UNIVERSITY OF LOUISVILLE
AND AFFILIATED CORPORATIONS

A Component Unit of the Commonwealth of Kentucky

Auditor's Report and Financial Statements
June 30, 2015 and 2014

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS

A Component Unit of the Commonwealth of Kentucky

Table of Contents:

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Louisville and Affiliated Corporations (the University), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Louisville Physicians, Inc. (ULP) and University of Louisville Foundation, Inc. and Affiliates (the Foundation), which make up the entire aggregate discretely presented component units of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for ULP and the Foundation is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of UPL were not audited in accordance with *Government Auditing Standards*. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

(Continued)

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate discretely presented component units of the University, as of June 30, 2015, and the respective changes in financial position and where applicable, the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the University as of June 30, 2014, were audited by other auditors whose report dated September 29, 2014, expressed unmodified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis on pages 3 through 14 and the Post-employment Benefit Information on page 76 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015 on our consideration of the University of Louisville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Louisville's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
October 26, 2015

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS

A Component Unit of the Commonwealth of Kentucky

Management's Discussion and Analysis (Unaudited)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the University of Louisville and Affiliated Corporations (the University) for the years ended June 30, 2015, and 2014 with comparative financial information for fiscal year 2013. The affiliated corporations include the University of Louisville Research Foundation, Inc. (Research Foundation) and the University of Louisville Athletic Association, Inc. (Association). This discussion contains highly summarized data and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Using the Financial Statements

The University's financial report includes three financial statements: the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. These financial statements have been prepared by University management in accordance with the Governmental Accounting Standards Board (GASB) principles.

The Statements of Net Position present the assets, deferred outflow of resources, liabilities, deferred inflow of resources and net position of the University at a point in time (June 30, 2015, 2014 and 2013). Net position (the difference between total assets, total liabilities, total deferred outflows of resources and total deferred inflows of resources) provides a snapshot of the current financial condition of the University at the end of a fiscal year. The change in net position indicates whether the overall financial condition has improved or worsened during the year. Assets, liabilities, deferred outflows of resources 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 accumulated depreciation.

The Statements of Revenues, Expenses, and Changes in Net Position present the total revenues earned and expenses incurred by the University during the fiscal year(s). The statements depict the major revenue streams of the University and expense categories supported by that revenue. Changes in net position indicate an improvement or decline of the University's financial condition for the period of time illustrated.

The Statements of Cash Flows present cash inflows and outflows for each fiscal year. The statement reports major sources and uses of cash and assists with the assessment of the ability of the University to meet its obligations when due.

See footnote 1 for a summary of significant accounting policies.

Statements of Net Position

The statements of net position present the financial position of the University at the end of the fiscal year and include all assets, liabilities, deferred outflows of resources and deferred inflows of resources of the University. The University's assets, liabilities, deferred outflows of resources, deferred inflows of resources and net position at June 30, 2015, 2014 and 2013 are summarized on the following page:

Condensed Statements of Net Position
June 30, 2015, 2014, and 2013
(In Thousands)

	2015	2014	2013	2015 - 2014 Change	2014 - 2013 Change
ASSETS					
Current assets	$ 240,513	$ 194,306	$ 182,293	$ 46,207	$ 12,013
Long-term investments	37,912	54,718	57,501	(16,806)	(2,783)
Capital assets, net	864,686	876,058	871,587	(11,372)	4,471
Other	71,308	74,340	105,252	(3,032)	(30,912)
Total assets	1,214,419	1,199,422	1,216,633	14,997	(17,211)
DEFERRED OUTFLOWS OF RESOURCES	851	957	1,124	(106)	(167)
LIABILITIES					
Current liabilities	174,602	179,620	179,360	(5,018)	260
Noncurrent liabilities	330,417	322,071	336,729	8,346	(14,658)
Total liabilities	505,019	501,691	516,089	3,328	(14,398)
DEFERRED INFLOWS OF RESOURCES	3,671	4,881	6,011	(1,210)	(1,130)
NET POSITION					
Net investment in capital assets	612,364	611,785	594,840	579	16,945
Restricted-nonexpendable	1,791	1,656	1,538	135	118
Restricted-expendable	80,099	75,927	83,255	4,172	(7,328)
Unrestricted	12,326	4,439	16,024	7,887	(11,585)
Total net position	$ 706,580	$ 693,807	$ 695,657	$ 12,773	$ (1,850)

Assets

Current assets consist primarily of cash; loans, accounts and contributions receivable; and short-term investments.

In fiscal 2015, current assets increased $46.2 million, reflecting the increase in cash and cash equivalents of $56.1 million offset by decreases in loans, accounts and contributions receivable (net) of $6.6 million and due from the University of Louisville Foundation (Foundation) of $5.9 million. Cash increased principally for the receipt of $33.8 million of strategic funding from KentuckyOne Health, for the net sale of investments totaling $13.2 million, and for cash realized to meet capital needs including $7.0 million from proceeds from the issuance of long-term liabilities. Included in cash realized from proceeds from the issuance of long-term liabilities is $5.7 million from the issuance of a master lease agreement with a financial institution to fund investments in energy efficiency. The decrease in accounts receivable is primarily from the collection of $2.0 million to reimburse land remediation costs of Papa John’s Cardinal Stadium and $1.7 million from collection of an open insurance claim for hail storm damage. For fiscal year 2015, amounts due from the Foundation include $5.5 million for disbursements made on behalf of the Foundation and $4.1 million related to a tax increment financing arrangement. Due from the Foundation as of June 30, 2014 includes $9.7 million for disbursements made on behalf of the Foundation and $5.8 million related to a loan to complete certain real estate purchases.

In fiscal 2014 current assets increased $12.0 million, reflecting the increase in loans, accounts and contributions receivable (net) of $25.0 million and due from the Foundation of $12.4 million offset by the decrease in cash and cash equivalents of $17.9 million. The increase in accounts receivable is primarily related to a $15.1 million increase in patient care receivables, net of discount and allowance resulting from additional Medicaid patients and other contractual agreements.

Capital assets, net of accumulated depreciation, represent 71% of total assets. Other noncurrent long-term investments, noncurrent loans, accounts and contributions receivable and restricted cash and cash equivalents comprise the remainder of assets.

Noncurrent assets decreased $31.2 million, including decreases in other noncurrent long-term investments of $16.8 million and capital assets (net) of $11.4 million. The decrease in capital assets (net) relates to depreciation additions which exceeded asset additions by $9.6 million and a net loss on disposal of retired assets of $1.8 million, mainly for the demolition of certain dormitories to make available for new construction the land known as Stansbury Park.

In fiscal 2014, noncurrent assets decreased $29.2 million, including a decrease of $34.4 million in restricted cash and cash equivalents. Restricted cash and cash equivalents are principally comprised of cash expendable for the construction and renovation projects of the University. Cash decreased by progress payments to contractors, including a project to construct a new student recreation center and a project to construct a soccer stadium. The decrease was partially offset by an increase in capital assets, net totaling $4.5 million.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets applicable to a future period. The University reports as deferred outflows of resources the loss on refunding of the Consolidated Educational Building Revenue Bonds Series N and Series O by the issuance of General Receipts 2012 Series A and the loss on refunding the County of Jefferson Kentucky Governmental Lease Revenue Bonds, Series 1997 by the issuance of Metro Government Revenue Refunding and Improvement Bonds, Series 2008A. These deferred outflows decreased $0.2 million relating to its recognition as expense. The University also reports the value of an interest rate swap entered into as a part of the term loan received in June 2013. The decrease related to the loss on refunding is partially offset by the increase of $0.1 million in the interest rate swap. In fiscal 2014, the decrease of $0.2 million relates to the recognition of the deferred loss on refunding as expense.

Liabilities

Accounts payable and accrued liabilities, and advances for payment received but unearned, comprise 87% of total current liabilities. In fiscal 2015, the $5.0 million decrease in current liabilities relates primarily to the $7.7 million decrease in accounts payable and accrued liabilities. Accounts payable and accrued liabilities decreased principally for the payment of benefits related to the voluntary separation incentive program and for the completion of construction projects of the Athletic Association. In fiscal 2014 the $0.3 million increase in current liabilities relates primarily to the $6.8 million increase in advances. Offsetting this, accounts payable and accrued liabilities decreased $3.2 million. Advances increased related to the receipt of $8.3 million from KentuckyOne Health under the academic affiliation agreement and expected to be recognized as revenue in the next year.

Noncurrent liabilities consist primarily of the portion of bonds, notes, and leases payable in excess of one year. In fiscal 2015 the $8.3 million increase in noncurrent liabilities relates primarily to the $20.2 million increase in advances offset by the $15.2 million decrease in bonds and notes payable. Advances increased for funding received from KentuckyOne Health under the academic affiliation agreement but not spent for an approved purpose. Bonds and notes payable decreased for principal maturities during the year. In fiscal 2014 the $14.7 million decrease in noncurrent liabilities relates primarily to the $23.1 million decrease in bonds and notes payable, offset by the $10.4 million increase in advances. Bonds and notes payable decreased for principal maturities during the year. Partially offsetting the decrease is the receipt of an advance of $10.5 million from KentuckyOne Health under the academic affiliation agreement.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods. This includes the fair value of a forward delivery agreement for the investment of debt service reserves related to the Athletic Association and for the prior year an interest rate swap related to the Athletic term loan entered into during 2013. As the derivatives are considered to be effective in the reduction of risk, the change in fair value is shown as a deferred inflow of resources. In fiscal 2015, the fair value of the forward delivery agreement decreased $66 thousand. In fiscal 2014, the fair value of the forward delivery agreement and the interest rate swap decreased $68 thousand and $103 thousand respectively. Because of the decline in value in 2014, the interest rate swap totaling $23 thousand was reclassified as a deferred outflow of resources

The net of the investments and contributions provided by agreement with the University's food service provider totaling $3.4 million for June 30, 2015 and $4.6 million for June 30, 2014, respectively, are recorded as deferred inflows of resources on the statements of net position. The decrease relates to its recognition as revenue evenly over the life of the contract.

Net Position

The University's net position is summarized into four major categories in accordance with GASB Statement No. 35 reporting requirements as amended by GASB Statement No. 63 as follows:

- *Net Investment in Capital Assets* represents the University's investment in capital assets such as land, buildings, equipment and depreciable library materials, net of accumulated depreciation, related deferred outflows of resources reduced by related deferred inflows of resources and debt attributable to the acquisition, construction, or improvement of those assets.

- *Restricted-nonexpendable* funds include amounts that are subject to externally imposed restrictions that require the University to maintain the assets in perpetuity. These balances are the permanent endowment for scholarships and other purposes.

- *Restricted-expendable* funds are those that are subject to externally imposed restrictions governing their use for a particular purpose or period of time. The University's most significant components in this category consist of amounts restricted for capital projects, public service and debt service.

- *Unrestricted* net position results primarily from net operating income in excess of expenses. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for various academic programs, research initiatives, and capital projects.

For fiscal 2015 net position increased $12.8 million as compared to June 30, 2014. Gross tuition increased $11.7 million, offset by scholarship discounts from the Foundation. Clinical services and practice plan revenue increased by $24.5 million as a result of a $10.0 million increase in Medicaid related patient and intergovernmental transfers and due to revenue from the academic affiliation agreement with KentuckyOne Health of $12.5 million. Net nonoperating revenues and other revenue increased $69.4 million including transfers from the Foundation totaling $53.7 million related to gifts and endowments included in the University's consolidated statements. Partially offsetting these increases in revenue, operating expenses increased by $90.6 million mainly the result of $58.7 million of expense charged to gifts and endowments included in the University's consolidated financial statement and for expense under the academic affiliation agreement with KentuckyOne Health totaling $12.5 million.

For fiscal 2014 net position decreased $1.9 million as compared to June 30, 2013. This is a result of an increase in tuition net of tuition discount of $13.8 million a result of budgeted rate increases and increased enrollment. Clinical services and practice plan revenue increased $34.6 million from increased Medicaid patients. Through budgetary control and as a result of cost savings, increases in operating expense were limited to $10.2 million or 1%. Net nonoperating revenue and other revenue increased $10.1 million including the increase in net assets transferred from the Foundation of $8.1 million. In addition, voluntary separation plan expense decreased $18.0 for the initial cost of employee benefits under the program.

Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position present the University's results of operations. Condensed statements of the University's revenues, expenses and changes in net position for the years ended June 30, 2015, 2014 and 2013, are summarized below:

Condensed Statements of Revenues, Expenses and Changes in Net Position
Years ended June 30, 2015, 2014, and 2013
(In Thousands)

	2015	2014	2013	2015 - 2014 Change	2014 - 2013 Change
OPERATING REVENUES					
Student tuition and fees, net	$ 209,834	$ 209,442	$ 195,627	$ 392	$ 13,815
Clinical services and practice plan	252,407	227,858	193,212	24,549	34,646
Grants and contracts	90,154	91,886	94,309	(1,732)	(2,423)
Facilities and administrative cost recoveries	22,596	21,965	24,011	631	(2,046)
Other	93,300	81,262	76,481	12,038	4,781
Total operating revenues	668,291	632,413	583,640	35,878	48,773
OPERATING EXPENSES					
Depreciation	53,339	56,333	55,311	(2,994)	1,022
Other	910,975	817,350	808,180	93,625	9,170
Total operating expenses	964,314	873,683	863,491	90,631	10,192
NONOPERATING REVENUES (EXPENSES)					
State appropriations	140,744	147,256	144,066	(6,512)	3,190
Other nonoperating revenues	168,052	92,164	85,335	75,888	6,829
Total nonoperating revenues	308,796	239,420	229,401	69,376	10,019
Voluntary separation plan expense	-	-	18,001	-	(18,001)
Increase/(decrease) in net position	12,773	(1,850)	(68,451)	14,623	66,601
Net position - beginning of year	693,807	695,657	764,108	(1,850)	(68,451)
Net position - end of year	$ 706,580	$ 693,807	$ 695,657	$ 12,773	$ (1,850)

Operating Revenues

Tuition and state appropriations provide the chief sources of support for the University's academic programs. Revenues from tuition, clinical services, and certain grants and contracts are classified as operating revenues as defined by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Other revenue sources, such as state appropriations and investment income are considered nonoperating revenues.

Student tuition and fees, net of allowances for scholarships and fellowships of $83.7 million and $72.4 million, were $209.8 million and $209.4 million, or 31% and 33% of total operating revenues, for the years ended June 30, 2015 and 2014, respectively. Gross tuition and fees revenues increased $11.7 million, or 4% compared to the previous year. This additional revenue resulted from budgeted tuition rate increases providing $10.4 million and increased enrollment and other fee increases providing $1.3 million. The increase was offset by an increase in tuition discount of $11.3 million, directly related to a change during 2015 in the reporting of Foundation scholarships. Scholarship expense funded by gift and endowment earnings is now reported in the University's consolidated financial statement.

In fiscal 2014, gross tuition and fees revenues increased $17.2 million, or 6% compared to the previous year. This additional revenue resulted from approved tuition rate increases providing $9.0 million and increased enrollment and other fee increases providing $8.2 million. The increase was offset by the increase in tuition discount of $3.3 million, due mainly to increased scholarships, which are directly related to tuition rates.

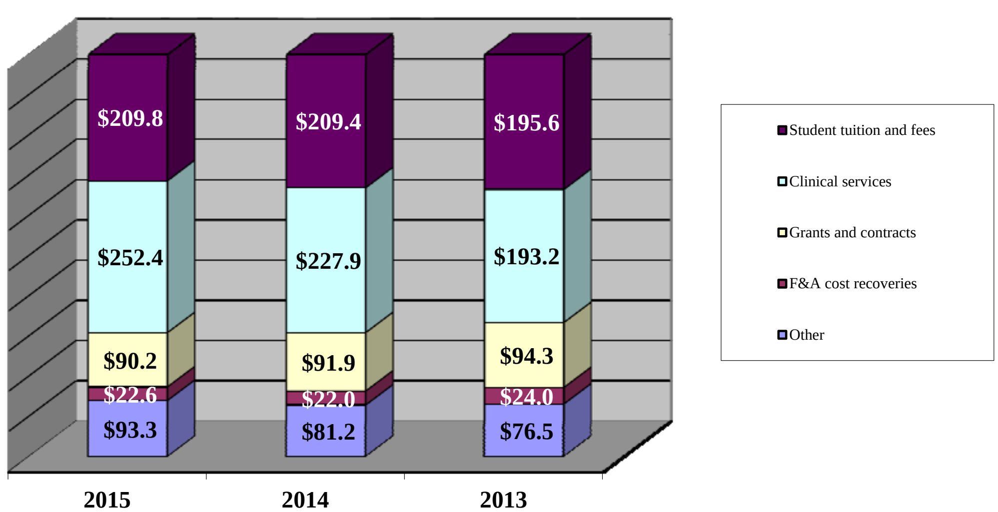
Clinical services and practice plan revenue amounted to $252.4 million and $227.9 million, or about 38% and 36% of total operating revenues, for the years ended June 30, 2015 and 2014, respectively. These revenues relate to patient care performed in clinics under contractual arrangements with governmental and private insurers, laboratory services and clinical support provided by affiliated hospitals and the University's professional practice plan. Clinical services and practice plan revenue increased by $24.5 million or 11%, including $10.0 million increase in Medicaid related patient and intergovernmental transfers. Revenue from the academic affiliation agreement with KentuckyOne Health increased $10.6 million for academic program support, $8.1 million for strategic investments, and $4.4 million for research infrastructure investments. These increases were offset by a reduction of $7.5 million in discretionary funding vs. the prior year, as the funding was delayed until fiscal year 2016. In fiscal 2014, clinical services revenue increased $34.6 million over fiscal 2013 due to an increase in the number of Medicaid patients.

