MINUTES OF THE REGULAR MEETING OF THE
BOARD OF TRUSTEES OF THE
UNIVERSITY OF LOUISVILLE

October 29, 2021

In Open Session

Members of the University of Louisville Board of Trustees met in the Jefferson Room, Grawemeyer Hall, Belknap Campus, both in-person and virtually at 2:16 p.m., with members present and absent as follows:

Present:
Ms. Mary Nixon, Chair
Mr. Jerry Abramson
Mr. Scott Brinkman
Dr. Raymond Burse
Mr. John Chilton
Mr. Al Cornish
Ms. Diane Medley
Ms. Ugonna Okorie
Ms. Diane Porter
Mr. James Rogers
Dr. David Schultz
Mr. John Smith
Ms. Sherrill Zimmerman

From the University:
Dr. Neeli Bendapudi, President
Dr. Lori Gonzalez, Executive Vice President and University Provost
Dr. Kevin Gardner, Executive Vice President for Research & Innovation
Mr. Dan Durbin, Executive Vice President for Finance and Administration
Ms. Angela Curry, General Counsel and Vice President for Legal Affairs
Dr. Michael Wade Smith, Vice President for External Affairs and Chief of Staff
Mr. Vince Tyra, Athletic Director and Vice President for Athletics
Ms. Sandy Russell, Vice President for Risk, Audit, and Compliance
Ms. Mary Elizabeth Miles, Vice President for Human Resources
Dr. Michael Mardis, Vice President for Student Affairs & Dean of Students
Dr. Jasmine Farrier, Vice President for University Advancement
Mr. Rehan Khan, Vice President for Information Technology Services
Mr. John Drees, Sr. Assoc. Vice President for Communications & Marketing
Dr. Faye Jones, Sr. Assoc. Vice President for Diversity and Equity
Mr. Mark Watkins, Sr. Associate Vice President for Operations, COO
Chief Gary Lewis, Assistant Vice President for Operations and Chief of Police
Dr. Gail DePuy, Special Assist. to the President for Strategic Plan Implementation
Mr. John Karman, Executive Director of Communications
Ms. Beverly Santamouris, Treasurer
Mr. Matt Banker, Associate Athletic Director for Compliance
Dr. Tracy Eells, Vice Provost for Faculty Affairs

Mr. Jim Begany, Vice Provost for Strategic Enrollment Management
Ms. Jessica Murnock, Deputy Chief of Staff, President's Office
Ms. Sarah Lopez, Deputy Chief of Staff, Provost's Office
Mr. Chris Wooton, Director of Internal Communications
Ms. Kim Adams, Chief Information Security Officer
Ms. Jennifer Mudd, Director of Integrity and Compliance
Ms. Stacie McCutcheon, Privacy Officer
Ms. Cheri Jones, Director of Audit Services
Dr. Allison Ratterman, Director of the Office of Research Integrity
Ms. Michelle Comer, Director of Accounting and Reporting
Mr. Jake Beamer, Dir. of Governance & Strategic Initiatives & Asst. Secretary

From the UofL
Foundation: Mr. Keith Sherman, Executive Director

From UofL
Health: Dr. Jason Smith, Chief Medical Officer

Guests: Prof. Michael Cunningham, AAUP UofL President
Mr. Chris Suda, Clifton Larson Allen
Mr. Ethan Lay, Clifton Larson Allen

I. Call to Order

Chair Nixon called the roll. Having determined a quorum present, she called the meeting to order at 2:16 p.m.

Conflict of Interest Affirmation

The Chair reminded all members of the board of their responsibility to avoid conflicts of interest and appearances of conflicts of interest. She stated each member has received the agenda and related information for this Board of Trustees' meeting.

Chair Nixon requested if any board member knows of any conflict of interest or appearance of conflict of interest with respect to any matter coming before the Board of Trustees at this meeting, to please identify the conflict or appearance of conflict at this time.

No conflicts were identified.

Address to the Board, Michael Cunningham

Chair Nixon welcomed Dr. Michael Cunningham, professor in the department of communication, who addressed the board of trustees in his capacity as president of the UofL chapter of the American Association of University Professors (AAUP).

The chair noted that the board was in receipt of the documentation provided to them by the members of the AAUP chapter.

Dr. Cunningham, representing his colleagues, shared with trustees the objections of the faculty members of the UofL AAUP chapter to the Faculty Accountability Policy, which was slated to be approved by consent. Dr. Cunningham suggested that the proposed policy was in violation of the Redbook, embodies unilateral administration decision-making about disciplining faculty, lacks due process and procedural justice, ignores the need for creative problem-solving, and undermines faculty morale.

Following his address, Chair Nixon thanked the professor for his presentation.

Dr. Schultz, in his capacity as Chair of the Faculty Senate, and Provost Gonzalez refuted Dr. Cunningham's claims, noting that the Redbook was neither ignored nor violated; that shared governance principles were followed throughout the process and evolution of the policy, from the composition of the committee charged with its drafting, to the review periods by the Faculty Senate and its committees; and that the primary goal of the policy is to establish a system of remediation and progressive discipline when faculty engage in misconduct.

Drs. Schultz and Gonzalez then fielded questions from trustees.

Chair Nixon stated that through her service on this board of trustees, she has come to understand and appreciate the important and central role shared governance plays in the functioning of a healthy and strong university. Having heard the discussion, having reviewed the provided documents, and after additional conversations with university leaders and stakeholders on this issue, Chair Nixon said she continues to see significant evidence of the healthy partnership and collaboration between the many constituencies of the university on this issue and others. Additionally, she noted it is clear that this is an appropriate policy designed in good faith in partnership with faculty governance and consistent with best practice at leading universities across the country.

The chair thanked the faculties of the university, the Faculty Senate, and Chair Schultz for their thoughtful engagement on this issue, and to President Bendapudi and Provost Gonzalez for upholding the mutual commitment to shared governance in their continued leadership of the institution.

Consent Agenda

Chair Nixon read the consent agenda as follows:

- **Approval of Minutes, 8-26-2021**
- **From the Governance, Trusteeship, & Nominating Cmte., 10-29-2021**
  - **Revised BOT Personnel Policy**
  - **MOU with UofL Real Estate Foundation**
- **From the Audit, Compliance, and Risk Committee, 10-29-2021**
  - **UofL Audited Financial Statements**
- **Ratifications from the Executive & Compensation Committee, 9-23-2021**
  - **From the Academic & Student Affairs Committee, 9-23-2021**
    - **Faculty Accountability Policy**
    - **Bachelor of Science in General Studies**

  - **Master of Science in Health Professions Education**
  - **Personnel Matters**
- **From the Finance Committee, 9-23-2021**
  - **Promissory Notes for Denny Crum Hall Project**
  - **Renovation & Refurbishment of Club Space at Stadium**

Dr. Burse made a motion, which Mr. Brinkman seconded, to approve the consent agenda.

The motion passed, with Ms. Okorie abstaining.

II. <u>Report of the SGA President</u>

Before the SGA president began, the chair noted that it is Ms. Okorie's birthday, and the trustees celebrated with a round of applause.

Ms. Okorie reported that the 2021-2022 Student Government Association is committed to creating an inclusive and equitable campus for students. The goals of the administration include:

- Address student concerns to respective administrators/units,
- Increase SGA visibility, resources, and anti-racism work,
- Increase student compliance with COVID-19 vaccinations and testing,
- Strengthen relations with units housed in new Cultural and Equity Center,
- Advocate for affordability and scholarship opportunities,
- Advocate for increased support avenues for BIPOC students,
- Work to implement programs that reduce or eliminated financial barriers for students in the classroom,
- Establish a comprehensive plan to further innovate academic spaces to facilitate active learning and classroom engagement,
- Contribute to multiple hiring and RFP processes, and
- Advocate for the increased prevalence of gender inclusive measures on campus.

Ms. Okorie then fielded questions from the board, and Chair Nixon thanked her for her report.

III. <u>Report of the President</u>

President Bendapudi introduced Chief Lewis, Mr. Banker, and Dr. Smith who provided updates on Campus Safety, Name Image Likeness legislation, and UofL Health, respectively.

<u>Campus Safety Update</u>

Chief Lewis, using the **attached** presentation, briefed trustees on the current campus safety measures and provided an overview of the UofL Police Department (ULPD) and its agency jurisdiction, affiliated housing, strategies to increase campus safety, the recruitment and retention of officers, a partnership with the Department of Criminal Justice, and community relations.

The Chief and Dr. Mardis then answered questions from trustees.

Dr. Burse requested additional information related to the security standards and standard operating procedures for affiliated housing for students.

Dr. Bendapudi thanked the Chief for his report.

Name Image Likeness Update

Associate AD Banker provided an update regarding the new legislation which permits student-athletes to pursue certain activities related to their name, image, and likeness, such as: business endorsements, social media influencing, appearances, autograph signings, providing lessons/camps, and more. These activities may be compensable or non-profit initiatives.

Mr. Banker's presentation, **attached**, also included statistics related to the first 100 days of the new legislation and the educational outreach opportunities provided by the Department of Athletics to student-athletes.

He then fielded questions from the board. President Bendapudi thanked him for his update.

UofL Health

Dr. Smith provided a UofL Health update using the **attached** presentation. Highlights included an operations update, a hospital trauma volume forecast, the organization's strategic focus, and current performance metrics/dashboard.

Drs. Smith and Bendapudi then fielded questions from trustees.

Ms. Medley shared her positive experience as a member of the UofL Health Board of Directors and the Chair of its Finance Committee.

The President thanked Ms. Medley and Dr. Smith for their service to the Louisville community.

Designations

The president concluded her report by briefing the board on four designations, one of which required board approval:

Dale Ramsay Court at Student Recreation Center

Dale Ramsay, Director of Intramural & Recreational Sports, is retiring after a stellar career of 41 years at UofL. With the support of the department staff & numerous students, it has been proposed to honor Dale's career by naming Court 6 of the SRC the "Dale Ramsay Court."

The Julius Friedman Gallery in Ekstrom Library

A request has been made to name an existing, unnamed gallery space in Ekstrom Library. Carol Friedman Abrams, a graduate of the College of Education and Human Development, wishes to honor her brother Julius Friedman who studied graphic design at UofL in the 1960's and frequented UofL's Photographic Archives and Art Library. Many of Mr. Friedman's posters, photographs, publications, business records, correspondence, and artwork are now part of a collection at UofL. It has been proposed to name the gallery "The Julius Friedman Gallery." Additionally, Ms. Abrams's gifts will be used to:

- Create a climate-controlled preparation, preservation, and cold-storage room on the lower level of Ekstrom Library.
- Update existing gallery space on the lower level of Ekstrom Library, and
- Hire a project archivist for up to one year to process the Julian Friedman Collection.

Breit Courtroom

Currently named The Allen Courtroom, it has been proposed to rename this Law School auditorium as "The Breit Courtroom" to honor a gift and donor pledge from Marc and Lisa Breit which will :

- Renovate, improve, and upgrade the facility and its technological capacities,
- Increase the number and frequency of events held in the courtroom,
- Improve Law Student recruitment and retention, and
- the Law School's standings and reputation amongst our peer institutions.

Trustees offered no objections to these three designations.

Action Item: Cardinal Stadium Club Designation

Currently named the Brown & Williamson Club at Cardinal Stadium, the Athletics Department has successfully negotiated a new naming rights agreement with Angel's Envy, a Louisville-based bourbon brand, which, if approved, will rename the club space to honor the brand.

Mr. Abramson made a motion, which Mr. Smith seconded, to approve the

President's recommendation that the Board of Trustees approve the renaming of the Brown and Williamson Club in Cardinal Stadium as "The Angel's Envy Club."

The motion passed.

IV. Report of the Chair

Authorization of Executive and Compensation Committee

Chair Nixon reminded her colleagues that the board does not routinely meet in the month of December and the next regular board meeting is scheduled for January 13, 2022. For that reason, she recommended the board authorize the Executive and Compensation Committee to act on its behalf of the board for certain action items.

Ms. Okorie made a motion, which Mr. Brinkman seconded, to approve the

Chair's recommendation that the Board of Trustees authorize the Executive and Compensation Committee to take action on behalf of the Board of Trustees on the following:

- **Time-sensitive actions regarding business proposals;**
- **Time-sensitive actions regarding proposed and pending litigation;**
- **Time-sensitive personnel actions and personnel policy revisions;**
- **Designations and awards;**
- **Other matters of a housekeeping nature, including but not limited to December degree candidates.**

The motion passed.

V. Adjournment

Having no other business to come before the board, Ms. Okorie made a motion, which Mr. Smith seconded, to adjourn.

The motion passed and the meeting adjourned at 3:36 p.m.

Approved by:

Signature on file __

Assistant Secretary

RECOMMENDATION TO THE BOARD OF TRUSTEES
CONCERNING APPROVALS FOR PERSONNEL ACTIONS

Governance, Trusteeship, and Nominating Committee – October 29, 2021
Board of Trustees – October 29, 2021

RECOMMENDATION:

The President recommends that the Board of Trustees amend the Policy on Approvals Required for Personnel Actions of the Board (Personnel Policy) to be revised as follows (changes underlined and in red):

> Personnel Items Requiring Board Action and Formally Reported to the Board: shall include initial faculty appointments with tenure or faculty appointments to Endowed Faculty Positions, promotions of faculty above the rank of Assistant Professor or award of tenure, early termination of faculty, and the President and Executive Vice Presidents. Non-renewal of probationary appointments will be formally reported to the Board.

BACKGROUND:

The board's current Personnel Policy was approved on April 18, 2019 and requires board action for faculty appointments to endowed *chairs*.

The board approved a policy regarding University Naming Guidelines on June 24, 2021. The guidelines specify minimum gift amount thresholds for various endowed faculty positions, namely: *dean, chair, division chief, professor, visiting professor, faculty fellowship,* and *teaching fellowship.*

The proposed amendment to the Personnel Policy would make it consistent with the university's Naming Guidelines and be inclusive of the endowed faculty positions listed therein.

COMMITTEE ACTION:
Passed X
Did Not Pass
Other
Signature on file
Assistant Secretary

BOARD ACTION:
Passed X
Did Not Pass
Other
Assistant Secretary

RECOMMENDATION TO THE BOARD OF TRUSTEES
CONCERNING APPROVALS FOR PERSONNEL ACTIONS

Governance, Trusteeship, and Nominating Committee – April 18, 2019
Board of Trustees – April 18, 2019

RECOMMENDATION:

The Chair of the Board recommends that the Board of Trustees amend the Policy on Approvals Required for Personnel Actions of the Board to be as follows:

Personnel Items Requiring Board Action and Formally Reported to the Board: shall include initial faculty appointments with tenure or faculty appointments to Endowed Faculty Positions, promotions of faculty above the rank of Assistant Professor or award of tenure, early termination of faculty, and the President and Executive Vice Presidents. Non-renewal of probationary appointments will be formally reported to the Board.

Personnel Items Requiring Administrative Approval Only and Reported to the Board As Information Items: shall include initial and renewal appointments of faculty not resulting in tenure; promotions up to the rank of Assistant Professor; resignations; retirements; expiration of appointments; permanent, acting, and interim appointments of administrators; medical leave, associate appointments; leaves without pay; sabbatical leaves; adjunct appointments; clinical appointments (both part-time and gratis); transfers from non-probationary to probationary status; changes in emeritus status; scheduling changes for sabbatical or other paid leaves; changes from full-time to part-time or gratis status; and changes in titles of assignments due to reorganizations or reassignments.

The Board of Trustees delegates to the President or her designee the authority to appoint and dismiss all other administrators with actions being formally reported to the Board.

BACKGROUND:

The Personnel Action Policy was first adopted September 26, 1983 and amended March 26, 1990, October 26, 1992, and February 23, 1998. Members of the Board and the President have concluded that many routine personnel actions can be delegated, thereby allowing the Board to concentrate on the most significant personnel recommendations which include appointments and dismissals of the President and Executive Vice Presidents, promotion and tenure of faculty and early termination or non-renewal of probationary faculty appointments. This is common practice at many major institutions.

This Policy is to be followed in conjunction with the delegation of authority to the President authorized September 29, 1992 concerning Appointments of Interim Administrators (Exhibit A) and the Policy on Short-Term Absences and Leaves of Absence adopted by the Board October 26, 1992 (Exhibit B). Paid leaves not pursuant to a Trustee-approved policy (e.g., sabbatical, medical, parent) shall require action of the board.

Reports listing delegated personnel actions for faculty and administrators will be provided to the Trustees on a regular basis.

The Provost joins the President in making this recommendation.

COMMITTEE ACTION:
Passed ______X__________
Did Not Pass ____________
Other ________________
Signature on file
Assistant Secretary

BOARD ACTION:
Passed _____X__________
Did Not Pass __________
Other ________________
Assistant Secretary

*Approved September 26, 1983
*Revised and approved March 26, 1990
*Revised and approved October 26, 1992
*Revised and approved February 23, 1998
*Revised and approved April 18, 2019
*Revised and approved October 29, 2021

RECOMMENDATION TO THE
UNIVERSITY OF LOUISVILLE BOARD OF TRUSTEES
REGARDING MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN THE
UNIVERSITY OF LOUISVILLE AND THE UofL FOUNDATION, INC.

Governance, Trusteeship, and Nominating Committee – October 29, 2021
Board of Trustees – October 29, 2021

RECOMMENDATION:

The President recommends that the Board of Trustees approve a Memorandum of Understanding (MOU) between the University of Louisville and the University of Louisville Real Estate Foundation, Inc., as described in the attached document.

BACKGROUND:

This Amended MOU amends, replaces and supersedes the Memorandum of Understanding dated as of October 1, 2017 by and between (i) the University, and the University's Board of Trustees, and (ii) the Foundation, and the Foundation's Board of Directors (the "Previous MOU").

COMMITTEE ACTION:	BOARD ACTION:
Passed __X__	Passed __X__
Did Not Pass ____	Did Not Pass ____
Other ____	Other ____
Signature on file	
Assistant Secretary	Assistant Secretary

DRAFT

AMENDED AND RESTATED
MEMORANDUM OF UNDERSTANDING
BETWEEN
THE UNIVERSITY OF LOUISVILLE
AND
THE UNIVERSITY OF LOUISVILLE REAL ESTATE FOUNDATION, INC.

THIS AMENDED AND RESTATED MEMORANDUM OF UNDERSTANDING (the "Amended MOU") is entered into as of [_________], 2021 by and between the University of Louisville (the "University") and the University of Louisville Real Estate Foundation, Inc. (the "Foundation"). (Each of the University and the Foundation is a "Party" and collectively are the "Parties".)

This Amended MOU amends, replaces and supersedes the Memorandum of Understanding dated as of October 1, 2017 by and between (i) the University, and the University's Board of Trustees, and (ii) the Foundation, and the Foundation's Board of Directors (the "Previous MOU").

In consideration of the foregoing and the agreements set forth below, and other good and valuable consideration, receipt of which is hereby acknowledged, the Parties agree as follows:

I. Shared Mission; Separate Governance

A. Shared Mission.

1. The University and the Foundation agree to work as partners to strengthen the University through activities that support the mission and priorities of the University. Both the University and the Foundation have a shared interest in insuring that each adheres to industry best practices and pursuant to a governance structure that guaranties all decisions remain free from political pressure, conflicts of interest and the disproportionate influence of any individuals(s).

2. The Foundation is primarily responsible for receiving, investing in, purchasing and developing real estate for the University's benefit. The Foundation acts in a fiduciary capacity to the University. The University designates the Foundation as the repository of private real estate gifts made in support of the University unless otherwise specified by the donor. With the exception of receiving private real estate gifts made in support of the University, the Foundation engages in no fund-raising activities on behalf of the University. The University (and its affiliated entities) are the sole beneficiary of the assets managed by the Foundation.

3. To ensure effective achievement of the items in this Amended MOU, the University and Foundation officers and representatives shall hold periodic meetings to foster and maintain productive relationships and to ensure open and continuing communications and alignment of priorities.

B. University Governance.

1. The University is an agency of the Commonwealth of Kentucky.

2. The University's Board of Trustees is responsible for (i) overseeing the mission, leadership, operations and performance of the University, (ii) setting priorities and long-term plans for the University and (iii) the employment and compensation of all University employees (acting directly or through designees) and for the appointment, compensation, and evaluation of the University's President.

C. Foundation Governance.

1. Unlike the University, the Foundation is not a public agency. The Foundation exists as a separate legal entity from the University and is not subject to the University's control. The Foundation is a Kentucky nonprofit corporation that has been recognized by the Internal Revenue Service as a tax-exempt charity under Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code").

2. The Foundation's Board of Directors is responsible for overseeing the Foundation's operations, including control and management of its assets and prudent management of all gifts made for the benefit of the University consistent with donor intent. This oversight is governed by a comprehensive set of articles of incorporation, bylaws, committee charters and policies that clearly address the fiduciary responsibilities of the Board of Directors, including requirements that individual board members act in good faith, on an informed basis, and in a manner consistent with the Foundation's fiduciary duties and the Foundation's best interests.

3. The Foundation shall maintain and enforces policies to identify and manage potential conflicts of interest among its board members and staff. Such policies shall be reviewed on a regular basis and strictly enforced. While "direct investments" by the Foundation are prohibited (see III. A.3. below), the Foundation's conflict of interest policies will prohibit any investment by the Foundation in a business in which any member of the University's Board of Trustees or Foundation's Board of Directors or any executive level employee or officer of the University or the Foundation have an ownership, employment, consulting or other financial relationship.

4. The Chair of the Foundation's Board of Directors shall be a member of the Foundation's Board of Directors, but shall not be the President of the University of Louisville.

5. To the extent it has employees, the Foundation is responsible for employing, compensating, and evaluating all of its employees, including the Foundation's top executive. Currently, the Foundation contracts with the University of Louisville Foundation, Inc. for management services.

6. No officer or employee of the Foundation (including the Foundation's chief executive), shall serve simultaneously as an officer of the University, without the prior approval of the University's Board of Trustees and the Foundation's Board of Directors.

II. University Responsibilities

A. The University designates the Foundation as the repository of all private real estate gifts made in support of the University unless otherwise expressly specified by the donor.

B. As applicable, the University shall ensure that any utilization of real estate held by the Foundation is in accordance with donor intent. The University shall timely sign compliance documents from the Foundation attesting to its adherence with donor intent.

C. The University President is responsible for communicating University priorities and long-term plans, as approved by the University's Board of Trustees, to the Foundation.

D. The University President controls the University's fund-raising activities. The University President and campus leadership will work, in conjunction with the Foundation, to identify, cultivate, and solicit prospects for private gifts of real estate.

E. The Foundation's chief executive shall be invited on a regular basis to meetings of the University President's executive team.

F. The Foundation's chief executive or his or her designee shall be included as an *ex-officio* member of any University-wide strategic or facilities planning committee.

G. The University, at its option, may contract with the Foundation at fair market value rates for special services like grounds maintenance or advertising. The services, if any, and compensation amount will be negotiated on an annual basis by April 30th of the preceding fiscal year. The University agrees to provide the Foundation with access, without charge, to the University's enterprise and identity management systems, including access to University email and Ulink services and storage space on the University's shared drive or an equivalent successor. To the extent the Foundation asks the University to provide customized functionality for the Foundation or requests that University personnel provide significant support for the Foundation's e-discovery obligations, the University and Foundation will timely negotiate reasonable compensation rates for those services. The Foundation agrees that it will comply with the University's policies and procedures related to access to and use of University email and Ulink services and shared drive storage space, including University policies and procedures related to data security. The University will provide the Foundation with a shared drive exclusively for the use of the Foundation. The University will provide that shared drive with the same level of security it provides to its own shared drives and agrees that it will not access information stored on that shared drive or other information that the University clearly knows is Foundation information without the express written permission of the Foundation, except as part of normal maintenance or desktop support operations.

H. The University's Chief Financial Officer shall serve, *ex-officio*, as a voting member of the Foundation's Property Committee.

I. The University President shall be an *ex-officio*, voting member of the Foundation's Board of Directors.

III. Foundation Responsibilities. Consistent with the purposes stated in its Articles of Incorporation, the Foundation exists to promote the interest and welfare of the University and provide it with a margin of excellence by providing the maximum level of sustainable financial support.

A. <u>Asset Management</u>

1. The Foundation agrees to provide the University with timely information (but in no event less than quarterly) about the current balance sheet of the Foundation.

2. The Foundation will consult with the University prior to the purchase of or disposition of any assets to ensure alignment with the University's strategic needs and plans. It is agreed that real property purchased by the Foundation should directly or indirectly support the mission of the University. At the express request of the University's Board of Trustees, the Foundation may engage in such activities as purchasing, developing, or managing real estate for multiple purposes, including but not limited to University expansion, student housing, or office building and research facilities.

3. Unless requested by the University in writing (and previously approved by the University's Board of Trustees), and excluding investments managed by its investment adviser, the Foundation shall not invest in start-up businesses or real estate nor make any other "direct" investments (i.e., shall not invest directly in any entity or business or real estate venture).

