in seven annual installments of \$250 thousand commencing on June 30, 2020. The fixed interest rate on the term note is 3.6%. The balance of the term loan was \$1.75 million as of June 30, 2020.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

In April 2021, the Association refinanced the aforementioned term loans and the intercompany lease payable (see footnote 4 for additional discussion) for an \$11.0 million term loan with a financial institution. The loan is secured by collateral, including funds and revenues of the Association and third-party pledges to the Association. Principal repayments will begin May 31, 2023 as the note carries an interest only period ending on April 30, 2023. The interest rate on the new loan is fixed at 2.93% . The balance of the term loan is \$11.0 million as of June 30, 2021.

**9. Other Liabilities**

Other liabilities as of June 30, 2021 and 2020, are summarized as shown below (in thousands):

	2021					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Unearned compensation and wages payable	\$ 5,248	\$ 2,203	\$ (4,965)	\$ 2,486	\$ 1,537	\$ 949
Advances	31,276	60,292	(55,013)	36,555	30,536	6,019
Other long-term liabilities	6,131	—	(1,086)	5,045	—	5,045
<b>Total</b>	<b>\$ 42,655</b>	<b>\$ 62,495</b>	<b>\$ (61,064)</b>	<b>\$ 44,086</b>	<b>\$ 32,073</b>	<b>\$ 12,013</b>

	2020					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Unearned compensation and wages payable	\$ 8,170	\$ 6,978	\$ (9,900)	\$ 5,248	\$ 2,699	\$ 2,549
Advances	36,670	\$ 36,327	\$ (41,721)	31,276	24,918	6,358
Other long-term liabilities	4	\$ 8,231	\$ (2,105)	6,131	—	6,131
<b>Total</b>	<b>\$ 44,844</b>	<b>\$ 51,537</b>	<b>\$ (53,726)</b>	<b>\$ 42,655</b>	<b>\$ 27,617</b>	<b>\$ 15,038</b>

Other long-term liabilities as of June 30, 2021 and 2020, consist of future expenses required by certain pledge agreements.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

**10. Natural Classification**

Operating expenses by natural classification for the years ended June 30, 2021 and 2020, were approximately (in thousands):

	2021	2020
Salaries and wages	\$ 35,527	\$ 40,004
Employee benefits	8,306	8,279
Utilities	895	869
Scholarships and fellowships	15,647	14,862
Depreciation	8,200	8,204
Supplies and other services	33,963	47,725
<b>Total</b>	<b>\$ 102,538</b>	<b>\$ 119,943</b>

**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. The Retirement Plan requires three years of continuous service for employees to vest in employer contributions.

From plan inception through April 30, 2020, eligible employees not contributing to the Retirement Plan were entitled to a 7.5% of base salary contribution on their behalf from the University and an additional match of 2.5% employee contributions. The University amended the Retirement Plan during the year and discontinued base salary and matching contributions from May 1, 2020 through July 30, 2020. Beginning August 1, 2020, base salary and matching contributions were reinstated with an amendment to the plan where eligible employees not contributing to the Retirement Plan are entitled to a 2.5% match of base salary and an additional contribution of 2.5%. Beginning February 1, 2021, the additional contribution was increased to 6.0%.

The Association recorded expenses related to the defined contribution plan of approximately \$1.3 million and \$2.0 million for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the Association had no outstanding liability related to the Retirement Plan.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

**12. Postemployment Healthcare Benefits**

**a. Plan Description**

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

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

At July 1, 2020, the following employees were covered by the benefit terms.

Inactive plan members	1,586
Active plan members	5,354
<b>Total</b>	<b>6,940</b>

**b. Funding Policy**

The Plan is funded on a pay-as-you-go basis. The contribution requirements of the contributing members are determined by the University's management on an annual basis. During the years ended June 30, 2021 and 2020, the University contributed approximately \$2.1 million and \$1.9 million to the Plan, approximately 59% and 67% of total premiums, respectively. Retired Plan members under age 65 receiving benefits contributed approximately \$956 thousand and \$914 thousand, approximately 27% and 33% of total premiums for the years ended June 30, 2021 and 2020, respectively. Health plan rates remained unchanged for the year ended June 30, 2021. Retired Plan members made monthly contributions according to the rate schedule below.