Revenue from grants and contracts was $90.2 million and $91.9 million for the years ended June 30, 2015 and 2014, respectively. The decrease reflects the national trend of fewer grants and contracts available from Federal and State agencies. Fiscal 2013 revenues were $94.3 million.

The University receives revenues for research and contracts from government and private sources, which normally provide for the recovery of direct and indirect costs. Facilities and administrative (F&A) cost recoveries were $22.6 million and $22.0 million for the years ended June 30, 2015 and 2014. F&A recovery for fiscal 2013 was $24.0 million. F&A cost recovery generally follows the trend in direct cost revenues and expenditures.

The following is a graphic illustration of revenues by source that are used to fund the University's operating activities for the years ended June 30, 2015, 2014 and 2013 (in millions):

Operating Revenues
Years ended June 30, 2015, 2014, and 2013

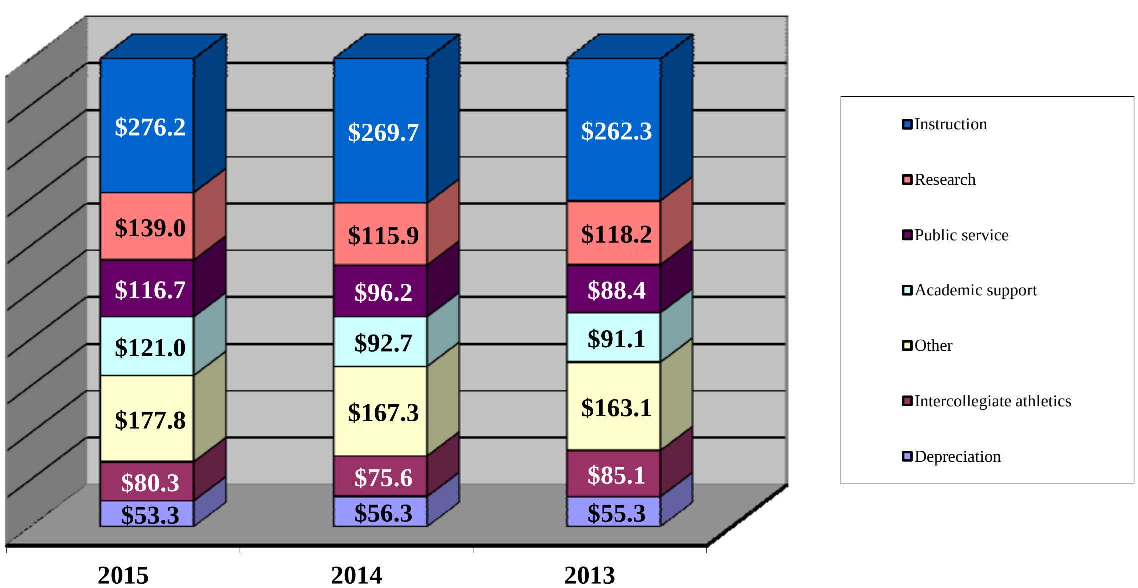


Operating Expenses

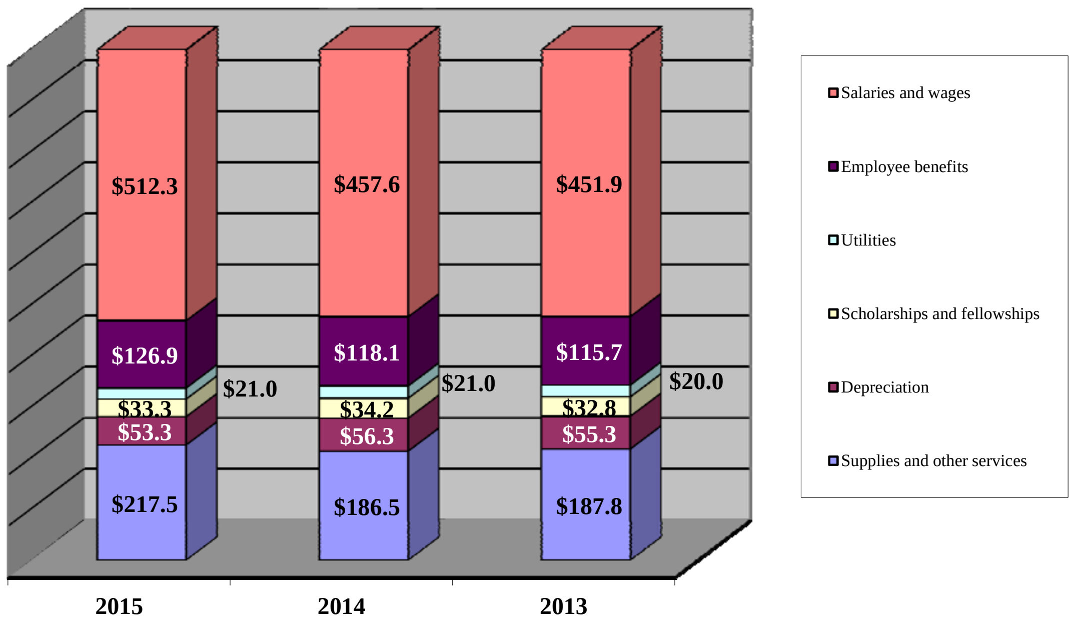
Operating expenses were $964.3 million and $873.7 million and exceeded operating revenues by $296.0 million and $241.3 million for the years ended June 30, 2015 and 2014, respectively. When offset by total nonoperating revenues of $308.8 million and $239.4 million, total net position for the year increased by $12.8 million versus decreases of $1.9 million and $68.5 million for the years ended June 30, 2014 and 2013, respectively. Operating expenses increased by $90.6 million or 10% over the amount reported in the previous year. The increase is mainly the result $58.7 million of expense charged to gift and endowments reported in the University's consolidated financial statements during fiscal 2015. These amounts were reported in the Foundation financial statement for years prior to fiscal 2015. In addition expense from the academic affiliation agreement with KentuckyOne Health covering investment in certain strategic areas increased $8.1 million and expense for research infrastructure increased $4.4 million.

Graphic illustrations of total expenses by functional and natural classifications for the years ended June 30, 2015, 2014 and 2013 (in millions) are summarized as follows and on the following page:

Operating Expenses by Functional Classification
Years ended June 30, 2015, 2014, and 2013



Operating Expenses by Natural Classification
Years ended June 30, 2015, 2014, and 2013



Nonoperating Revenues (Expenses)

General state appropriations of $140.7 million and $147.3 million were the most significant nonoperating revenues for the years ended June 30, 2015 and 2014, respectively.

In total, net nonoperating revenues and other revenues increased $69.4 million from the prior year including the increase in net assets transferred from Foundation of $53.7 million, a decrease in capital gifts of $4.8 million and an increase in capital appropriation of $11.4 million. The increase in transfers from the Foundation represents the funding of a conversion from the Foundation during 2015 of gift and endowment expense budgets. Capital appropriation revenue reimburses expenses of the development of a new research park on the Belknap Campus.

In 2014 the increased funding from the Foundation included $6.9 million received by the Association to fund construction of the soccer and softball stadiums and $2.0 million in transfers to the University to fund employee salary increases. The increase in capital gifts in 2014 related to Association pledges including $5.7 million for the soccer stadium and $4.4 million for the academic center. Capital appropriation revenue represented funding for the development of a new research park on the Belknap Campus. Partially offsetting these increases was a decrease in other nonoperating revenue of $12.0 million relating to the receipt by the Research Foundation during fiscal 2013 of refunds of FICA tax withheld on medical residents.

Voluntary separation plan expense of $18.0 million in fiscal 2013 was principally related to the accrual of contractual payments associated with the acceptance by eligible employees of an offer to make certain separation payments.

Statements of Cash Flows

The statements of cash flows provide additional information about the University's financial results by reporting the major sources and uses of cash. The condensed statements of cash flows for the years ended June 30, 2015, 2014 and 2013 are summarized below:

Condensed Statements of Cash Flows
Years ended June 30, 2015, 2014, and 2013
(In Thousands)

	2015	2014	2013	2015 - 2014 Change	2014 - 2013 Change
Cash (used)/provided by:					
Operating activities	$ (202,404)	$ (210,628)	$ (193,156)	$ 8,224	$ (17,472)
Noncapital financing activities	293,610	231,699	229,338	61,911	2,361
Capital and related financing activities	(52,389)	(81,910)	(57,865)	29,521	(24,045)
Investing activities	14,545	8,466	(6,725)	6,079	15,191
Net (decrease)/increase in cash and cash equivalents	53,362	(52,373)	(28,408)	105,735	(23,965)
Cash and cash equivalents, beginning of year	95,680	148,053	176,461	(52,373)	(28,408)
Cash and cash equivalents, end of year	$ 149,042	$ 95,680	$ 148,053	$ 53,362	$ (52,373)

Cash used by operating activities for fiscal 2015 decreased $8.2 million due to an increase in cash provided by clinical services and practice plan of $48.7 million and increased cash provided by intercollegiate athletic activities of $14.7 million partially offset by increased cash used for payments to employees of $47.3 million.

Net cash provided by noncapital financing activities increased $61.9 million primarily due to increased cash provided by transfers from related entities of $49.6 million, increased cash provided by gifts and grants of $9.2 million and increased cash provided by other noncapital financing activities of $9.0 million. Partially offsetting these increases was decreased cash provided by state appropriation of $6.5 million.

Cash used for capital and related financing activities decreased $29.5 million due mainly to an increase in cash provided from capital appropriations of $11.4 million and cash provided from the proceeds from issuance of long-term liabilities of $7.0 million. Capital and financing activities included construction of the new Belknap research park, a master lease agreement entered into by the University to fund certain investments in energy efficiency and completion of various projects of the Association.

Cash from investing activities increased $6.1 million due mainly to an increase in the net amount of investments sold.

For fiscal 2014, net cash used by operating activities increased $17.5 million for increased cash used for payments to suppliers of $30.8 million, increased cash used for payments of benefits of $14.9 million and decreased cash provided from grants and contracts of $10.4 million partially offset by increased cash provided by clinical services and practice plan of $31.0 million mainly due to the new academic affiliation agreement with KentuckyOne Health. Net cash provided by noncapital financing activities increased $2.4 million. Net cash used for capital and related financing activities increased $24.0 million due mainly to a decrease in cash provided from proceeds from issuance of long-term liabilities of $17.3 million and for an increase in cash used for purchases of capital assets of $10.2 million mainly for capital construction activities of the Association. Cash provided by investing activities increased $15.2 million due to an increase in the net amount of investments sold.

Capital Asset and Debt Administration

The University continues to invest in new and renovated facilities to meet the needs of students, faculty and staff. Significant projects completed, in process and approved but not started are listed below.

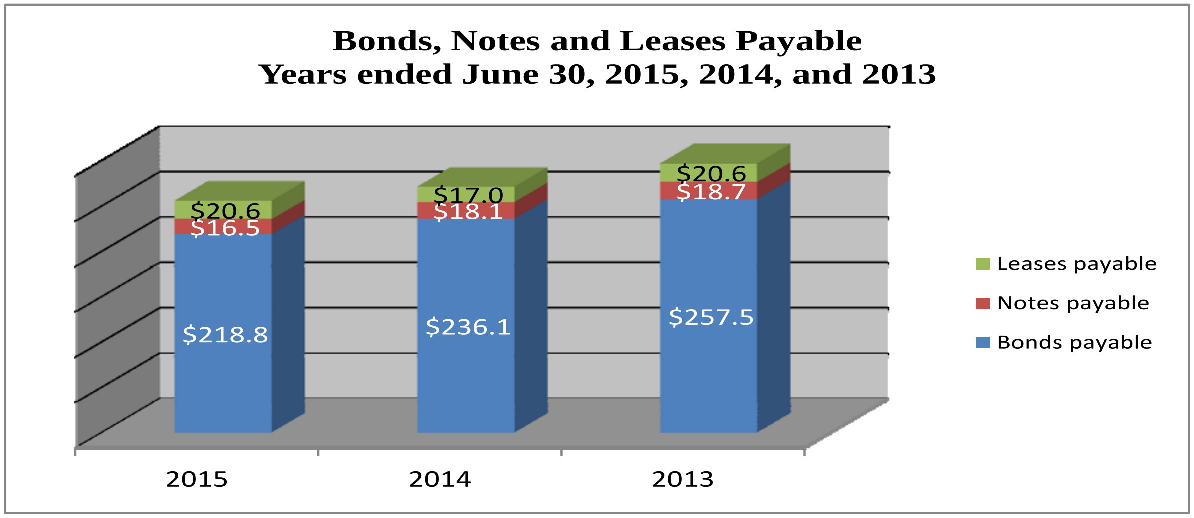
COMPLETED IN 2015		
Donald Baxter Cleanroom Expansion	$	960,000
Soccer Stadium		19,800,000
HSC Instructional Building Classroom Renovation		8,600,000
Center for Predictive Medicine Expansion		9,500,000
COMPLETED IN 2014		
Student Rec Center		37,500,000
HSC Overhead Utility Burial		1,100,000
Papa John's Cardinal Stadium Acoustic Upgrade		1,985,000
MDR Building Renovation Phase 4		620,000
Softball Stadium Expansion		3,400,000
IN PROGRESS OR APPROVED AND NOT STARTED		
Belknap Classroom Building		80,500,000
Athletic Academic Center		17,000,000
Student Activity Center Renovation		9,600,000
Energy Reduction Project		5,700,000
Ekstrom Library 1st Floor Renovation		2,200,000
Cardiology GMP Facility		2,100,000
K-Wing Classrooms Renovation		1,200,000
Resurface Running Track at Cardinal Park		800,000

Note:
Capital Projects are projects where the costs are greater than $600,000

Debt and Financing Activities

At the end of fiscal 2015, the University had outstanding $255.9 million of bonds, leases and notes payable (inclusive of discounts/premiums) vs. $271.2 million and $296.8 million in 2014 and 2013, respectively. The decreases represent normal pay down of long term bonds and relatively small increases in capital and energy leases.

Graphic illustrations of bonds, notes and leases payable for the years ended June 30, 2015, 2014 and 2013 (in millions) are summarized on the following page:



A complete discussion of bonds, notes and leases payable is included in Note 8.

Component Units

The Foundation and University of Louisville Physicians, Inc. (ULP) are included as a discretely presented component units of the University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The majority of the Foundation's assets relate to investments held for the benefit of the University. Investments at June 30, 2015, were $727.7 million, a decrease of $67.6 million from the June 30, 2014, balance of $795.3 million. Investments declined due to an outflow of funds for the annual endowment distribution combined with a negative 0.5% return for the year.

ULP is a private, nonprofit corporation that functions as the corporate structure for the clinical practices of the faculty of the University's School of Medicine and maintains close financial and operational relationships with the University.

Economic Factors That May Affect the Future

As mandated by House Bill 1 of the 1997 General Assembly, the University is to become a nationally recognized metropolitan research university by 2020. The first important step toward achieving that mandate was the introduction of "The 2020 Plan" in fall 2008. The 2020 Plan is the strategic blueprint for the University to achieve House Bill 1's mandate.

The University has faced many fiscal challenges that have affected campus operations both prior to, and subsequent to, The 2020 Plan's introduction. The national recession of 2007 to 2009 exacerbated the decline in state general fund support. State appropriations in constant dollars have decreased each year from the beginning of the recession in fiscal year 2008 through the current fiscal year. The constant dollar decrease for this period is 26.4%, over one-quarter of fiscal year 2008 levels. The effect on constant dollar State Appropriation per Full-Time Equivalent (FTE) student has been even more dramatic during this period—a decrease of 33.3%.

The 2014-16 biennial budget passed by the 2014 General Assembly in April 2014 reflected a net 1.5% reduction, or $2.1 million, in state support for the University in fiscal year 2015. The fiscal year 2016 state appropriations budget for the University is equal to that of fiscal year 2015.

Although the rate of decline in state general funding has slowed since 2014, it is unlikely that we can expect restoration of pre-2008 funding levels within the next five years. Further investment of state revenues in public higher education is necessary if we are to accelerate our upward trajectory along the path House Bill 1 anticipated in 1997.

In light of the changing landscape in higher education both nationwide and in Kentucky, the University has embarked on a consultative process aimed at re-shaping and re-engineering the financial, academic and research "arcs" of the University. The "University of the 21st Century" initiative is a broad-based, campus-wide initiative to advance the 2020 Plan goals while also addressing emerging needs of our students, faculty, staff, and campus community. This initiative focuses our efforts on empowering undergraduate learning, creating an environment for student success, enhancing excellence in graduate and professional education, creating additional revenue lines and cost efficiencies, and investing in multidisciplinary areas of strength and emerging areas of research.

Despite continued funding challenges at both State and Federal levels, the University has made tremendous progress in meeting its 2020 goals and, as this report reflects, is well-positioned financially to advance House Bill 1's aggressive mandate to become a premier metropolitan research university.

This financial report is designed to provide a general overview of the University's finances and to show the University's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Controller, University of Louisville, Louisville, KY 40292.