B. <u>Foundation Funding and Administration</u>

1. The Foundation will use its best efforts to assure that the activities of the Foundation align with the mission and goals of the University and meet applicable accreditation standards (and the University will use its best efforts to notify the Foundation of such applicable accreditation standards).

2. The Foundation will maintain its tax-exempt status under Section 501(c)(3) of the Code and carry on its work exclusively for the charitable and educational purposes of the University of Louisville.

3. Not less than three months prior to the beginning of the Foundation's fiscal year, and at least two weeks before submitting same to the Foundation's Property Committee, the Foundation shall prepare a complete annual line item budget to the University's President and Chief Financial Officer for review and comment. Each year the Foundation holds "budget workshops" for the members of the Foundation's Board. These are working meetings where the budget for the upcoming fiscal year is discussed in detail. The members of the University's Board of Trustees shall be invited to attend the Foundation's "budget workshops".

4. In establishing an annual operations and capital budget, the Foundation has the right to use a reasonable percentage of funds to support its operations. In addition, the Foundation may use payments received from the University, whether direct (e.g., administrative fees) or in-kind, under the terms of any annual service contract with the University.

5. In establishing a financial plan, the Foundation will provide for necessary office space, computer and telephone systems, utilities, adequate personnel, office supplies, and other such services that may be necessary or required to fulfill its responsibilities and obligations.

6. The Foundation shall maintain copies of the plans, budgets, and donor records developed in connection with the performance of its obligations in compliance with system-wide policies for records retention. Such policies shall include the implementation of litigation holds, a prohibition on destruction of data in connection with the repurposing of computers, telephones and other devices and shall be consistent with the policies of the University.

7. The Foundation and the University shall coordinate with each other on public policy questions such as Open Records and Open Meetings issues and on fundraising and public relations/marketing.

8. On an annual basis, the Foundation's Board of Directors will select and engage an independent accounting firm to conduct an audit of the Foundation's financial and operational records.

9. The Foundation shall provide the University with a copy of the Foundation's annual audited financial statements, including management letters and responses to management letters within 30 days of receipt. Within 90 days of the issuance of an audit report with audit findings, the Foundation shall demonstrate to the University that satisfactory progress has been made to implement a corrective action plan. If the University recommends that specific actions be included in the corrective action plan, the Foundation Chief Executive shall promptly communicate the University's recommendations to the Foundation's independent accounting firm and the Foundation's Board of Directors for their consideration.

10. The Foundation shall provide the University and the University's Board of Trustees with detailed quarterly financial reports, including, without limitation, information on all assets held and budget-to-actual comparisons.

11. The Foundation and the University will share access to donor data and records in accordance with established University and Foundation policies and procedures and mindful of applicable laws.

12. The Foundation shall (i) maintain a confidential and anonymous mechanism to encourage individuals to report any inappropriateness within the Foundation's financial management and (ii) prohibit punishment of or retaliation against any employee for reporting problems.

13. Officers and employees of the Foundation who have check-signing authority or who handle cash or negotiable instruments must be bonded in an amount determined to be reasonable by the Foundation's Board of Directors after consultation with the University.

14. The Foundation's Board of Directors shall evaluate the potential risks arising from the Foundation's operations and obtain commercially reasonable amounts of general liability and directors/officers' insurance.

C. <u>Transfer of Funds</u>

1. All transfers of funds from the Foundation to the University must be documented in writing or electronically in a form that has a retrievable transaction trail.

2. The Foundation shall not request or accept loans from the University without the approval of the University's Board of Trustees.

3. Unless requested by the University's Board of Trustees in writing (and such request identifies an available source of funding), the Foundation shall not become obligated to pay (nor shall it pay) salary, bonuses, deferred compensation, tax gross-ups or any other compensation to University employees (whether directly or through subsidiaries or affiliates).

IV. License to use University Marks

A. During the term of this Amended MOU only, and consistent with its mission to help advance the plans and objectives of the University, the Foundation is granted a royalty-free, non-exclusive, non-transferable license to use the name, "University of Louisville", the name "U of L", and the University of Louisville cardinal bird (registration number 2007784) (the "<u>University Marks</u>"). The Foundation will operate under its own seal and logotype, which, during the term of this Amended MOU, shall include the University Marks or any combination thereof.

B. All Foundation use of or materials containing the University Marks shall be well suited in accordance with the purposes of this Amended MOU and shall be of a high quality that does not derogate from or adversely affect the University Marks or the goodwill and reputation associated therewith or with the University. The Foundation will conform its uses to quality standards approved by the University in its reasonable discretion, which may be changed by the University periodically with written notice to the Foundation and which shall, in no event, be lower than the standards the Foundation applies to maintaining its own trademarks. The Foundation agrees that the University Marks are the University's exclusive property, have acquired secondary meaning and that all related rights and goodwill in the University Marks shall inure solely to the University's benefit. The Foundation shall not acquire any rights or interest in the University's Marks, nor shall the Foundation challenge, attack or contest the ownership or validity of the University's rights in the University Marks.

V. Miscellaneous Terms

A. The University and the Foundation agree to review this Amended MOU (i) at least every two years, and (ii) as necessary in connection with any amendment by either Party of its bylaws or other written agreements or policies that impacts such Party's relationship with the other Party, with any necessary changes to be documented with written amendments.

B. Either Party may terminate this Amended MOU, upon the affirmative vote of not less than 75% of the members of its governing body and 180 days' prior written notice to the chief executive officer and board chair of the other Party. The Party initiating the Amended MOU's termination must act in good faith to schedule and participate in a meeting to resolve differences (the "Initial Meeting"), which meeting (i) shall include, at a minimum, the chair of the governing body of each Party as well as the top executive from each Party, and (ii) shall be held within 30 days of the initial written notice of intention to terminate this Amended MOU. At the Initial Meeting, the Parties shall use their best efforts to resolve all differences.

C. If, after the Initial Meeting, differences remain, the Parties shall mutually select a neutral mediator to facilitate a dispute resolution process. Both Parties, as represented by their top executives and board chairs, shall participate in good faith in such mediation and use their respective best efforts to resolve all differences. If a neutral mediator has not been selected or the mediation is not successful within 60 days after the Initial Meeting, the Parties shall continue to cooperate in good faith to resolve differences. On the date which is 90 days after the Initial Meeting. the Parties' top executives and board chairs shall once again meet – including with the mediator if one has been selected. If, at the conclusion of that meeting the Parties agree that a resolution is possible they shall agree on a path for achieving such resolution. If, however, at the conclusion of that meeting either or both of the Parties do not believe a resolution is possible, the Parties shall work together in good faith over the next 60 days to formulate a plan of termination, which plan shall govern their separation and their relationship after termination of this Amended

MOU. If the Parties have not agreed on a plan of termination within that 60-day period, then this Amended MOU shall terminate at the end of such 60-day period.

D. Notwithstanding the foregoing, either Party may terminate this Amended MOU upon the affirmative vote of not less than 75% of the voting members of its governing body in the event the other Party materially defaults in the performance of its obligations under this Amended MOU and fails to cure such default within a reasonable period (not less than 90 days) after receiving written notice from the other Party of intention to terminate this Amended MOU (which notice shall describe the material default in reasonable detail).

E. Notwithstanding the foregoing, both Parties recognize that, whether this Amended MOU has been terminated or remains in full force and effect, the Foundation has a fiduciary duty to fulfill its responsibilities to donors under the terms of the gifts it has received to distribute and expend funds for the University's benefit. That obligation continues after the termination of this Amended MOU.

F. The Foundation agrees to comply with all state and federal laws applicable to it and to maintain its tax-exempt status at all times. Consistent with provisions appearing in the Foundation's Articles of Incorporation, should the Foundation cease to exist or cease to be recognized under Section 501(c)(3) of the Code, the Foundation will transfer its assets and property to the University, or if the University is not then in existence or otherwise competent to receive them, to those entities provided for in Kentucky Revised Statutes Section 273.303 or its successor statute, in accordance with law and donor intent.

G. The Parties' obligations under Section IV, Section V.E, and Section V.F of this Amended MOU shall survive any termination of this Amended MOU.

H. This Amended MOU supersedes and replaces the Previous MOU, as amended. The Previous MOU shall be void and of no further force and effect.

I. This Amended MOU may be amended only by a written document signed by both Parties and approved by the University's Board of Trustees and the Foundation's Board of Directors.

J. This Amended MOU may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Amended MOU and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Amended MOU and of signature pages by email transmission shall constitute effective execution and delivery of this Amended MOU as to the Parties and may be used in lieu of the original Amended MOU for all purposes. Signatures of the Parties transmitted by email shall be deemed to be their original signatures for any purposes whatsoever.

This Amended and Restated Memorandum of Understanding, made as of the date first written above, between the University and the Foundation. is intended to set forth policies and procedures that will contribute to the coordination and understanding of their mutual activities and responsibilities. It shall, subject to the provisions above, remain in effect until December 31, 2023 and shall automatically renew for successive additional two year terms unless amended by the Parties under Section V, Paragraph I, above, or terminated pursuant to the provisions of Section V, Paragraphs B, C and D, above.

IN WITNESS WHEREOF, the parties have caused this Amended MOU to be executed by their duly authorized officers as of the day and date first above written.

UNIVERSITY OF LOUISVILLE

By: ______________________________
Mary Nixon, Chair, Board of Trustees

By:______________________________
Neeli Bendapudi, President

UNIVERSITY OF LOUISVILLE REAL ESTATE FOUNDATION, INC.

By: ______________________________
Kenneth Payne, Chair, Board of Directors

By:_______________________________
Keith Sherman, Executive Director and Chief Operating Officer

RECOMMENDATION TO THE AUDIT, COMPLIANCE, AND RISK COMMITTEE OF THE BOARD OF TRUSTEES CONCERNING THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR YEAR ENDING JUNE 30, 2010 AND INDEPENDENT AUDITOR'S REPORT

Audit, Compliance, and Risk Committee – October 29, 2021
Board of Trustees – October 29, 2021

RECOMMENDATION:

The President recommends that the Board of Trustees approve the audited financial statements for the period ending June 30, 2021 and Independent Auditor's Report as presented under Governmental Accounting Standards Board (GASB) 34, as attached.

COMMITTEE ACTION:
Passed ______X__________
Did Not Pass ____________
Other __________________
Signature on file
Assistant Secretary

BOARD ACTION:
Passed _____X__________
Did Not Pass __________
Other _________________

Assistant Secretary

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS

A Component Unit of the Commonwealth of Kentucky

Auditor's Report and Financial Statements
June 30, 2021 and 2020

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS
A Component Unit of the Commonwealth of Kentucky
For the Years Ended June 30, 2021 and 2020

Table of Contents:

INDEPENDENT AUDITORS' 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), collectively a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2021 and 2020, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University of Louisville Health, Inc. (UofL Health), the University of Louisville Real Estate Foundation, Inc. (ULREF), and University of Louisville Foundation, Inc. and Affiliates (the Foundation), which comprise the aggregate discretely presented component units of the University. Those statements were audited by other auditors whose reports thereon have been provided to us, and our opinion on the financial statements, insofar as it relates to the amounts included for UofL Health, ULREF, 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 UofL Health, ULREF, and 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report 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, collectively a component unit of the Commonwealth of Kentucky, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis on pages 4 through 19 and the Postemployment Benefit Information on page 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University of Louisville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University of Louisville's internal control over financial reporting and compliance.

Signature on file

CliftonLarsonAllen LLP

St. Louis, Missouri
October 19, 2021

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS
A Component Unit of the Commonwealth of Kentucky
Management's Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020. Comparative information for the year ended June 30, 2019 has been provided where applicable. The affiliated corporations include the University of Louisville Research Foundation, Inc. (Research Foundation) and the University of Louisville Athletic Association (Association), both blended component units of the University. The University of Louisville Foundation, Inc., University of Louisville Real Estate Foundation, Inc., and UL Health, Inc. are discretely presented component units of the University. The financial results of the discretely presented component units are presented in columnar format alongside the University's financial statements with additional information presented in the notes to the financial statements. Comments presented in the management's discussion and analysis pertain to the university and its blended component units only and should be read in conjunction with the financial statements and notes that follow this section.

The University of Louisville is a state-supported research university located in Louisville, Kentucky. It was a municipally supported public institution for many decades prior to joining the university system in 1970. The University has three campuses. The 287-acre Belong Campus is three miles from downtown Louisville and houses eight of the university's 12 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. The 243-acre Shelby Hurst Campus is located in eastern Jefferson County. This campus houses business offices and technology endeavors. The University offers approximately 73 undergraduate degree programs, 80 master level graduate degree programs, 36 doctoral degree programs, and 3 professional degree programs.

The University strives to be recognized as a great place to learn, a great place to work and a great place in which to invest because we celebrate diversity, foster equity and strive for inclusion. The University of Louisville pursues excellence and inclusiveness in its work to educate and serve its community through:

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

Component Units

The University has affiliations with corporations that are designated as discretely presented component units due to the nature of the corporation's activities and operations. A description of the discretely presented component units of the University follows:

University of Louisville Foundation, Inc. (Foundation): The Foundation acts primarily as a fundraising organization to supplement the resources available to the University in support of its programs. The majority of the Foundation's assets relate to investments held for the benefit of the University. Investments held for the benefit of the University at June 30, 2021, were $958.7 million, an increase of $251.2 million from the June 30, 2020 balance of $707.5 million.

University of Louisville Real Estate Foundation, Inc. (ULREF)): The ULREF is a nonprofit corporation formed with the purpose to acquire, maintain, improve, leverage, manage, lease, and convey real and personal property for the benefit of the University.

UL Health, Inc. (UL Health): UL Health is a nonprofit corporation with the purpose to establish a full service, seamless health care system of owned, affiliates and contracted services, programs, and facilities.

All discretely presented component units have separate and independent governing boards. The University's Board of Trustees does not provide governance or administrative oversight for the discretely presented component units.

On March 11, 2020, the World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (referred to as the Pandemic). Response to this Pandemic has caused unprecedented changes in the delivery of education, research, healthcare, and administration. The University responded to the Pandemic by pivoting to a fully online delivery of educational instruction, continuing essential research with a hybrid remote/onsite approach, remote work plans for faculty, staff and administration, where possible, and immediate planning for the near-term needs and long-term strategy for continued educational, research, and community outreach. The University enacted cost cutting measures including reducing salaries by 1% to 10% for a brief period, reduction of employer matching contributions to the 403(b) retirement plan, furlough of employees in areas impacted by the reduction or elimination of campus activities, and budgeted reductions to curtail spending and eliminating unnecessary travel. The University received federal stimulus funds totaling $70.5 million through the Higher Education Emergency Relief Fund (HEERF) to help lessen the burden of additional cost and lost revenues brought on by the Pandemic.

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

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

Using the Financial Statements

The University's financial report includes the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities.

Statements of Net Position

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

A condensed version of the University's assets, liabilities, and net position at June 30, 2021, 2020, and 2019 (in thousands) is summarized below:

	2021	2020	2019	2021-2020 Change	2020-2019 Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current assets	$ 392,509	$ 261,092	242,335	$ 131,417	$ 18,757
Other long-term investments	26,812	14,166	17,271	12,646	(3,105)
Capital assets, net	1,069,819	1,078,175	976,355	(8,356)	101,820
Other	131,166	150,678	82,255	(19,512)	68,423
Deferred outflows of resources	17,305	13,687	8,080	3,618	5,607
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**1,637,611**	**1,517,798**	**1,326,296**	**119,813**	**191,502**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current liabilities	195,393	163,319	183,370	32,074	(20,051)
Noncurrent liabilities	400,774	373,204	329,765	27,570	43,439
Deferred inflows of resources	61,480	65,829	82,129	(4,349)	(16,300)
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**657,647**	**602,352**	**595,264**	**55,295**	**7,088**
NET POSITION					
Net investment in capital assets	800,980	825,433	716,400	(24,453)	109,033
Restricted - nonexpendable	1,868	1,349	4,710	519	(3,361)
Restricted - expendable	73,377	84,417	79,510	(11,040)	4,907
Unrestricted	103,739	4,247	(69,588)	99,492	73,835
TOTAL NET POSITION	**979,964**	**915,446**	**731,032**	**64,518**	**184,414**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 1,637,611**	**$ 1,517,798**	**$ 1,326,296**	**$ 119,813**	**$ 191,502**

Assets

Current assets consist primarily of cash; loans, accounts and contributions receivable, inventories, due from affiliates, and investments held with the Foundation. The increase in current assets of $131.4 million for the year ended June 30, 2021, as compared to June 30, 2020, is mainly attributed to increases in cash and equivalents of $64.4 million, due from affiliates of $38.1 million, and loans, accounts and contributions receivable, net of $32.7 million. The increase in cash and cash equivalents is the product of the University's diligence in controlling expenditures. The increase in due from affiliates is mainly the current year profit share from UL Health, which is stipulated in the corporation's purpose to support the medical school endeavors of the University. The increase in loans, and accounts and contributions receivable are related to ongoing operations.

Noncurrent assets decreased $27.9 million in fiscal 2021, with due from affiliates contributing a decrease of $27.8 million along with a decrease in capital assets of $8.4 million. An increase in restricted cash of $7.1 million for proceeds of debt for capital asset construction and an increase in other long-term investments of $12.6 million offset the balance decreases. Other long-term investments are investments with maturities over one year and increased due to cash available to allocate to long-term facilities.

In fiscal year 2020, current assets increased $18.8 million is mainly attributed to an increase in cash and equivalents of $38.0 million, offset by reductions in $10.3 million in funds due from affiliates and a reduction of $5.8 million in investments held by the Foundation. The reduction in investments held by the Foundation represents investments that were liquidated and are now invested in cash equivalents at the University.

Noncurrent assets increased $167.1 million in fiscal 2020. The acquisition of the Jewish Hospital system resulted in the University recording assets valued at $132.4 million for the Jewish Hospital, Frazier Rehab Institute and Peace Hospital (formally, Our Lady of Peace Hospital). This acquisition, along with other capital purchases, netted with $56.8 million of depreciation, accounts for the significant increase in capital assets. The increase in due from affiliates can be attributed to a long-term receivable of $37.0 million from UL Health for additional academic mission support. Financing of the construction of a new dormitory through a bond offering of $45.3 million accounts for the increase in restricted cash as proceeds from the bond offering are held in restricted cash until used.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets applicable to a future period. These balances consist primarily of losses on bond refinancing that will be amortized to interest expense over the life of the refinanced debt and of future payments to be made for other postretirement employment benefits (OPEB). In fiscal year 2021, deferred outflows increased $3.6 million to $17.3 million as compared to $13.7 million as of June 30, 2020.

The increase in deferred outflows of resources as of June 30, 2020, was $5.6 million over the balance of $8.1 million as of June 30, 2019.

Liabilities

Current liabilities increased by $32.1 million in fiscal year 2021 as compared to 2020. Accounts payable and accrued liabilities account for $24.0 million of the increase. A line of credit was obtained by the Association during the fiscal year 2021 and accumulated draws of $9.0 million account for a portion of the increase in current liabilities.

Noncurrent liabilities increased $27.6 million during fiscal year 2021. Noncurrent liabilities consist primarily of the portion of bonds, notes, and leases payable in excess of one year. This balance increased by $24.5 million primarily from new bond issuance and master lease draws offset by normal principal payments. Other long-term liabilities includes future estimated payments for OPEB which increased by $6.0 million.

Current liabilities decreased by $20.1 million in fiscal year 2020 as compared to 2019. Accounts payable and accrued liabilities and advances comprise 84% of total current liabilities and decreased by $20.7 million in fiscal year 2020. The decrease noted was attributable to the concerted effort by administration to reduce expenses in the last quarter of fiscal year 2020 due to the Pandemic curtailing or suspending on campus operations of the University. The $43.4 million increase in noncurrent liabilities during fiscal year 2020 primarily is due to a new bond issuance and master lease draws offset by normal principle payments. Other long-term liabilities includes future estimated payments for OPEB which increased by $9.5 million.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods. Deferred inflows decreased by $4.3 million during fiscal year 2021. The University recognized a reduction of $2.6 million deferred inflows that reflect receipts related to service concession arrangements for food service, bookstore, and printing services. Deferred inflows decreased $2.8 million related to a change in actuarial assumptions and the difference between expected and actual experience used in the calculation of the OPEB liability. The deferred inflow will be amortized to expense over a period equal to the average of the expected remaining service lives of all employees that are provided benefits. The University recorded a deferred inflow of $1.0 million for a deferred loss on debt refinancing.

In fiscal year 2020, the University recognized a decrease of $16.3 million. The University recognized a reduction of $12.1 million deferred inflows to reflect receipts related to service concession arrangements for food service, bookstore, and printing services. A decrease of $7.8 million was for a contract modification of the food service agreement. Deferred inflows decreased $4.2 million related to a change in actuarial assumptions and the difference between expected and actual experience used in the calculation of the OPEB liability.

Net Position

In fiscal year 2021, net position increased $64.5 million. This increase is attributed to a concerted effort to control expenditures due to the uncertainty of fully continuing operations brought on by the Pandemic. Continued operational efficiencies from clinical and practice plans affiliation agreements also add to the reduction of the operating loss. The operating loss of the University was $16.8 million less than the prior year. This coupled with the increase in nonoperating revenues from HEERF stimulus funding presented in nonexchange grants and contracts allowed the University to circumvent potential financial downturn for the fiscal year ending June 30, 2021.

In fiscal year 2020, net position increased $184.4 million. This increase is attributed to a reduction of the operating loss of $77.4 million and the gain on asset acquisition of $132.4 million recognized on acquired assets, offset by a reduction of capital appropriations and gifts of $49.1 million. Improved operations in clinical and practice plans is the result of new affiliation agreements maximizing efficiencies and operations in pediatrics and clinical activities. The University also experienced significant operational savings while campus activities were halted at the end of fiscal year 2020.