	PPO		EPO		PCA High		PCA Low	
Employee	\$	364	\$	385	\$	306	\$	257
Employee and Spouse	\$	874	\$	924	\$	734	\$	617

Medicare-eligible retirees receive a monthly benefit of \$108 per individual covered. For the years ended June 30, 2021 and 2020, the University contributed \$1.9 million and \$2.0 million for Medicare-eligible retirees, respectively.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

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

The University's total OPEB liability was measured by an actuarial valuation as of June 30, 2020. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.25%
Salary Increases	5.00%, average
Investment rate of return	NA
Healthcare cost trend rates	6.4% for 2020, decreasing 0.10%-0.25% per year to an ultimate rate of 4.15% for 2033 and later 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 2.45% as of the Measurement Date, 3.13% as of the beginning of the Measurement Period.

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):

	Total OPEB Liability
<b>Balances at 6/30/2020</b>	<b>\$ 74,239</b>
Changes for the year:	
Service cost	2,538
Interest	2,318
Differences between expected and actual experience	(1,687)
Changes of assumptions	5,757
Benefit payments	(2,927)
Net Changes	5,999
<b>Balances at 6/30/2021</b>	<b>\$ 80,238</b>

The following reflects the sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rate. The schedule below presents the University's OPEB liability, as well as what the University's OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate (in thousands):

	1% Decrease (1.45)%	Discount Rate (2.45)%	1% Increase (3.45)%
Net OPEB liability	\$ 90,227	\$ 80,238	\$ 71,885

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

The schedule below presents the University's OPEB liability, as well as what the University's OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.4% for 2020, decreasing 0.10%-0.25% per year to an ultimate rate of 3.25% for 2033) or 1 percentage point higher (7.4% for 2020, decreasing 0.10%-0.25% per year to an ultimate rate of 5.25% for 2033) than the current healthcare cost trend rate (in thousands):

	1% Decrease (5.4)%	Healthcare Cost Trend Rates (6.4)%	1% Increase (7.4)%
Net OPEB liability	\$ 77,001	\$ 80,238	\$ 84,031

For the year ended June 30, 2021, the University recognized OPEB expense of \$2.2 million. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,408	\$ 3,986
Changes of assumptions	8,977	21,233
Contributions made in fiscal year ending 6/30/2021 after the measurement date of 6/30/2020	3,558	—
<b>Total</b>	<b>\$ 13,943</b>	<b>\$ 25,219</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.

Amounts reported as differences between expected and actual experience and changes in assumptions included under deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows on the following page (in thousands):

Year ended June 30:	
2022	\$ (2,648)
2023	(2,648)
2024	(2,648)
2025	(2,648)
2026	(2,231)
Thereafter	(2,013)
<b>Total</b>	<b>\$ (14,836)</b>



**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

**d. Funded Status and Funding Progress**

As of June 30, 2020, the most recent actuarial valuation date, the plan was 0% funded. The unfunded OPEB liability for benefits was \$80.2 million and \$74.2 million and there were no assets, resulting in an unfunded net OPEB liability of \$80.2 million and \$74.2 million as of June 30, 2021 and 2020, respectively. The covered payroll (annual payroll of active employees covered by the plan) was \$490.2 million and \$493.9 million, and the ratio of the unfunded net OPEB liability to the covered payroll was 16% and 15%, for the years ended June 30, 2021 and 2020, respectively.

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

**e. Actuarial Methods and Assumptions**

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

In the June 30, 2020, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 6.4% initially, reduced by increments to an ultimate rate of 4.15% after 13 years. The increase in the benefit obligation recognized during the fiscal year ending June 30, 2020 was due to a change in the discount rate from 3.13% as of the beginning of the reporting year to 2.45% as of the measurement date, and updates to the retirement rates, participation rates and health care trend rates. The gains on the benefit obligation recognized during the fiscal year ended June 30, 2020 was due to updates made on expected future health claims and an increase in the discount rate from 2.45% as of the beginning of the reporting year to 2.85% as of the measurement date, and changes in the assumed per capita cost.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

**13. Leases**

**a. 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, 2021 and 2020, amounted to approximately \$174 thousand and \$171 thousand, respectively.