University of Louisville and Affiliated Corporations
A Component Unit of the Commonwealth of Kentucky
Statements of Net Position
June 30, 2015 and 2014
(In Thousands)

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 132,014	$ 75,876
Deposit with bond trustee and escrow agent	7,848	8,782
Short-term investments	10,738	8,938
Loans, accounts and contributions receivable, net	68,984	75,543
Due from University of Louisville Foundation, Inc.	9,574	15,489
Inventories	948	862
Other assets	10,407	8,816
Total current assets	240,513	194,306
Noncurrent Assets		
Restricted cash and cash equivalents	17,028	19,804
Deposit with bond trustee	3,978	2,622
Loans, accounts and contributions receivable, net	40,026	41,658
Due from University of Louisville Foundation, Inc.	9,962	9,854
Investments held with University of Louisville Foundation, Inc.	30,583	34,314
Other long-term investments	7,329	20,404
Other long-term assets	314	402
Capital assets, net	864,686	876,058
Total noncurrent assets	973,906	1,005,116
Total assets	1,214,419	1,199,422
DEFERRED OUTFLOWS OF RESOURCES	851	957
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	84,032	91,705
Unearned compensation and wages payable	522	529
Advances	67,334	64,632
Bonds and notes payable	22,714	22,754
Total current liabilities	174,602	179,620
Noncurrent Liabilities		
Due to University of Louisville Foundation, Inc.	316	316
Note payable to University of Louisville Foundation, Inc.	1,000	1,000
Unearned compensation and wages payable	7,599	6,414
Deposits	902	919
Advances	35,251	15,085
Amounts due to federal government for student loan programs	16,149	16,355
Other long-term liabilities	35,996	33,559
Bonds and notes payable	233,204	248,423
Total noncurrent liabilities	330,417	322,071
Total liabilities	505,019	501,691
DEFERRED INFLOWS OF RESOURCES	3,671	4,881
NET POSITION		
Net investment in capital assets	612,364	611,785
Restricted for:		
Nonexpendable		
Scholarships and fellowships	1,791	1,656
Expendable		
Scholarships and fellowships	882	883
Research	5,299	758
Instruction	3,211	2,701
Public service	9,305	-
Academic support	490	364
Institutional support	11,039	25,498
Loans	2,835	2,697
Capital projects	30,603	26,951
Debt service	16,435	16,075
Unrestricted	12,326	4,439
Total net position	$ 706,580	$ 693,807

See notes to the financial statements

University of Louisville Foundation, Inc. and Affiliates
Consolidated Statements of Financial Position
June 30, 2015 and 2014
(In Thousands)

	2015	2014
ASSETS		
Cash and cash equivalents	$ 17,382	$ 21,537
Accounts, notes and accrued interest receivable	4,385	5,092
Loans receivable	16,553	16,178
Prepaid expenses	361	482
Contributions receivable	33,913	31,099
Investments	727,728	795,311
Funds held in trust by others	51,945	52,480
Restricted investments	5,899	7,069
Other assets	10,086	3,992
Capital assets, net	178,527	179,873
Total assets	$ 1,046,779	$ 1,113,113
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 4,466	$ 9,143
Funds held in trust for others	40,615	45,104
Other liabilities	21,642	22,913
Due to University of Louisville	19,536	25,344
Bonds and notes payable	123,905	127,419
Total liabilities	210,164	229,923
Net assets:		
Unrestricted:		
Unrestricted - designated	90,217	117,168
Unrestricted - undesignated	13,107	31,514
Total unrestricted	103,324	148,682
Temporarily restricted	296,776	308,821
Permanently restricted	436,515	425,687
Total net assets	836,615	883,190
Total liabilities and net assets	$ 1,046,779	$ 1,113,113

See notes to the financial statements

University of Louisville Physicians, Inc.
Statements of Financial Position
June 30, 2015 and 2014
(In Thousands)

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,472	$ 280
Assets limited as to use	100	630
Patient accounts receivable, less allowance for uncollectible accounts of $18,303 and $34,870 for 2015 and 2014, respectively	10,683	9,861
Receivables, related parties	4,527	2,087
Other receivables	960	1,156
Prepaid expenses and other current assets	1,654	1,214
Total current assets	20,396	15,228
Investment in Kentuckiana Medical Reciprocal Risk Retention Group (KMRRRG)	12,345	11,623
Property and equipment:		
Furniture, fixtures, and equipment	1,856	1,494
Leasehold improvements	1,423	1,268
Practice management system	10,598	9,679
	13,877	12,441
Accumulated depreciation and amortization	(4,566)	(2,311)
Total property and equipment, net	9,311	10,130
Total assets	$ 42,052	$ 36,981
LIABILITIES AND NET DEFICIT		
Current liabilities		
Accounts payable	$ 12,109	$ 8,859
Accrued payroll and related expenses	6,723	5,601
Line of credit	12,460	12,266
Current portion of capital lease obligations	3,222	3,091
Current portion of Passport settlement	1,773	1,724
Current portion of long-term debt	261	509
Total current liabilities	36,548	32,050
Long-term liabilities:		
Deferred gain on sale-leaseback of equipment	351	434
Capital lease obligations, net of current portion	2,385	5,180
Passport settlement, net of current portion	-	1,773
Long-term debt, net of current portion	280	539
Total long-term liabilities	3,016	7,926
Total liabilities	39,564	39,976
Net assets (deficit):		
Unrestricted:		
Net deficit	(965)	(5,049)
Invested in property and equipment, net of related debt	3,453	2,054
Total net assets (deficit)	2,488	(2,995)
Total liabilities and net assets (deficit)	$ 42,052	$ 36,981

See notes to the financial statements

University of Louisville and Affiliated Corporations
A Component Unit of the Commonwealth of Kentucky
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014
(In Thousands)

	2015	2014
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowance of $83,710 in 2015 and $72,414 in 2014	$ 209,834	$ 209,442
Clinical services and practice plan	252,407	227,858
Federal grants and contracts	64,658	70,825
State and local grants and contracts	11,334	8,746
Nongovernmental grants and contracts	14,162	12,315
Sales and services of educational departments	6,283	5,332
Facilities and administrative cost recoveries	22,596	21,965
Auxiliary enterprises, net of discount of $1,877 in 2015 and $1,601 in 2014	12,618	13,007
Intercollegiate athletics	66,072	52,166
Other operating revenues	8,327	10,757
Total operating revenues	668,291	632,413
OPERATING EXPENSES		
Instruction	276,222	269,678
Research	138,971	115,866
Public service	116,696	96,154
Academic support	121,031	92,737
Student services	29,653	28,140
Institutional support	51,431	48,253
Operation and maintenance of plant	56,308	53,228
Scholarships and fellowships	31,774	29,821
Auxiliary enterprises	8,588	7,860
Intercollegiate athletics	80,301	75,613
Depreciation and amortization	53,339	56,333
Total operating expenses	964,314	873,683
Operating loss	(296,023)	(241,270)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	140,744	147,256
Gifts	38,261	29,245
Nonexchange grants and contracts	43,314	41,706
Investment income	1,508	1,324
Realized and unrealized (loss)/gain on investments	(1,657)	2,231
Interest on capital asset-related debt	(11,136)	(10,939)
Other nonoperating revenues	10,702	1,906
Net nonoperating revenues	221,736	212,729
Loss before other revenues, expenses, gains and losses	(74,287)	(28,541)
Capital appropriations	13,973	2,539
Capital gifts	8,331	13,126
Contributions from University of Louisville Foundation, Inc.	64,756	11,026
Total other revenues	87,060	26,691
Increase/(decrease) in net position	12,773	(1,850)
NET POSITION		
Net position - beginning of year	693,807	695,657
Net position - end of year	$ 706,580	$ 693,807

See notes to the financial statements

University of Louisville Foundation, Inc. and Affiliates
Consolidated Statements of Activities
Years Ended June 30, 2015 and 2014
(In Thousands)

	Unrestricted		Temporarily restricted		Permanently restricted		Totals	
	2015	2014	2015	2014	2015	2014	2015	2014
REVENUES, GAINS AND OTHER SUPPORT								
Gifts	$ 27,779	$ 28,370	$ 10,765	$ 11,986	$ 10,392	$ 9,767	$ 48,936	$ 50,123
Investment income	1,180	797	-	-	1	-	1,181	797
Endowment income	1,753	1,189	6,587	7,535	1,079	37	9,419	8,761
Net realized and unrealized (loss)/gain on investments	(3,007)	26,876	(1,144)	81,728	(535)	8,132	(4,686)	116,736
Residence hall income	7,647	7,394	-	-	-	-	7,647	7,394
Real estate income	4,766	2,885	-	-	-	-	4,766	2,885
Actuarial loss on annuity and trust obligations	-	-	(155)	(647)	-	-	(155)	(647)
Other revenues	10,545	9,927	-	-	-	-	10,545	9,927
Net assets released from restrictions:								
Satisfaction of program restrictions	28,249	39,185	(28,249)	(39,185)	-	-	-	-
Reclassifications	(42)	82	151	(1,218)	(109)	1,136	-	-
Total revenues, gains and other support	78,870	116,705	(12,045)	60,199	10,828	19,072	77,653	195,976
EXPENSES								
Contributions to various University of Louisville departments, ULREF and other	73,900	11,026	-	-	-	-	73,900	11,026
Payments to or on behalf of the University of Louisville for:								
Instruction	(83)	9,897	-	-	-	-	(83)	9,897
Research	(523)	26,553	-	-	-	-	(523)	26,553
Public service	967	7,154	-	-	-	-	967	7,154
Academic support	787	15,207	-	-	-	-	787	15,207
Student services	18	424	-	-	-	-	18	424
Institutional support	20,970	23,617	-	-	-	-	20,970	23,617
Operation and maintenance of plant	2,756	4,136	-	-	-	-	2,756	4,136
Scholarships/fellowships	(172)	9,404	-	-	-	-	(172)	9,404
Interest expense	5,169	4,236	-	-	-	-	5,169	4,236
Residence hall operations	5,420	5,332	-	-	-	-	5,420	5,332
Real estate operations	12,823	9,231	-	-	-	-	12,823	9,231
General and administrative	2,196	1,750	-	-	-	-	2,196	1,750
Total expenses	124,228	127,967	-	-	-	-	124,228	127,967
Net change in assets from operations	(45,358)	(11,262)	(12,045)	60,199	10,828	19,072	(46,575)	68,009
Net assets at beginning of year	148,682	159,944	308,821	248,622	425,687	406,615	883,190	815,181
Net assets at end of year	$ 103,324	$ 148,682	$ 296,776	$ 308,821	$ 436,515	$ 425,687	$ 836,615	$ 883,190

See notes to the financial statements

UNIVERSITY OF LOUISVILLE PHYSICIANS, INC.
Statements of Activities
Years Ended June 30, 2015 and 2014

	2015	2014
Unrestricted revenues, gains and other support:		
Net patient service revenue	$ 149,654	$ 169,103
Provision for bad debts	(54,592)	(78,011)
Net patient service revenue less provision for bad debts	95,062	91,092
University of Louisville	30,746	30,978
University Physicians Associates, Inc. (UPA)	257	208
Academic programmatic support - related parties	14,716	2,586
Academic programmatic support	1,676	737
Stimulus income	2,382	4,263
Medical directorship	549	193
Other revenue	3,214	1,272
Integration support reimbursements	-	2,652
Clinical services settlement	-	1,088
Gain on investment in KMRRRG	722	873
Interest income	22	20
Total unrestricted revenues, gains and other support	149,346	135,962
Expenses:		
Program services	122,813	112,761
Management and general	21,050	22,557
Total expenses	143,863	135,318
Transfer of investment in KMRRRG from UPA	-	10,751
Change in net deficit	5,483	11,395
Net deficit, beginning of year	(2,995)	(14,390)
Net assets (deficit), end of year	$ 2,488	$ (2,995)

See notes to the financial statements

University of Louisville and Affiliated Corporations
A Component Unit of the Commonwealth of Kentucky
Statements of Cash Flows
Years Ended June 30, 2015 and 2014
(In Thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 209,082	$ 208,307
Clinical services and practice plan	281,436	232,688
Grants and contracts	87,482	87,864
Sales and services of educational departments	6,092	5,222
Payments to suppliers	(207,208)	(198,950)
Payments for utilities	(21,187)	(20,579)
Payments to employees	(505,987)	(458,644)
Payments for benefits	(128,233)	(127,140)
Payments for scholarships and fellowships	(32,989)	(34,020)
Loans issued to students and employees	(136)	505
Auxiliary enterprises	13,175	11,540
Facilities and administrative cost recoveries	22,596	21,965
Intercollegiate athletics	65,422	50,759
Other receipts	8,051	9,855
Net cash used by operating activities	(202,404)	(210,628)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	140,736	147,256
Gifts	38,643	29,448
Nonexchange grants and contracts	43,314	42,664
Contributions from University of Louisville Foundation, Inc.	60,656	11,026
Other noncapital financing activities	10,261	1,305
Net cash provided by noncapital financing activities	293,610	231,699
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	13,973	2,539
Capital gifts received	9,045	8,917
Purchases of capital assets	(48,859)	(59,160)
Proceeds from issuance of bonds and notes payables	6,965	-
Payment on note payable to University of Louisville Foundation, Inc.	-	(200)
Principal paid on bonds and notes payable	(22,109)	(25,955)
Interest paid on bonds and notes payable	(10,982)	(11,520)
Deposits with bond trustee and escrow agent	(422)	3,469
Net cash used by capital and related financing activities	(52,389)	(81,910)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	19,881	15,453
Purchase of investments	(6,629)	(8,024)
Interest on investments	1,293	1,037
Net cash provided by investing activities	14,545	8,466
Net increase/(decrease) in cash and cash equivalents	53,362	(52,373)
Cash and cash equivalents - beginning of year	95,680	148,053
Cash and cash equivalents - end of year	$ 149,042	$ 95,680

See notes to the financial statements

University of Louisville and Affiliated Corporations
A Component Unit of the Commonwealth of Kentucky
Statements of Cash Flows
Years Ended June 30, 2015 and 2014
(In Thousands)

	2015	2014
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (296,023)	$ (241,270)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	53,339	56,333
Loss on equipment disposals	1,806	791
Change in assets and liabilities:		
Loans, accounts and contributions receivable, net	5,193	(21,339)
Inventories	(86)	205
Other assets	(1,597)	(927)
Accounts payable and accrued liabilities	275	(3,865)
Advances	22,410	16,690
Deposits	(17)	138
Due from University of Louisville Foundation, Inc.	9,910	(13,711)
Unearned compensation and wages payable	1,164	(1,846)
Other long-term liabilities	2,366	(845)
Deferred inflows of resources	(1,144)	(982)
Net cash used by operating activities	$ (202,404)	$ (210,628)
Non cash transactions:		
Capital lease additions	$ 525	$ 990
Capital asset additions in accounts payable	$ 653	$ 8,265
Service concession arrangements	$ -	$ 22
Capital asset reimbursement	$ -	$ 2,000

See notes to the financial statements

1. Nature of Operations, Basis of Presentation and Summary of Significant Accounting Policies

The University of Louisville (University) is a state supported metropolitan research university located in Kentucky's largest city and is a component unit of the Commonwealth of Kentucky.

The University has three campuses. The Belknap Campus is three miles from downtown Louisville and houses eight of the University's twelve colleges and schools. The Health Sciences Center is situated in downtown Louisville's medical complex and houses the University's health related programs and the University of Louisville Hospital (Hospital). On the Shelby Campus, located in eastern Jefferson County, are the National Crime Prevention Institute, the Center for Predictive Medicine regional biosafety lab and the Division of Distance and Continuing Education. In recent years, the University has also offered expanded campus courses at both off-site and international locations.

a. Basis of Presentation

The financial statements include the combined financial position and operations of the University the University of Louisville Athletic Association, and the University of Louisville Research Foundation. The following affiliated corporations are included as blended component units since they are separate legal entities but are related through certain common management and trustees and exist exclusively for the benefit of the University:

University of Louisville Athletic Association, Inc. (Association). The Association is a Kentucky not-for-profit corporation organized in 1984 for the purpose of promoting the intercollegiate athletic activities of the University of Louisville. The Association's mission to provide quality intercollegiate athletic programs through a comprehensive sports program requires a major financial commitment of both operating and capital resources. In addition, the Association is committed to achieving athletic excellence for its student athletes, maintaining National Collegiate Athletic Association (NCAA) compliance, ensuring full implementation of gender equity plans and offering a wide variety of sports and recreational outlets for the University community, alumni, and visitors.

University of Louisville Research Foundation, Inc. (Research Foundation). The Research Foundation was established in 1989 for the purpose of promoting and supporting research projects, investigations, and other activities relating to the educational, scientific, literary, artistic, health care and public service missions of the University.

Under the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the University reports the University of Louisville Foundation, Inc. and Affiliates (Foundation) and the University of Louisville Physicians, Inc. (ULP) as discretely presented component units. During 2014, the University changed its reporting entity to include ULP as a discretely presented component unit. Further descriptions of the Foundation and ULP may be found in footnote 20 Component Units.

The financial statement presentation required by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is intended to provide a comprehensive, entity-wide perspective of the University's assets, deferred outflow of resources, liabilities, deferred inflow of resources, net position, revenues, expenses, changes in net position and cash flows.

The separate financial statements of the Association, the Research Foundation and the financial statements of the University can be found at the following:

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

b. Cash and Cash Equivalents

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

c. Deposits With Bond Trustee and Escrow Agent

As of June 30, 2015 and 2014, deposits with bond trustee consist of cash and investments in governmental securities and repurchase agreements of $5.7 million and $6.3 million, respectively, for the Stadium Project Revenue Bonds, and $6.1 million and $5.1 million for the Educational Building Bonds.

Investments in governmental securities are stated at fair value. Repurchase agreements are stated at cost.

d. Contributions Receivable

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

e. Investments and Investment Income

Investments in marketable debt and equity securities are stated at current fair value. Fair value is determined using quoted market prices. Real estate investments are stated at cost on the date of acquisition. Certificates of deposit are stated at cost plus accrued interest, which approximates fair value. Investment income consists of interest and dividend income, realized gains and losses and the net change for the year in the fair value of investments carried at fair value.

Investments held with the 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 the Foundation's investment pool be made up of a mix of publicly traded fixed income and equity securities, private equities and other nonmarketable securities and real estate investments.