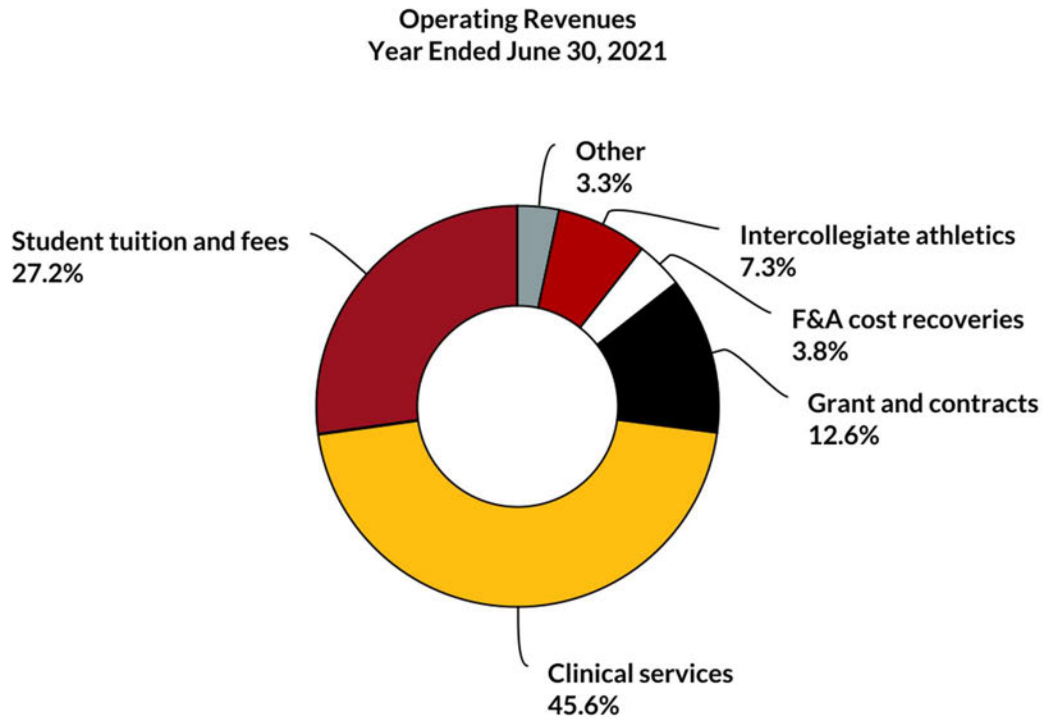
Statements of Revenues, Expenses, and Changes in Net Position

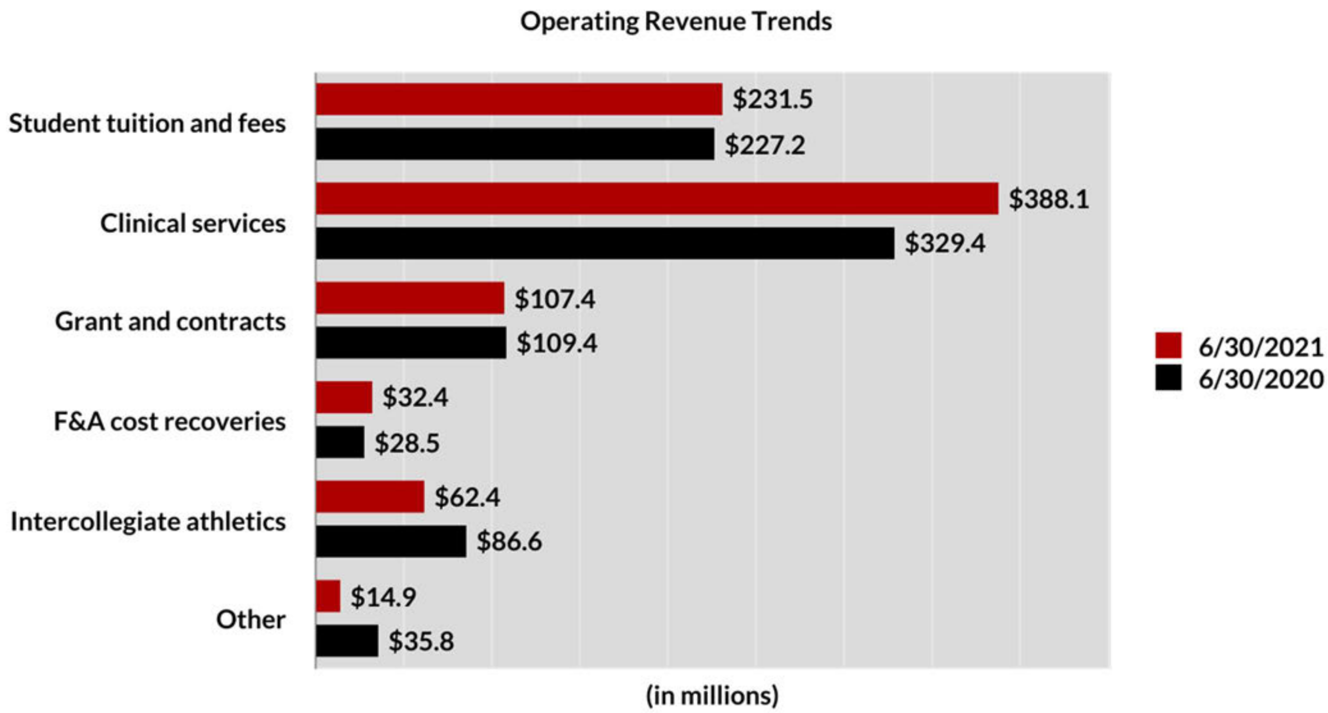
The University's condensed statements of revenues, expenses, and changes in net position for the years ended June 30, 2021, 2020, and 2019 (in thousands) are summarized below:

	2021	2020	2019	2021-2020 Change	2020-2019 Change
OPERATING REVENUES					
Student tuition and fees, net	$ 231,505	$ 227,233	$ 223,173	$ 4,272	$ 4,060
Clinical services and practice plan	388,069	329,392	287,393	58,677	41,999
Grants and contracts	107,418	109,399	105,840	(1,981)	3,559
Facilities and administrative cost	32,434	28,452	28,248	3,982	204
Intercollegiate athletics	62,384	86,559	86,826	(24,175)	(267)
Other	28,373	35,818	37,799	(7,445)	(1,981)
TOTAL OPERATING REVENUE	**850,183**	**816,853**	**769,279**	**33,330**	**47,574**
OPERATING EXPENSES					
Depreciation	57,780	56,840	52,213	940	4,627
Other	994,553	978,913	1,013,360	15,640	(34,447)
TOTAL OPERATING EXPENSE	**1,052,333**	**1,035,753**	**1,065,573**	**16,580**	**(29,820)**
NONOPERATING REVENUES (EXPENSES)					
State appropriations	125,420	128,712	128,930	(3,292)	(218)
Other nonoperating revenues	141,248	142,189	190,707	(941)	(48,518)
TOTAL NONOPERATING REVENUE/(EXPENSES)	**266,668**	**270,901**	**319,637**	**(4,233)**	**(48,736)**
INCREASE/(DECREASE) IN NET POSITION	**64,518**	**52,001**	**23,343**	**12,517**	**28,658**
SPECIAL ITEMS					
Transfer of operations	—	132,413	—	(132,413)	132,413
INCREASE/(DECREASE) IN NET POSITION AFTER SPECIAL ITEMS	**64,518**	**184,414**	**23,343**	**(119,896)**	**161,071**
Net position - beginning of year	**915,446**	**731,032**	**707,689**	**184,414**	**23,343**
Net position - end of year	**$ 979,964**	**$ 915,446**	**$ 731,032**	**$ 64,518**	**$ 184,414**

Operating Revenues

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, 2021 and 2020:




Operating Revenue Trends
Student tuition and fees
$231.5
$227.2
Clinical services
$388.1
$329.4
Grant and contracts
$107.4
$109.4
F&A cost recoveries
$32.4
$28.5
Intercollegiate athletics
$62.4
$86.6
Other
$14.9
$35.8
6/30/2021
6/30/2020
(in millions)

Revenues from tuition, clinical services, certain grants and contracts, intercollegiate athletics, and auxiliary services are classified as operating revenues. While still an important source of support for University academic programs, other revenue sources, such as state appropriations, gifts, and contributions from the Foundation are considered nonoperating revenues as defined by GASB.

Student tuition and fees, net of allowances for scholarships and fellowships were $231.5 million and $227.2 million, or 27.2% and 27.8% of total operating revenues for the years ended June 30, 2021 and 2020, respectively. The University adopted a 2.0%-3.0% gross tuition rate increase for fiscal year 2021 and had a 2.5% gross tuition rate increase for fiscal year 2020. Rates of scholarship and fellowship assistance provided by the University generally change at the same rate as tuition, though the types and number of students accepting financial aid can vary. In fiscal years 2021 and 2020, scholarship and financial aid expense was about the same providing a 30.5% and 30.3% discount of tuition and fee expense, respectively. Enrollment for the fall and spring semesters of fiscal year 2021 were stable and reflected the University's successful pivot to online and virtual instruction for all classes during the 2020-2021 academic year. The University never ceased campus operations and never cancelled class offerings during the Pandemic.

Clinical services and practice plan revenue amounted to $388.1 million and $329.4 million, or 45.6% and 40.3% of total operating revenues for fiscal years 2021 and 2020, respectively. These revenues relate to patient care performed in clinics under contractual arrangements with governmental and private insurers, laboratory services, clinical support provided to affiliated hospitals, and the University's professional practice plan arrangements. The 17.8% increase in revenue for 2021 totaling $58.7 million resulted from improved academic affiliation and clinical practice agreements for the pediatric services of the Medical School and additional academic mission support provided by positive hospital operations. The university also negotiated rental and license agreements with UL Health that were effective during the fiscal year June 30, 2021.

Revenue from operating grants and contracts were $107.4 million and $109.4 million for the years ended June 30, 2021 and 2020, respectively, a decrease of $2.0 million. This decrease in fiscal year 2021 consists of a decline in nongovernment grants and contracts of $6.1 million, offset by an increase in federal and state contracts.

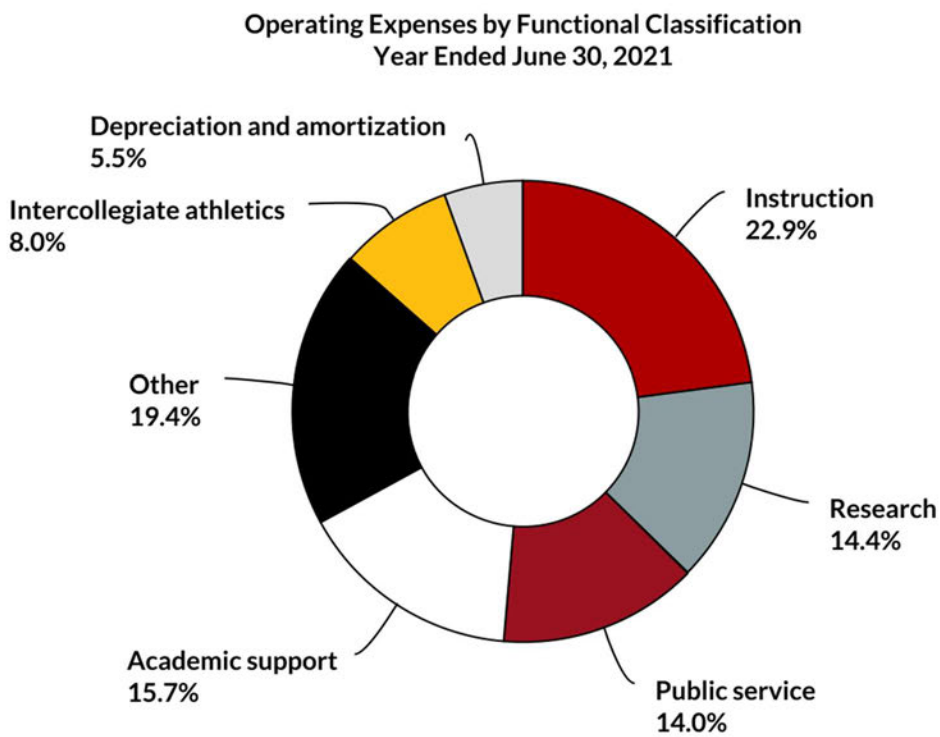
The University's grants and contracts from government and private sources normally provide for the recovery of indirect or overhead costs. Facilities and administrative (F&A) cost recoveries were $32.4 million and $28.5 million for the years ended June 30, 2021 and 2020, respectively. F&A cost recovery revenues generally follow the trend in direct cost revenues and expenditures.

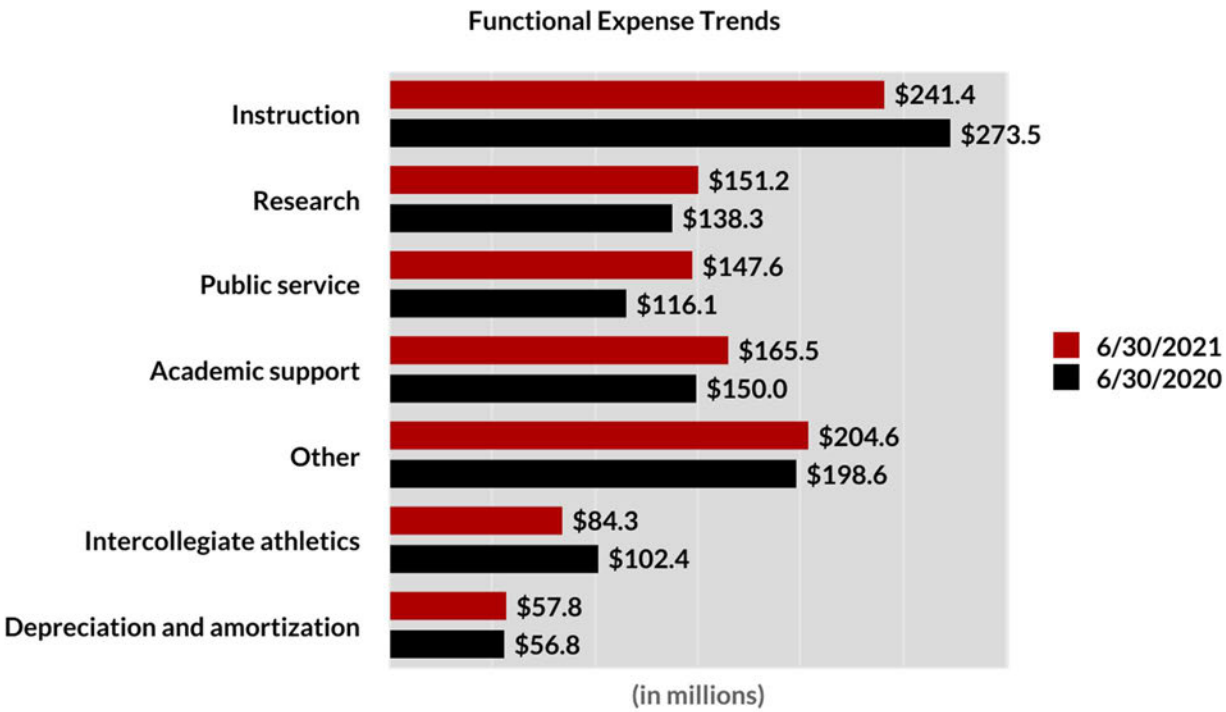
Intercollegiate athletics revenues and other revenues, which includes auxiliary revenues were affected by the Pandemic during the fiscal year ending June 30, 2021. Attendance at athletic events were restricted to a percentage of capacity resulting in significant revenue losses. Revenues for intercollegiate athletics were $62.4 million for the year ended June 30, 2021, a reduction of $24.2 million from $86.6 million for the year ended June 30, 2020. The 27.9% reduction was mostly in ticket sales from football and basketball. Auxiliary revenues from housing and parking were reduced by $1.5 million during the year ended June 30, 2021, as compared to the year ended June 30, 2020. Although campus did not close during the year, there was a decline in demand for campus housing, meal plans, and parking services since classes were primarily virtual.

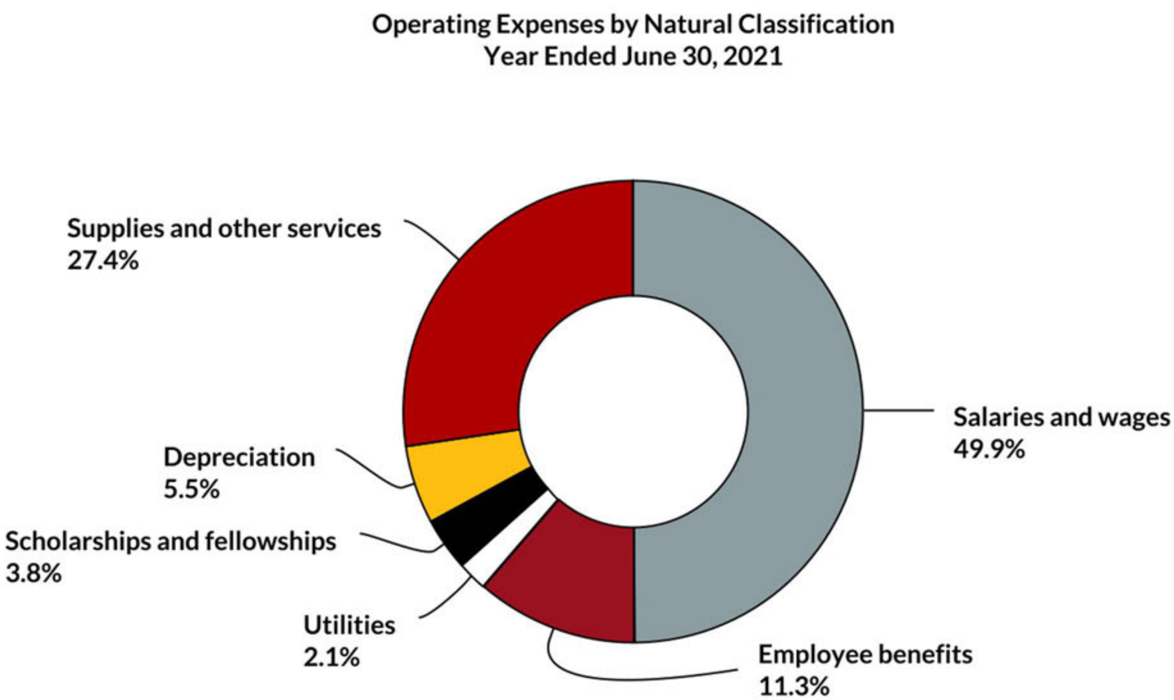
Operating revenues increased $47.6 million in fiscal year 2020 over fiscal year 2019. The most significant increases coming from clinical services and practice plan of $42.0 million due to increased programmatic support, and tuition and fees of $4.1 million due to an increase in the tuition rate. Overall, revenues from grants and contracts increased $3.6 million with an increase in nongovernmental grants and contracts of $6.9 million and a combined decrease in federal and state grants and contracts of $3.5 million.

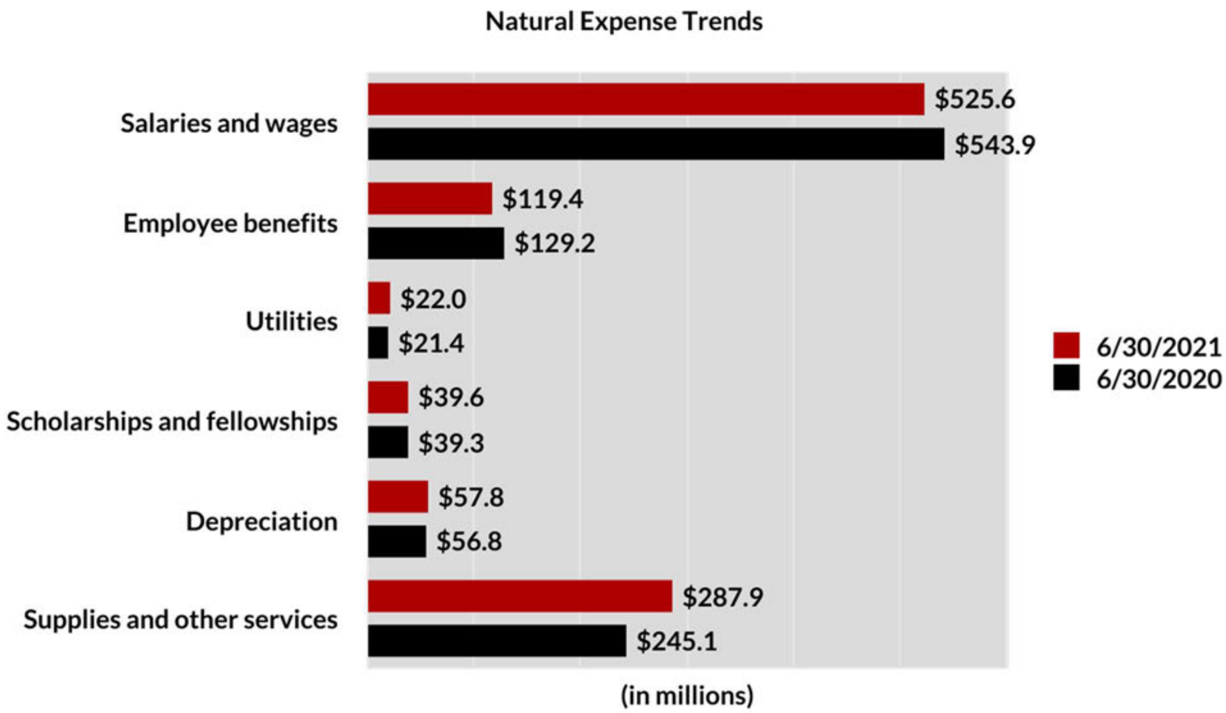
Operating Expenses

Graphic illustrations of total expenses by functional and natural classifications for the years ended June 30, 2021 and 2020, are summarized below:




Functional Expense Trends
Instruction
$241.4
$273.5
Research
$151.2
$138.3
Public service
$147.6
$116.1
Academic support
$165.5
$150.0
Other
$204.6
$198.6
Intercollegiate athletics
$84.3
$102.4
Depreciation and amortization
$57.8
$56.8
6/30/2021
6/30/2020
(in millions)


Operating Expenses by Natural Classification
Year Ended June 30, 2021
Supplies and other services
27.4%
Depreciation
5.5%
Scholarships and fellowships
3.8%
Utilities
2.1%
Employee benefits
11.3%
Salaries and wages
49.9%



Operating expenses were $1.05 billion and $1.04 billion and exceeded operating revenues by $202.2 million and $218.9 million for the years ended June 30, 2021 and 2020, respectively. In fiscal 2021, operating expenses increased $16.6 million or 1.6%. Expenses in most functional classifications increased, the most significant being instruction of $32.1 million and intercollegiate athletics of $18.1 million. Across the University, cost saving measures were enacted in response to the Pandemic. Noncritical maintenance and purchases were put on hold and resources diverted to converting the University's campuses to comply with emerging safety standards. The most significant savings were in salary and benefit expenses totaling $28.1 million due to temporary salary cuts, furloughs, and reduction in retirement benefits. These savings were offset by an increase in supplies and other services of $42.8 million mainly for an increase in intergovernmental transfers for the state Medicaid program related to increased clinical activities.

Operating expenses decreased $29.8 million in fiscal year 2020 over fiscal year 2019. The most significant decreases were in public service of $5.9 million, instruction of $12.3 million, and intercollegiate athletics of $21.6 million and were primarily driven by cost saving measures enacted in response to the Pandemic.

Nonoperating Revenues (Expenses)

Nonoperating revenue and expenses, net, experienced an overall decrease of $4.2 million in fiscal year 2021. Many categories experienced a decrease in revenues. State appropriations were reduced by 2% resulting in a reduction of $3.3 million, gifts and donations experienced a decrease of $14.4 million, and contributions from the Foundation declined $7.4 million. The decline in Foundation contributions are directly attributed to reductions in spending at the University as the Foundation contributions are gift and endowment funds used for University expenditures. Investment income also declined $1.5 million as interest rates remain low. These declines were offset by an increase in nonexchange grants and contracts of $23.6 million. A significant portion of this increase are the HEERF funds received by the University for student financial aid and institutional cost related to COVID-19.

Nonoperating revenue and expenses, net, decreased $48.7 million in fiscal year 2020. A reduction in capital appropriations, and appropriations and gifts of $49.1 million accounts for the decrease. Revenues from nonexchange grants and contracts contributed an increase of $6.3 million along with an increase in gifts of $8.1 million. These gains were offset by decreased contributions from the Foundation of $11.6 million based on University spending of gift and endowment earnings.

The gain on acquisition of $132.4 million is for hospital buildings and equipment transferred to the University and is a one-time transaction.

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, 2021, 2020, and 2019 (in thousands) are summarized below:

	2021	2020	2019	2021-2020 Change	2020-2019 Change
CASH (USED)/PROVIDED BY:					
Operating activities	$ (161,306)	$ (175,912)	$ (208,839)	$ 14,606	$ 32,927
Noncapital financing activities	267,468	249,148	256,510	18,320	(7,362)
Capital and related financing activities	(25,514)	217	(39,838)	(25,731)	40,055
Investing activities	(9,166)	11,308	(18,093)	(20,474)	29,401
NET (DECREASE)/INCREASE IN CASH EQUIVALENTS	**71,482**	**84,761**	**(10,260)**	**(13,279)**	**95,021**
Cash and cash equivalents - beginning of year	**191,156**	**106,395**	**116,655**	**84,761**	**(10,260)**
Cash and cash equivalents - end of year	**$ 262,638**	**$ 191,156**	**$ 106,395**	**$ 71,482**	**$ 84,761**

Total cash and cash equivalents increased by $71.5 million during fiscal year 2021 due to concerted efforts by the University to manage expenditures during the Pandemic, increased clinical revenues, and financing of a new construction project. Cash used in operations decreased by $14.6 million in fiscal year 2021 as compared to fiscal year 2020 as a result of the reductions made in operating expenses from reduced salaries and furloughs along with reduced spending on supplies and services. Reductions in net revenues from intercollegiate athletics, and grants and contracts offset the savings in cost-cutting measures.

Net cash provided by noncapital financing activities increased $18.3 million, providing $256.2 million in fiscal year 2021 as compared to $249.1 million in fiscal year 2020. The largest contributes to the increase were an increase in nonexchange grants and contracts of $23.6 million which is attributed mainly to the HEERF funding utilized, and a decrease in gifts and donations of $14.4 million mainly attributed to reduced athletic donations brought on by restrictions on ticket sales related to the Pandemic.

The University net consumed $25.5 million in cash for capital and related financing during fiscal year 2021, $25.7 million greater than prior year. Capital assets constructed or purchased increased by $31.0 million mainly related to the construction of the first of two new dormitories. Proceeds from the issuance of bonds for construction of the second dormitory off set the cash used for principle and interest payments during the year resulting in a net decrease in funds used attributable to debt of $1.8 million.

Investing activities resulted in a usage of cash of $9.2 million during fiscal year 2021. The net decrease is a result of proceeds from maturing investments less than reinvested funds used to purchase investments, totaling $12.1 million, supplemented by cash from investment earnings totaling $2.9 million.

Total cash and cash equivalents increased by $84.8 million in fiscal year 2020 as compared to fiscal year 2019. Cash used by operating activities decreased $32.9 million as a result of the savings in payments to employees of $28.8 million from the intercollegiate athletic contract payouts made during fiscal year 2019 and savings generated from reduced salaries and furloughs in the last quarter of fiscal year 2020. Clinical and contractual operations increased cash flow by $31.1 million in fiscal year 2020 by executing contracts for pediatric operations and hospital operations that maximized profitability. Cash provided by noncapital financing activities decreased $7.4 million. The decrease represents a net decrease in gift and contribution revenue to the University. Gift revenue from athletics pledges and donations increased by $19.4 million while contributions from the Foundation decreased $27.7 million. Contributions from the Foundation are based on reimbursements of spending by the University of endowment earnings and gifts from donors. Cash consumed by capital and financing activities was reduced by $40.1 million in fiscal year 2020 as compared to fiscal year 2019. Capital assets constructed or purchased decreased by $35.1 million and is directly offset by reductions of capital appropriations and gifts of $38.2 million. Proceeds from the issuance of bonds for construction of a dormitory off set the principal and interest payments disbursed during the year.