**b. 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.

In July 2017, an amendment of the lease was signed extending the term through 2054 and amending the annual rents due to \$2.4 million along with the calculated annual net payment as described below. 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. The lease also stipulates that Association will purchase parking spaces. Total lease expense were approximately \$3.5 million and \$6.9 million during the years ended June 30, 2021 and 2020, respectively.

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; and (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, 2021 and 2020, amounted to approximately \$0.5 million and \$1.2 million, respectively.

**c. Christ Church Cathedral**

In July 2017, the Association executed an Agreement with Louisville Metro Government for a ground lease of Churchill Park athletic fields for an initial term of 50 years with annual payments of \$15 thousand per year begin on July 31, 2018 for the term of the agreement. The Association also executed an agreement to acquire reversionary interest in the properties for an initial payment of \$0.3 million and payments of \$50 thousand over 10 years beginning July 31, 2018. Lease expense is recognized evenly over the life of the lease at \$17 thousand annually.

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

**d. 1904 S. Floyd Street**

In September 2018, the Association executed an Agreement with University of Louisville Foundation, Inc. for a building of approximately 19,500 square feet at 1904 S. Floyd Street for a television broadcast studio, with an initial term of 10 years with annual payments of \$83 thousand for the first five years and \$93 thousand for the following five years. There are two five-year extensions available at approximately \$102 thousand and \$112 thousand annually.

**e. 1670 S. Floyd Street**

In May 2019, the Association executed an Agreement with University of Louisville Real Estate Foundation, Inc. for a building of approximately 21,018 square feet at 1670 S. Floyd Street for office and warehouse use, with an initial term of five years with annual payments of \$113 thousand per year begin on June 1, 2019 for the term of the agreement. There are two five-year options at approximately \$63 thousand and \$66 thousand annually.

**f. Future Minimum Lease Payments**

Future minimum lease payments are as follows (in thousands), subject to change with the new leases (in thousands):

For the year ending June 30,	Lease Payment Due
2022	\$ 2,656
2023	2,686
2024	2,584
2025	2,578
2026	2,578
2027-2031	12,595
2032-2036	12,175
2037-2041	12,175
2042-2046	12,175
2047-2051	75
2052-2056	75
2057-2061	75
2062-2066	75
2067-2071	45
<b>Future minimum lease payments</b>	<b>\$ 62,547</b>

**UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**  
**A Component Unit of the University of Louisville**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2021 and June 30, 2020**

**14. Commitments**

At June 30, 2021 and 2020, the Association had approximately \$0.2 million and \$1.2 million, respectively, in encumbrances for future expenditures.

**a. Litigation**

While the Association is a party to various legal actions and other claims in the normal course of business, there are no legal actions against the Association at this time.

**b. NCAA Investigation**

The University received a Notice of Allegation from the NCAA on May 4, 2020 as a result of information obtained during the federal criminal charges against former Adidas representatives, and the subsequent investigation. A number of other university athletic programs with Adidas contracts similarly received a Notice of Allegation from the NCAA. The outcome of the NCAA's allegations against the University and the future impact on the financial position of the Association cannot be estimated at the time of issuance of the audited financial statements.

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

	6/30/2021	6/30/2020	6/30/2019	6/30/2018
<b>Total OPEB liability</b>				
Service Cost	\$ 2,538	\$ 2,437	\$ 4,630	\$ 5,203
Interest	2,318	2,497	3,296	2,728
Difference between expected and actual experience	(1,687)	1,923	(1,718)	(2,608)
Changes of assumption	5,757	5,488	(27,504)	(5,495)
Benefit payments	(2,927)	(2,836)	(2,817)	(3,007)
<b>Net change in OPEB Liability</b>	<b>5,999</b>	<b>9,509</b>	<b>(24,113)</b>	<b>(3,179)</b>
OPEB liability - beginning of year	74,239	64,730	88,843	92,022
<b>OPEB liability - end of year</b>	<b>80,238</b>	<b>74,239</b>	<b>64,730</b>	<b>88,843</b>
<b>Covered employee payroll</b>	<b>490,221</b>	<b>493,893</b>	<b>450,332</b>	<b>445,356</b>
<b>Total OPEB liability as a percentage of covered employee payroll</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.