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

The Association's permanent endowment funds, held by the Foundation and invested in the Foundation's general endowment pool, are administered under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Commonwealth of Kentucky. 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 invests in various corporate debt, equity, partnerships, marketable alternatives, mutual fund securities, U.S. Government securities, certificates of deposit, land and buildings. 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.

f. Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was approximately $0.8 million and $0.7 million at June 30, 2015 and 2014, respectively.

g. Inventories

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

h. Capital Assets

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

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

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing, net of interest earned on investments acquired with the proceeds of the borrowing.

Total interest incurred was (in thousands):

	2015		2014	
Total interest expense incurred on borrowings for project	$	435	$	1,949
Interest income from investment of proceeds of borrowings for project		-		(37)
Net interest cost on borrowings for project	$	435	$	1,912
Interest capitalized	$	105	$	757
Interest charged to expense		11,136		10,939
Total interest incurred	$	11,241	$	11,696

i. Deferred Outflows and Inflows of Resources

In accordance with GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, the University reports deferred outflows of resources, deferred inflows of resources and net position in its statements of net position and related disclosures.

Deferred outflows of resources consist of $0.9 million of loss on bond refinancing for each of the years ended June 30, 2015 and 2014 and $95 thousand and $23 thousand of fair value of derivatives as of June 30, 2015 and 2014, respectively. As the derivatives are considered effective hedging instruments, changes in the fair value of derivatives are recognized as deferred outflows of resources. Deferred outflows of resources related to the loss on bond refinancing will be amortized to interest expense evenly over the remaining life of the refinanced debt.

Deferred inflows of resources consist of $0.2 million and $0.3 million of fair value of derivatives and $3.4 million and $4.6 million of service concession arrangements as of June 30, 2015 and 2014, respectively. As the derivatives are considered effective hedging instruments, changes in the fair value of derivatives are recognized as deferred inflows of resources. Deferred inflows of resources related to the service concession arrangements are recognized evenly over the life of the contract.

j. Unearned Compensation Expenses

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

k. Advances

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

Advances related to amounts received from individual and season ticket holders for subsequent year intercollegiate athletic activities, suite rentals, parking and sponsorship revenue are recognized over the term of the related athletic activities.

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

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

In the case of advanced funding, the University receives funds prior to incurring costs pursuant to the sponsored agreement, with the stipulation that these funds may have to be returned to the sponsor. Grant revenues are recognized as the related grant costs are incurred.

l. Compensated Absences

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation or sick benefits are earned, whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

m. Net Bond Discount

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

n. Net Position

The net position of the University is classified in four components. Net investment in capital assets consists of the net amount of capital assets, accumulated depreciation, related deferred outflows and deferred inflows of resources, reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted-nonexpendable net position is subject to externally imposed restrictions that require the University to maintain the assets in perpetuity. Restricted-expendable net position consists of the amount of assets and deferred outflows that must be used for a particular purpose as specified by creditors, grantors or donors external to the University, reduced by the outstanding balances of any related liabilities or deferred inflows of resources. Unrestricted net position is the remaining net amount of assets, related deferred outflows and deferred inflows of resources less liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted.

o. Classification of Revenues

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

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as tuition, clinical operations, grants and contracts and intercollegiate activities.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as state appropriations, capital appropriations, Pell and other grants and contracts, gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, such as investment income.

p. Student Tuition and Fees

Student tuition and fees are presented net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and third parties making payments on the behalf of students. To the extent that revenues from such programs are used to satisfy tuition and fees, the University has recorded a scholarship allowance. Stipends and other payments made directly to students are presented as scholarships and fellowships expense.

q. Clinical Services and Practice Plan Revenue

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

r. Government Grants

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

s. Tax Status

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

t. Use of Estimates

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

u. Reclassification of Prior Years' Financial Statements

In the statements of revenues expenses and changes in net position certain prior year balances have been reclassified to conform to current year presentation. These reclassifications had no effect on the change in net position.

2. Cash on Deposit and Investments

The University invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment amounts reported in the statements of net position. The sections on the following page discuss the risks related to deposits and investments held by the University.

a. Summary of Carrying Values

The fair value of deposits and investments as of June 30, 2015 and 2014 are as follows (in thousands):

	2015	2014
Deposits	$ 149,042	$ 95,680
Investments		
Variable rate demand notes	-	4,280
U.S. Treasury obligations	4,824	5,179
U.S. agencies obligations	5,081	3,001
Other government obligations	12,487	21,361
Repurchase agreements	7,002	6,225
Investments held with the Foundation	30,583	34,314
Certificates of deposit	499	698
Common stock	-	2
	$ 209,518	$ 170,740

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

	2015	2014
Cash and cash equivalents	$ 132,014	$ 75,876
Deposit with bond trustee-current	7,848	8,782
Short-term investments	10,738	8,938
Restricted cash and cash equivalents	17,028	19,804
Deposit with bond trustee-noncurrent	3,978	2,622
Investments held with the Foundation	30,583	34,314
Other long-term investments	7,329	20,404
	$ 209,518	$ 170,740

b. Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, a government's deposits or collateral securities may not be returned to it. The University currently uses commercial banks and the Commonwealth of Kentucky (Commonwealth) as its depositories. Deposits with commercial banks are substantially covered by federal depository insurance or collateral held by the bank in the University's name. At the Commonwealth, the University's accounts are pooled with other agencies of the Commonwealth. These Commonwealth-pooled deposits are substantially covered by federal depository insurance or by collateral held by the Commonwealth in the Commonwealth's name. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments in variable rate demand notes are substantially covered by collateral held by the financial agent. The University does not have a formal policy addressing custodial credit risk.

At June 30, 2015 and 2014, the University had deposits subject to custodial credit risk as follows (in thousands):

June 30, 2015	State Deposits	Overnight Investments	Total
Collateralized with securities held by pledging financial institution		$ 7,543	$ 7,543
Collateralized with securities held by the Commonwealth in the Commonwealth's name	$ 48,281	-	48,281
Total	$ 48,281	$ 7,543	$ 55,824

June 30, 2014	State Deposits	Overnight Investments	Total
Uninsured and uncollateralized		$ 771	$ 771
Collateralized with securities held by pledging financial institution		10,448	10,448
Collateralized with securities held by the Commonwealth in the Commonwealth's name	$ 27,319	-	27,319
Total	$ 27,319	$ 11,219	$ 38,538

c. Interest Rate Risk

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

The University has entered into repurchase agreements for the investment of bond fund reserves. The provider financial institution agrees to deliver U.S. Treasury obligations yielding a guaranteed rate at an amount equal to the scheduled bond fund reserve in exchange for payment from the available reserve. The final maturities under these agreements are March 1, 2028 and April 12, 2027.

As of June 30, 2015 and 2014, the University had investments subject to interest rate risk as follows (in thousands):

June 30, 2015	Fair Value	Maturities in years: Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	$ 4,824	$ 4,824			
U.S. agencies obligations	5,081	-	$ 5,081		
Other government obligations	12,487	10,738	1,749		
Repurchase agreements	7,002	681	628	$ 978	$ 4,715
Certificates of deposit	499	-	499	-	-
	$ 29,893	$ 16,243	$ 7,957	$ 978	$ 4,715

June 30, 2014	Fair Value	Maturities in years: Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	$ 5,179	$ 3,669	$ 1,510		
U.S. agencies obligations	3,001	-	3,001		
Other government obligations	21,361	8,738	12,623		
Repurchase agreement	6,225	657	1,309	$ 978	$ 3,281
Certificates of deposit	698	201	497	-	-
	$ 36,464	$ 13,265	$ 18,940	$ 978	$ 3,281

d. Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. By University policy, commercial paper must be rated the highest (A-1/P-1) by at least one rating service and by each rating service rating said credit. Banker's acceptances must be issued by a bank having a short-term rating of the underlying bank rated the highest (A-1/P-1). Variable rate demand notes must be backed by an unconditional letter of credit issued by a domestic bank having outstanding commercial paper rated the highest (A-1/P-2) by at least one rating service and by each rating service rating said credit. All commercial paper and banker's acceptances must be issued by domestic entities. The Commonwealth investment pool can invest in U.S. treasuries and agencies; commercial paper or asset backed securities rated in the highest category by a nationally recognized rating agency; certificates of deposit, banker's acceptances, state or local government securities and corporate, Yankee and Eurodollar securities rated in one of the three highest categories by a nationally recognized rating agency; shares of mutual funds (up to 10%) and state and local property tax certificates of delinquency secured by interests in real estate.

As of June 30, 2015 and 2014, the University had the following investments exposed to credit risk as follows and on the following page (in thousands):

June 30, 2015	Not Rated	Total
Investments held with the Foundation	$ 30,583	$ 30,583
	$ 30,583	$ 30,583

June 30, 2014	A1/P1	Not Rated	Total
Variable rate demand notes	$ 4,280		$ 4,280
Common stock	-	$ 2	2
Investments held with the Foundation	-	34,314	34,314
	$ 4,280	$ 34,316	$ 38,596

e. Concentration of Credit Risk

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

At June 30, 2015 and 2014, the University has no investments in any one issuer as defined above that represent 5% or more of total investments.

The asset allocation for investments held with the Foundation as of June 30, 2015 and 2014 is as follows:

	2015	**2014**
Investment in partnerships	62%	59%
Marketable alternatives	19%	19%
Preferred and common stock	5%	6%
Mutual funds	12%	11%
Corporate bonds	0%	3%
Equity method investments	1%	1%
Certificates of deposit	1%	1%
	100%	100%

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

f. Foreign Currency Risk

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The University had no investments denominated in foreign currency at June 30, 2015 and 2014.

3. Loans, Accounts and Contributions Receivable, Net

Loans, accounts and contributions receivable, net as of June 30, 2015 and 2014 are as follows (in thousands):

2015

	Gross Receivable	Allowance	Net Receivable
Student tuition and fees	$ 36,987	$ (7,803)	$ 29,184
Patient care	63,337	(37,689)	25,648
Contributions receivable	30,565	(3,154)	27,411
Sponsored agreements	18,705	(2,740)	15,965
Rent from University Medical Center, Inc.	4,253	-	4,253
Trade receivables	2,682	-	2,682
Other	5,085	(724)	4,361
Total	$ 161,614	$ (52,110)	109,504
Less discount			(494)
Current portion			68,984
Noncurrent portion			$ 40,026

2014

	Gross Receivable	Allowance	Net Receivable
Student tuition and fees	$ 34,089	$ (6,459)	$ 27,630
Patient care	81,308	(50,060)	31,248
Contributions receivable	30,691	(2,290)	28,401
Sponsored agreements	17,204	(2,740)	14,464
Rent from University Medical Center, Inc.	3,602	-	3,602
Trade receivables	1,474	-	1,474
Other	11,807	(719)	11,088
Total	$ 180,175	$ (62,268)	117,907
Less discount			(706)
Current portion			75,543
Noncurrent portion			$ 41,658

Contributions receivable consist primarily of charitable gifts totaling $30.6 million pledged from individual and corporate donors that are associated with the construction projects of the Association. Receivables with payment schedules in excess of one year are stated at their discounted present value, using discount rates ranging from 0.2% to 5.2% as of June 30, 2015.

Contributions receivable as of June 30, 2015 and 2014 are due to be received as follows (in thousands):

	2015	2014
Less than one year	$ 7,472	$ 6,444
One to three years	10,676	10,503
Greater than three years	12,417	13,744
Subtotal	30,565	30,691
Less discount	(494)	(706)
Less allowance	(3,154)	(2,290)
Net contributions receivable	$ 26,917	$ 27,695

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

4. Due From the Foundation

In accordance with the University's agency agreement with the Foundation, the University receives and disburses monies on behalf of the Foundation. The net amount of these receipts and disbursements is recorded as a due to or from the Foundation in the statements of net position. Generally, the receivable or payable is cleared within the subsequent month; however, no formal agreement governs the time period in which payments are to be made.

In June 2014, the University entered into a Memorandum of Agreement with the Foundation to loan the Foundation a total of $29.0 million. The unpaid balance on the receivable bears simple interest equal to 75 basis points greater than the University's cash sweep rate of 25 basis points as of June 30, 2015 and June 30, 2014, respectively. The term of the loan is one year from the final transfer of funds to the Foundation. The June 30, 2014 balance of $5.8 million is recorded within the current Due from the University of Louisville Foundation, Inc. on the statement of net position. As of June 30, 2015 the loan has been completely repaid.

5. Capital Assets, Net

Capital assets as of June 30, 2015 and 2014 are as follows and on the following page (in thousands):

	2015				
	Beginning Balance	Additions	Retire- ments	Transfers	Ending Balance
Cost - Nondepreciable					
Land	$ 44,204				$ 44,204
Rare books	41,479	$ 2,139			43,618
Construction in progress	42,466	24,520	$ (553)	$ (34,398)	32,035
Subtotal	128,149	26,659	(553)	(34,398)	119,857
Cost - Depreciable					
Buildings	1,089,013	4,048	(2,319)	34,209	1,124,951
Infrastructure	11,238	-	-	-	11,238
Land improvements	17,865	477	-	189	18,531
Equipment	194,505	8,865	(5,971)	-	197,399
Leasehold improvements	2,001	116	-	-	2,117
Library materials	163,991	3,607	-	-	167,598
Subtotal	1,478,613	17,113	(8,290)	34,398	1,521,834
Total capital assets-cost	1,606,762	43,772	(8,843)	-	1,641,691
Accumulated depreciation					
Buildings	421,579	34,349	(1,093)	-	454,835
Infrastructure	3,009	187	-	-	3,196
Land improvements	2,522	499	-	-	3,021
Equipment	164,756	12,312	(5,945)	-	171,123
Leasehold improvements	1,371	64	-	-	1,435
Library materials	137,467	5,928	-	-	143,395
Total accumulated depr.	730,704	53,339	(7,038)	-	777,005
Capital assets, net	$ 876,058	$ (9,567)	$ (1,805)	$ -	$ 864,686

	2014				
	Beginning Balance	Additions	Retire- ments	Transfers	Ending Balance
Cost - Nondepreciable					
Land	$ 45,852	$ 352	$ (2,000)		$ 44,204
Rare books	41,479	-	-		41,479
Construction in progress	40,505	43,383	-	$ (41,422)	42,466
Subtotal	127,836	43,735	(2,000)	(41,422)	128,149
Cost - Depreciable					
Buildings	1,043,910	8,670	(732)	37,165	1,089,013
Infrastructure	10,308	90	-	840	11,238
Land improvements	14,235	213	-	3,417	17,865
Equipment	191,500	6,971	(3,966)	-	194,505
Leasehold improvements	2,001	-	-	-	2,001
Library materials	160,181	3,916	(106)	-	163,991
Subtotal	1,422,135	19,860	(4,804)	41,422	1,478,613
Total capital assets-cost	1,549,971	63,595	(6,804)	-	1,606,762
Accumulated depreciation					
Buildings	388,046	33,717	(184)	-	421,579
Infrastructure	2,828	181	-	-	3,009
Land improvements	2,028	494	-	-	2,522
Equipment	152,836	15,730	(3,810)	-	164,756
Leasehold improvements	1,313	58	-	-	1,371
Library materials	131,333	6,153	(19)	-	137,467
Total accumulated depr.	678,384	56,333	(4,013)	-	730,704
Capital assets, net	$ 871,587	$ 7,262	$ (2,791)	$ -	$ 876,058

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following at June 30, 2015 and 2014 (in thousands):

	2015	2014
Salaries and benefits	$ 43,255	$ 47,569
Payroll taxes	15,114	15,071
Construction	4,568	8,875
Accrued interest	3,624	3,832
Other	17,471	16,358
	$ 84,032	$ 91,705

7. Amounts Payable to University of Louisville Foundation, Inc.

In January 1999, the Association obtained an $8.5 million unsecured, noninterest bearing loan from the Foundation for the construction of Cardinal Park. The Association is obligated to repay the loan upon collection of contributions receivable. Certain contributions receivable are held by the University and collections are transferred to the Association for the repayment of the loan. During the year ended June 30, 2014, the Association repaid $0.2 million. The outstanding balance was approximately $1.0 million for each of the years ended June 30, 2015 and 2014, respectively.

In July 2001, the Association obtained a $347,000 unsecured, noninterest bearing loan with no specific repayment terms from the Foundation for the refurbishing of the Cardinal Basketball offices. The outstanding loan balance is approximately $316,000 for each of the years ended June 30, 2015 and 2014.