Investing activities provided $11.3 million in cash during fiscal year 2020, $29.4 million greater than fiscal 2019. The net increase is a result of proceeds from maturing investments greater than reinvested funds used to purchase investments, totaling $8.6 million, supplemented by cash from investment earnings totaling $2.7 million.

Capital Asset Activities

A critical factor in sustaining the quality of the University's academic and research programs and residential life is the development and maintenance of its capital assets. The University continues to invest in new facilities and renovate existing facilities to meet the needs of students, faculty, and staff. Infrastructure and building projects completed during the year are offset by depreciation of these assets. The University's capital assets, net of depreciation, decreased by $8.3 million. The most significant capital projects and acquisitions completed during the fiscal year ended June 30, 2021, are listed below (in millions):

Project	Capitalized Cost
Construction of Dormitory #1	$ 37.5

Significant projects currently in the campus construction plan, in progress, or in early planning stages (in millions):

Project	Estimated Budget
Construct Dormitory #2	$ 40.0
Renovate Ekstrom Library	58.1
Replace HVAC various buildings	25.0
Purchase next generation ERP Support System	20.0
Biocontainment Laboratory Pressurization Upgrade	10.8
School of Nursing Renovation	11.4
IT Network Center	8.0
Research Capacity Infrastructure	7.0

Debt and Financing Activities

As of June 30, 2020, the University had outstanding $310.0 million of bonds, leases, and notes payable (inclusive of discounts/premiums) as compared to $288.3 million as of June 30, 2020. The $21.7 million increase represents the net of paid principal of long-term debts offset by the following debt issuances: master lease obligations totaling $0.4 million to fund purchases of equipment and capital assets, and an $11.0 million note obtained to consolidate an outstanding note and lease for the Athletic Association. The University issued bonds for $39.5 million to finance the construction of a second dormitory and a bond issuance of $21.4 million to defease the remaining balance in the 2011 Series A bonds.

Economic Factors That May Affect the Future

The Pandemic declared on March 11, 2020 by the World Health Organization has had a profound impact on almost all facets of the U.S. and Global economy. The University is working closely with its hospital affiliates, federal, state, and local governments to respond in a responsible way that minimizes the financial impact to its students, employees, and the community at large.

Senior leadership was able to successfully manage the reductions in revenue and incremental costs related to the Pandemic by taking aggressive measures that included budget cuts, pay reductions, furloughs, and reductions in retirement contributions. Although it is anticipated that all instruction will be face-to-face for the 2021-2022 academic year and moving forward, it may be necessary to convert virtual instruction to comply with social distancing mandates or prevent further outbreaks.

The federal government has passed multiple stimulus bills that have resulted in $135.4 billion in funding for the HEERF. The higher education sector, including the University, has been a beneficiary of these stimulus packages and will continue to utilize the funds throughout the 2021-2022 fiscal year.

The higher education landscape is evolving and the University is responding by adapting the services provided to meet these changing needs. Senior leadership continues to believe that it is financially well-positioned despite the impact of COVID-19 to educate and serve its community through:

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

The Pandemic will continue to have a significant impact on the University moving into fiscal year 2021-2022. The long-term effect of the Pandemic on social and economic aspects of every-day life is still unknown, as is the long-term effects on institutions of secondary education. Some of the significant disruptions to revenue streams or changes to the expense base that may be impacted by the Pandemic are as follows:

- The University may lose state appropriations from the Commonwealth of Kentucky as the state economy adjusts to changes in its tax base and allocation of available resources.
- The University may lose tuition and auxiliary revenue if it were required to cancel face-to-face classes and was not able to convert the classes to an online delivery.
- The University may lose clinical revenues if its clinical staff are not able to meet with and treat patients.
- The University may lose research dollars in sponsored programs if its principal investigators are not able to continue research in accordance with grant and contract requirements.
- The University could suffer reductions in spend policy on endowed gifts and interest income due to significant deterioration in the financial markets.
- The University could suffer reduction Athletics revenue from reduced ticket sales and other related athletic revenue streams due to canceled games or reduced fan base allowed at events.
- The University expects COVID-19 testing, personal protective equipment. and other safety measures to continue to be an incremental cost for 2022.

Requests for Information

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

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS
A Component Unit of the Commonwealth of Kentucky
Statements of Net Position
For the Years Ended June 30, 2021 and 2020
(in thousands)

	University of Louisville		Discretely Presented Component Units	
	2021	2020	2021	2020
ASSETS				
Current assets				
Cash and cash equivalents	$ 206,674	$ 142,291	$ 194,470	$ 339,461
Short-term investments	7,853	6,574	176,356	115,178
Deposit with bond trustee and escrow agent	776	6,257	—	—
Loans, accounts and contributions	104,836	72,138	365,519	278,966
Due from affiliates	53,027	14,889	15,441	30,372
Inventories	6,278	5,445	47,004	30,670
Investments held with University of Louisville Foundation, Inc.	3,410	5,460	—	—
Other assets	9,655	8,038	60,704	46,416
Total current assets	**392,509**	**261,092**	**859,494**	**841,063**
Noncurrent assets				
Restricted cash and cash equivalents	55,964	48,865	—	—
Deposit with bond trustee and escrow agent	14,607	10,976	—	—
Loans, accounts and contributions	47,790	50,340	14,706	24,193
Due from affiliates	12,423	40,237	—	—
Other long-term investments	26,812	14,166	1,018,605	775,575
Other long-term assets	382	260	112,573	132,538
Capital assets, net	1,069,819	1,078,175	463,731	416,728
Total noncurrent assets	**1,227,797**	**1,243,019**	**1,609,615**	**1,349,034**
Total assets	**1,620,306**	**1,504,111**	**2,469,109**	**2,190,097**
DEFERRED OUTFLOWS OF RESOURCES	17,305	13,687	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**1,637,611**	**1,517,798**	**2,469,109**	**2,190,097**

See notes to financial statements

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS
A Component Unit of the Commonwealth of Kentucky
Statements of Net Position
For the Years Ended June 30, 2021 and 2020
(in thousands)

	University of Louisville		Discretely Presented Component Units	
	2021	2020	2021	2020
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$ 112,519	$ 88,551	$ 232,728	$ 261,030
Line of credit	9,000	—	—	—
Unearned compensation and wages payable	1,537	2,699	112,445	76,413
Advances	50,894	47,853	96,280	69,627
Due to affiliate	—	—	35,823	26,157
Bonds and notes payable	21,443	24,216	5,046	5,063
Total current liabilities	**195,393**	**163,319**	**482,322**	**438,290**
Noncurrent liabilities				
Note payable to University of Louisville Foundation, Inc.	1,000	1,000	—	—
Unearned compensation and wages payable	949	2,549	—	—
Deposits	1,142	1,061	—	—
Advances	6,542	6,991	—	—
Amounts due to federal government for student loan programs	17,311	17,145	—	—
Due to affiliate	—	—	47,030	39,895
Other post-retirement benefits	80,238	74,239	—	—
Other long-term liabilities	5,045	6,130	54,011	134,274
Bonds and notes payable	288,547	264,089	131,481	151,259
Total noncurrent liabilities	**400,774**	**373,204**	**232,522**	**325,428**
Total liabilities	**596,167**	**536,523**	**714,844**	**763,718**
DEFERRED INFLOWS OF RESOURCES	61,480	65,829	—	—
NET POSITION				
Net investment in capital assets	800,980	825,433	—	8,656
Restricted:				
Nonexpendable	1,868	1,349	650,132	484,984
Expendable	73,377	84,417	324,889	280,405
Unrestricted	103,739	4,247	779,244	652,334
Total net position	**979,964**	**915,446**	**1,754,265**	**1,426,379**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 1,637,611**	**$ 1,517,798**	**$ 2,469,109**	**$ 2,190,097**

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

	University of Louisville 2021	University of Louisville 2020	Discretely Presented Component Units 2021	Discretely Presented Component Units 2020
OPERATING REVENUES				
Gross tuition and fees	$ 333,392	$ 325,851	$ —	$ —
Less: scholarship allowance	(101,887)	(98,618)		
Student tuition and fees, net	231,505	227,233		
Clinical services and practice plan	388,069	329,392	—	—
Patient service revenue	—	—	1,719,742	968,169
Federal grants and contracts	82,197	76,940	—	—
State and local grants and contracts	9,169	10,261	—	—
Nongovernmental grants and contracts	16,052	22,198	—	—
Sales and services of educational departments	1,629	2,236	—	—
Facilities and administrative cost recoveries	32,434	28,452	—	—
Auxiliary enterprises, net of discount of $2,169 in 2021 and $2,085 in 2020	13,493	15,041	—	—
Intercollegiate athletics	62,384	86,559	—	—
Hospital revenue	—	—	—	—
Other operating revenue	13,251	18,541	245,460	165,502
Total operating revenue	**850,183**	**816,853**	**1,965,202**	**1,133,671**
OPERATING EXPENSES				
Instruction	241,422	273,508	—	—
Research	151,233	138,322	—	—
Public service	147,573	116,147	—	—
Academic support	165,474	149,998	—	—
Student services	30,187	29,898	—	—
Institutional support	79,059	73,165	1,805,467	1,047,762
Operation and maintenance of plant	52,147	51,244	—	—
Scholarships and fellowships	35,920	37,259	—	—
Auxiliary enterprises	7,266	6,969	—	—
Intercollegiate athletics	84,272	102,403	—	—
Depreciation and amortization	57,780	56,840	47,723	34,155
Contributions to affiliates	—	—	49,903	66,885
Total operating expense	**1,052,333**	**1,035,753**	**1,903,093**	**1,148,802**
Operating loss	**(202,150)**	**(218,900)**	**62,109**	**(15,131)**

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

	University of Louisville		Discretely Presented Component Units	
	2021	2020	2021	2020
NONOPERATING REVENUES (EXPENSES)				
State appropriations	$ 125,420	$ 128,712	$ —	$ —
Gifts and donations	21,322	35,684	38,636	58,877
Nonexchange grants and contracts	76,083	52,494	—	—
Contributions from University of Louisville Foundation, Inc.	42,412	49,770	—	—
Investment income	1,159	2,655	255,968	4,030
Realized and unrealized gain on investments	908	(2)	—	—
Interest on capital asset-related debt	(11,331)	(10,364)	—	—
Noncontrolling interest	—	—	—	—
Other nonoperating revenue (expense)	1,793	2,862	(28,827)	(3,808)
Net nonoperating revenue	**257,766**	**261,811**	**265,777**	**59,099**
Income (loss) before other revenue, expense, gains and losses	**55,616**	**42,911**	**327,886**	**43,968**
Capital appropriations	120	3,453	—	—
Capital gifts	8,782	5,637	—	—
Total other revenue	**8,902**	**9,090**	**—**	**—**
Increase/(decrease) in net position	**64,518**	**52,001**	**327,886**	**43,968**
SPECIAL ITEMS				
Transfer of operations	—	132,413	—	146,506
Increase (decrease) in net position after special items	**64,518**	**184,414**	**327,886**	**190,474**
NET POSITION				
Net position - beginning of year	915,446	731,032	1,426,379	967,388
Transfer of net assets	—	—	—	268,517
Net position - end of year	**$ 979,964**	**$ 915,446**	**$ 1,754,265**	**$ 1,426,379**

See notes to financial statements

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS
A Component Unit of the Commonwealth of Kentucky
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020
(in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 226,395	$ 222,436
Clinical services and practice plan	377,123	324,525
Grants and contracts	82,642	116,258
Sales and services of educational departments	1,629	2,236
Payments to suppliers, vendors and contractors	(274,643)	(251,991)
Payments for utilities	(21,803)	(21,799)
Payments to employees	(523,106)	(546,504)
Payments for benefits	(114,243)	(126,203)
Payments for scholarships and fellowships	(39,623)	(41,518)
Loans issued to students	1,975	148
Auxiliary enterprises	11,422	15,196
Facilities and administrative cost recoveries	32,434	28,452
Intercollegiate athletics	65,199	80,220
Other receipts	13,293	22,632
Net cash used by operating activities	**(161,306)**	**(175,912)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	125,420	128,712
Gifts	23,778	37,532
Nonexchange grants and contracts	76,083	52,494
Contributions from related entities	41,408	46,866
Due from affiliates	(9,606)	(19,316)
Draw on line of credit	9,000	—
Other noncapital financing activities	1,385	2,860
Net cash provided by noncapital financing activities	**267,468**	**249,148**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	120	3,453
Capital gifts received	8,782	4,563
Purchases of capital assets	(47,075)	(25,703)
Proceeds from issuance of bonds and notes payables	72,110	50,070
Payment of issuance costs	2,329	1,166
Principal paid on bonds and notes payable	(49,443)	(20,164)
Interest paid on bonds and notes payable	(13,262)	(11,969)
Deposits with bond trustee and escrow agent	1,010	(1,280)
Other capital financing	(85)	81
Net cash used by (provided by) capital and related financing activities	**(25,514)**	**217**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	23,742	165,849
Purchase of investments	(35,816)	(157,211)

See notes to financial statements

UNIVERSITY OF LOUISVILLE AND AFFILIATED CORPORATIONS
A Component Unit of the Commonwealth of Kentucky
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020
(in thousands)

	2021	2020
Interest on investments	2,908	2,670
Net cash provided/(used) by investing activities	**(9,166)**	**11,308**
Net increase/(decrease) in cash and cash equivalents	71,482	84,761
Cash and cash equivalents - beginning of year	191,156	106,395
Cash and cash equivalents - end of year	**$ 262,638**	**$ 191,156**
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (202,150)	$ (218,900)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	57,780	56,840
Loss on equipment disposals	(55)	205
Change in assets and liabilities:		
Loans, accounts and contributions receivable	(30,148)	16,561
Inventories	(833)	(1,513)
Other assets	(1,613)	(966)
Other long-term assets	199	201
Accounts payable and accrued liabilities	21,720	(13,284)
Advances	136	(5,466)
Deposits	81	(609)
Due from Affiliates	287	1,222
Unearned compensation and wages payable	(2,762)	(2,924)
Other long-term liabilities	4,999	15,530
Deferred outflows of resources	(4,598)	(6,509)
Deferred inflows of resources	(4,349)	(16,300)
Net cash used by operating activities	**$ (161,306)**	**$ (175,912)**
NON-CASH TRANSACTIONS:		
Capital lease additions	$ —	$ 2,618
Accrued liabilities for capital asset additions	$ 3,486	$ 1,600
Assets acquired through business combination	$ —	$ 132,413
Gifts of capital assets	$ 409	$ 1,075
Loss on disposal of assets	$ (55)	$ 205
Amortization of bond premium and discount	$ (3,436)	$ 774

See notes to 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 Louisville, Kentucky and is a component unit of the Commonwealth of Kentucky.

The University has three campuses. The Belknap Campus is three miles from downtown Louisville and houses eight of the University's twelve colleges and schools. The Health Sciences Center is situated in downtown Louisville's medical complex and houses the University's health related programs and the University of Louisville Hospital (Hospital). On the ShelbyHurst Campus, located in eastern Jefferson County, are the National Crime Prevention Institute, the Center for Predictive Medicine regional biosafety lab, and the Division of Distance and Continuing Education.

a. Basis of Presentation

As required by generally accepted accounting principles (GAAP) the financial reporting entity includes the University and all of its component units. The University's component units are either blended or discretely presented in the University's financial statements. The blended component units, although legally separate, are, in substance, part of the University's operations and, therefore, are reported as if they were part of the University. Discretely presented component units' financial data are reported in separate financial statements because of their use of different GAAP reporting models and to emphasize their separate legal status.

Blended Component Units

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

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

Discretely Presented Component Units

These legally separate University associated entities have been deemed component units because of the nature and significance of their relationship with the University. All discretely presented component units have separate and independent governing boards. The University's Board of Trustees does not provide governance or administrative oversight for the discretely presented component units. The component units combined financial information is included in the accompanying financial statements. Condensed financial statement for each component unit are disclosed in Note 21.

University of Louisville Foundation, Inc. (Foundation) - The Foundation was established to receive funds derived from gifts and other sources and invest these funds on behalf of the University. The foundation holds and manages the endowment of the University. Earnings from endowed assets along with gifts are transferred to the University upon satisfaction of donor restrictions.

University of Louisville Real Estate Foundation (ULREF) - The ULREF was formed to acquire, maintain, and manage real and personal property for the benefit of the University.

UofL Health, Inc. (UL Health) - UL Health is a fully integrated regional health system established to manage and operate the University's hospital assets and clinical activities of the Health Sciences Center. During the fiscal year ending June 30, 2020, UL Health became the parent corporation of two previously separately presented component units:

University of Louisville Physicians, Inc. (ULP) - The ULP is the corporate entity that houses the clinical practices of the faculty of the University's School of Medicine.

University Medical Center, Inc. (UMC) - The UMC was established to lease and operate the acute-care teaching hospital and related medical facilities.

The financial statement presentation required by GAAP 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 consolidated financial statements of the University, along with the separate financial statements of the Association and the Research Foundation, can be found at the following:

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

b. <u>Cash and Cash Equivalents</u>

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

Restricted cash and cash equivalents include plant funds allocated for capital projects and debt service reserves.

c. Deposits With Bond Trustee and Escrow Agent

Short-term deposits with bond trustee and escrow agents were $0.8 million and $6.3 million as of June 30, 2021 and June 30, 2020, respectively. These deposits are invested in money market funds and are related to lease arrangements. Long-term deposits with bond trustee and escrow agent were $14.6 million and $11.0 million as of June 30, 2021 and June 30, 2020, respectively. These deposits are invested in governmental securities and repurchase agreements and are related to various bonds. Investments in governmental securities are stated at market value. Repurchase agreements are stated at cost.

d. Accounts and Contributions Receivable

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.

Accounts receivable consist of tuition and fee charges to students, auxiliary enterprise services provided to students, faculty, staff, and external entities, reimbursement of costs from external entities and related foundations, and charges for clinical services. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

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 is stated at fair value if acquired for resale or otherwise used as an investment as determined on the date of acquisition. Certificates of deposit are stated at cost plus accrued interest, which approximates fair value. Investment income consists of interest and dividend income, realized gains and losses, and changes in unrealized gains (losses) on the carrying value of investments.

Investments held with the Foundation are invested under the policies and objectives established for the Foundation's general endowment pool as described in Note 21, Component Unit, subsection c, University of Louisville Foundation, Inc. and Affiliates.

f. Loans to Students

The University makes loans to students under various federal and other student loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was approximately $0.6 million at June 30, 2021 and 2020.

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

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

The University does not capitalize interest cost of related borrowings as a component of construction in progress.

i. Deferred Outflows of Resources

Deferred outflows of resources are a consumption of net assets that are applicable to a future reporting period and increase net asset position similar to assets. Deferred outflows of assets of $17.3 million and $13.7 million for the years ended June 30, 2021 and 2020, respectively. Deferred outflow of resources consist of the following: loss on bond refinancing, and amounts paid for other postemployment benefits. Deferred outflows of resources related to the loss on bond refinancing were $3.4 million and $4.3 million for the years ended June 30, 2021 and 2020 and will be amortized to interest expense using the effective interest method over the remaining life of the refinanced debt. Deferred outflows for other postemployment benefits of $13.9 million and $9.3 million for the years ended June 30, 2021 and 2020 represent amounts paid for employee healthcare after the actuarial measurement date but before the financial reporting date.

j. Unearned Compensation Expenses

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

k. Advances

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

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

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

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 Premium

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

n. Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net assets that are applicable to a future reporting period and decrease net position similar to liabilities. Deferred inflows of resources of $61.5 million and $65.8 million for the years ended June 30, 2021 and 2020, respectively, consist primarily of gain on bond refinancing of $1.0 million, postemployment benefit experience and assumptions changes of $25.2 million and $28.0 million, respectively, and services concession arrangements as described below.

The University entered into multi-year arrangements for food service and dining, bookstore concessions, and copy center concessions that meet the definition of service concession arrangements under GASB accounting guidance. The impact to the Statement of Net Position as of June 30, 2021, include $35.2 million of deferred inflows of resources, $14.0 million of long-term receivables, and $14.4 million of net capital assets recorded. The impact to the Statement of Net Position as of June 30, 2020, include $37.9 million of deferred inflows of resources, $15.1 million of long-term receivables, and $14.8 million of net capital assets recorded. Under the agreements, the University maintains ownership of the facilities, while the third parties will manage and operate the food service, bookstore, and copy center operations. There is no ongoing liability to the University. The University's objectives for entering the agreements include improving the infrastructure surrounding these operations as well as to improve experience for customers.

o. Net Position

The University's net position is summarized into four major categories as follows:

a. Net Investment in Capital Assets represents the University's investment in capital assets 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.
b. Restricted-nonexpendable funds include amounts that are subject to externally imposed restrictions that require the University to maintain the assets in perpetuity. These balances are the permanent endowment for scholarships and other purposes.
c. Restricted-expendable funds are those that are subject to externally imposed restrictions governing their use for a particular purpose or period of time. The University's most significant components in this category consist of amounts restricted for capital projects, debt service, research, and public service.
d. Unrestricted net position results primarily from net operating income in excess of expenses. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for various academic programs, research initiatives, and capital projects.

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

	2021	2020
Net investment in capital assets	$ 800,980	$ 825,433
Restricted - Nonexpendable		
Scholarships and fellowships	1,868	1,349
Restricted - Expendable		
Scholarships and fellowships	1,542	3,424
Research	14,304	17,981
Instruction	7,479	10,656
Public service	4,397	2,668
Academic support	180	598
Institutional support	10,003	11,136
Loans	2,908	2,937
Capital projects	10,847	13,930
Debt service	21,717	21,087
Unrestricted	103,739	4,247
Total net position	**$ 979,964**	**$ 915,446**

p. Revenue and Expense Classifications

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, meaning revenues are received in exchange for goods and services, such as tuition, clinical operations, grants and contracts, and intercollegiate activities. With the exception of interest expense, all expense transactions are classified as operating expenses.

Nonoperating revenues – Certain significant revenues relied on for fundamental operational support of the University are mandated by GASB requirements to be recorded as nonoperating revenues. Nonoperating revenues, meaning revenues received and the University provided no goods or services, include activities such as state appropriations, capital appropriations, Pell and other grants and contracts, gifts, and contributions.

q. 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 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.

r. 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.

s. Government and Nongovernment Grants

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

t. Tax Status

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

u. 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.

v. Reclassification of Prior Years' Financial Statements

In the statements of net position, revenue expenses and changes in net position, and cash flows certain prior year balances have been reclassified to conform to current year presentation. The reclassifications more accurately represent revenue and expense activities in the categories presented on the statements. These reclassifications had no effect on the change in net position.

w. Recent Accounting Pronouncements

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

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

The following statements will be assessed for implementation in future reporting periods:

GASB Statement No. 87, Leases. Requires recognition of certain lease assets and liabilities for leases that were previously classified as operating, and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use. The University evaluated the impact of the guidance and deemed the fiduciary activities immaterial, therefore, implementation was not necessary.

GASB Statement No. 90, Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61. This pronouncement will improve financial reporting by providing users of the financial statements with essential information related to the presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. In addition, requiring reporting of information about component units if the government acquires a 100 percent equity interest, provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The University evaluated the impact of the guidance and deemed the impact immaterial, therefore, implementation was not necessary.

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

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

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

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

x. <u>Risks and Uncertainties</u>

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the University, COVID-19 may impact various parts of its 2022 operations and financial results, including, but not limited to, declines in enrollment, loss of revenues, additional bad debts, costs for increased use of technology, or potential shortages of personnel. Management believes the University is taking appropriate actions to mitigate the negative impact. The full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

2. Cash on Deposit and Investments

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

a. Summary of Carrying Values

The value of deposits and investments as of June 30, 2021 and 2020, are as follows (in thousands):

	2021	2020
Deposits	$ 263,414	$ 197,413
Investments	52,682	37,176
Total	**$ 316,096**	**$ 234,589**

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

	2021	2020
Cash and cash equivalents	$ 206,674	$ 142,291
Short-term investments	7,853	6,574
Deposit with bond trustee - current	776	6,257
Restricted cash and cash equivalents	55,964	48,865
Deposit with bond trustee - noncurrent	14,607	10,976
Investments held with University of Louisville Foundation, Inc.	3,410	5,460
Other long-term investments	26,812	14,166
Total	**$ 316,096**	**$ 234,589**

b. Custodial Credit Risk

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

At June 30, 2021 and 2020, the University had deposits subject to custodial credit risk as follows (in thousands):

	2021		
	State Deposits	Overnight Investments	Total
Collateralized with securities held by pledging financial institution	$ —	$ 45,445	$ 45,445
Collateralized with securities held by the Commonwealth in the Commonwealth's name	52,312	—	52,312
Total	**$ 52,312**	**$ 45,445**	**$ 97,757**

	2020		
	State Deposits	Overnight Investments	Total
Collateralized with securities held by pledging financial institution	$ —	$ 30,581	$ 30,581
Collateralized with securities held by the Commonwealth in the Commonwealth's name	47,245	—	47,245
Total	**$ 47,245**	**$ 30,581**	**$ 77,826**

c. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investments. The University's policy is to invest in U.S. government and U.S. government agency securities, commercial paper, banker's acceptances, and variable rate demand notes with a maturity not greater than three years. The University has entered into a repurchase agreement for the investment of bond fund reserves. The provider financial institution agrees to deliver U.S. Treasury obligations yielding a guaranteed rate at an amount equal to the scheduled bond fund reserve in exchange for payment from the available reserve. The final maturity under this agreement is March 1, 2027.