8. Bonds, Notes and Capital Leases

Long-term debt, net of discount, of the University consisted of the following at June 30, 2015 and 2014 (in thousands):

	Interest Rate	Fiscal Year of Maturity	2015	2014
Consolidated Educational Building Revenue Bonds:				
Series M of 2003	1.50%	2016	$ 1,955	$ 4,180
Series P of 2005	3.7% to 4.0%	2025	2,605	2,815
General Receipts Bonds:				
Series A of 2007	4.0%	2028	30,205	31,945
Series A of 2008	4.0% to 4.5%	2029	67,330	70,785
Series A of 2010	2.8% to 5.8%	2028	3,412	3,630
Series B of 2010	5.50%	2028	20,942	20,942
Series A of 2011	4.0% to 5.0%	2032	30,410	31,575
Series A of 2012	5.00%	2023	11,105	12,230
Metro Government Revenue Bonds:				
Series 2008 A	4.0% to 5.0%	2018	15,485	20,235
Series 2008 B	4.0% to 4.8%	2028	31,325	33,125
Notes payable	2.3% to 4.8%	2020	16,549	18,053
Energy leases	2.6% to 4.8%	2033	20,212	15,855
Capital lease obligations	2.7% to 3.7%	2020	357	1,142
Total long-term debt			251,892	266,512
Net unamortized premium			4,026	4,665
Long-term debt, net			$ 255,918	$ 271,177

The change in bonds, notes and capital leases is summarized as follows (in thousands):

	2015					
	Beginning Balance	**Additions**	**Retire-ments**	**Ending Balance**	**Current Portion**	**Noncurrent Portion**
Bonds payable	$ 231,462		$ (16,688)	$ 214,774	$ 18,187	$ 196,587
Notes payable	18,053	$ 1,252	(2,756)	16,549	2,378	14,171
Energy leases	15,855	5,713	(1,356)	20,212	1,421	18,791
Capital leases	1,142	525	(1,310)	357	146	211
Total	266,512	7,490	(22,110)	251,892	22,132	229,760
Less unamortized net (discount)/premium	4,665	-	(639)	4,026	582	3,444
Net bonds payable	$ 271,177	$ 7,490	$ (22,749)	$ 255,918	$ 22,714	$ 233,204

	2014					
	Beginning Balance	**Additions**	**Retire-ments**	**Ending Balance**	**Current Portion**	**Noncurrent Portion**
Bonds payable	$ 252,187		$ (20,725)	$ 231,462	$ 17,888	$ 213,574
Note payable	18,722		(669)	18,053	2,239	15,814
Energy lease	17,149		(1,294)	15,855	1,356	14,499
Capital leases	3,416	$ 994	(3,268)	1,142	631	511
Total	291,474	994	(25,956)	266,512	22,114	244,398
Less unamortized net discount	5,353	-	(688)	4,665	640	4,025
Net bonds payable	$ 296,827	$ 994	$ (26,644)	$ 271,177	$ 22,754	$ 248,423

Principal maturities and interest on bonds, notes and capital leases for the next five years and in subsequent five-year periods are as follows (in thousands):

For the year ended June 30	**Principal**	**Interest**	**Total**
2016	$ 22,132	$ 10,652	$ 32,784
2017	20,836	10,020	30,856
2018	30,739	9,170	39,909
2019	14,891	8,133	23,024
2020	15,461	7,563	23,024
2021 - 2025	77,062	27,956	105,018
2026 - 2030	64,542	9,470	74,012
2031 - 2033	6,229	318	6,547
Total	$ 251,892	$ 83,282	$ 335,174

The University has capitalized leased equipment with a net book value of \$2.0 million and \$3.0 million as of June 30, 2015 and 2014, respectively.

Bonds are collateralized by mortgages on certain University properties for the Consolidated Educational Building Revenue Bonds. Certain building revenues, tuition and fees are pledged for the Consolidated Educational Building Revenue Bonds. Association revenue is pledged for the payment of the Metro Government Stadium Expansion Bonds, excluding approximately \$2.0 million annually, which is to be available for amounts owed by the Association under the Arena lease agreement. The remaining operating and nonoperating income of the University, excluding income which as a condition of receipt is not available for payment of debt service charges, are pledged for the General

Receipts Bonds. Total principal and interest remaining on the debt is $306.1 million, with annual requirements ranging from $2.6 million in 2030 to $36.7 million in 2018. For the current year, principal and interest paid by the University and the total pledged revenue recognized were $29.9 million and $511.8 million, respectively

As of June 30, 2015 and 2014, investments at fair value totaling approximately $11.8 million and $11.4 million, respectively, for retirement of indebtedness and renewal and replacement funds have been deposited with the bond trustees and escrow agents as required under the various bond indentures and capital lease agreements.

CEBRB Series M of 2003

On February 1, 2003, the University issued approximately $88.8 million in bonds with a net interest cost of 3.1% to advance refund approximately $22.3 million of Series H revenue bonds with a remaining weighted average interest rate of 5.8%, $36.6 million of Series I refunding bonds with a remaining weighted average interest rate of 5.4% and $22.3 million of Series J refunding bonds (Series H, I and J hereafter referred to as the prior bonds) with a weighted average interest rate of 5.2%. The net proceeds of approximately $84.9 million, after discount, issuance costs and a deposit to fund a debt reserve requirement totaling $3.9 million, were deposited into an irrevocable trust with an escrow agent to ultimately redeem all prior bonds on May 1, 2003. As a result, the prior bonds maturing on or after that date have been removed from the University's statement of net assets.

The University advance refunded the prior bonds on March 13, 2003 to reduce its total debt service payments over the next 13 years by approximately $5.6 million and to obtain an economic gain (difference between the present values of the debt service payments, discounted at the effective interest rate, on the refunded and refunding debt) of approximately $4.7 million.

CEBRB Series P of 2005

In June 2005, the University issued approximately $4.2 million in revenue bonds, the proceeds of which funded the acquisition of the Home of the Innocents property to be subsequently renovated for use by the School of Public Health and Information Sciences. Delivery of the Series P Bonds took place on June 15, 2005. The bonds mature incrementally on May 1 of each year beginning May 1, 2007 until May 1, 2025. The interest on the bonds is paid semiannually, on May 1 and November 1, commencing November 1, 2005. The interest rate on the bonds ranges from 3.7% to 4.0%.

University of Louisville General Receipts Bond, 2007 Series A

In April 2007, the University issued the $41.0 million General Receipts Bond, Series A to provide permanent fixed rate financing for the renovation of the Home of the Innocents property, to provide office space to be used by the University's School of Public Health and Information Sciences; land acquisition for and construction of Patterson Baseball Stadium; construction of Trager Field House for use by intercollegiate teams; construction of the YUM Practice Facility, to be used by the basketball and volleyball teams; and construction of the Center for Predictive Medicine, a Level 3 Regional Bio-safety Laboratory. Security for the bonds includes a pledge of the general receipts of the University and includes the imposition of a state intercept. Final maturity of the bonds is September 1, 2027.

University of Louisville General Receipts Bonds, 2008 Series A

In July 2008, the University issued $86.1 million of University of Louisville, General Receipts Bonds, 2008 Series A at a net interest cost of 4.4 percent. The bond proceeds were used for the construction of a second Health Sciences Center parking garage, to fully fund the construction of a

Clinical and Translational Research Building, and for renovation of the School of Dentistry. Security for the bonds includes a pledge of the general receipts of the University and the imposition of a state intercept. Final maturity of the bonds is September 1, 2028.

University of Louisville General Receipts Bonds, 2010 Series A and Series B

In December 2010, the University issued $4.1 million of University of Louisville, General Receipts Bonds, 2010 Series A at a total interest cost of 3.3% and $20.9 million of University of Louisville, General Receipts Bonds, 2010 Series B at a total interest cost, net of the subsidy from the *Build America Bonds Act* (BAB), of 1.8%. The project financed consists of multiple energy conservation measures within 17 educational and general buildings on the Health Sciences, Shelby and Belknap campuses. The project is expected to produce annual utility cost savings of over $2.0 million and is being conducted under contract to the University by an energy management company that has guaranteed the annual savings to the University under the detailed terms of the contract. Security for the bonds includes a pledge of the general receipts of the University and the imposition of a state intercept. Final maturity of the bonds is September 1, 2027.

The General Receipts Bonds, 2010 Series A were issued as bonds designated as BABs under the provisions of the *American Recovery and Reinvestment Act of 2009*. The University expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the General Receipts Bonds, 2010 Series A bonds. The subsidy payment is contingent on federal regulations and may be subject to change. On March 1, 2013, the President signed an Executive Order reducing the budgetary authority in accounts subject to sequestration. As a result, the BABs subsidy is expected to be reduced to approximately 32%.

The General Receipts Bonds, 2010 Series B were issued as bonds designated as QECBs under the provisions of the *American Recovery and Reinvestment Act of 2009*. The University expects to receive a cash subsidy payment from the United States Treasury equal to approximately 71.8% of the interest payable on the General Receipts Bonds, 2010 Series B bonds. The subsidy payment is contingent on federal regulations and may be subject to change. On March 1, 2013, the President signed an Executive Order reducing the budgetary authority in accounts subject to sequestration. As a result, the BABs subsidy is expected to be reduced to approximately 66.6%.

University of Louisville General Receipts Bonds, 2011 Series A

In August 2011, the University issued $33.8 million of University of Louisville, General Receipts Bonds, 2011 Series A at a total interest cost of 3.6%. The project financed consists of a 128,700 square foot student recreation center. Features include six basketball courts, an indoor running track, a synthetic surface multi-activity court, three aerobics studios, a fitness lab, four racquetball courts, multipurpose activity space, and nearly 20,000 square feet of weight and cardiovascular equipment. Final maturity of the bonds is September 1, 2031.

University of Louisville General Receipts Bonds, 2012 Series A

In June 2012, the University issued $14.6 million of University of Louisville, General Receipts Bonds, 2012 Series A at a total interest cost of 2.1%. The bonds were issued to advance refund $13.5 million of Consolidated Educational Buildings Revenue Bonds Series N (Series N) with a weighted average interest rate of 3.9% and $5.3 million of Consolidated Educational Buildings Revenue Bonds Series O (Series O) with a weighted average interest rate of 4.1% (combined, the prior bonds). The bond proceeds together with an issuance premium of $2.5 million and funds from the debt service reserve fund for the prior bonds of $2.8 million have been deposited in escrow and will be used to pay the interest and principal requirements of the prior bonds maturing through and including May 1, 2013, and redeem and retire the prior bonds on May 1, 2013. Final maturity on the 2012 Bonds is March 1, 2023.

There were no debt service requirements on the prior bonds as of June 30, 2015 and 2014.

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

In August 2008, the Louisville Metro Government issued $39.8 million of Mortgage Revenue Refunding Bonds Series 2008 A at a net interest cost of 3.67% with a maturity date of March 1, 2018 and $43.5 million of Mortgage Revenue Bonds Series 2008 B at a net interest cost of 4.5% with a maturity date of March 1, 2028. The bond proceeds were used to retire on September 1, 2008 the outstanding County of Jefferson Kentucky Governmental Lease Revenue Bonds, Series 1997, the proceeds of which financed the acquisition, construction, installation and equipping of the sports stadium known as University of Louisville Papa John's Cardinal Stadium (the Prior Project). The refunding resulted in a net present value benefit of $477,000 and a loss on defeasance of approximately $114,000. Additional funds will be used to finance a portion of the costs of acquisition, construction, installation and equipping of an expansion to the Prior Project.

Term Loan

In June 2013, the Association entered into a $15.0 million Term Loan with a national banking association. The proceeds will be used to partially finance the renovation of the baseball and softball stadiums and the construction of a soccer stadium (Project). The loan is secured by collateral, including funds and revenues of the Association from the Project and third-party pledges to the Association for the Project. The variable interest rate on the Term Loan is the Daily One Month LIBOR rate plus 1.14 percent, reset on the last day of each month. The balance of the term loan was $13.4 million and $15.0 million as of June 30, 2015 and June 30, 2014, respectively.

Energy Leases

In September 2009, the University entered into a $20.4 million master lease with a financial institution. The proceeds will be used to finance investments in certain equipment designed to reduce energy usage. The lessor receives an exclusive security interest in any and all equipment acquired. The master lease has a 4.79% fixed interest rate and a term ending 2023

In May 2015, the University entered into a $5.7 million master lease to finance investments in energy saving technology with a financial institution. The lessor receives an exclusive security interest in any and all equipment acquired. The master lease has a 2.6% fixed interest rate and a term ending 2033.

9. Derivative Financial Instruments

   a. Summary

      At June 30, 2015, the Association has the derivative instruments outstanding on the following page (in thousands):

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Term Loan	$ 15,000	06/28/13	06/30/22	Pay 2.9%; receive LIBOR + 1.14%	$ (95)
Forward delivery agreement	Earn a higher rate of return than investments with shorter life	$ 1,510	08/05/08	03/01/18	Receive 6.4% on balance of scheduled reserve amount	$ 238

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

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

The fair value of the Forward Delivery Agreement is based on the value of the future discounted cash flows expected to be received over the life of the agreement and is included in other long-term assets on the statements of net position. As the Forward Delivery Agreement is an effective hedging instrument, the offsetting balance is reflected as deferred inflows of resources on the statements of net position. For the year ended June 30, 2015, the change in fair value of the Forward Delivery Agreement was approximately $66,000. The Association receives settlement semi-annually and the settlement is included in interest expense.

The fair value of the Interest Rate Swap was determined using the market's current forward rate assumptions in order to predict future cash flows on the floating side and is included in other long-term liabilities on the statements of net position. As the Interest Rate Swap is an effective hedging instrument, the offsetting balance is reflected as deferred outflows of resources on the Association's statements of net position. For the year ended June 30, 2015, the decrease in fair value of the Interest Rate Swap was approximately $72,000. No initial cash receipt or payment was made in relation to the Interest Rate Swap. The Association receives or pays a net amount monthly and includes the monthly settlement amount in interest expense.

b. Credit Risk

Credit risk is the risk that the counterparty will not fulfill its obligations. Under the terms of the Forward Delivery Agreement, the Association is either holding cash or an approved security within the debt service reserve funds. None of the principal amount of an investment under the Forward Delivery Agreement is at risk to the credit of the counterparty. Should the counterparty default, the Association's maximum exposure is the positive termination value, if any, related to this agreement.

The Interest Rate Swap's fair value represented the Association's credit exposure to the counterparty as of June 30, 2015. Should the counterparty to this transaction fail to perform according to the terms of the swap agreement, the Association has a maximum possible loss equivalent to the Interest Rate Swap's fair value at that date. At June 30, 2015, the counterparty to the Interest Rate Swap had a credit rating of A3 from Moody's Investors Services.

c. Interest Rate Risk

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

d. Termination Risk

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

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

10. Other Liabilities

Other liabilities of the University consisted of the following and on the following page at June 30, 2015 and 2014 (in thousands):

	2015					
	Beginning Balance	**Additions**	**Retire-ments**	**Ending Balance**	**Current Portion**	**Noncurrent Portion**
Due to University of Louisville Foundation, Inc.	$ 316			$ 316		$ 316
Note payable to University of Louisville Foundation, Inc.	1,000			1,000		1,000
Unearned compensation and wages payable	6,943	$ 1,718	$ (540)	8,121	$ 522	7,599
Deposits	919	85	(102)	902	-	902
Advances	79,717	81,288	(58,420)	102,585	67,334	35,251
Amounts due federal government for student loan program	16,355	-	(206)	16,149	-	16,149
Other postemployment benefits	31,069	9,065	(3,134)	37,000	4,683	32,317
Other long-term liabilities	17,904	95	(10,634)	7,365	3,686	3,679
Total	$ 154,223	$ 92,251	$ (73,036)	$173,438	$ 76,225	$ 97,213

	2014					
	Beginning Balance	Additions	Retire-ments	Ending Balance	Current Portion	Noncurrent Portion
Due to University of Louisville Foundation, Inc.	$ 316			$ 316		$ 316
Note payable to University of Louisville Foundation, Inc.	1,200		$ (200)	1,000		1,000
Unearned compensation and wages payable	8,674	$ 1,790	(3,521)	6,943	$ 529	6,414
Deposits	781	225	(87)	919	-	919
Advances	62,517	66,927	(49,727)	79,717	64,632	15,085
Amounts due federal government for student loan program	16,525	-	(170)	16,355	-	16,355
Other postemployment benefits	27,300	6,581	(2,812)	31,069	4,798	26,271
Other long-term liabilities	25,464	3,457	(11,017)	17,904	10,616	7,288
Total	$ 142,777	$ 78,980	$ (67,534)	$154,223	$ 80,575	$ 73,648

Other long-term liabilities as of June 30, 2015 and 2014 include the accrual of the fee associated with the withdrawal from the American Athletic Conference, the voluntary separation incentive liability and other contractual payments. The current portion of other postemployment benefits and other long-term liabilities is included in accounts payable and accrued liabilities in the statements of net position as of June 30, 2015 and 2014.

11. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by (1) the State Fire and Tornado Insurance Fund (the "Fund"); (2) Sovereign Immunity and the State Board of Claims or, (3) in the case of risks not covered by the Fund and Sovereign Immunity, commercial insurance, or participation in insurance risk retention groups.

The Fund covers losses to property from fire, wind, earthquake, flood and other named perils between $500 and $1,000,000 per occurrence. Losses in excess of $1,000,000 are insured by commercial carriers up to $1.2 billion per occurrence on an actual cash value basis. As a state agency, the University is vested with Sovereign Immunity and is subject to the provisions of the Board of Claims Act, under which the University's liability for certain negligence claims is limited to $200,000 for any one person and $350,000 for multiple claims resulting from a single act of negligence. Claims against educators' errors and omissions and wrongful acts are insured through a risk retention group. There have been no significant reductions in insurance coverage from 2014 to 2015. Settlements have not exceeded insurance coverage during the past three years.

University medical and dental students, residents, and most School of Medicine faculty are insured against medical malpractice by a captive liability insurer. Other faculty, agents, and certain non-physician employees are insured against medical malpractice by commercial insurance. The University also has the benefit of an excess coverage fund established by the Commonwealth of Kentucky.

The University is self-insured for the medical benefits provided to employees. The cost of such self-insured benefits provided during the years ended June 30, 2015 and 2014, respectively, was approximately $60.3 million and $57.8 million, including $5.8 million and $5.0 million accrued for estimated claims incurred but not reported, included in accounts payable and accrued liabilities in the statements of net position.

The following table reconciles the claims liability for the fiscal years ended June 30, 2015, June 30, 2014 and June 30, 2013.

Fiscal year ended June 30,	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2015	4,976	55,516	(54,667)	5,825
2014	4,511	55,211	(54,746)	4,976
2013	4,371	53,436	(53,296)	4,511

12. Natural Classification

The University's operating expenses by natural classification were as follows for the years ended June 30, 2015 and 2014 (in thousands):

	2015	2014
Salaries and wages	$ 512,254	$ 457,583
Employee benefits	126,866	118,066
Utilities	21,037	21,028
Scholarships and fellowships	33,300	34,156
Depreciation	53,339	56,333
Supplies and other services	217,518	186,517
	$ 964,314	$ 873,683

13. Retirement Plans

a. Defined Contribution Plan

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

Other information relating to this plan for the years ended June 30, 2015 and 2014 is presented as follows (in thousands):

	2015	2014
Total University payroll	$ 520,436	$ 473,280
Total payroll covered by the plan	511,505	460,157
Employee contributions	28,198	25,824
University contributions	36,543	32,977

As of June 30, 2015 and 2014, the University had no forfeitures or outstanding liability related to the Retirement Plan.

b. Prior Service Defined Benefit Program

Effective July 1, 1977, the University entered into an agreement with Teachers Insurance Annuity Association (TIAA) to fund, over approximately 30 years, the prior service defined benefit program for both currently retired and eligible actively employed participants. This is a single-employer plan. There were no annual required contributions for the years ended June 30, 2015 and June 30, 2014. Subsequent annual contributions under this agreement are subject to periodic actuarial re-evaluations to reflect changes in the consumer price index, interest rates and group experience performance.

The most recent comparison of the accumulated plan benefits and plan net assets, as determined by TIAA, as of June 30, 2015 and 2014 are on the following page (in thousands):

	2015	**2014**
Actuarial present value of non-vested accumulated plan benefits	$ 1,378	$ 1,587
Net assets available for benefits	$ 1,764	$ 1,928
Net pension surplus	$ (386)	$ (341)
Funded ratio	128%	121%

The actuarial present value of plan benefits is non-vested because the plan and benefits provided there under are at all times at the discretion of the University. The net pension surplus represents the amount of net assets available for benefits in excess of the actuarial liability. The assumed rate of return used to determine the present value of accumulated non-vested benefits was 6.0% for each of the years ended June 30, 2015 and 2014, for preretirement and postretirement periods.

14. Postemployment Healthcare Benefits

a. Plan Description

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

Effective July 1, 2012, the life insurance benefit was restructured to be priced as a fully insured supplemental benefit for which the retirees pay 100% of the cost, so no obligation is assumed after the fiscal year ended June 30, 2012.

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, 2015 and 2014, the University contributed approximately $1.7 million for each year, approximately 65% and 68% of total premiums, respectively. Retired Plan members under age 65 receiving benefits contributed approximately $0.9 million and $0.8 million, approximately

35% and 32% of total premiums for the years ended June 30, 2015 and 2014, respectively, through their required monthly contributions according to the schedules below:

2015

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

2014

	PPO	Cardinal Care Plan	EPO	PCA High	PCA Low
Employee	$ 389	$ 419	$ 431	$ 279	$ 208
Employee and Spouse	$ 763	$ 828	$ 850	$ 583	$ 451

Medicare-eligible retirees receive a monthly benefit of $108 per individual covered. For the years ended June 30, 2015 and 2014, the University contributed $1.5 million and $1.3 million for Medicare-eligible retirees, respectively.

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

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

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation (in thousands):

	2015	2014
Normal cost	$ 4,536	$ 4,188
AAL amortization	5,095	4,789
Annual required contribution (ARC)	9,631	8,977
Interest on above	1,171	994
Adjustment to ARC	(1,669)	(1,362)
OPEB liability gain	(8)	(1,792)
Annual OPEB cost (AOC)	9,125	6,817
Contributions made	(3,195)	(3,048)
Increase in net OPEB obligation	5,930	3,769
Net OPEB obligation - beginning of year	31,069	27,300
Net OPEB obligation - end of year	$ 36,999	$ 31,069

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

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 9,125	35%	$ 36,999
2014	6,817	45%	31,069
2013	5,476	41%	27,300
2012	3,337	61%	24,045

d. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $89.1 million and $85.3 million and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of $89.1 million and $85.3 million as of June 30, 2015 and 2014, respectively. The covered payroll (annual payroll of active employees covered by the plan) was $459.6 million and $445.0 million, and the ratio of the UAAL to the covered payroll was 19%, for each of the years ended June 30, 2015 and 2014.

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

e. Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the unit credit method actuarial cost method was used. The actuarial assumptions included a 3 percent investment rate of return (net of administrative expenses), which is based on the estimated return on the University's general assets, and an annual healthcare cost trend rate of 7.3 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 11 years. The gains on the benefit obligation recognized during the fiscal years ended June 30, 2015 and 2014 were due to updates made on expected future health claims and changes made to the retiree life insurance benefit. Expected claims have decreased based on a review of actual claims over the last three years as well as current COBRA rates. The UAAL is being amortized on a straight line basis over 30 years. The remaining amortization period at June 30, 2015 was 22 years.

15. Health Science Center Affiliations and Agreements

a. KentuckyOne Healthcare, Inc. Affiliation, Lease and Operating Agreement

In November 2012, the University, Commonwealth, UMC, and KentuckyOne Health, Inc. (KentuckyOne) amended and restated the UMC land lease and executed a new academic affiliation agreement, superseding the one dated July 1, 2007. The initial term is twenty years, beginning on the Integration Date, which was March 1, 2013.

The agreement calls for, among other things, a strategic programmatic investment fund and plan. KentuckyOne will invest $95.0 million in key University clinical service lines and departments and $40.0 million in academic and programmatic investment in clinical services lines at Jewish Hospital and St. Mary's Healthcare, Inc. (Jewish Hospital) facilities. An additional $3.0 million per annum for twenty years will be made available for research. As of June 30, 2015, the University received $33.8 million and $2.8 million related to the strategic programmatic investments and research initiatives, respectively. To date the University has received $55.5 million related to strategic investment and research infrastructure. As the University has not yet expended the funds in accordance with the proposals, $12.0 million is included in current advances and $30.8 million is included in noncurrent advances in the statement of net position as of June 30, 2015. The agreement calls for the payment annually of discretionary funding of $15.0 million over three years with payment contingent on the achievement of certain performance metrics. During the year ended June 30, 2014, the University received $7.5 million for discretionary purposes to support key statewide areas of focus and relating to the period January thru June 30, 2014. The measurement period for the remaining funding totaling $37.5 million has been deferred to begin in fiscal 2016.

The agreement also calls for, among other things, KentuckyOne to provide funding (salary, benefits and malpractice coverage) for certain full-time equivalent resident positions over the term of the affiliation agreement. Annually, KentuckyOne determines the number of resident positions it will fund based upon (a) staffing at comparable academic medical centers, (b) the services provided by the Hospital and (c) the clinical load at the Hospital and related facilities. Funding levels for the years ended June 30, 2015 and 2014 were $61.2 million and $50.5 million, respectively, and are included in clinical services and practice plan revenues in the statement of revenues, expenses and changes in net position.

Concurrently with the academic affiliation agreement, KentuckyOne entered into a joint operating agreement with UMC, the Hospital's operator prior to March 1, 2013. KentuckyOne agreed to be the sole and exclusive agent acting for and on behalf of UMC to provide the day-to-day management of the University Hospital, with the exception of the Maintained Procedures, as defined in the agreement. The agreement calls for KentuckyOne to make annual payments of $12.5 million to the University, with final payments subject to financial performance measures. The annual adjustment is tied to a threshold level of surplus or deficit of net operating income compared to the KentuckyOne board-approved budget, with a range of not less than $7.5 million and not more than $17.5 million. The accompanying statements of revenues, expenses, and changes in net position include approximately $7.5 million for each of the years ended June 30, 2015 and 2014 in clinical services and practice plan revenues related to the joint operating agreement.

Concurrently with the academic affiliation agreement and joint operating agreements, the Commonwealth and the University as lessor amended and restated the lease agreement with UMC to lease the Hospital. The annual lease payment is $6.5 million through December 31, 2016. At that time, the annual rent escalates by $500,000 and will continue to escalate every five years thereafter up to $8.0 million. Included in the joint operating agreement is a provision that \$5.0 million of the annual rent payment will flow to the Quality and Charity Care Trust. The lease provides for additional rent each year to be adjusted annually commensurate with the increase or decrease in the utilities and other operating expenses of the leased property. The University is required to pay KentuckyOne any amounts related to the utilities and other operating expenses collected from third parties. Lease revenue, net of the amounts sent to the Quality and Charity Care Trust, was \$7.5 million and \$4.4 million for the years ended June 30, 2015 and 2014, and is included in clinical services and practice plan revenues in the statements of revenues, expenses, and changes in net position. Lease expense for the years ended June 30, 2015 and 2014 was \$1.4 million and \$1.1 million, respectively and is included in public service expense in the statements of revenues, expenses, and changes in net position.

The accompanying statements of net position include approximately \$4.3 million and \$3.6 million in accounts receivable for the years ended June 30, 2015 and 2014, respectively, representing amounts due from UMC pursuant to the lease agreement.

The above agreements address the patient care needs of the Hospital's inpatients. The University's School of Medicine operates various clinics, which generate patient care revenues from the treatment of outpatients as well as laboratories that serve both inpatients and outpatients. In June 1997, UMC, pursuant to the 1997 Affiliation and Lease Agreement, issued \$85 million of Health Facilities Revenue Bonds (the Series 1997 Bonds), which were secured in part by a pledge of the revenues of the Hospital. In the opinion of counsel to the University, the security interest in the pledged revenues of the Hospital granted to the University is enforceable in accordance with its terms.

b. <u>Quality and Charity Care Trust Transfers for Hospital Operations</u>

In November 2014, the University entered into The Revised Quality and Charity Care Trust agreement (Revised Trust Agreement) with the Commonwealth, Jefferson County, the Louisville Metro Government, and UMC for the purpose of providing medically necessary hospital care, both inpatient and outpatient, to indigent patients in the Louisville area. The Quality and Charity Care Trust, Inc. (Trust) receives government funds and disburses them for Trust operations in accordance with the terms of the agreement.

The Trust, funded by the Commonwealth and the local governments, is charged with the obligation to provide for the health care needs of economically disadvantaged persons who have historically been ministered to by the University as a public service in the course of its teaching programs.

The University and the Commonwealth selected UMC, a Kentucky non-profit corporation, as the provider of the healthcare services through the Hospital. Under the November 2012 joint operating agreement, KentuckyOne agreed to manage the Hospital in a manner consistent with the Revised Trust Agreement. Funding of \$4.5 million and \$29.8 million for the years ended June 30, 2015 and 2014, respectively, provided by the Commonwealth, Louisville Metro Government, and the University is held for the Trust by the University and paid to UMC as specified in the Trust agreement. This funding is not included in the statements of revenues, expenses and changes in net position as it is a pass-through to UMC.

The funds available to the Trust from the government sources are set forth in the Revised Trust Agreement for the term. The government funding is paid to the Trust within thirty days of receipt and approval of the reports by the Commonwealth as required by the Revised Trust Agreement.

At June 30, 2015, the University's statement of net position includes $0.9 million in accounts payable and accrued liabilities related to their portion of the final government funding for the fiscal year ended June 30, 2015.

c. Cardiovascular Innovation Institute

In October 2003, the University of Louisville and Jewish Hospital Cardiovascular Innovation Institute (the Institute) was incorporated with the purpose including, but not limited to, the development and operation of a world-class institute to test, clinically evaluate, and develop heart assist devices, biosensors, and related technologies to improve the care for patients with heart disease.

The University entered into a Master Facility Agreement with Jewish Hospital to set forth the principles regarding the facility to support the Institute. The Master Facility Agreement called for a research building to be jointly built by the University and Jewish Hospital on land owned by the University. Jewish Hospital has transferred the use of a portion of the building, through a lease, to the Institute or to the University, for exclusive use by the Institute. The building was completed in December 2006.

16. Leases

The University has entered into operating leases related to academic, research and facilities. The University has three operating lease agreements related to use of athletic facilities. Under these lease agreements, the University's rights have been assigned to the Association.

a. Kentucky State Fair Board

The University has entered into a lease agreement with the Kentucky State Fair Board (KSFB) for use of an athletic building. The University's rights under this agreement have been assigned to the Association. The lease has an initial term of 26 years, ending June 30, 2023. Annual lease payments range from $25,000 to $66,550. Total lease expense for each of the years ended June 30, 2015 and 2014 amounted to approximately $61,000.

b. Central Station, LLC

The Association has entered into a lease agreement with AAF-Louisville, LLC (d/b/a Central Station, LLC), a related party, for use of the Central Station Office Building. The lease has an initial term of 21 years, ending September 30, 2026. Annual lease payments started at approximately $47,000, and are subject to increases based on increases in the CPI. Total lease expenses during the years ended June 30, 2015 and 2014 amounted to approximately $84,000 and $106,000, respectively.

c. Louisville Arena Authority, Inc.

In July 2008, the Association entered into a lease agreement with the Arena Authority. The lease has an initial term of 36 years. Annual lease payments are equal to the greater of 10% of gross ticket sales or a minimum lease amount of $10,000 per game for men's basketball games; the greater of 5% of gross ticket sales or a minimum of $5,000 for any other Association sponsored event; and, as payment for private suites, 12% of net private suite revenue. Total lease expense during the years ended June 30, 2015 and 2014 amounted to approximately $3.7 million and $3.5 million, respectively. Additionally, the lease agreement provides for the Association to purchase parking spaces from the Arena Authority. Total parking expense during each of the years ended June 30, 2015 and 2014 amounted to approximately $0.5 million.

Under the terms of the lease, the Association will receive payments from the Arena Authority as follows: (a) 50% of all payments received from third-party concessionaire and catering sales at all University-sponsored events or 25% of the gross proceeds of any Arena Authority owned concessions or catering sales; (b) 50% of all rental/commission payments received in connection with the gift shop and its operations, and 50% of any additional merchandise revenue received from any source other than the gift shop; (c) 50% of all revenue received from the sale of inventory of the permanent signage inside and outside the Arena structure, excluding any signage that is part of the 10% of permanent signage reserved for the Association; (d) 33.3% of all revenue from the sale of inventory on all video boards outside the Arena structure, excluding any video board inventory that is part of the Association's signage. Total lease revenue during the years ended June 30, 2015 and 2014 amounted to approximately $2.4 million and $2.2 million, respectively

d. Future Minimum Lease Payments

The University's annual minimum lease payments are due as follows (in thousands):

For the year ending June 30,	**Lease Payment Due**
2016	$ 2,761
2017	625
2018	537
2019	451
2020	451
2021-2025	2,121
2026-2030	1,599
2031-2035	1,491
2036-2040	1,491
2041-2045	1,206
2046-2050	66
2051-2055	66
2056-2060	66
2061-2065	66
2066-2070	53
Future minimum lease payments	$ 13,050

17. Commitments and Contingencies

a. Commitments

At June 30, 2015, the University had approximately $9.5 million in encumbrances outstanding for future expenditures. As part of the entrance into the Atlantic Coast Conference, the Association committed to an unspecified amount of revenue to be withheld.

b. Litigation

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

During 1989, the Kentucky Supreme Court ruled that the Board of Claims statute cannot bar lawsuits against employees of the Commonwealth who can be held personally liable for their own negligent acts. Certain of the University's employees have lawsuits pending against them for negligence claims. Any judgments on such claims are not the liability of the University, although the University may settle or pay judgments from the statutory fund established per KRS 156.895 and 164.890 - 164.895, or per liability insurance purchased for its employees and agents.

c. Government Grants

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

18. Recent Accounting Pronouncements

As of June 30, 2015, the GASB has issued the following statements which were implemented by the University.

a. GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of this Statement did not have an impact on the financial statements of the University.

b. GASB Statement No. 69, Government Combinations and Disposals of Government Operation. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of this Statement did not have an impact on the financial statements of the University.

c. GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68. The objective of Statement No. 71 is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement were required to be applied simultaneously with the provisions of Statement 68.

As of June 30, 2015, the GASB has issued the following statements not yet implemented by the University.

a. Statement No. 72, Fair Value Measurement and Application. The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

b. GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

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

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

e. GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

f. GASB Statement No. 77, Tax Abatement Disclosures. The University has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

19. Subsequent Event

By memorandum of agreement dated July 1, 2015, the University agreed to loan a total of \$38.0 million to the University of Louisville Real Estate Foundation. The receivable shall be repaid in full or satisfied through other financial instruments within 3 years of the effective date of the agreement, with effective date defined as the date on which the University transfers funds to the Foundation. The unpaid balance on the receivable bears simple interest equal to 75 basis points greater than the University's cash sweep rate. The repayment schedule calls for interest only payments semi-annually and a balloon repayment of any unpaid receivable and interest at the end of the term. The transfer of funding was completed August 7, 2015.