As of June 30, 2021 and 2020, the University had investments subject to interest rate risk as reflected in the following schedules (in thousands):

	2021			
	Total	Less than 1 year	1-5 years	6-10 years
US Treasury obligations	$ –	$ –	$ –	$ –
US Agency obligations	20,912	–	20,912	–
Other government obligations	11,982	6,839	5,143	–
Repurchase agreement	14,607	–	–	14,607
Certificates of deposit	1,015	1,015	–	–
Total	**$ 48,516**	**$ 7,854**	**$ 26,055**	**$ 14,607**

	2020			
	Total	Less than 1 year	1-5 years	6-10 years
US Treasury obligations	$ 1,006	$ 1,006	$ –	$ –
US Agency obligations	16,072	5,063	11,009	–
Other government obligations	1,662	505	1,157	–
Repurchase agreement	10,976	–	–	10,976
Certificates of deposit	1,044	–	1,044	–
Total	**$ 30,760**	**$ 6,574**	**$ 13,210**	**$ 10,976**

d. Credit Risk

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

As of June 30, 2021 and 2020, the University had the following investments exposed to credit risk as reflected in schedules presented on the following page (in thousands):

	2021		
	AAA	Not Rated	Total
Annuities	$ 756	$ —	$ 756
Investment held with the University of Louisville Foundation, Inc.	—	3,410	3,410
Total	**$ 756**	**$ 3,410**	**$ 4,166**

	2020		
	AAA	**Not Rated**	**Total**
Annuities	$ 956	$ —	$ 956
Investment held with the University of Louisville Foundation, Inc.	—	5,460	5,460
Total	**$ 956**	**$ 5,460**	**$ 6,416**

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, 2021 and 2020, 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, 2021 and 2020, is as follows:

	2021	2020
Investment in partnerships	50 %	48 %
Marketable alternatives	15 %	19 %
Mutual funds	19 %	16 %
Fixed income	10 %	12 %
Preferred and common stock	6 %	5 %
Total	**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, 2021 and 2020.

3. Fair Value Measurements

Fair value is based on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value.

Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The University and the component units presented in the accompanying financial statements use the fair value hierarchy to value their financial instruments.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 - Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1.

The University classifies certificates of deposit securities and U.S. Treasury obligations in Level 1 of the fair value hierarchy because they are valued using prices quoted in active markets for those securities.

The component units classify mutual funds, domestic equity, and U.S. Treasury obligations as Level 1 investments.

Level 2 - Quoted prices in the markets that are not considered to be active, dealer quotations, or alternative pricing sources for similar assets and liabilities for which all significant inputs are observable, either directly or indirectly are classified as Level 2.

The University classifies other governmental obligations, U.S. agency obligations, and derivative instruments as Level 2. The evaluated prices of these investments may be determined by factors which include but are not limited to, market quotations, yields, maturities, call features, ratings, and standard pricing models using current forward rate assumptions and/or volatility to predict cash flows.

The component units classify mortgage, asset backed and corporate bonds as Level 2 investments. The fair value of the funds held in trust by others is determined at the market value of the underlying debt and equity securities held in the beneficial trust. The Foundation's fair value is determined based on the proportional beneficial interest held in the trust, with the Foundation as the sole beneficiary of the majority of the trusts. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Level 3 - Investments classified as Level 3 have significant unobservable inputs as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment.

The University and component units do not have any investments classified as Level 3.

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

The table below presents the fair value measurements of assets and liabilities held by the University as of June 30, 2021 and 2020 (in thousands):

	2021				
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV
Investments					
US Agency obligations	$ 20,912	$ 20,912	$ —	$ —	$ —
Other governmental obligations	11,982	—	11,982	—	—
Certificate of deposit	1,015	1,015	—	—	—
University of Louisville Foundation, Inc. investment fund	3,410	—	—	—	3,410
Total investments measured at fair value	**$ 37,319**	**$ 21,927**	**$ 11,982**	**$ —**	**$ 3,410**

	2020				
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV
Investments					
US Treasury obligations	$ 1,006	$ 1,006	$ –	$ –	$ –
US Agency obligations	16,072	16,072	–	–	–
Other governmental obligations	1,662	–	1,662	–	–
Certificate of deposit	1,044	1,044	–	–	–
University of Louisville Foundation, Inc. investment fund	5,460	–	–	–	5,460
Investment derivative instruments					
Interest rate swap	(85)	–	(85)	–	–
Total investments measured at fair value	**$ 25,159**	**$ 18,122**	**$ 1,577**	**$ –**	**$ 5,460**

Investments held by the University measured at NAV as of June 30, 2021 and 2020 (in thousands):

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

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

The table below presents the fair value measurements of assets and liabilities held by the component units as of June 30, 2021 and 2020 (in thousands):

2021	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV
US Treasury obligations	$ 42,408	$ 42,408	$ —	$ —	$ —
US Agency obligations	—	—	—	—	—
Mutual funds	142,283	142,283	—	—	—
Corporate bonds	14,788	—	14,788	—	—
Funds held in trust by others	74,711	—	74,711	—	—
Hedge funds	137,470	—	—	—	137,470
Investments in partnerships	451,571	—	—	—	451,571
Total investments measured at fair value	$ 863,231	$ 184,691	$ 89,499	$ —	$ 589,041

2020	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Measured at NAV
US Treasury obligations	$ 25,508	$ 25,508	$ —	$ —	$ —
US Agency obligations	10,832	—	10,832	—	—
Mutual funds	151,575	151,575	—	—	—
Domestic marketable equity securities	37,561	37,561	—	—	—
Municipal bonds	537	—	537	—	—
Mortgage bonds	3,878	—	3,878	—	—
Asset backed bonds	4,929	—	4,929	—	—
Corporate bonds	26,570	—	26,570	—	—
Funds held in trust by others	58,516	—	58,516	—	—
Hedge funds	129,057	—	—	—	129,057
Investments in partnerships	328,695	—	—	—	328,695
Total investments measured at fair value	**$ 777,658**	**$ 214,644**	**$ 105,262**	**$ —**	**$457,752**

The fair value of alternative investments has been estimated using the NAV per share of the investments. Alternative investments held by the component units at June 30, 2021 and 2020, are presented below (in thousands):

	2021					
		Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	$	137,470	$	—	Various from monthly to illiquid	Various from 30 to 90 days
Investments in partnerships		451,571		66,951	Various from monthly to illiquid	Various from 30 to 180

	2020					
		Fair Value		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	$	129,057	$	1,000	Various from monthly to illiquid	Various from 30 to 90 days
Investments in partnerships		328,695		65,882	Various from monthly to illiquid	Various from 30 to 180

4. Loans, Accounts, and Contributions Receivable, Net

Loans, accounts, and contributions receivable, net as of June 30, 2021 and 2020, are presented below (in thousands):

	2021					
		Gross Receivable		Allowance		Net Receivable
Student tuition and fees	$	53,902	$	(23,345)	$	30,557
Patient care		46,777		(22,043)		24,734
Contributions receivable		34,982		(6,408)		28,574
Sponsored agreements		47,373		(3,671)		43,702
Trade receivables		9,396		—		9,396
Other		16,566		—		16,566
Total	**$**	**208,996**	**$**	**(55,467)**	**$**	**153,529**
Less discount						(903)
Current portion						104,836
Noncurrent portion					$	47,790

	2020		
	Gross Receivable	Allowance	Net Receivable
Student tuition and fees	$ 48,956	$ (20,419)	$ 28,537
Patient care	36,136	(20,326)	15,810
Contributions receivable	34,462	(5,896)	28,566
Sponsored agreements	26,622	(1,764)	24,858
Trade receivables	7,719	—	7,719
Other	18,387	—	18,387
Total	**$ 172,282**	**$ (48,405)**	**$ 123,877**
Less discount			(1,399)
Current portion			72,138
Noncurrent portion			$ 50,340

Contributions receivable consist primarily of charitable gifts totaling $35.0 million pledged from individual and corporate donors that are associated with the construction projects and general fundraising of the Association. Receivables with payment schedules in excess of one year are stated at their present value, using discount rates ranging from 0.0% to 2.25% as of June 30, 2021.

Other receivables consist primarily of receivables under service concession arrangements as of June 30, 2021 and June 30, 2020.

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

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

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.

5. Due From Affiliates

a. University of Louisville Foundation, Inc.

The Foundation receives, invests, manages, and administers private gifts, bequests, and endowments donated for the benefit of the University. The Foundation acts in a fiduciary capacity, distributing the donated and earned funds as required by the terms of the gifts and consistent with the donor's intent. The Foundation owed $5.2 million and $4.2 million to the University as of June 30, 2021 and 2020, respectively, to fund spending of these donations and earnings and is recorded in current due from affiliate.

b. University of Louisville Real Estate Foundation, Inc.

By memorandum of agreement dated July 1, 2015, the University agreed to loan $38.0 million to the ULREF. The receivable was to be repaid in full or satisfied through other financial instruments within three years of the effective date of the agreement, with effective date defined as the date on which the University transfers funds to the ULREF. During December 2017, a new promissory note was executed for the remaining balance of $7.8 million, establishing annual payment of principal and interest over five years. The unpaid balance bears simple interest equal to 75 basis points greater than the University's cash sweep rate. The ULREF repaid $1.1 million and $1.6 million of the loan during the years ended June 30, 2021 and 2020, respectively. The note balance was repaid as of June 30, 2021.

The University manages ULREF owned dorms, including collection of rents, payment of related expenses, and managing the properties. No balances for rents collected were due or reimbursement of expenses owed as of June 30, 2021 and 2020. The ULREF has executed ground leases with the University for each of the managed dorms. The ground lease stipulates an annual rent based on a calculation of net available cash flow for each dorm. For the year ending June 30, 2021, there were no rents earned. For the year ending June 30, 2020, the annual rents were $0.3 million and included as a current due from affiliate.

c. University of Louisville Physicians, Inc. (ULP)

In June 2016, the Research Foundation received a $5.9 million unsecured, noninterest bearing note from University of Louisville Physicians, Inc. (ULP), an affiliate entity, for past due fees owed the Research Foundation. ULP repaid $0.8 million of the outstanding balance during the years ended June 30, 2021 and 2020, respectively. The outstanding note balance is $3.2 million as of June 30, 2021, with $0.8 million in current due from affiliate and the remaining $2.4 million in noncurrent due from affiliate.

The University has receivables from ULP due through the normal course of business and reflected in loans, accounts, and contributions receivable, net in the Statements of Net Position. As of June 30, 2021, receivables of $0.1 million were due. There was no receivable balance as of June 30, 2020.

d. University Medical Center, Inc. (UMC)

KentuckyOne Healthcare, Inc. in connection with terminating its academic affiliation agreement (AAA) with the University, assigned a receivable to the University from University Medical Center, Inc. (UMC) in exchange for release of funds due under the academic affiliation agreement. The University recorded an unsecured noninterest bearing note of $23.9 million from UMC as of June 30, 2017. The note is to be repaid in installments over five years. UMC repaid $4.2 million and $4.9 million of the outstanding balance during the years ended June 30, 2021 and 2020, respectively.

The University has receivables from UMC due through the normal course of business and reflected in loans, accounts, and contributions receivable, net in the Statements of Net Position. As of June 30, 2021 and 2020, receivables of $5.2 million and $2.9 million were due, respectively.

e. UL Health, Inc. (UL Health)

In relation to the academic and programmatic support provided by UL Health, Inc. to the Research Foundation, UL Health, Inc.'s Board of Directors approved additional academic mission support of $33.2 million and $37.0 million for the years ended June 30, 2021 and 2020 . During fiscal year 2021, the Research Foundation received payments of $27.0 million related to the agreement with UL Health. As of June 30, 2021, the remaining balance due to the Research Foundation is $53.2 million and is reported in current and noncurrent due from affiliates based on when receipt of payment is expected.

The University has receivables from UL Health due through the normal course of business and reflected in loans, accounts and contributions receivable, net in the Statements of Net Position. As of June 30, 2021 and 2020, receivables of $3.6 million and $1.3 million were due, respectively.

6. Capital Assets, Net

Capital assets as of June 30, 2021 and 2020, are as follows (in thousands):

	2021				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Cost - Nondepreciable					
Land	$ 58,425	$ –	$ –	$ –	$ 58,425
Rare books	48,382	86	–	–	48,468
Construction in progress	5,233	34,993	–	(2,474)	37,752
Subtotal	**112,040**	**35,079**	**–**	**(2,474)**	**144,645**
Cost - Depreciable					
Buildings	1,498,062	1,070	–	2,474	1,501,606
Infrastructure	53,907	–	–	–	53,907
Land improvements	21,471	–	–	–	21,471
Equipment	226,500	12,037	(3,016)	–	235,521
Leasehold improvements	2,117	–	–	–	2,117
Library materials	176,111	1,264	–	–	177,375
Subtotal	**1,978,168**	**14,371**	**(3,016)**	**2,474**	**1,991,997**
Total capital assets-cost	**2,090,208**	**49,450**	**(3,016)**	**–**	**2,136,642**
Accumulated depreciation					
Buildings	636,269	42,285	–		678,554
Infrastructure	6,591	898	–		7,489
Land improvements	5,873	573	–		6,446
Equipment	197,026	11,122	(2,990)		205,158
Leasehold improvements	1,755	61	–		1,816
Library materials	164,519	2,841			167,360
Total accumulated depreciation	**1,012,033**	**57,780**	**(2,990)**	**–**	**1,066,823**
Capital assets, net	**$ 1,078,175**	**$ (8,330)**	**$ (26)**	**$ –**	**$ 1,069,819**

	2020				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Cost - Nondepreciable					
Land	$ 44,677	$ 13,748	$ –	$ –	$ 58,425
Rare books	47,958	424	–	–	48,382
Construction in progress	211	8,658	–	(3,636)	5,233
Subtotal	**92,846**	**22,830**	**–**	**(3,636)**	**112,040**
Cost - Depreciable					
Buildings	1,371,919	122,566	(59)	3,636	1,498,062
Infrastructure	53,907	–	–	–	53,907
Land improvements	20,819	652	–	–	21,471
Equipment	218,477	11,832	(3,809)	–	226,500
Leasehold improvements	2,117	–	–	–	2,117
Library materials	175,126	985	–	–	176,111
Subtotal	**1,842,365**	**136,035**	**(3,868)**	**3,636**	**1,978,168**
Total capital assets-cost	**1,935,211**	**158,865**	**(3,868)**	**–**	**2,090,208**
Accumulated depreciation					
Buildings	594,342	41,982	(55)	–	636,269
Infrastructure	5,692	899	–	–	6,591
Land improvements	5,278	595	–	–	5,873
Equipment	190,613	10,021	(3,608)	–	197,026
Leasehold improvements	1,691	64	–	–	1,755
Library materials	161,240	3,279	–	–	164,519
Total accumulated depreciation	**958,856**	**56,840**	**(3,663)**	**–**	**1,012,033**
Capital assets, net	**$ 976,355**	**$ 102,025**	**$ (205)**	**$ –**	**$ 1,078,175**

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following at June 30, 2021 and 2020 (in thousands):

	2021	2020
Salaries and benefits	$ 37,319	$ 39,830
Payroll taxes	36,265	21,757
Construction	3,486	1,600
Accrued interest	3,732	3,206
Other	31,717	22,158
Total	**$ 112,519**	**$ 88,551**

8. Notes Payable to University of Louisville Foundation, Inc.

In January 1999, the Association obtained an $8.5 million unsecured, noninterest bearing loan from the Foundation for the construction of Cardinal Park. The Association is obligated to repay the loan upon 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. No payments were made during the years June 30, 2021 and 2020. The outstanding balance was approximately $1.0 million for each of the years ended June 30, 2021 and 2020.

9. Line of Credit

The University received a line of credit with a financial institution in the form of a revenue anticipation note on July 1, 2020 in the amount of $50 million with a maturity date of June 30, 2021. Advances on the line of credit bear interest at the daily LIBOR plus 1.25%. No draws were made from the available credit through its expiration. The University renewed the line of credit on July 1, 2021 with a maturity date of June 30, 2022 with substantially the same terms as the original line of credit.

In April 2021, the Association entered into a $20.0 million line of credit with a financial institution to fund the Association's working capital expenses. The line of credit is secured by collateral, including funding and revenues of the Association and third-party pledges to the Association. The line of credit converts to a 20-year note May 31, 2023 with principal and interest payments through April 30, 2043. The interest rate on the new loan at conversion is fixed at 2.93%. During the year ended June 30, 2021, the Association drew down $9.0 million and repaid $0. The balance of the line of credit is $9.0 million as of June 30, 2021.

10. Bonds, Notes, and Capital Leases

Long-term debt, net of discount, of the University consisted of the following at June 30, 2021 and 2020 (in thousands):

	Interest Rate	Fiscal Year of Maturity	2021	2020
General Receipts Bonds:				
Series B of 2010	5.5%	2028	20,942	20,942
Series A of 2011	4.0% to 5.0%	2032	1,565	23,845
Series A of 2012	5.0%	2023	3,190	4,675
Series A of 2016	2.0% to 5.0%	2036	10,275	11,080
Series B of 2016	3.0% to 5.0%	2028	17,270	19,450
Series C of 2016	2.0% to 4.0%	2029	43,050	47,590
Series D of 2016	3.0% to 5.0%	2036	45,295	45,295
Series E of 2016	2.2% to 3.0%	2023	2,185	3,290
Series F of 2016	5.0%	2028	17,715	19,790
Series A of 2020	2.0% to 5.0%	2051	45,320	45,320
Series A of 2021	1.5%	2032	21,400	—
Series B of 2021	2.0% to 5.0%	2051	39,450	—
Notes from direct placement	2.9%	2043	11,000	5,156
Master lease obligations	1.8% to 4.1%	2021 to 2030	8,131	15,901
Energy leases	2.6% to 4.8%	2033	9,480	11,275
Capital lease obligations	2.0% to 10.7%	2021	375	367
Total long-term debt			**296,643**	**273,976**
Net unamortized premium			13,347	14,329
Long-term debt, net			**$ 309,990**	**$ 288,305**

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

	2021					
	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	$ 241,277	$ 60,850	$ (34,470)	$ 267,657	$ 15,390	$ 252,267
Notes from direct placement	5,156	11,000	(5,156)	11,000	—	11,000
Draws on master lease	15,901	—	(7,770)	8,131	1,939	6,192
Energy leases	11,275	—	(1,795)	9,480	2,183	7,297
Capital leases	367	260	(252)	375	160	215
Total	**273,976**	**72,110**	**(49,443)**	**296,643**	**19,672**	**276,971**
Less amortized net (discount)/premium	14,329	2,454	(3,436)	13,347	1,771	11,576
Net long-term debt	**$ 288,305**	**$ 74,564**	**$ (52,879)**	**$ 309,990**	**$ 21,443**	**$ 288,547**

	2020					
	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	$ 208,428	$ 45,320	$ (12,471)	$ 241,277	$ 14,875	$ 226,402
Notes from direct placement	6,613	1,750	(3,207)	5,156	2,372	2,784
Draws on master lease	15,407	2,618	(2,124)	15,901	2,446	13,455
Energy leases	13,283	—	(2,008)	11,275	2,097	9,178
Capital leases	336	382	(351)	367	250	117
Total	**244,067**	**50,070**	**(20,161)**	**273,976**	**22,040**	**251,936**
Less amortized net (discount)/premium	15,197	1,435	(2,303)	14,329	2,176	12,153
Net long-term debt	**$ 259,264**	**$ 51,505**	**$ (22,464)**	**$ 288,305**	**$ 24,216**	**$ 264,089**

Principal maturities and interest on bonds, notes from direct placement, and capital leases for the fiscal years ending June 30, are as follows (in thousands):

	Bonds Payable		Notes from Direct Placement		Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 15,390	$ 9,457	$ —	$ 322	$ 4,282	740
2023	17,595	9,290	67	55	5,601	476
2024	16,460	8,664	410	320	2,385	227
2025	16,060	8,057	423	307	996	160
2026	16,410	7,423	436	294	989	129
2027-2031	87,127	23,652	9,663	1,230	2,922	332
2032-2036	45,695	11,680	—	—	810	32
2037-2041	15,445	5,870	—	—	—	—
2042-2046	17,505	3,807	—	—	—	—
2047-2051	19,970	1,355	—	—	—	—
Total	**$ 267,657**	**$ 89,255**	**$ 11,000**	**$ 2,528**	**$ 17,986**	**$ 2,095**

The University has capitalized leased equipment with a net book value of $0.9 million as of June 30, 2021 and 2020.

The General Receipts Bonds are collateralized by mortgages on certain University properties. Association revenue totaling $2.0 million annually is to be available for amounts owed by the Association under the Arena lease agreement. The remaining operating and nonoperating income of the University, excluding income which as a condition of receipt is not available for payment of debt service charges, are pledged for the General Receipts Bonds. Total principal and interest remaining on the bond debt is $356.9 million, with annual requirements ranging from $4.3 million in 2037 to $40.8 million in 2028. For the current year, principal and interest paid by the University and the total pledged revenue recognized were $32.6 million and $501.2 million, respectively.

As of June 30, 2021 and 2020, investments at fair value totaling approximately $15.4 million and $17.2 million, respectively, for retirement of indebtedness funds have been deposited with the bond trustees and escrow agents as required under the various bond indentures and capital lease agreements.

University of Louisville General Receipts Bonds, 2010 Series B

In December 2010, the University issued $20.9 million of University of Louisville, General Receipts Bonds, 2010 Series B at a total interest cost of 1.8%, net of the subsidy from the *Build America Bonds Act* (BAB). The 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 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. 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 67% of the interest payable on the General Receipts Bonds, 2010 Series B. The subsidy payment is contingent on federal regulations and may be subject to change. Final maturity of the bond is September 1, 2027.

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. These bonds were partially refunded by the issuance of General Receipts Bonds 2021 Series A. The final maturity due to the refunding is September 1, 2021. The balance remaining of the General Receipts Bonds 2011 Series A is $1.6 million as of June 30, 2021.

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). Final maturity on the 2012 Bonds is March 1, 2023.

University of Louisville General Receipts Bonds, 2016 Series A

In April 2016, the University issued $14.1 million of University of Louisville, General Receipts Bonds, 2017 Series A at a total interest cost of 2.8%. The bonds were issued to fund the University's share of the cost of the renovation and expansion of the University of Louisville Student Activity Center and to currently refund $3.2 million of University of Louisville General Receipts Bonds, Taxable Build America Bonds, 2010 Series A with a weighted average interest rate of 3.7% and $2.6 million of Consolidated Educational Buildings Revenue Bonds Series P with a weighted average interest rate of 3.9% (combined, the prior bonds). Final maturity on the 2016 Series A Bonds is March 1, 2036.

University of Louisville General Receipts Bonds, 2016 Series B

In April 2016, the University issued $23.7 million of University of Louisville, General Receipts Bonds, 2016 Series B at a total interest cost of 2.2%. The bonds were issued to advance refund $24.6 million of University of Louisville General Receipts Bonds, 2007 Series A with a weighted average interest rate of 4.0%. The bond proceeds together with an issuance premium of $2.4 million have been used to retire the General Receipts Bonds 2007 Series A. Final maturity on the 2016 Series B bonds is September 1, 2027.

University of Louisville General Receipts Bonds, 2016 Series C

In April 2016, the University issued $51.7 million of University of Louisville, General Receipts Bonds, 2016 Series C at a total interest cost of 2.5%. The bonds were issued to advance refund $52.0 million of University of Louisville General Receipts Bonds, 2008 Series A with a weighted average interest rate of 4.5%. The bond proceeds together with an issuance premium of $6.4 million have been used to retire General Receipts Bonds 2008 Series A. Final maturity on the 2016 Series C Bonds is September 1, 2028.

University of Louisville General Receipts Bonds, 2016 Series D and Taxable General Receipts Bonds, 2016 Series E

In December 2016, the University issued $45.3 million of University of Louisville, General Receipts Bonds, 2016 Series D at a total interest cost of 3.8% and $5.4 million of University of Louisville, Taxable General Receipts Bonds, 2016 Series E at a total interest cost of 2.5%. The proceeds of the 2016 Series D Bonds and the 2016 Series E Bonds will be used by the University to finance the expansion of the University's Papa John's Cardinal Stadium. Final maturity on the 2016 Series D and Series E Bonds is March 1, 2036 and March 1, 2023, respectively.