20. Component Units

a. Blended Component Units – Combined Condensed Statements

The combining schedules of the University, the Research Foundation and the Association as of June 30, 2015 and 2014, are as follows and on the following pages (in thousands):

Condensed Statements of Net Position

	2015			
	University	**Research Foundation**	**Athletic Association**	**Total**
Current assets	$ 148,287	$ 41,899	$ 50,327	$ 240,513
Capital assets	641,540	70,132	153,014	864,686
Other noncurrent assets	48,262	735	60,223	109,220
Total assets	838,089	112,766	263,564	1,214,419
Deferred outflows of resources	741	-	110	851
Current liabilities	95,392	28,926	50,284	174,602
Due to University	(9,173)	-	9,173	-
Other noncurrent liabilities	253,127	11,120	66,170	330,417
Total liabilities	339,346	40,046	125,627	505,019
Deferred inflows of resources	3,433	-	238	3,671
Net investment in capital assets	450,198	70,132	92,034	612,364
Restricted-nonexpendable	-	-	1,791	1,791
Restricted-expendable	36,379	7,490	36,230	80,099
Unrestricted	9,474	(4,902)	7,754	12,326
Total net position	$ 496,051	$ 72,720	$ 137,809	$ 706,580

	2014			
	University	**Research Foundation**	**Athletic Association**	**Total**
Current assets	$ 101,331	$ 46,347	$ 46,628	$ 194,306
Capital assets	647,546	74,365	154,147	876,058
Other noncurrent assets	62,989	617	65,452	129,058
Total assets	811,866	121,329	266,227	1,199,422
Deferred outflows of resources	909	-	48	957
Current liabilities	93,646	34,657	51,317	179,620
Due to University	(9,173)	-	9,173	-
Other noncurrent liabilities	239,976	8,889	73,206	322,071
Total liabilities	324,449	43,546	133,696	501,691
Deferred inflows of resources	4,577	-	304	4,881
Net investment in capital assets	444,421	74,365	92,999	611,785
Restricted-nonexpendable	-	-	1,656	1,656
Restricted-expendable	49,846	1,689	24,392	75,927
Unrestricted	(10,518)	1,729	13,228	4,439
Total net position	$ 483,749	$ 77,783	$ 132,275	$ 693,807

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

	2015			
	University	Research Foundation	Athletic Association	Total
Student tuition and fees, net	$ 209,834			$ 209,834
Clinical services and practice plan	30,001	$ 222,406		252,407
Grants and contracts	211	89,943		90,154
Facilities and administrative cost recoveries	-	22,596		22,596
Other operating revenue	25,088	2,140	$ 66,072	93,300
Total operating revenues	265,134	337,085	66,072	668,291
Depreciation	39,883	8,470	4,986	53,339
Other operating expenses	434,372	388,099	88,504	910,975
Total operating expenses	474,255	396,569	93,490	964,314
Operating loss	(209,121)	(59,484)	(27,418)	(296,023)
State appropriations	140,744	-	-	140,744
Gifts	42	9,652	28,567	38,261
Interest on capital asset-related debt	(8,579)	-	(2,557)	(11,136)
Other nonoperating revenues	2,880	52,988	(2,001)	53,867
Capital appropriations	13,973	-	-	13,973
Capital gifts	396	-	7,935	8,331
Transfers	71,967	(8,219)	1,008	64,756
Total nonoperating revenues	221,423	54,421	32,952	308,796
Change in net position	12,302	(5,063)	5,534	12,773
Net position - beginning of year	483,749	77,783	132,275	693,807
Net position - end of year	$ 496,051	$ 72,720	$ 137,809	$ 706,580

	2014			
	University	Research Foundation	Athletic Association	Total
Student tuition and fees, net	$ 209,442			$ 209,442
Clinical services and practice plan	21,979	$ 205,879		227,858
Grants and contracts	481	91,405		91,886
Facilities and administrative cost recoveries	-	21,965		21,965
Other operating revenues	22,677	6,419	$ 52,166	81,262
Total operating revenues	254,579	325,668	52,166	632,413
Depreciation	42,775	9,205	4,353	56,333
Other operating expenses	374,998	359,890	82,462	817,350
Total operating expenses	417,773	369,095	86,815	873,683
Operating loss	(163,194)	(43,427)	(34,649)	(241,270)
State appropriations	147,256	-	-	147,256
Gifts	151	51	29,043	29,245
Interest on capital asset-related debt	(8,275)	-	(2,664)	(10,939)
Other nonoperating revenues	2,710	41,689	2,768	47,167
Capital appropriations	2,539	-	-	2,539
Capital gifts	171	-	12,955	13,126
Voluntary separation plan expense	-	-	-	-
Transfers	18,747	(14,349)	6,628	11,026
Total nonoperating revenues	163,299	27,391	48,730	239,420
Change in net position	105	(16,036)	14,081	(1,850)
Net position - beginning of year	483,644	93,819	118,194	695,657
Net position - end of year	$ 483,749	$ 77,783	$ 132,275	$ 693,807

Condensed Statements of Cash Flows

	2015			
	University	Research Foundation	Athletic Association	Total
Cash (used)/provided by:				
Operating activities	$ (135,016)	$ (47,088)	$ (20,300)	$ (202,404)
Noncapital financing activities	201,018	62,635	29,957	293,610
Capital and related financing activities	(39,112)	(4,247)	(9,030)	(52,389)
Investing activities	12,389	808	1,348	14,545
Net (decrease)/increase in cash and cash equivalents	39,279	12,108	1,975	53,362
Cash and cash equivalents, beginning of year	61,388	(9,023)	43,315	95,680
Cash and cash equivalents, end of year	$ 100,667	$ 3,085	$ 45,290	$ 149,042

	2014			
	University	Research Foundation	Athletic Association	Total
Cash (used)/provided by:				
Operating activities	$ (131,198)	$ (47,977)	$ (31,453)	$ (210,628)
Noncapital financing activities	167,474	28,351	35,874	231,699
Capital and related financing activities	(49,008)	(11,359)	(21,543)	(81,910)
Investing activities	7,420	-	1,046	8,466
Net increase/(decrease) in cash and cash equivalents	(5,312)	(30,985)	(16,076)	(52,373)
Cash and cash equivalents, beginning of year	66,700	21,962	59,391	148,053
Cash and cash equivalents, end of year	$ 61,388	$ (9,023)	$ 43,315	$ 95,680

b. University of Louisville Foundation, Inc. and Affiliates

The University of Louisville Foundation, Inc. (ULF) and Affiliates (collectively, "Foundation") is a legally separate, tax-exempt component unit of the University, under the provisions of GASB Statement No. 39. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The fifteen-member board of the Foundation is self-perpetuating. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Total expenditures by the Foundation on behalf of the University for the years ended June 30, 2015 and 2014 were $24.7 million and $96.4 million, respectively. Complete financial statements for the Foundation can be obtained from Foundation Administration at University of Louisville, 215 Central Avenue, Suite 304, Louisville, KY 40292.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB ASC Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial statements for these differences.

1. <u>Endowment</u>

The Foundation's endowment consists of approximately 2,000 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted in Kentucky in July 2010 and located at KRS 273.1 to 273.10 as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets, until donor stipulations are fulfilled.

The composition of net assets by type of endowment fund at June 30, 2015 and 2014 was (in thousands):

	2015			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ (5,494)	$ 271,501	$ 436,515	$ 702,522
Board-designated endowment funds	89,821	-	-	89,821
	$ 84,327	$ 271,501	$ 436,515	$ 792,343

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ (674)	$ 279,029	$ 425,687	$ 704,042
Board-designated endowment funds	120,303	-	-	120,303
	$ 119,629	$ 279,029	$ 425,687	$ 824,345

Changes in endowment net assets for the years ended June 30, 2015 and 2014 were (in thousands):

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 119,629	$ 279,029	$ 425,687	$ 824,345
Investment return:				
Investment and endowment income	2,394	6,026	1,080	9,500
Net depreciation	(2,454)	(1,047)	(535)	(4,036)
Total investment return	(60)	4,979	545	5,464
Contributions	4,065	5,366	10,392	19,823
Appropriation of endowment assets for expenditures	(48,041)	(11,944)	-	(59,985)
Other changes	8,734	(5,929)	(109)	2,696
Endowment net assets, end of year	$ 84,327	$ 271,501	$ 436,515	$ 792,343

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 113,350	$ 221,809	$ 406,615	$ 741,774
Investment return				
Investment and endowment income	1,077	7,347	37	8,461
Net appreciation	27,331	77,966	8,132	113,429
Total investment return	28,408	85,313	8,169	121,890
Contributions	160	3,208	9,767	13,135
Appropriation of endowment assets for expenditures	(25,923)	(30,353)	-	(56,276)
Other changes	3,634	(948)	1,136	3,822
Endowment net assets, end of year	$ 119,629	$ 279,029	$ 425,687	$ 824,345

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at June 30, 2015 and 2014, consisted of (in thousands):

	2015	2014
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulations or UPMIFA	$ 436,515	$ 425,687
Termporarily restricted net assets - term endowment funds	$ 8,372	$ 12,780

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the fair value level that the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated to approximately $5.5 million and $674,000 at June 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of permanently restricted contributions.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds that the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds.

Under the Foundation’s policies, endowment assets are invested in a manner that is intended to produce results that achieves a minimum net total return which is equal to the Foundation’s spending rate plus inflation without the assumption of excessive investment risk. To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within acceptable risk constraints.

The Foundation has a standing policy (the spending policy) of appropriating for expenditure each year 5.5% of its endowment fund’s average market value over the prior three years through the calendar year end preceding the year in which expenditure is planned. In establishing this policy, the Foundation balances the long-term expected return on its endowment against the level of expenditures required to support the University’s goals and objectives. Recognizing that markets are volatile, 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. For the fiscal year ended June 30, 2015, the Foundation Board of Directors approved the standard spending policy and approved the mandatory reinvestment of unspent carryover. For the fiscal year ending June 30, 2014, the Board of Directors eliminated the past carryover balance from the average fair value calculation and approved a modification to the spending policy, by eliminating the worst of the three years from the average market value calculation. These modifications were designed to dampen the reduction in allocated spending funds for the fiscal year, without damaging the long-term performance of the endowment.

The Foundation has adopted an investment objective whereby the average annual return over the long term should equal the rate of inflation (measured by the three-year moving average of the Gross Domestic Product (GDP) Deflator) plus the average level of spending from the Combined Endowment Fund. The annual return for the Combined Endowment Fund was (0.5)% and 16.5% in 2015 and 2014 respectively.

The amount available for spending under the policy was approximately $38.5 million and $32.9 million for the years ended June 30, 2015 and 2014, respectively, of which approximately $38.5 million and $32.9 million was actually expended for the years then ended.

This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

2. Investments and Investment Income

Investments as of June 30, 2015 and 2014 are as follows (in thousands):

	2015	**2014**
Investment in partnerships and funds of funds	$ 454,051	$ 472,770
Mutual funds	77,305	74,535
Marketable alternatives	138,648	154,823
Preferred and common stock	38,837	50,808
Corporate bonds	2,859	23,198
U.S. government securities	205	3,709
Equity method investments	6,496	6,115
Certificate of deposit	8,149	8,128
Land and buildings	1,178	1,225
Total investments	$ 727,728	$ 795,311

Restricted investments are restricted by bond indenture for payment of debt service, and repairs and replacement. Restricted investments as of June 30, 2015 and 2014 are as follows (in thousands):

	2015	**2014**
Money market mutual funds	$ 3,310	$ 3,209
U.S. agency obligations	2,589	2,575
U.S. Treasury	-	1,285
	$ 5,899	$ 7,069

Total investment return is reflected in the consolidated statements of activities as follows:

	2015	2014
Interest income	$ 1,181	$ 797
Endowment income	9,419	8,761
Net realized and unrealized gain (loss) on investments	(4,686)	116,736
	$ 5,914	$ 126,294

The Foundation invests in various securities, which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the investment amounts reported in the consolidated statements of financial position.

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

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. In an effort to mitigate this market risk, the Foundation has adopted a policy of maintaining a diverse investment pool through the use of target asset allocation guidelines. These guidelines require that the Foundation's investment pool be made up of a mix of publicly traded fixed income and equity securities, private equities and other nonmarketable securities, and real estate investments.

The major portion of long-term investments is pooled in the Combined Endowment Fund, which is the general endowment pool for the Foundation. The Combined Endowment Fund is pooled using a market value basis, with each individual fund subscribing to, or disposing of, units on the basis of the market value per unit at the end of the prior calendar month during which the transaction takes place. 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.

a. Alternative Investments

The fair value of alternative investments has been estimated using the net asset value per share of the investments. Alternative investments held at June 30 consist of the following (in thousands):

	2015			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed income funds (A)	$ 15,470		Various from once monthly to illiquid	Various from 10 to 30 days
U.S. equity funds (B)	95,732		Various from semi-monthly to quarterly	Various from 5 to 60 days
International equities funds (C)	201,274		Various from any valuation day to quarterly	Various from 10 to 60 days
Equity long/short hedge funds (D)	60,296		Various from quarterly to illiquid	Various from 30 to 60 days, if allowable
Multi-strategy hedge funds (E)	73,061		Various from quarterly to illiquid	Various from 15 to 90 days
Natural resources funds (F)	31,696	$ 4,109	Various from any valuation day to illiquid	Various from 10 to 90 days, if allowable
Opportunistic hedge funds (G)	26,708	5,832	Various from quarterly to illiquid	Various from 45 to 90 days, if allowable
Private equity funds (H)	88,462	57,630	Illiquid	N/A

	2014			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed income funds (A)	$ 31,939		Various from once monthly to illiquid	Various from 10 to 30 days
U.S. equity funds (B)	94,552		Various from semi-monthly to quarterly	Various from 5 to 60 days
International equities funds (C)	217,793		Various from any valuation day to quarterly	Various from 10 to 60 days
Equity long/short hedge funds (D)	54,974		Various from quarterly to illiquid	Various from 30 to 60 days, if allowable
Multi-strategy hedge funds (E)	94,102		Various from monthly to illiquid	Various from 15 to 90 days
Natural resources funds (F)	33,607	$ 8,351	Various from any valuation day to illiquid	Various from 10 to 90 days, if allowable
Opportunistic hedge funds (G)	29,580	5,832	Various from quarterly to illiquid	Various from 45 to 90 days, if allowable
Private equity funds (H)	71,045	60,415	Illiquid	N/A

A. This category includes investments in attractive credit opportunities in investment grade corporate bonds, high yield bonds, bank loans, securitized bonds, strategic global fixed income opportunities in countries, currencies, sectors and securities as well as global credit arbitrage opportunities. As of June 30, 2015, approximately $15.5 million of the amounts can be redeemed on a monthly basis with advanced notifications ranging from 10 to 30 days.

B. This category includes two investments in U.S. equities, with one focused on large cap and the other on small- and mid-cap. All securities are traded on U.S. exchanges. The large cap investment, valued at $86.7 million on June 30, 2015, is redeemable at calendar quarter end with 60 days prior notice. The other investment is redeemable twice per month with 5 days prior notice.

C. This category includes investments in international equities in emerging and developed markets across all capitalization classes. Approximately 53% of the funds invested can be redeemed on a daily basis with 10 to 30 days prior notice. Another 42% of the funds invested can be redeemed monthly with 10 to 60 days prior notice. The remaining investment is redeemable at calendar year quarter ends with 60 days prior notice.

D. This category includes investments in hedge funds that take both long and short positions in global equities and other securities. Most funds in this category use margin and other forms of leverage as well as various derivatives, including swaps, options, futures and forward contracts when deemed appropriate by the respective manager. Investments representing 71% of the value of the investments in this category have quarterly lockup periods as of June 30, 2015. Another investment, totaling $.4 million is illiquid.

E. This category includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in U.S. common stocks, global real estate projects and arbitrage investments. An investment representing 15% of the value of this category can only be redeemed annually on its anniversary, with prior notification of at least 45 days, due to agreements with the management of the funds. Approximately 22% of investments in this category can be redeemed at calendar year quarter ends with prior notification of 45 to 65 days. Approximately 48% of the investments in this category can be redeemed every 12 months with prior notification of 45 to 90 days. Approximately 14% of investments in this category can be redeemed every 24 months with 90 days notification. Approximately 1% of investments are illiquid.

F. This category includes a multi-strategy natural resources fund of funds, private oil & gas funds and a natural resources equity fund. Investments include both publicly traded securities as well as private equity and debt positions. In aggregate, these funds invest in all natural resources categories, including but not limited to, all forms of energy, precious and base metals, and agricultural commodities. The funds typically invest in both the infrastructure and production facilities as well as in the actual metal, commodity or resource. Approximately 34% of the investments are private lock up funds with projected partnership maturities ranging from 2018 to 2025. Two other investments can be redeemed daily with 10-day prior notification. The remaining investment is illiquid.

G. This category includes investments in distressed-securities, -real estate and -credit. As a class, these investments strive to find U.S. and non-U.S. financial assets, real estate, debt obligations and securities that are inefficiently priced as a result of business, financial, market or legal uncertainties. Investments will include publicly traded securities and private investments. Four of these funds, with a combined value of $5.6 million, can never be redeemed prior to partnership termination as specified in the limited partnership agreements. These funds have expected partnership maturities ranging from 2012 to 2022. Distributions from each fund are made as the underlying investments of the funds are liquidated. One other fund, with a value of

$5.3 million is available at calendar quarters with advance notice of 45 days. All remaining investments in this class can be redeemed on their respective annual anniversaries of investment with 90 days prior notice.

H. This category includes several funds that invest in private equity of U.S. companies, international companies and U.S. real estate. Also included are several funds focusing on U.S. venture capital opportunities. One fund specializes in mezzanine debt for mid-cap U.S. companies. Approximately $18.4 million is equally invested among 11 funds of funds. The remaining investments in this category are direct investments in private equity, venture capital and mezzanine debt funds. All investments are in lockup funds with partnership maturities ranging from 2016 to 2030. Distributions from each fund will be made as the underlying investments of the funds are liquidated. All funds are commitment based investments with managers calling down commitments as investment opportunities arise. The June 30, 2015 fair value represents the market value of contributions made through that date. Unfunded commitments as of June 30, 2015 are $57.6 million, which is expected to be drawn over the next six years.