University of Louisville General Receipts Bonds, 2016 Series F

In December 2016, the University issued $27.6 million of University of Louisville, General Receipts Bonds, 2016 Series F at a total interest cost of 2.7%. The bonds were issued to advance refund $29.5 million of Metro Government Mortgage Revenue Bonds, Series 2008 B with a weighted average interest rate of 4.1%. The bond proceeds together with an issuance premium of $3.6 million have been used to retire the Metro Government Mortgage Revenue Bonds, Series 2008 B. Final maturity on the 2016 Series F Bonds is March 1, 2028.

University of Louisville General Receipts Bonds, 2020 Series A

In June 2020, the University issued $45.3 million of University of Louisville, General Receipts Bonds, 2020 Series A at a total interest cost of 2.7%. The bond proceeds together with an issuance premium of $1.4 million will be used to finance a new 452 bed residence hall, including the construction, installation, equipping of the dormitory, and payment of interest through the construction period. Final maturity of the bonds is September 1, 2050.

University of Louisville General Receipts Bonds, 2021 Series A

In June 2021, the University issued $21.4 million of University of Louisville, General Receipts Bonds, 2021 Series A at a total interest cost of 1.55%. These bonds were a private placement with a financial institution. The proceeds were used to advance refund $20.8 million of the General Receipt Bonds, 2010 Series A with a total interest cost of 3.6%. The bond proceeds have been deposited in escrow and will be used to redeem and retire the General Receipt Bonds, 2011 Series A on September 1, 2021. Final maturity on the General Receipt Bonds, 2021 Series A is September 1, 2031. The University will reduce its total debt service payments over the next ten years by $4.2 million and realize net present value savings of approximately $3.8 million as a result of the refinancing.

University of Louisville General Receipts Bonds, 2021 Series B

In May 2021, the University issued $39.5 million of University of Louisville, General Receipts Bonds, 2021 Series B at a total interest cost of 2.7%. The bond proceeds together with an issuance premium of $1.4 million will be used to finance a new 452 bed residence hall, including the construction, installation, and equipping of the dormitory. Final maturity of the bonds is September 1, 2051.

Notes from Direct Placement

In June 2014, the Association entered into a $15.0 million Term Loan with a national banking association. The proceeds were used to partially finance renovation of the baseball and softball stadiums and construction of a soccer stadium (the Project). The loan is secured by collateral, including funds and revenues of the Association from the Project and third-party pledges to the Association for the Project. The variable interest rate on the term loan is the daily one-month LIBOR rate plus 1.14%, reset on the last day of each month. This term loan was refinanced in June 2018 and replaced with a $9.6 million term loan with substantially the same terms. The interest rate on the new note is the daily one-month LIBOR rate plus 100 basis points. The balance of the term loan was $3.7 million as of June 30, 2020.

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

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

Energy Leases

In September 2009, the University entered into a $20.4 million master lease with a financial institution. The proceeds have been 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 lease specifies as events of default failure to pay rent when such failure continues for 10 days after the due date, the application for or consent to the appointment of a receiver in bankruptcy, and failure to perform any other covenant for a period of 30 days. The University through the master lease covenants not to grant secondary liens on the equipment under lease, to carry adequate insurance with the financial institution as loss payee, and to not act or fail to act when such action or inaction would impair the tax-exempt status of the interest under the lease. The master lease has a 4.8% fixed interest rate and a term ending 2023. The balance of the lease was $4.9 million and $6.7 million as of June 30, 2021 and 2020, respectively.

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 lease specifies as events of default failure to pay rent when such failure continues for 10 days after the due date, the application for or consent to the appointment of a receiver in bankruptcy, and failure to perform any other covenant for a period of 30 days. The University through the master lease covenants not to grant secondary liens on the equipment under lease, to carry adequate insurance with the financial institution as loss payee, and to not act or fail to act when such action or inaction would impair the tax-exempt status of the interest under the lease. The master lease has 2.6% fixed interest rate and a term ending 2033. The balance of the lease was $4.6 million and $4.6 million as of June 30, 2021 and 2020, respectively.

Master Lease

The University has a master lease arrangement with a financial institution that allows for draws up to $50.0 million. Each draw on the master lease is documented as a separate borrowing on the arrangement. During the year ending June 2020, the University entered into four new draws for totaling $2.6 million. The lessor receives an exclusive security interest in any and all equipment acquired. The leases specify as events of default failure to pay lease payments when such failure continues for 10 days after the due date, the application for or consent to the appointment of a receiver in bankruptcy, and failure to perform any other covenant for a period of 30 days. The University, through the master lease, covenants not to grant secondary liens on the equipment under lease, to carry adequate insurance with the financial institution as loss payee, and to not act or fail to act when such action or inaction would impair the tax-exempt status of the interest under the lease. The master lease draws have implied interest rates ranging from 1.8% to 4.1% and a term ending 2028. The individual draws on the master lease have differing terms ranging from four to ten years. The balance of all draws was $8.1 million and $15.9 million as of June 30, 2021 and 2020, respectively.

11. Other Liabilities

Other liabilities of the University are summarized at June 30, 2021 and 2020 (in thousands):

	2021					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Unearned compensation and wages payable	5,248	2,203	(4,965)	2,486	1,537	949
Deposits	1,061	520	(439)	1,142	—	1,142
Advances	54,844	391,875	(384,233)	57,436	50,894	6,542
Amounts due federal government for student loan program	17,145	291	(125)	17,311	—	17,311
Other long-term liabilities	6,130	—	(1,085)	5,045	—	5,045
Total	**$ 84,428**	**$ 394,889**	**$ (390,847)**	**$ 83,420**	**$ 52,431**	**$ 30,989**

	2020					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Unearned compensation and wages payable	8,170	6,978	(9,900)	5,248	2,699	2,549
Deposits	1,646	2,485	(3,070)	1,061	—	1,061
Advances	58,463	432,896	(436,515)	54,844	47,853	6,991
Amounts due federal government for student loan program	15,944	9,643	(8,442)	17,145	—	17,145
Other long-term liabilities	28	8,207	(2,105)	6,130	—	6,130
Total	**$ 84,251**	**$ 460,209**	**$ (460,032)**	**$ 84,428**	**$ 50,552**	**$ 33,876**

12. 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 2020 to 2021. 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, 2021 and 2020, respectively, was approximately $68.2 million and $61.5 million, including $5.4 million and $5.3 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, 2021, June 30, 2020, and June 30, 2019 (in thousands):

Fiscal year ended June 30,	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2021	$ 5,287	$ 68,376	$ (68,214)	$ 5,449
2020	$ 5,189	$ 61,615	$ (61,517)	$ 5,287
2019	$ 4,699	$ 58,062	$ (57,572)	$ 5,189

13. Natural Classification

The University's operating expenses by natural classification were as follows for the years ended June 30, 2021 and 2020 (in thousands):

	2021					
	Salary and Wages	Employee Benefits	Utilities	Scholarships and Fellowships	Supplies and Other	Total
Instruction	$ 183,884	$ 43,599	$ 7	$ 1,190	$ 12,742	$ 241,422
Research	87,355	19,611	43	1,040	43,184	151,233
Public service	52,491	11,602	40	254	83,186	147,573
Academic support	83,998	18,026	75	1,070	62,305	165,474
Student services	16,764	5,511	125	108	7,679	30,187
Institutional support	46,184	7,257	—	178	25,440	79,059
Operation and maintenance of plant	13,410	5,083	20,098	229	13,327	52,147
Scholarships and fellowships	4,346	782	—	30,219	573	35,920
Auxiliary enterprises	1,392	467	704	(248)	4,951	7,266
Intercollegiate athletics	35,789	7,458	895	5,583	34,547	84,272
Depreciation and amortization	—	—	—	—	—	57,780
Total	**$ 525,613**	**$ 119,396**	**$ 21,987**	**$ 39,623**	**$ 287,934**	**$1,052,333**

	2020					
	Salary and Wages	Employee Benefits	Utilities	Scholarships and Fellowships	Supplies and Other	Total
Instruction	$ 205,219	$ 47,907	$ 59	$ 1,410	$ 18,913	273,508
Research	75,224	18,843	33	1,258	42,964	138,322
Public service	70,882	16,090	48	405	28,722	116,147
Academic support	70,365	15,967	23	612	63,031	149,998
Student services	16,278	5,319	128	91	8,082	29,898
Institutional support	45,755	10,790	5	97	16,518	73,165
Operation and maintenance of plant	14,223	5,438	19,422	237	11,924	51,244
Scholarships and fellowships	4,507	349	—	29,871	2,532	37,259
Auxiliary enterprises	1,489	199	786	(232)	4,727	6,969
Intercollegiate athletics	40,004	8,279	870	5,525	47,725	102,403
Depreciation and amortization	—	—	—	—	—	56,840
Total	**$ 543,946**	**$ 129,181**	**$ 21,374**	**$ 39,274**	**$ 245,138**	**$1,035,753**

14. Funding from Higher Education Relief Funds

The Federal Government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 on December 27, 2020, and the American Rescue Plan Act of 2021 on March 11, 2021, all of which included funding for the Higher Education Emergency Relief Fund (HEERF). These funds were awarded to institutions of higher education in multiple allotments. The University received funding in two allotments: institutional aid to provide support for pivoting instruction to online delivery, and a student portion to provide emergency financial aid grants to students. The University received allocations totaling $31.3 million for financial aid grants and $39.2 million for institutional aid. As of June 30, 2021, $12.9 million of the student financial aid and $20.8 million of institutional aid had been utilized. These revenues are included in nonexchange grants and contracts in Nonoperating revenue (expenses) while expenses are reported in institutional and scholarship in the operating expense section of the Statements of Revenues, Expenses, and Changes in Net Position.

15. 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. The University of Louisville 403(b) Retirement Plan (Plan) was established by the University and approved by the Board of Trustees. The plan requires three years of continuous service for employees to vest in employer contributions.

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

Other information relating to this plan for the years ended June 30, 2021 and 2020, is presented as follows (in thousands):

		2021		2020
Total University payroll	$	530,287	$	552,110
Total payroll covered by the plan	$	514,324	$	531,340
Employee contributions	$	31,877	$	30,966
University contributions	$	22,134	$	33,031

As of June 30, 2021 and 2020, the University had no outstanding liability related to the Retirement Plan and $42 thousand and $50 thousand of forfeiture funds available to offset future employer contributions.

b. Prior Service Defined Benefit Plan

Effective July 1, 1977, the University entered into an agreement with Teachers Insurance Annuity Association (TIAA) to fund, over approximately 30 years, the prior service defined benefit program for both currently retired and eligible actively employed participants. This is a single-employer plan. There were no annual required contributions for the years ended June 30, 2021 and June 30, 2020. 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, 2021 and 2020, are as follows (in thousands):

		2021		2020
Actuarial present value of nonvested accumulated plan benefits	$	558	$	625
Net assets available for benefits	$	1,026	$	1,104
Net pension surplus	$	(468)	$	(479)
Funded ratio		184 %		177 %

The actuarial present value of plan benefits is non-vested because the plan and benefits provided there under are at all times at the discretion of the University. The net pension surplus represents the amount of net assets available for benefits in excess of the actuarial liability. The assumed rate of return used to determine the present value of accumulated non-vested benefits was 6% for each of the years ended June 30, 2021 and 2020, for preretirement and postretirement periods.

16. Postemployment Healthcare Benefits

a. Plan Description

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

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

At July 1, 2021, the following employees were covered by the benefit terms.

Inactive plan members	1,586
Active plan members	5,354
Total	**6,940**

b. Funding Policy

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

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

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

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

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

Inflation	2.25%
Salary Increases	5.00%, average
Investment rate of return	NA
Healthcare cost trend rates	6.4% for 2020, decreasing 0.10%-0.25% per year to an ultimate rate of 4.15% for 2033 and later years

The investment rate of return is shown as not applicable (NA) since the University contributes only the amount necessary to pay current benefits. The discount rate is 3.13% as of the Measurement Date, 3.87% as of the beginning of the Measurement Period.

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

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

The following reflects the sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rate (in thousands):

	1% Decrease (1.45)%	Discount Rate (2.45)%	1% Increase (3.45)%
Sensitivity of OPEB Liability to Changes in Discount Rate	$ 90,227	$ 80,238	$ 71,885

	1% Decrease (5.4)%	Healthcare Cost Trend Rates (6.4)%	1% Increase (7.4)%
Sensitivity of OPEB Liability to Changes in Medical Trend Rate	$ 77,001	$ 80,238	$ 84,031

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

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

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

Amounts reported as differences between expected and actual experience and changes in assumptions included under deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	$ (2,648)
2023	(2,648)
2024	(2,648)
2025	(2,648)
2026	(2,231)
Thereafter	(2,013)
Total	**$ (14,836)**

d. Funded Status and Funding Progress

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

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

e. <u>Actuarial Methods and Assumptions</u>

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

In the June 30, 2020, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 6.4% initially, reduced by increments to an ultimate rate of 4.25% after 13 years. The increase in the benefit obligation recognized during the fiscal year ending June 30, 2020, was due to a change in the discount rate from 3.87% as of the beginning of the reporting year to 3.13% as of the measurement date, and updates to the retirement rates, participation rates and health care trend rates. The gains on the benefit obligation recognized during the fiscal year ended June 30, 2020, was due to updates made on expected future health claims and an increase in the discount rate from 2.85% as of the beginning of the reporting year to 3.58% as of the measurement date, and changes in the assumed per capita cost.

17. Health Science Center Affiliations and Agreements

a. <u>University Hospital Affiliation, Lease, and Operating Agreements</u>

During the fiscal year ending June 30, 2020, UMC became wholly owned by UL Health, Inc. UL Health, Inc. consolidated the management of existing hospital facilities and facilities obtained in acquisition with operations of UMC and ULP to optimize operations and management. UL Health, Inc.'s operating agreement with the University states that profitable operations in excess of budget will be shared equally with the university. The profit share contribution was $33.2 million and $37.0 million for the years ended June 30, 2021 and 2020, respectively.

The University has an academic affiliation agreement with UL Health for the purpose of advancing the University's academic, education and research missions, providing quality patient care regardless of ability to pay and assurance that state-of-the-art facilities will be available for providing healthcare to patients. University employees, residents and students provide medical care utilizing UL Health run facilities, in return, UL Health receives revenues for the services provided. UL Health provides support to the University through annual funding for salaries, benefits and insurance coverage, annual academic support, and annual departmental/administrative support pursuant to the terms of the master support and services agreement. For the years ending June 30, 2021 and 2020, support totaling approximately $113.7 million and $53.3 million, respectively, was received under these agreements.

As of July 1, 2017, an Amended and Restated Lease Agreement (Lease) between the Commonwealth of Kentucky, for the use and benefit of the University, and UMC, became effective. The Lease calls for annual lease fees of $7.0 million to be paid in equal monthly payments by UMC to the University for the first two years, then $7.5 million each renewal term thereafter. The initial term of the Lease is two years and automatically renews for up to three one-year periods unless either party provides written notice under the terms in the agreement. For the years ending June 30, 2021 and 2020, rent revenue was $7.5 million. The annual rent revenue from UMC is included in clinical services and practice plan revenue.

b. <u>Norton Healthcare</u>

The University entered into an agreement with Norton Hospitals, Inc. and Norton Children's Medical Group, LLC (collectively NCMG) to transition the ownership and operation of the pediatric clinical practice and amend and restate certain other aspects of the pediatric academic affiliation in order align teaching, research and patient care between the parties. The University received support of $15 million in an integration period prior to the effective date of the agreement to maintain operational activities. During the integration period the University transferred the pediatric clinical practice, conveyed the assignment and assumption of contracts and transitioned employees to NCMG. As of June 30, 2019, $10.0 million of the support was recognized and the remaining $5 million was recognized as of June 30, 2020. As of March 1, 2020, NCMG assumed all operational responsibilities for pediatric clinical activities.

The Clinical Affiliation and Academic Affiliation Agreements between the University and NCMG provides for certain payments to the university for academic and departmental support of teaching and research. The Research Foundation received total support of $74.7 million and $22.8 million related academic, departmental and research support for June 30, 2021 and 2020, respectively. Norton made additional payments to the Research Foundation for professional services provided by clinical providers of $3.4 million and $3.3 million for the years ending June 30, 2021 and 2020, respectively.

Prior to the pediatric clinic agreements, Norton Healthcare, Inc. (Norton), the University and the Commonwealth of Kentucky agreed to a First Amendment to Lease and a First Amendment to Master Affiliation Agreement. These agreements provide for $30.0 million annual support payments from Norton to the University and its affiliates through Individual Agreements for research, academic support, residences and fellowships and related costs. In addition, the First Amendment to Master Affiliation Agreement stipulates that Norton provide additional financial support to the University of Louisville Pediatrics Department of $24.0 million over eight years and expend at least $35.0 million in facility improvements and other capital expenditures at Norton Children's Hospital. Payments received by the University are included in clinical services and practice plan revenues in the statements of revenues, expenses, and changes in net position. Funding received under the agreement for the year ended June 30, 2020 was $26.9 million. All prior agreements were superseded by the agreements with NCMG.

18. Leases

The University has entered into numerous operating lease agreements to rent or lease buildings and equipment related to academic, administrative and research facilities. These agreements are on a month-to-month basis or long-term and expire on various dates through 2069. In most cases, the University has renewal options on the leases for similar terms and reasonably expects that, in the normal course of business, the leases will be renewed or replaced with similar leases The University has operating lease agreements related to the use of athletic facilities. Under these lease agreements, the University's rights have been assigned to the Association. Operating lease expense totaled approximately $7.9 million and $9.4 million as of June 30, 2021 and 2020, respectively.

The University's annual minimum lease payments are due as follows (in thousands), subject to change with new leases:

For the year ending June 30,	Lease Payment Due
2022	$ 14,541
2023	12,770
2024	3,041
2025	2,874
2026	2,602
2027-2031	12,653
2032-2036	12,178
2037-2041	12,175
2042-2046	12,175
2047-2051	75
2052-2056	75
2057-2061	75
2062-2066	75
2067-2071	45
Future minimum lease payments	**$ 85,354**

19. Commitments and Contingencies

a. <u>Commitments</u>

At June 30, 2021, the University had approximately $28.2 million in encumbrances outstanding for future expenditures.

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. NCAA Investigation

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

d. 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.

20. Special Item

The University completed its acquisition of a hospital system in Louisville and adjacent communities formally known as KentuckyOne Health on November 1, 2019. The acquisition transitioned ownership of certain capital assets from KentuckyOne Health's parent company, CommonSpirit Health, to the University, and other capital assets, assignment of contracts and employees to the University's affiliate, UL Health. UL Health assumed management of all acquired assets and operations as of November 1, 2019. The University provided no consideration for the capital assets acquired in the acquisition. The University recorded these assets at the seller's carrying value, adjusted for differences in accounting practices for depreciation utilized by the seller from the University's accounting practices for depreciation. The acquisition resulted in the University recognizing a gain on asset acquisition of $132.4 million. The gain is separately presented in the Statements of Revenues, Expenses, and Changes in Net Position.

21. Component Units

a. Blended Component Units – Combined Condensed Statements

The consolidated schedules of the University, the Research Foundation and the Association as of June 30, 2021 and 2020, are on the following pages (in thousands):

	2021			
	University	Research Foundation	Athletic Association	Total
Current assets	$ 188,686	$ 159,140	$ 44,683	$ 392,509
Capital assets	803,950	54,193	211,676	1,069,819
Other noncurrent assets	115,426	13,203	29,349	157,978
Total assets	**1,108,062**	**226,536**	**285,708**	**1,620,306**
Deferred outflows of resources	**10,282**	**5,438**	**1,585**	**17,305**
Total assets and deferred outflows of resources	**1,118,344**	**231,974**	**287,293**	**1,637,611**
Current liabilities	108,924	33,200	53,269	195,393
Other noncurrent liabilities	259,945	31,315	109,514	400,774
Total liabilities	**288,182**	**64,515**	**162,783**	**596,167**
Deferred inflows of resources	**49,846**	**9,835**	**1,799**	**61,480**
Net investment in capital assets	610,140	54,185	136,655	800,980
Restricted-nonexpendable	–	–	1,868	1,868
Restricted-expendable	37,808	17,536	18,033	73,377
Unrestricted	51,681	85,903	(33,845)	103,739
Total net position	**699,629**	**157,624**	**122,711**	**979,964**
Total liabilities, deferred inflows of resources and net position	**$ 1,037,657**	**$ 231,974**	**$ 287,293**	**$ 1,637,611**

	2020			
	University	Research Foundation	Athletic Association	Total
Current assets	$ 155,700	$ 65,896	$ 39,496	$ 261,092
Capital assets	806,275	53,536	218,364	1,078,175
Other noncurrent assets	94,134	40,777	29,933	164,844
Total assets	**1,056,109**	**160,209**	**287,793**	**1,504,111**
Deferred outflows of resources	**8,824**	**3,364**	**1,499**	**13,687**
Total assets and deferred outflows of resources	**1,064,933**	**163,573**	**289,292**	**1,517,798**
Current liabilities	94,406	26,520	42,393	163,319
Total liabilities	**225,916**	**53,270**	**161,132**	**536,523**
Deferred inflows of resources	**53,933**	**10,069**	**1,827**	**65,829**
Net investment in capital assets	637,568	53,547	134,318	825,433
Restricted - nonexpendable	—	—	1,349	1,349
Restricted - expendable	39,212	27,720	17,485	84,417
Unrestricted	12,099	18,967	(26,819)	4,247
Total net position	**688,879**	**100,234**	**126,333**	**915,446**
Total liabilities, deferred inflows of resources and net position	**$ 968,728**	**$ 163,573**	**$ 289,292**	**$ 1,517,798**

	2021			
	University	Research Foundation	Athletic Association	Total
Student tuition and fees, net	$ 231,505	$ —	$ —	$ 231,505
Clinical services and practice plan	15,448	372,621	—	388,069
Grants and contracts	—	107,418	—	107,418
Facilities and administrative cost recoveries	6	32,428	—	32,434
Other operating revenue	21,412	6,961	62,384	90,757
Total operating revenues	**268,371**	**519,428**	**62,384**	**850,183**
Depreciation	42,717	6,863	8,200	57,780
Other operating expenses	396,569	503,646	94,338	994,553
Total operating expenses	439,286	510,509	102,538	1,052,333
Operating gain (loss)	(170,915)	8,919	(40,154)	(202,150)
State appropriations	125,420	—	—	125,420
Gifts	75	2,905	18,342	21,322
Interest on capital asset-related debt	(11,033)	—	(298)	(11,331)
Other nonoperating revenues	3,250	76,163	530	79,943
Capital appropriations	120	—	—	120
Capital gifts	—	—	8,782	8,782
Contributions from affiliates, net	42,412	—	—	42,412
Transfers	21,421	(30,597)	9,176	—
Total nonoperating revenues	**181,665**	**48,471**	**36,532**	**266,668**
Change in net position	**10,750**	**57,390**	**(3,622)**	**64,518**
Net position - beginning of year	688,879	100,234	126,333	915,446
Net position - end of year	**$ 699,629**	**$ 157,624**	**$ 122,711**	**$ 979,964**

	2020			
	University	Research Foundation	Athletic Association	Total
Student tuition and fees, net	$ 227,233	$ —	$ —	$ 227,233
Clinical services and practice plan	16,410	312,982	—	329,392
Grants and contracts	(61)	109,460	—	109,399
Facilities and administrative cost recoveries	5	28,447	—	28,452
Other operating revenue	24,368	11,450	86,559	122,377
Total operating revenues	**267,955**	**462,339**	**86,559**	**816,853**
Depreciation	42,274	6,362	8,204	56,840
Other operating expenses	427,663	439,511	111,739	978,913
Total operating expenses	**469,937**	**445,873**	**119,943**	**1,035,753**
Operating loss	**(201,982)**	**16,466**	**(33,384)**	**(218,900)**
State appropriations	128,712	—	—	128,712
Gifts	(275)	2,356	33,603	35,684
Interest on capital asset-related debt	(10,108)	—	(256)	(10,364)
Other nonoperating revenues	5,936	52,555	(482)	58,009
Capital appropriations	3,453	—	—	3,453
Capital gifts	—	—	5,637	5,637
Contributions from affiliates, net	49,770	—	—	49,770
Transfers	1,750	(962)	(788)	—
Total nonoperating revenues	**179,238**	**53,949**	**37,714**	**270,901**
Special item	132,413	—	—	132,413
Change in net position	**109,669**	**70,415**	**4,330**	**184,414**
Net position - beginning of year	579,210	29,819	122,003	731,032
Net position - end of year	**$ 688,879**	**$ 100,234**	**$ 126,333**	**$ 915,446**

	2021 University	2021 Research Foundation	2021 Athletic Association	2021 Total
Cash (used)/provided by:				
Operating activities	$ (124,027)	$ (3,476)	$ (33,803)	$ (161,306)
Noncapital financing activities	211,928	33,572	21,968	267,468
Capital and related financing activities	(30,506)	(7,525)	12,517	(25,514)
Investing activities	(12,247)	—	3,081	(9,166)
Net (decrease)/increase in cash and cash equivalents	**45,148**	**22,571**	**3,763**	**71,482**
Cash and cash equivalents, beginning of year	148,924	19,971	22,261	191,156
Cash and cash equivalents, end of year	**$ 194,072**	**$ 42,542**	**$ 26,024**	**$ 262,638**

	2020 University	2020 Research Foundation	2020 Athletic Association	2020 Total
Cash (used)/provided by:				
Operating activities	$ (154,191)	$ 25,509	$ (47,230)	$ (175,912)
Noncapital financing activities	221,512	(2,006)	29,642	249,148
Capital and related financing activities	2,850	(3,532)	899	217
Investing activities	5,479	—	5,829	11,308
Net (decrease)/increase in cash and cash equivalents	**75,650**	**19,971**	**(10,860)**	**84,761**
Cash and cash equivalents, beginning of year	73,274	—	33,121	106,395
Cash and cash equivalents, end of year	**$ 148,924**	**$ 19,971**	**$ 22,261**	**$ 191,156**

b. Discretely Presented Component Units

The combining schedule of the discretely presented component units University of Louisville Foundation, Inc., University of Louisville Real Estate Foundation, Inc., and UL Health, Inc., as of June 30, 2021 and 2020, are as follows (in thousands):

	2021			
	UL Foundation	UL RE Foundation	UL Health	Total
Current assets	$ 33,359	$ 12,188	$ 813,947	$ 859,494
Capital assets	50,467	140,609	272,655	463,731
Other noncurrent assets	991,841	97,777	56,266	1,145,884
Total assets	**1,075,667**	**250,574**	**1,142,868**	**2,469,109**
Current liabilities	17,769	2,667	461,886	482,322
Other noncurrent liabilities	47,219	72,034	113,269	232,522
Total liabilities	**64,988**	**74,701**	**575,155**	**714,844**
Net investment in capital assets	—	—	—	—
Restricted nonexpendable	650,132	—	—	650,132
Restricted expendable	300,231	—	24,658	324,889
Unrestricted	60,316	175,873	543,055	779,244
Total net position	**1,010,679**	**175,873**	**$ 567,713**	**1,754,265**
Total liabilities and net position	**$ 1,075,667**	**$ 250,574**	**$ 1,142,868**	**$ 2,469,109**

	2020			
	UL Foundation	UL RE Foundation	UofL Health	Total
Current assets	$ 45,954	$ 7,950	$ 787,159	$ 841,063
Capital assets	53,009	145,294	218,425	416,728
Other noncurrent assets	758,061	102,775	71,470	932,306
Total assets	**857,024**	**256,019**	**1,077,054**	**2,190,097**
Current liabilities	17,866	3,991	416,433	438,290
Other noncurrent liabilities	67,026	78,454	179,948	325,428
Total liabilities	**84,892**	**82,445**	**596,381**	**763,718**
Net investment in capital assets	—	—	8,656	8,656
Restricted nonexpendable	484,984	—	—	484,984
Restricted expendable	246,212	—	34,193	280,405
Unrestricted	40,936	173,574	437,824	652,334
Total net position	**772,132**	**173,574**	**$ 480,673**	**1,426,379**
Total liabilities and net position	**$ 857,024**	**$ 256,019**	**$ 1,077,054**	**$ 2,190,097**

	2021			
	UL Foundation	UL RE Foundation	UofL Health	Total
Patient revenue, net	$ —	$ —	$ 1,719,742	$ 1,719,742
Other operating revenue	8,338	21,357	215,765	245,460
Total operating revenue	8,338	21,357	1,935,507	1,965,202
Depreciation	2,931	9,027	35,765	47,723
Other operating expense	59,716	10,031	1,785,623	1,855,370
Total operating expense	**62,647**	**19,058**	**1,821,388**	**1,903,093**
Operating income (loss)	**(54,309)**	**2,299**	**114,119**	**62,109**
Gifts and donations	38,636	—	—	38,636
Investment income	254,220	—	1,748	255,968
Other nonoperating revenue (expense)	—	—	(28,827)	(28,827)
Total nonoperating revenue (expense)	**292,856**	**—**	**(27,079)**	**265,777**
Change in net position	**238,547**	**2,299**	**87,040**	**327,886**
Net position-beginning of year	772,132	173,574	480,673	1,426,379
Net position-end of year	**$ 1,010,679**	**$ 175,873**	**$ 567,713**	**$ 1,754,265**

	2020			
	UL Foundation	UL RE Foundation	UofL Health	Total
Patient revenue, net	$ –	$ –	$ 968,169	$ 968,169
Other operating revenue	7,633	16,627	141,242	165,502
Total operating revenue	**7,633**	**16,627**	**1,109,411**	**1,133,671**
Depreciation	2,515	9,296	22,344	34,155
Other operating expense	82,153	10,226	1,022,268	1,114,647
Total operating expense	**84,668**	**19,522**	**1,044,612**	**1,148,802**
Operating income (loss)	**(77,035)**	**(2,895)**	**64,799**	**(15,131)**
Gifts and donations	58,877	–	–	58,877
Investment income	(629)	–	4,659	4,030
Other nonoperating revenue (expense)	–	–	(3,808)	(3,808)
Total nonoperating revenue (expense)	**58,248**	**–**	**851**	**59,099**
Transfer of operations	–	–	146,506	146,506
Change in net position	**(18,787)**	**(2,895)**	**212,156**	**190,474**
Net position-beginning of year	790,919	176,469	–	967,388
Transfer of net assets	–	–	268,517	268,517
Net position-end of year	**$ 772,132**	**$ 173,574**	**$ 480,673**	**$ 1,426,379**

c. University of Louisville Foundation, Inc. and Affiliates

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

Complete financial statements for the Foundation can be obtained from Foundation Administration at University of Louisville, 215 Central Avenue, Suite 304, Louisville, KY 40292.

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

1. ULF - Description of Organization and Summary of Significant Accounting Policies

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The ASU requires the rights and obligations arising from the lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheets. The ASU will require disclosures to help the financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The Foundation adopted this standard in July 2021, with no material impact to the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets. This ASU intends to improve the transparency of disclosures in the notes to financial statements by requiring distinct presentation of contributed non-financial assets within the statement of activities and clarification of the contributed non-financial assets by category within the notes. The ASU is effective for annual reporting periods ending after June 15, 2022, with early adoption permitted. The Foundation is currently evaluating the effect this new standard will have on its financial statements.

2. ULF - Endowment

The Foundation’s endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments (board-designated endowment funds). As required by U.S. GAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation’s Board has interpreted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), adopted in the Commonwealth of Kentucky in July 2010, as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This policy is consistent for both donor-restricted endowment funds and board-designated endowment funds that have donor restrictions.

The composition of net assets by type of endowment fund at June 30, 2021 and 2020, was as follows (in thousands):

	2021 Without Donor Restrictions	2021 With Donor Restrictions	2021 Total
Donor-restricted endowment funds	$ –	$ 650,132	$ 650,132
Board-designated endowment funds	36,987	176,329	213,316
	$ 36,987	**$ 826,461**	**$ 863,448**

	2020 Without Donor Restrictions	2020 With Donor Restrictions	2020 Total
Donor-restricted endowment funds	$ –	$ 484,984	$ 484,984
Board-designated endowment funds	31,380	133,137	164,517
	$ 31,380	**$ 618,121**	**$ 649,501**

Changes in endowment net assets for the years ended June 30, 2021 and 2020, were as follows (in thousands):

	2021 Without Donor Restrictions	2021 With Donor Restrictions	2021 Total
Endowment net assets, beginning of year	$ 31,380	$ 618,121	$ 649,501
Investment return:			
Investment and endowment income	221	4,713	4,934
Net appreciation	10,160	210,686	220,846
Total investment return	**10,381**	**215,399**	**225,780**
Contributions	–	6,571	6,571
Appropriations	(660)	(22,045)	(22,705)
Other changes	(4,114)	8,415	4,301
Endowment net assets, end of year	**$ 36,987**	**$ 826,461**	**$ 863,448**

	2020 Without Donor Restrictions	2020 With Donor Restrictions	2020 Total
Endowment net assets, beginning of year	$ 38,421	$ 625,658	$ 664,079
Investment return:			
Investment and endowment income	257	4,591	4,848
Net appreciation	(349)	(11,044)	(11,393)
Total investment return	**(92)**	**(6,453)**	**(6,545)**
Contributions	–	13,976	13,976
Appropriations	(1,339)	(26,239)	(27,578)
Other changes	(5,610)	11,179	5,569
Endowment net assets, end of year	**$ 31,380**	**$ 618,121**	**$ 649,501**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the fair value level that the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with or without donor restrictions and aggregated to approximately $0 and $24 million at June 30, 2021 and 2020, respectively, in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of contributions with donor restrictions. The Foundation's spending policy allows for a pro-rated amount of appropriations in certain instances of endowments with these deficiencies.

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

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

The Foundation has a standing policy (i.e., "spending policy") of appropriating for expenditure each year a percentage of certain endowment funds' average market values over the prior twelve-quarters through the calendar year-end preceding the year in which expenditure is planned. The Foundation will adjust the spending policy for a given year to mitigate adverse market performance on the level of support provided to the University.

In May 2020, the Board of the Foundation approved a 3.00% spending policy for the fiscal year 2020-2021 for support to the academic units and allocated 1.00% for overall fundraising efforts and operations of the Foundation. The spending policy is based on a twelve-quarter moving average of certain market values as of December 31.

In April 2021, the Board of the Foundation approved a 3.00% spending policy for the fiscal year 2021-2022 for support to the academic units and allocated 1.00% for overall fundraising efforts and operations of the Foundation. The spending policy is based on a twelve-quarter moving average of certain market values as of December 31.

The Foundation has adopted an investment objective to preserve its purchasing power while providing a continuing, stable, and sustainable funding source to support the current and future mission of the University. The Foundation's investments seek to generate a total return that will exceed not only its spending rate, but also all expenses associated with managing the fund and the eroding effects of inflation. Investments are managed on a total return basis, consistent with the applicable standard of conduct set forth in the UPMIFA. The annual return (loss) for total endowment assets was 34% and (1.7%) in 2021 and 2020, respectively.

3. ULF - Investments and Investment Income

Investments as of June 30, 2021 and 2020, are as follows (in thousands):

	2021	2020
Cash equivalents	$ 50,790	$ 55,291
Alternate investments:		
Hedge Funds	137,470	129,057
Investments in partnerships	451,571	328,695
Mutual funds:		
Equity	153,005	88,244
Fixed Income	18,837	18,455
Marketable alternatives:		
Domestic marketable equity securities	50,996	37,561
Marketable debt securities:		
U.S. Treasury	42,408	25,508
Total Investments	**$ 905,077**	**$ 682,811**

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 changes could materially affect the investment amounts reported on 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. 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 total endowment assets, which is the main endowment pool for the Foundation. The total endowment assets are pooled using a market value basis, with each individual fund subscribing to, or disposing of, units on the basis of the market value per unit at the end of the prior calendar month during which the transaction takes place.

4. ULF - Guarantees

a. Loans

As of June 30, 2021 and 2020, ULF guaranteed four loans related to certain University student organizations, including fraternities and sororities. If the student organization does not meet its scheduled payments, ULF could be called upon to make the payments, as well as collect expenses and costs. The total amount approved for loans was approximately $1.6 million, with $511,000 and $621,000 outstanding as of June 30, 2021 and 2020, respectively.

In December 2010, ULF guaranteed 51% of the outstanding loan of Campus One. As of June 30, 2021 and 2020, the amount under guarantee was $6.6 million and $6.9 million, respectively.

The Foundation has not made any payments on these guarantees to date.

b. Lease Guarantee

In December 2006, the Foundation became the guarantor of payments due to University Faculty Office Building, LLC (UFOB) under the Master Lease agreement between the Medical School Practice Association, Inc. (MSPA) and UFOB. The Foundation has guaranteed the full and prompt payment of all amounts due to UFOB, including any damages for default and payments to reimburse UFOB for any costs and expenses incurred by UFOB to cure any default by MSPA. The initial lease term is 15 years, which began in July 2008. The annual lease payments due from MSPA to UFOB are approximately $3.5 million, with an annual inflation of 3%. The Foundation has not made any payments on this guarantee to date.

5. ULF - Funds Held in Trust by Others

The Foundation has been designated by the University as the income beneficiary of various trusts and financial entities that are held and controlled by others. One of these is a perpetual and irrevocable trust known as the University of Louisville Trust (the Trust). It was created in 1983 to receive, administer, and invest assets that result from gifts to the Trust. The market value of the Trust was approximately $35 million and $26 million as of June 30, 2021 and 2020, respectively.

The Foundation’s portion of the market value of the remaining trusts was approximately $40 million and $32 million as of June 30, 2021 and 2020, respectively. These funds are invested in various equities and income-producing assets. For the years ended June 30, 2021 and 2020, the Foundation recorded income of $18 million and $2.2 million, respectively, from these trusts, which is included in changes in funds held in trust by others on the consolidated statements of activities and changes in net assets.

6. ULF - Funds Held in Trust for Others

The Foundation is the custodian of funds owned by the Association. The Association is a separate corporation organized for the purpose of promoting the intercollegiate athletic activities of the University. As of June 30, 2021 and 2020, the Foundation held approximately $3.5 million and $5.5 million, respectively, for the Association's investment purposes.

The Foundation entered into an agreement with Legacy Foundation of Kentuckiana, formerly Jewish Hospital & St. Mary's Healthcare, Inc. (Jewish Hospital) whereby the Foundation serves in an agency capacity to invest funds on behalf of Jewish Hospital. Jewish Hospital is a separate corporation organized for the purpose of providing health care services. As of June 30, 2021 and 2020, the Foundation held approximately $10.7 million and $8.0 million, respectively, for Jewish Hospital's investment purposes.

The Foundation was the recipient of endowed funds, the income of which shall be used in support of the Louisville Orchestra. As of June 30, 2021 and 2020, the Foundation held approximately $274,000 and $200,000, 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 on the consolidated statements of activities, since these earnings are distributed to the owners of the funds.

7. ULF - Transactions with ULREF

Included in the spending policy contribution to the University is a specific component designed to approximate the Foundation's allocated portion of salaries, benefits, and certain other administrative support costs related to fundraising and advancement. These amounts were approximately $6.3 million and $6.0 million for the years ended June 30, 2021 and 2020, respectively, and are included in contributions and allocations to the University departments on the consolidated statements of activities and changes in net assets.

For the years ended June 30, 2021 and 2020, the Foundation recorded approximately $2.3 million in revenues from the University and related affiliates, which is included in net rental revenues and other revenues on the consolidated statements of activities and changes in net assets.

In connection with the assignment of certain membership interests to ULREF, the Foundation entered into a memorandum of agreement effective June 30, 2016, with ULREF and certain of its affiliates whereas ULREF promises, and agrees, to pay to the Foundation approximately $28.9 million. The unpaid balances shall bear no interest. ULREF may make payments on the unpaid balance at any time, in whole or in part, without premium or penalty.

At June 30, 2021 and 2020, the net receivable from ULREF is $12.1 million and $16.7 million, respectively, and is included as due from ULREF on the consolidated statements of financial position. The amount due from ULREF is included within the endowment assets as of June 30, 2021 and 2020. See Note 7 for further information regarding the endowment.

d. University of Louisville Real Estate Foundation

The University of Louisville Real Estate Foundation, Inc. and affiliates (collectively, "ULREF") is a legally separate, tax exempt component unit of the University, under the provisions of GASB Statement No. 39. ULREF is a Kentucky not-for-profit corporation formed on November 19, 2014. ULREF's mission is to acquire, maintain, improve, leverage, manage, lease, and convey real and personal property for the benefit of the University. The University of Louisville Foundation, Inc. ("Foundation") has contributed membership interest and capital assets to ULREF for the purpose of furthering the mission of ULREF.

As directed by its Board of Directors, ULREF transfers a portion of its unrestricted resources to support a variety of the University's activities. Although the University does not control the timing or amount of receipts from ULREF, the majority of resources, or income thereon, which the Foundation holds, manages and invests is for the benefit of the University. Because these resources held by ULREF can only be used by, or for the benefit of, the University, ULREF is considered a component unit of the University and is discretely presented in the University's financial statements.

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

Complete financial statements for ULREF can be obtained from Foundation Administration at University of Louisville, 215 Central Avenue, Suite 304, Louisville, KY 40292.

1. ULREF - Description of Organization and Summary of Significant Accounting Policies

In December 2014, ULREF became a 51% owner of Campus Three, LLC (Campus Three). In March 2016, ULREF received a 51% ownership interest in Campus Two, LLC (Campus Two) from the Foundation. In July 2016, ULREF became a 51% owner of Campus 435, LLC (Campus 435); Campus 805, LLC (Campus 805); and Campus 815, LLC (Campus 815). These joint ventures build and manage commercial real estate property on the University's Shelby Campus.

The Foundation entered into ground leases to develop a portion of the University's Shelby Campus property. On or about the date of each respective lease, ULREF and NTS entered into a Development Agreement, an Operating Agreement, and a Management Agreement, which state that NTS Development Company (NTS DevCo) will be the developer and NTS Management Company (NTS Mgt Co) will be the manager, and which provide for management, leasing, and development fees to be paid by ULREF to NTS DevCo and NTS Mgt Co. The initial term of the Operating Agreement is ten years. Campus Two and Campus Three may terminate the Management Agreement for cause upon 60 days' written notice at any time. NTS may terminate the Management Agreement without cause upon 60 days' written notice or terminate the Management Agreement for cause at any time upon prior written notice, and, in such case, NTS may require ULREF to purchase NTS's interest in Campus Three and/or in Campus Two.

ULREF has evaluated these investments as variable interest entities (VIEs) in accordance with ASC 810, *Consolidation*. A legal entity is referred to as a VIE if any of the following conditions exist: (1) the total equity investment at risk is insufficient to permit the legal entity to finance its activities without additional subordinated financial support from other parties, or (2) the entity has equity investors who cannot make significant decisions about the entity's operations or who do not absorb their proportionate share of the expected losses or receive the expected returns of the entity.

A VIE's primary beneficiary is the entity that has the power to direct the VIE's significant activities and has an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. A VIE must be consolidated if an entity is deemed to be the primary beneficiary of the VIE.

All facts and circumstances are taken into consideration when determining whether ULREF has variable interests that would deem it the primary beneficiary and therefore require consolidation of the related VIE or otherwise rise to the level where disclosure would provide useful information to the users of ULREF's consolidated financial statements. In many cases, it is qualitatively clear based on whether ULREF has the power to direct the activities significant to the VIE and, if so, whether that power is unilateral or shared, and whether ULREF is obligated to absorb significant losses of, or has a right to receive, significant benefits from the VIE. In other cases, a more detailed qualitative analysis and possibly a quantitative analysis are required to make such a determination.

ULREF monitors the consolidated and unconsolidated VIEs to determine whether any reconsideration events have occurred that could cause any of them to no longer be a VIE. ULREF reconsiders whether it is the primary beneficiary of a VIE on an ongoing basis. A previously unconsolidated VIE is consolidated when ULREF becomes the primary beneficiary. A previously consolidated VIE is deconsolidated when ULREF ceases to be the primary beneficiary or the entity is no longer a VIE.

ULREF has concluded that it is not the primary beneficiary in any of these investments, and, therefore, these investments are accounted for using the equity method of accounting.

Tax Incremental Financing Revenues

TIF revenues are reimbursements from certain agreements between ULREF, the Commonwealth of Kentucky, and the Louisville/Jefferson County Metro Government. Revenues from these agreements are based on allocations of property taxes, sales and use tax, and income taxes, which vary based on the terms stated in each respective agreement. The TIF districts are located in downtown Louisville and the University's Belknap Campus area.

For the years ended June 30, 2021 and 2020, ULREF recorded approximately $7.6 million and $1.9 million, respectively, of TIF revenues.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The ASU requires the rights and obligations arising from the lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheets. The ASU will require disclosures to help the financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for ULREF beginning July 1, 2022 and will be applied using a modified retrospective approach. ULREF is currently in the process of evaluating its lease contracts, as well as certain service contracts that may include embedded leases. Additionally, ULREF is finalizing its analysis of certain key assumptions that will be utilized at the transition date, including the incremental borrowing rate. The adoption of this new standard is not expected to have a material impact on the consolidated statements of financial position, activities, and changes in net assets.

2. ULREF - Capital Assets

Capital assets at June 30, 2021 and 2020, consist of the following (in thousands):

	2021	2020
Land and land improvements	$ 49,642	$ 49,622
Buildings	100,652	100,864
Building improvements	2,153	2,153
Tenant finish	3,542	3,542
Furniture, fixtures, and equipment	2,622	2,576
	158,611	158,757
Accumulated depreciation	(18,977)	(14,569)
Construction-in-progress	975	1,106
	$ 140,609	**$ 145,294**

3. ULREF - Acquired Lease Intangible Assets and Liabilities

The approximate carrying basis and accumulated amortization of recognized intangible assets and liabilities at June 30, 2021 and 2020, were as follows (in thousands):

	2021		2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets and liabilities:				
In-place leases	$ 354	$ (310)	$ 431	$ (377)
Above-market leases	2,917	(774)	2,925	(659)
Tax incremental financing	116,600	(25,421)	116,600	21,057

Amortization expense for each of the years ended June 30, 2021 and 2020, was approximately $4.5 million and $4.7 million, respectively.

At June 30, 2021, the amortization for acquired TIF intangibles, in-place leases, and above- and below-market leases, net during the next five years and thereafter, assuming no early lease terminations, is as follows (in thousands):

	In-Place Leases	Above-Market Leases	Tax Incremental Financing
2022	$ 11	$ 123	$ 4,364
2023	11	123	4,364
2024	11	123	4,364
2025	9	123	4,364
2026	2	123	4,364
Thereafter	—	1,528	69,359
Total	**$ 44**	**$ 2,143**	**$ 91,179**

4. ULREF - Debt

Debt in the consolidated statements of financial position at June 30, 2021 and 2020, consists of the following (in thousands):

	Description	Fiscal Year of Maturity	2021	2020
Permanent Financing- 22 Preston LLC	Fixed 3.65% rate with 5-year maturity and 20-year amortization commencing June 2019; quarterly principal and interest payments commencing September 2019 with all outstanding principal and interest payments due in full at the maturity date	2024	8,406	8,873
Note Payable - KYT, LLC	Variable rate based on LIBOR plus 1.95% with interest-only payments commencing August 2016 and principal payment at maturity	2022	12,000	12,000
Northwestern Mutual Loan- Housing	Fixed 4.77% rate with 20-year amortization commencing November 2018; principal and interest payments monthly commencing January 2019	2038	38,546	39,934
Debt			$ 58,952	$60,807
Less debt issuance			(451)	(512)
Total debt			**$ 58,501**	**$60,295**

Preston had a construction loan agreement with a bank with a maximum draw available amount of $10.1 million, which was secured by Preston's real estate and assignment of lease. The terms of the agreement required Preston to maintain a debt service coverage ratio of 1.00 to 1.00, which was measured annually on December 31.

Preston refinanced the construction loan in June 2020. The new permanent financing note has a fixed rate of 3.65%, 5-year maturity with a 20-year amortization with principal and interest payments due quarterly and all outstanding principal and accrued interest due in full at the maturity date. Preston is required to maintain a debt service coverage ratio of 1.00 to 1.00. At June 30, 2021, Preston was in compliance with this debt requirement.

In June 2016, KYT entered into a note payable with a financial institution to refinance $19.5 million borrowed in relation to the purchase of property adjacent to the University in 2008. The terms of this note were modified in July 2021. The modified note has an interest rate of 1.95% per annum plus the one-month LIBOR rate. Interest only is payable beginning July 1, 2021, and on the first day of each consecutive month thereafter, with the remaining $12 million principal due in full in July 2023. The note is collateralized by mortgages on properties and a guarantee from Cardinal Station, LLC and ULREF. ULREF is subject to certain financial covenants under the terms of the note and is in compliance with such covenants at June 30, 2021.

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

Year ending June 30:		
2022	$	1,798
2023		1,987
2024		21,067
2025		1,672
2026		1,754
Thereafter		30,674
Total	**$**	**58,952**

5. ULREF - Leasing Activities

ULREF leases space to tenants under noncancelable operating leases. As of June 30, 2021, ULREF had various leases expiring monthly to 85 years, through 2106. These leases generally require ULREF to pay all executory costs (property taxes, maintenance, and insurance).

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

		2021		2020
Base minimum rents	$	12,198	$	13,059
Common area maintenance		139		130
Total	**$**	**12,337**	**$**	**13,189**

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

Year ending June 30:		
2022	$	2,896
2023		2,386
2024		2,347
2025		1,799
2026		1,585
Thereafter		20,463
Total	**$**	**31,476**

Included in the amounts above is a certain subleased property that requires ULREF to pay approximately $450,000 annually in rent for ten years, with escalating provisions during the lease term. The basic provisions of ULREF's sublease for this property are equal to its lease commitment.

d. UofL Health, Inc.