3. Disclosures About Fair Value of Assets and Liabilities

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the Topic 820 fair value hierarchy in which the fair value measurements fall at June 30, 2015 and 2014 on the following page (in thousands):

	2015			
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments				
Preferred and common stock	38,635	35,561		3,074
Corporate bonds	2,859	-	2,859	-
Mutual funds	77,205	77,205	-	-
Investment in partnerships and funds of funds	453,563	-	261,168	192,395
U.S. government securities	205	-	205	-
Marketable alternatives	138,648	-	59,846	78,802
Funds held in trust by others	51,945	-	51,945	-
Restricted investments				
Money market mutual funds	3,310	3,310	-	-
U.S. agency obligations	2,589	-	2,589	-

	2014			
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market mutual funds	1,644	1,644		
Investments				
Preferred and common stock	50,808	48,170		2,638
Corporate bonds	23,198	-	23,198	-
Mutual funds	74,435	74,435	-	-
Investment in partnerships and funds of funds	472,280	-	279,496	192,784
U.S. government securities	3,709	-	3,709	-
Marketable alternatives	154,823	-	53,798	101,025
Funds held in trust by others	52,480	-	52,480	-
Restricted investments				
U.S. Treasury	1,285	-	1,285	-
Money market mutual funds	3,209	3,209	-	-
U.S. agency obligations	2,575	-	2,575	-

Following is a description of the inputs and valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. For assets classified as Level 3 of the fair value hierarchy, the process used to develop the reported fair value is disclosed below.

There have been no significant changes in the valuation techniques during the year ended June 30, 2015.

a. Money Market Mutual Funds

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market mutual funds.

b. Investments

Level 1 securities include preferred and common stock and mutual funds. If quoted market prices are not available, then fair values are estimated by a third party pricing service using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

For investments other than marketable alternatives and investments in partnerships, the inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. For marketable alternatives and investments in partnerships that have sufficient activity or liquidity within the fund, fair value is determined using the net asset value (or its equivalent) provided by the fund and are classified within Level 2 of the valuation hierarchy. Level 2 securities include corporate bonds, U.S. government securities, certain investments in partnerships and certain marketable alternative investments.

For marketable alternatives, investments in partnerships, and investments in the common and preferred stock of certain business ventures, that do not have sufficient activity or liquidity within the fund, the net asset value (or its equivalent) provided by the fund is utilized, as a practical expedient, to determine fair value and are classified within Level 3 of the valuation hierarchy.

Fair value determinations for Level 3 measurements of securities are the responsibility of Foundation Financial Affairs (FFA). FFA contracts with a pricing specialist to generate fair value estimates on a monthly basis. The FFA's office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

c. Funds Held in Trust By Others

Fair value is determined at the market value of the securities held in the beneficial trusts at June 30, 2015 and 2014. The value is determined based on the proportional beneficial interest held in the trust, with the Foundation as the sole beneficiary of the majority of the trusts. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

d. Restricted Investments

Level 1 securities include money market accounts, which are based on quoted market prices in an active market and Level 2 securities include U.S. Treasury bond and agency obligations. The Level 2 securities are based on quoted market prices and are based on a pricing service and use inputs as described above.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs (in thousands):

	Investment in partnerships and funds of funds	Marketable alternatives	Preferred and common stock
Balance, July 1, 2014	$ 192,784	$ 101,025	$ 2,638
Total realized and unrealized gains and losses	3,863	(4,244)	436
Purchases	26,380	-	-
Sales	(39,266)	(17,979)	-
Transfers	8,634	-	-
Balance, June 30, 2015	$ 192,395	$ 78,802	$ 3,074
Total gains/(losses) for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets still held at the reporting date	$ 816	$ (4,244)	$ 436

	Investment in partnerships and funds of funds	Marketable alternatives	Preferred and common stock
Balance, July 1, 2013	$ 231,758	$ 84,841	$ 2,025
Total realized and unrealized gains and losses	26,292	8,120	(1,668)
Purchases	19,011	21,025	2,077
Sales	(29,316)	(12,961)	-
Transfers	(54,961)	-	204
Balance, June 30, 2014	$ 192,784	$ 101,025	$ 2,638
Total gains/(losses) for the period included in change in net assets attributable to the change in unrealized gains or losses related to assets still held at the reporting date	$ 17,315	$ 8,144	$ (436)

Transfers in and out of Level 3 are attributable to changes in the underlying inputs from which the investment category is valued.

Realized and unrealized gains and losses included in change in net assets for the years ended June 30, 2015 and 2014, are reported in the consolidated statements of activities as follows (in thousands):

	2015	2014
Total gains	$ 55	$ 32,744
Change in unrealized gains or losses relating to assets still held at the consolidated statement of financial position date	$ (2,992)	$ 25,023

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2015 and 2014.

	Fair Value at 6/30/15	**Valuation Technique**	**Unobservable Inputs**	**Range (Weighted Average)**
Investment in partnerships and funds of funds	$ 192,395	Net asset value or equivalent	NAV	N/A
Marketable alternatives	78,802	Net asset value or equivalent	NAV	N/A
Preferred and common stock	3,074	Net asset value or equivalent	NAV	N/A

	Fair Value at 6/30/14	**Valuation Technique**	**Unobservable Inputs**	**Range (Weighted Average)**
Investment in partnerships and funds of funds	$ 192,784	Net asset value or equivalent	NAV	N/A
Marketable alternatives	101,025	Net asset value or equivalent	NAV	N/A
Preferred and common stock	2,638	Net asset value or equivalent	NAV	N/A

Fair Value of Financial Instruments

The following table presents estimated fair values of the Foundation's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2015 and 2014.

	2015		**2014**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Cash and cash equivalents	$ 17,382	$ 17,382	$ 21,537	$ 21,537
Loans receivable	16,553	16,553	16,178	16,178
Contributions receivable	33,913	33,913	31,099	31,099
Investments	727,728	727,728	795,311	795,311
Funds held in trust by others	51,945	51,945	52,480	52,480
Restricted investments	5,899	5,899	7,069	7,069
Financial liabilities				
Notes payable	42,821	44,386	44,147	45,803
Bonds payable	81,084	86,512	83,272	89,230
Funds held in trust for others	40,615	40,615	45,104	45,104
Annuities and unitrusts	4,129	4,129	4,748	4,748

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated statements of financial position at amounts other than fair value.

Cash and Cash Equivalents:
The carrying amount approximates fair value.

Loans Receivable:
The carrying amount approximates fair value.

Contributions Receivable:
Fair value is estimated using a discounted cash flow model.

Investments:
The carrying amount approximates fair value.

Funds Held in Trust for Others:
The carrying amount approximates fair value.

Restricted Investments:
The carrying amount approximates fair value.

Bonds and Notes Payable:
Fair value is estimated based on the borrowing rates currently available to the Foundation for bank loans with similar terms and maturities.

Funds Held in Trust for Others:
The carrying amount approximates fair value.

Annuities and Trusts Payable:

Fair values of the annuity and trust obligations are based on a calculation of discounted cash flows of the annuity payments under such obligations.

4. Guarantees

a. Bonds Payable

ULF is the guarantor of the ULH bonds payable. Amounts payable under the guaranty are limited as follows (in thousands):

Residence Hall	Aggregate limit	Annual limit
Bettie Johnson Hall	$ 18,050	$ 2,877
Kurz Hall	11,790	938
Community Park	13,985	1,156

b. Notes Payable and Line of Credit

ULF is the guarantor of the KYT notes payable. As of June 30, 2015 and 2014, the outstanding principal related to the notes payable was $19.5 million, respectively.

In May 2013, ULF guaranteed $7.5 million of the University of Louisville Physicians, Inc. (ULP) $15 million line of credit maturing on June 30, 2014. In May 2014, ULF agreed to an extension and first amendment extending the guarantee to November 28, 2014. In November 2014, ULF agreed to an extension and second amendment extending the guarantee to December 19, 2014. In December 2014, ULF agreed to an extension and third amendment extending the guarantee to December 12, 2015. As of June 30, 2015, the principal amount outstanding was approximately $12.5 million.

In September 2013, ULF guaranteed $19.9 million of the TNRP notes payable. As of June 30, 2015 and 2014, the outstanding principal related to the notes payable was $19.9 million.

c. Loans

As of June 30, 2015, ULF guaranteed four loans related to student organizations. If the student organization does not meet its scheduled payments, ULF could be called upon to make the payments, as well as collection of expenses and costs. The total amount approved for loans was approximately $1.6 million, with $1.2 million and $1.3 million outstanding, as of June 30, 2015 and 2014, respectively.

In December 2010, ULF guaranteed 51% of the outstanding loan of Campus One, LLC. As of June 30, 2015 and 2014, the amount under guarantee was $8.4 million and $8.8 million, respectively.

In July 2013, ULF guaranteed 51% of the outstanding loan of Campus Two, LLC. As of June 30, 2015 and 2014, the amount under guarantee was $6.6 million and $3.4 million, respectively.

In May 2014, ULF guaranteed a portion of Pharmacognetics Diagnostic Laboratory, LLC (PGxL) loan. PGxL is owned by University faculty members. ULF's guarantee is a maximum of $3 million and calculated monthly on PGxL's accounts receivable borrowing base certificate. In February 2015, PGxl entered into a replacement line of credit agreement with a different institution. ULF's guarantee on the February 2015 is a maximum of $3.5 million plus accrued interest, fees and other related charges. As of June 30, 2015 and 2014, the amount under guarantee was $2.8 million and $2 million, respectively. PGxL's line of credit expires February 2016.

d. Association Mortgage Revenue Bonds

In July 2008, the Louisville Metro Government issued $39.8 million of Mortgage Revenue Bonds 2008 Series A and $43.5 million of Mortgage Revenue Bonds 2008 Series B (Mortgage Revenue Bonds) at a combined net interest cost of 4.2%, the proceeds of which were loaned to the Association. The bond proceeds were used on September 1, 2008 to retire the Association's outstanding County of Jefferson Kentucky Government Lease Revenue Bonds, Series 1997, the proceeds of which financed the acquisition, construction, installation and equipping of the sports stadium known as University of Louisville Papa John's Cardinal Stadium (Stadium). Excess funds were used to finance a portion of the costs of acquisition, construction, installation and equipping of an expansion to the Stadium.

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

As of June 30, 2015 and 2014, the total amount outstanding on the Mortgage Revenue Bonds was $46.8 million and $53.4 million, respectively.

e. Lease Guarantee

In December 2006, the Foundation became the guarantor of payments due to University Faculty Office Building, LLC (UFOB) under the Master Lease agreement between the Medical School Practice Association, Inc. (MSPA) and UFOB. The Foundation has guaranteed the full and prompt payment of all amounts due to UFOB including any damages for default and payments to reimburse UFOB for any costs and expenses incurred by UFOB to cure any default by MSPA. The initial lease term is 15 years, which began in July 2008. The annual lease payments due from MSPA to UFOB are approximately $3.5 million, with an annual inflation of 3%.

5. Funds Held in Trust by Others

The Foundation has been designated by the University as the income beneficiary of various trusts and financial entities which are held and controlled by others. One of these is a perpetual and irrevocable trust known as the University of Louisville Trust (Trust). It was created in 1983 to receive, administer, and invest assets which result from gifts to the Trust. The market value of the Trust was approximately $21.6 million and $21.5 million as of June 30, 2015 and 2014, respectively. The Foundation's portion of the market value of the remaining trusts was approximately $30.3 million and $31.0 million as of June 30, 2015 and

2014, respectively. These funds are invested in various equities and income producing assets. For each of the years ended June 30, 2015 and 2014, the Foundation received income of approximately $2.3 million and $2.2 million, respectively, from these trusts, which is recorded in net realized and unrealized gain on investments on the consolidated statements of activities.

6. Funds Held in Trust for Others

The Foundation is the custodian of funds owned by the Association. The Association is a separate corporation organized for the purpose of promoting the intercollegiate athletic activities of the University. The Foundation serves in an agency capacity and invests funds on behalf of the Association based on a formal trust agreement. As of June 30, 2015 and 2014, the Foundation held approximately $30.6 million and $34.3 million for the Association's investment purposes, respectively.

During the year ended June 30, 2005, the Foundation entered into an agreement with Jewish Hospital & St. Mary's Healthcare, Inc. (Jewish Hospital) whereby the Foundation serves in an agency capacity to invest funds on behalf of Jewish Hospital. Jewish Hospital is a separate corporation organized for the purpose of providing healthcare services. As of June 30, 2015 and 2014, the Foundation held approximately $9.8 million and $10.5 million, respectively, for Jewish Hospital's investment purposes.

During the year ended June 30, 2011, the Foundation was the recipient of endowed funds, the income of which shall be used in support of the Louisville Orchestra. As of June 30, 2015 and 2014, the Foundation held approximately $0.2 and $0.3 million, respectively, for the benefit of the Louisville Orchestra.

The Foundation, acting in an agent capacity, does not reflect earnings on investments held in trust for others in the consolidated statements of activities as these earnings are distributed to the owners of the funds.

c. University of Louisville Physicians, Inc.

ULP was established in August 2011 and is organized as a private, nonprofit corporation that functions as the corporate structure for the clinical practices of the faculty of the University of Louisville School of Medicine (the School). ULP is organized and operates exclusively for educational, charitable and scientific purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code (IRC), by: [1] providing professional medical services in a variety of medical specialties and disciplines in accordance with ULP charitable mission: [2] strengthening and broadening the range of skills and patient populations available for physicians who are the School's faculty to carry on patient care, teaching and research; and [3] aiding and supporting the School and its clinical departments in the furtherance of their charitable, educational and scientific mission and activities. The physicians providing clinical services through ULP are organized into clinical departments which are identical to the clinical departments of the School. ULP provides medical care primarily to residents of Louisville and Jefferson County, Kentucky and surrounding areas. Although the University does not control ULP or the timing of receipts from ULP, because the University and ULP share certain common management and staff, creating a degree of financial integration, ULP is considered a component unit of the University and is discretely presented in the University's financial statements.

Operations began on January 1, 2012, when the first two physician groups transitioned their practices into ULP. Through June 30, 2015, there were seventeen clinical departments integrated into ULP at various times.

Each clinical department was organized as one or more separate legal entities and each was integrated into ULP under a separate transition agreement. Typically, the agreements were structured as follows: ULP purchased certain significant fixed assets of the clinical departments in a manner similar to any other asset purchase and obtained various other employment agreements, licenses, permits, leases and contracts for no purchase price. The clinical departments retained various operating assets including cash, accounts receivable, benefit plan assets and other assets. ULP and each clinical department agreed on the preexisting debts of the clinical departments; some were transferred to ULP, some were retained by the clinical departments and others were paid-off or acquired by ULP and subsequently repaid by the clinical departments.

1. Charity Care

ULP provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because ULP does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care charges totaled $2.2 million and $2.3 million for the years ended June 30, 2015 and 2014, respectively. Management as estimated its cost incurred to provide charity care to be approximately $1.0 million for each of the years ended June 30, 2015 and 2014, respectively.

2. Investment in Kentuckiana Medical Reciprocal Risk Retention Group

During the year ended June 30, 2014, and in accordance with the Assignment and Assumption Agreement, ULP was assigned the full interest in the investment of Kentuckiana Medical Reciprocal Risk Retention Group (KMRRRG) formerly held by UPA. The value of the investment at the time of assignment was $10.8 million consisting of a $0.3 million capital investment in a paid-in surplus account and $10.5 million in an accumulated subscriber savings account. KMRRRG is ULP's carrier for liability insurance coverage and is a reciprocal captive risk retention group. The limit of ULP's liability, pursuant to the subscribers' agreement, is the initial capital investment and the annual premiums it pays for coverage.

ULP's capital investment represents 6.12% of KMRRRG's startup capital. The investment in KMRRRG is accounted on the equity method, which as of June 30, 2015 and 2014 was $12.3 million and $11.6 million, respectively. KMRRRG's income and losses are allocated to each participating subscriber based on each subscriber's pro rata share of annual premiums paid.

Should ULP withdraw from KMRRRG, a portion of its investment in KMRRRG may, as determined by a Subscribers' Advisory Committee, be retained by KMRRRG to cover ULP's allocation of losses for up to five years. Any repayment of ULP's investment by KMRRRG must also be approved by the Kentucky Department of Insurance.

The investment in KMRRRG is accounted for on the equity method of accounting under which ULP's share of KMRRRG's net income (loss) is recognized in the statements of activities and added to (deducted from) the investment account. Dividends received from KMRRRG are treated as a reduction of the investment account. Management has concluded that the equity method of accounting for this investment is appropriate because it participates in the management of KMRRRG and has the ability to significantly influence the operating and financial policies of KMRRRG and because ULP's 6.12% membership is considered more than a nominal share of the KMRRRG.

3. Net Patient Service Fees Revenue

ULP has agreements with third-party payers that provide for payments at amounts different from its established rates. Contractual adjustments represent the difference between billing at established rates and amounts reimbursed by third-party payers.

A summary of gross and net professional clinical service fee revenue as of June 30, 2015 and 2014 is as follows (in thousands):

	2015	2014
Gross patient service revenue	$ 296,730	$ 312,571
Less provisions for:		
Contractual adjustments under third-party reimbursement programs	(147,077)	(143,468)
Provision for uncollectible accounts	(54,591)	(78,011)
	(201,668)	(221,479)
Net patient service revenue	$ 95,062	$ 91,092

d. OMHS/U of L Cancer Research Center, Inc.

In March 2007, the OMHS/U of L Cancer Research Center, Inc. (the Center) was incorporated for the purposes of including, but not limited to, promotion and implementation of cancer research and drug development projects through, among other things, ownership and operation of a cancer research and treatment center in Owensboro, Kentucky.

Although the joint venture is owned 50% by Owensboro Medical Health System, Inc. and 50% by the University, the University has control of the Board of Directors of the Center. The University has determined that if the financial activity of the Center was material, it should be a discretely presented component unit; however, as of June 30, 2015 and 2014 the Center does not have material operations to be presented.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress
For Other Postemployment Benefits
(in thousands)

Actuarial Value Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabaility (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
7/1/2014	$ -	$ 89,098	$ 89,098	0%	459,588	19%
7/1/2013	-	85,282	85,282	0%	444,970	19%
7/1/2012	-	82,260	82,260	0%	426,752	19%