The consolidated financial statements of UofL Health, Inc. (UofL Health) include the accounts of University Medical Center, Inc. d/b/a University of Louisville Hospital/James Graham Brown Cancer Center (UMC), UofL Health – Louisville (Jewish Hospital), Inc., UofL Health – Shelbyville, Inc. (Jewish Hospital Shelbyville), and University of Louisville Physicians, Inc. (ULP). All significant intercompany accounts and transactions have been eliminated in consolidation.
UofL Health is a nonprofit corporation incorporated on September 4, 2019. UofL Health is the sole corporate member of UMC, Jewish Hospital, Jewish Hospital Shelbyville, and ULP (collectively, the "Corporation"). The business and affairs of the Corporation are conducted by its Board of Directors. The Board of Directors (the Board) includes 11 voting directors consisting of 5 directors appointed by the University of Louisville (UofL), and 6 at-large directors, nominated and voted on by the Board. The Corporation is a component unit of the University of Louisville.

UMC is a nonprofit corporation incorporated on June 27, 1995. Norton Healthcare, Inc. (Norton), a Kentucky nonprofit corporation, Jewish Hospital & St. Mary's Healthcare, Inc. (formerly known as Jewish Hospital HealthCare Services, Inc. (Jewish)), a Kentucky nonprofit corporation, and UofL were the original members of a corporation. Effective July 1, 2007, Norton and Jewish resigned from the Board and UMC reverted to a nonmember, nonprofit corporation under Kentucky Revised Status Chapter 273.

Additionally, effective July 1, 2017, an amended and restated lease agreement between the Commonwealth of Kentucky, UofL and UMC was entered into. The Corporation also entered into an Amended and Restated Academic Affiliation Agreement (AAA) with UofL, effective July 1, 2017, which grants the Corporation the right to lease and operate an acute-care teaching hospital and related medical facilities. The AAA with UofL was superseded by the Master Academic Affiliation Agreement (MAAA) between UofL, UMC, Jewish Hospital and Jewish Hospital Shelbyville, effective November 1, 2020. The initial term of the MAAA is twenty-five years from the effective date with five-year renewal terms in accordance with the agreement.

UMC became a wholly owned subsidiary of UofL Health effective November 1, 2019.

UofL Health, Inc. – Louisville (Jewish Hospital) and UofL Health, Inc. – Shelbyville (Jewish Hospital Shelbyville) were incorporated September 23, 2019. On November 1, 2019, UofL Health acquired assets through a business acquisition with KentuckyOne Health under the corporations of Jewish Hospital and Jewish Hospital Shelbyville. Additionally, as part of this transaction a portion of the acquisition was allocated and assigned to ULP.

ULP was established in August 2011 and is organized as a private, nonprofit corporation that functions as the corporate structure for clinical practices of the faculty of UofL School of Medicine. Operations began on January 1, 2012, when the first two physician groups (clinical departments) transitioned their practices into ULP. As of June 30, 2021 and 2020, ULP has seventeen clinical departments. ULP became a wholly owned subsidiary of UofL Health effective November 1, 2019.

Complete financial statements for UofL Health and prior financial statements for UMC can be obtained from the administrative office at UofL Health 530 S. Jackson Street Louisville, Kentucky 40202. Prior financial statements for ULP can be obtained from 300 E. Market Street Louisville, Kentucky 40202.

1. <u>Change in Accounting Principle</u>

On July 1, 2020, the Corporation adopted the new revenue recognition accounting standard issued by the FASB and codified in FASB Accounting Standards Codification (ASC) 606. The revenue recognition standard in ASC 606 outlines a single comprehensive model for recognizing revenue as performance obligations, defined in a contract with a customer as goods or services transferred to the customer in exchange for consideration, are satisfied. The standard also requires expanded disclosures regarding the Corporation's revenue recognition policies and significant judgements employed in the determination of revenue.

The Corporation applied the modified retrospective approach to all contracts when adopting ASC 606. As a result, upon the Corporation's adoption of ASC 606, the majority of what was previously classified as the provision for bad debts in the statement of operations and changes in net assets is now reflected as implicit price concessions (as defined in ASC 606) and therefore is included as a reduction to patient care service revenues for the year ending June 30, 2021. For periods prior to the adoption of ASC 606, the provision for bad debts was presented consistent with the previous revenue recognition standards that required such provision to be presented separately as a component of net operating revenues.

Additionally, upon adoption of ASC 606, the allowance for doubtful accounts of approximately $97.4 million as of June 30, 2020, was reclassified as a component of patient accounts receivable. Other than these changes, the adoption of ASC 606 did not have a material impact on the 2020 financial statements and the Corporation does not expect it to have a material impact on its results of operations on a prospective basis. As part of the adoption of ASC 606, the Corporation elected two of the available practical expedients provided for in the standard. First, the Corporation does not adjust the transaction price for any financing components as those were deemed insignificant. Additionally, the Corporation expenses all incremental customer contract acquisition costs as incurred because such costs are not material and would be amortized over a period of less than one year.

2. Business Combination

On August 14, 2019, UofL entered into an asset purchase agreement with Jewish Hospital & St. Mary's Healthcare, Inc., a Kentucky nonprofit corporation; KOMG-Louisville Region, Inc., a Kentucky nonprofit corporation, and CHI Kentucky, Inc., a Kentucky Corporation (collectively, KentuckyOne-Louisville). The agreement included CommonSpirit Health f/k/a Catholic Health Initiatives, a Colorado, nonprofit corporation, for limited specific purposes. The acquisition was finalized on November 1, 2019. As part of this acquisition, the Corporation received $187.8 million of KentuckyOne assets in exchange for assumption of certain liabilities in the amount of $53.5 million and a cash payment of $6.6 million. As part of this asset acquisition, UMC's long- term debt with CHI Kentucky, Inc. of $8.9 million, and UMC's long-term debt with KentuckyOne Health of $10.0 million was forgiven. As a result of the asset purchase agreement, the Corporation recognized a gain on acquisition for the excess of the fair value of assets acquired over liabilities assumed of $146.5 million and is included in the consolidated statement of operations and changes in net assets.

The following is a reconciliation of the transaction for the Corporation as of November 1, 2019 (in thousands):

Fair value of assets acquired:		
Cash and cash equivalents	$	16
Accounts receivable		92,800
Inventories		17,362
Prepaid expense and other		3,626
Property and equipment, net		73,975
Total fair value of assets acquired	**$**	**187,779**
Liabilities assumed:		
Accounts payable and accrued expenses	$	53,548
Total liabilities assumed		**53,548**
Cash paid in acquisition	$	6,618
Long-term debt forgiven in acquisition	$	18,893
Gain on acquisition	**$**	**146,506**

Further, in conjunction with the acquisition, the Corporation received donor restricted gifts of approximately $50.0 million , which have been recognized as contributions in the statements of operations and changes in net assets. $40.0 million of the contributions were included within the asset purchase agreement to be paid by the seller entities to the buyer entities over a four-year period. Additionally, the Corporation received a $10.0 million pledge from the Jewish Heritage Fund for Excellence, Inc. for the acquisition and operation of the acquired entities.

Additionally, effective November 1, 2019, UofL Health became the sole corporate member of UMC and ULP through a noncash business transaction. The Corporation recorded the carrying value of the assets acquired and liabilities assumed as of November 1, 2019. There was no gain or loss associated with this business combination.

The total amount of net asset transfers relating to UMC and ULP was $268.5 million.

3. Patient Accounts Receivable

The Corporation provides services without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors as of June 30, 2021 and 2020, is as follows:

	2021	2020
Medicare	13 %	14 %
Medicaid	3 %	4 %
Managed care	39 %	31 %
Commercial and other	44 %	49 %
Self-pay	1 %	2 %
	100 %	**100 %**

4. Net Patient Service Revenue

The composition of patient care service revenue by primary payor for the year ended June 30, is as follows:

	2021
Medicare	25 %
Medicaid	16 %
Managed Care	8 %
Commercial and other	50 %
Self-pay	1 %
	100 %

5. Passport Health Plan by Molina Healthcare

Passport is a comprehensive risk-based entity that has separate financial statements available. The Corporation has a 0% and 63.88% sponsorship interest in Passport as of June 30, 2021 and 2020, respectively. During 2020, the Corporation received approximately $34.3 million as part of the sale of certain Passport assets and is expecting to receive the outstanding payment amount of $10.3 million from the sale of such assets during the year ending June 30, 2022. The outstanding balance due of $10.3 million is recorded in other accounts receivable on the balance sheet as of June 30, 2021, and within other assets as of June 30, 2020. During 2021, the Corporation sold its 19.16 shares of common stock in Passport, which resulted in a gain of $12.8 million and is recorded within equity in earnings of affiliates on the statement of operations and changes in net assets.

6. Refundable Advances

During 2020, Provider Relief Fund (PRF) grants authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic under Catalog of Federal Domestic Assistance (CFDA) #93.498. Revenues from Provider Relief Fund grants are recognized to the extent of expenses incurred specific to responding to the COVID-19 pandemic. In addition to these eligible expenses, changes in operating income (loss) as a result of the pandemic could qualify as eligible for reimbursement. Changes in operating income lost represent the deficiency of net operating revenues less operating expenses related to health care services recognized over the same period in the previous year. The Corporation received PRF grants of approximately $135.6 million. PRF grants of approximately $88.2 million are included in the consolidated statement of operations and changes in net assets as federal grants

The guidance issued by the grantor to define eligible expenses and, more specifically, to determine changes in patient care service revenues related to the pandemic that would be eligible for reimbursement is evolving and is uncertain as of the date the financial statements were available to be issued. Therefore, these funds are subject to recoupment by the grantor in the event that the conditions for recognition are not met. The Corporation has recorded a reserve of approximately $16.6 million and $55,3 million as refundable advance liabilities on the balance sheets as of June 30, 2021 and 2020, respectively.

The passage of the CARES Act also authorized Centers for Medicare and Medicaid Services (CMS) to expand the Medicare Accelerated and Advancement Payment Program to a broader group of Medicare Part A providers and Part B suppliers. As eligible healthcare organizations, UMC, Jewish Hospital, Jewish Hospital Shelbyville, and ULP were eligible to request up to 100% of their Medicare payment amounts for a six-month period. These payments were issued in April 2020. Recoupment of the advance payment was to begin following a 120-day deferral period. The Continuing Appropriations Act, 2021 and Other Extensions Act which passed on September 30, 2020 allowed providers to extend repayment for a full year before recoupment begins. The recoupment process began April 2021 and payment for submitted claims is to be reduced by 25% for 6 months, then 50% for the following 11 months, and any outstanding payments after this period will be due in full to CMS. The advance payment is included in refundable advances on the balance sheet.

As of and for the year ended June 30, 2021, revenues recognized and refundable advances were as follows:

	Revenue Recognized	Refundable Advances	Total
Provider relief fund	$ 88,189	$ 16,604	$ 104,793
Medicare accelerated and advance payment program	—	115,344	115,344
Ending balance as of June 30, 2021	**$ 88,189**	**$ 131,948**	**$ 220,137**

As of June 30, 2020, refundable advances were as follows:

	Refundable Advances
Provider relief funds	$ 55,262
Medicare accelerated and advance payment program	130,541
Ending balance as of June 30, 2020	**$ 185,803**

7. Medical Malpractice Claims

The Corporation is insured against medical malpractice claims under claims-made based policies, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policies, the Corporation bears the risk of the ultimate costs of any individual claims or aggregate claims exceeding $8.0 million for claims asserted in the policy year. In addition, the Corporation has an umbrella policy with additional coverage limits.

Should the claims-made policies not be renewed or replaced with equivalent insurance, claims based on the occurrences during the claims-made term but reported subsequently will be uninsured.

The Corporation is not aware of any medical malpractice claims, either asserted or unasserted, that would exceed the policy limits. No claims have been settled during the past three years that have exceeded policy coverage limits. The cost of this insurance policy represents the Corporation's cost for such claims for the year and it has been charged to operations as a current expense.

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

	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Total OPEB liability				
Service Cost	$ 2,538	$ 2,437	$ 4,630	$ 5,203
Interest	2,318	2,497	3,296	2,728
Difference between expected and actual experience	(1,687)	1,923	(1,718)	(2,608)
Changes of assumption	5,757	5,488	(27,504)	(5,495)
Benefit payments	(2,927)	(2,836)	(2,817)	(3,007)
Net change in OPEB Liability	**5,999**	**9,509**	**(24,113)**	**(3,179)**
OPEB liability - beginning of year	74,239	64,730	88,843	92,022
OPEB liability - end of year	**80,238**	**74,239**	**64,730**	88,843
Covered employee payroll	**$ 490,221**	**$ 493,893**	**$ 450,332**	**$ 445,356**
Total OPEB liability as a percentage of covered employee	**16.37 %**	**15.03 %**	**14.37 %**	**19.95 %**

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
University of Louisville
Louisville, Kentucky

We have audited, in accordance with the 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, the financial statements of the business-type activities, the aggregate discretely presented component units of University of Louisville, collectively a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise University of Louisville's basic financial statements, and have issued our report thereon dated October 19, 2021. The financial statements of University of Louisville Health, Inc. (UofL Health), University of Louisville Real Estate Foundation, Inc. (ULREF), and the University of Louisville Foundation, Inc. and Affiliates (the Foundation) were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with UofL Health, ULREF, and the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered University of Louisville's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University of Louisville's internal control. Accordingly, we do not express an opinion on the effectiveness of University of Louisville's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University of Louisville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

University of Louisville's Response to Findings

University of Louisville's response to the findings identified in our audit is described in the accompanying Schedule of Findings. University of Louisville's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Signature on file

CliftonLarsonAllen LLP

St. Louis, Missouri
October 19, 2021

Section I – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government.*

2021 – 001: Audit Adjustments

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting.

Condition: During the audit process, two material audit adjustments were recorded to increase revenue and expenses by approximately $70,891,000, and to increase grants accounts receivable, decrease deferred revenues and increase bad debt expense by approximately $6,957,000, $5,050,000, and $1,907,000, respectively.

Criteria: The University must have controls in place to ensure that non-routine transactions are properly recorded. Additionally, the University must have controls in place to ensure grant transactions and account balances are reconciled and properly recorded.

Effect: Lack of controls in place to ensure non-routine transactions and grant account balances are properly recorded may result in the preparation of the Financial Statements that inaccurately reflect the financial position of the University.

Cause: The University's controls were not operating effectively to be able to properly record non-routine transactions. Additionally, the University's controls were not operating effectively to ensure grant transactions and account balances were properly recorded.

Repeat Finding: No

Recommendation: The University should pursue consultation on all non-routine transactions to ensure they are properly recorded. Additionally, the University should implement policies and procedures to ensure grant transactions and account balances are reconciled and reviewed on a timely basis.

Views of responsible officials and planned corrective actions: The University places significant importance on establishing sound internal controls and ensuring those controls are effectively executed, monitored, and revised as needed. The finding related to materially adjusting revenues and expenses stems from payments made to the Commonwealth for enhanced Medicaid reimbursement requests that ultimately flow to the affiliated health system. Historically, the University has netted these payments with Medicaid revenues as these enhanced reimbursements are a mandatory revenue match and did not result in earned income to the University. However, in FY21, the University restructured the funds flows between the affiliated organizations and began to make the enhanced payment requests on behalf of the affiliated health system. Those payments were identified as expenses instead of reductions of revenue. This revised (and corrected) accounting has been identified and was applied to FY21 and will be applied going forward for the enhanced payment requests made on behalf of operating partners. The University does maintain a protocol for evaluating the technical accuracy of accounting transactions and, when appropriate, shares with the external auditor for validation and will continue that practice in a more expansive manner.

The finding related to grants receivables was brought about by turnover of individuals responsible for billing. After the turnover, billing activities were not correctly processed resulting in a build up of balances in deferred revenues and accounts receivable. Identification of the issue has resulted in correction of the billing activities and review of the deferred revenue and accounts receivable balances to determine corrections needed. Going forward, the University has restaffed the vacated function and will establish formal process to process grant receivables along with an additional review of grant accounts receivables and deferred revenues to identify variances and anomalies, along with keeping an adequate reserve for uncollectible accounts. The review will be performed by individuals in grants management with quarterly oversight by Controller’s Office.

RECOMMENDATION TO THE BOARD OF TRUSTEES
REGARDING A FACULTY ACCOUNTABILITY POLICY

Academic and Student Affairs Committee – 9-23-2021
Executive and Compensation Committee – 9-23-2021

RECOMMENDATION:

The President recommends that the Board of Trustees approve the Faculty Accountability Policy as described in the form, attached.

The Executive Vice President and University Provost joins the President in making this recommendation.

COMMITTEE ACTION:
Passed ✓
Did Not Pass ____________
Other __________________

Signature on file
Assistant Secretary

BOARD ACTION:
Passed ✓
Did Not Pass ___________
Other _________________

Assistant Secretary

University of Louisville

OFFICIAL UNIVERSITY ADMINISTRATIVE POLICY

POLICY NAME

Faculty Accountability

POLICY NUMBER

TBD

INITIAL ADOPTION AND EFFECTIVE DATE

Enter date

POLICY APPLICABILITY

This policy applies to all faculty at the University of Louisville as defined in Redbook, Article 4.1.

REASON FOR POLICY

The University of Louisville (University) is committed to fostering a diverse and inclusive work environment that promotes a culture of mutual respect with integrity, transparency, and accountability. The University's Code of Conduct states core values shared by members of the University community, including honesty and rigor in all pursuits, respect for diversity and for all individuals regardless of position and professionalism in our interactions. The Code of Conduct and the Redbook cite ethical considerations expected of every employee in conducting the affairs of the University, including compliance with applicable federal, state, and local laws as well as the policies and procedures of the University. Therefore, faculty should adhere to these considerations.

This policy articulates expectations for faculty conduct and establishes a process to address instances in which faculty do not adhere to these expectations. Its primary goal is to establish a system of remediation and progressive discipline when faculty engage in misconduct. The policy facilitates open communication by giving the University and faculty a process to establish whether expectations were met and if not, to understand what actions were inconsistent with expectations and what actions should be taken to address the matter. Another goal is to provide a record of the University's attempts to facilitate improved conduct. The policy also enables the University to enhance morale by showing to the faculty and other employees that misconduct will be addressed consistently and equitably.

POLICY STATEMENT

To promote a culture of mutual respect, accountability, and professionalism in our interactions, the University may discipline a faculty member whose conduct violates the University's standards of conduct, policies and procedures, or who violates federal, state, or local laws or standards of professional conduct to which the faculty member is subject. The University encourages a progressive discipline approach, which shall include a statement of areas of concern, action steps needed for improvement and a timeline to review progress. Failure to demonstrate improvement may result in additional disciplinary action. Progressive discipline actions may include, but are not limited to, the following forms: (1) a verbal warning, (2) a written warning, (3) removal or reassignment of administrative or supervisory appointments, (4) restrictions on activities including university-related travel, (5) a leave of absence without pay, with prior approval of the President and Provost in accordance with Redbook 4.3.6, (6) payment of fines, penalties, or restitution, (7) a reduction in supplemental salary for a stated period, and/or (8) loss of research funds or of privileges. Following procedures described in the Redbook (Sections 4.36 and 4.3.7) the University may impose immediate discipline if the conduct of a faculty member warrants an immediate separation from campus activities. Progressive discipline actions may culminate in the initiation of termination proceedings in accordance with Redbook Article 4.5.

Disciplinary action must consider the severity and frequency of the misconduct, its impact on the institution, and the extent to which the conduct in question deviates from standards of conduct, policies and procedures, or expectations. It is expected that attempts at addressing inappropriate conduct will be undertaken before this policy is administered. However, in all instances, the University reserves the right to take appropriate actions that are commensurate with the nature of the misconduct and are consistent with the Redbook and other university policies and applicable laws.

Nothing in this policy shall impede a faculty member's academic freedom as articulated in the Redbook or free speech rights contained in the First Amendment. Nothing in this policy shall affect a faculty member's right to file a grievance at any time under provisions of the Redbook, nor does this policy affect termination of service described in the Redbook (Section 4.5.)

Remediation

Faculty behavior may warrant remedial action. For example, a faculty member may be required to complete University-mandated training.

Examples of Grounds for Discipline

Examples of conduct that warrant progressive or immediate discipline include but are not limited to the following:

- Repeated refusal to complete University-mandated training;
- Chronic time and attendance problems (for example, chronic lateness to start a class), including unauthorized absences;
- Unprofessional, disrespectful, hostile, harassing, intimidating, or discriminating conduct toward students, employees, or others, including violation of the University's policies on sexual harassment, discriminatory harassment, and retaliation; and including violations of the University's Code of Conduct, which states faculty should avoid all forms of harassment, illegal discrimination, threats, or violence;
- Violations of the University's policy on acceptable use of University resources, including inappropriate or unauthorized use of University property or resources;
- Failure to follow or willful disregard of approved University, college, school, division, or departmental policies and procedures;
- Dishonesty, including knowingly furnishing false, misleading, or incomplete information or reports to the University;
- Falsification of information on an employment application, on academic records, on a *curriculum vitae*, or in the conduct or reporting of research;
- Violations of the University's policy on fiscal misconduct;
- Violations of the University's policy statement as a drug-free institution;
- Conduct that severely disrupts the work environment;
- Violation of applicable federal, state or local laws in conducting the affairs of the University.

Faculty Dispute Resolution and Grievance

Faculty members retain the right to file a grievance at any time under the regular terms of the faculty dispute resolution and grievance policy and procedures and in accordance with the provisions in the Redbook, Article 4.4.

Confidentiality

All records regarding the discipline of a faculty member shall be kept confidential to the extent permissible by law.

Non-Retaliation

Consistent with the University's Non-Retaliation Policy, retaliatory actions are subject to disciplinary action up to termination.

Non-Discrimination

University of Louisville is committed to provide equality for all persons regardless of race, sex, age, color, national origin, ethnicity, creed, religion, diversity of thought, disability, genetic information, sexual orientation, gender, gender identity or expression, marital status, pregnancy, or veteran status.

For the University's notice on non-discrimination: https://louisville.edu/hr/employeerelations/notice-of-nondiscrimination

RELATED INFORMATION

University Employee Code of Conduct

The Redbook, Section 1.1.6 Suspension or Removal of University Personnel

The Redbook, Article 4.4 Resolution of Faculty Disputes

The Redbook, Article 4.5 Termination of Service

Faculty dispute resolution and grievance

KRS 164.360 Appointment and removal of president, faculty, and employees.

AAUP Statement on Procedural Standards in Faculty Termination Proceedings

DEFINITIONS

Progressive discipline uses graduated steps for managing an employee's conduct that does not meet the University's expectations regarding standards of conduct or does not comply with policies and procedures or with applicable laws. It involves a clarification of performance or personal conduct expectations, followed by opportunities to demonstrate improvement regarding those expectations.

PROCEDURES

When investigating possible violations of this policy, the faculty member's immediate supervisor must make reasonable efforts to meet with the faculty member to discuss the faculty member's conduct. If the matter directly involves the faculty member's immediate supervisor, the next-level supervisor shall initiate the procedures. The purpose of this meeting is to inform the faculty member of the concerns that have arisen and to give the faculty member an opportunity to respond. A written notice of the concerns raised shall be provided to the faculty member within ten (10) calendar days of the meeting or within ten (10) calendar days of the date the supervisor or next-level supervisor became aware of the possible violation. The faculty member will then have ten (10) calendar days after receipt of the notice to provide a written response.

Taking into consideration the faculty member's response and any other information gathered, the supervisor, in consultation with the department chair, dean, or other appropriate administrative official, shall determine disciplinary or remedial action, if any. In determining the appropriate course of action, these individuals shall seek guidance from the Provost, the Provost's Office of Faculty Affairs, the Academic Unit's Office of Faculty Affairs, Human Resources, and/or the Office of University Risk, Audit, and Compliance. The purpose of such guidance is to ensure consistency in the application of discipline across the University and to ensure that all relevant policies and faculty expectations are taken into consideration. Any discipline imposed must first be approved by the individual who serves at least two levels removed from the faculty member, or one level above the individual imposing the discipline.

After discipline is determined, written notice of the decision shall be provided to the faculty member within ten (10) calendar days. Written notice shall include, but not be limited to, the nature of the misconduct; the standard of conduct, policy, law, or other expectation that was violated; the discipline to be imposed; action steps required; the date the discipline will take effect; the date by which the action steps shall be completed; and a date for progress to be reviewed.

Upon receipt of the notice of decision, the faculty member shall have ten (10) calendar days to add newly available material information or rebut any information in the notice. The supervisor, with approval of the individual serving two levels removed from the faculty member and after consultation with other appropriate university administrators, has the discretion to make changes in the notice of decision based on the information received.

Except for a verbal warning, a copy of the written notice shall be placed in the faculty member's personnel record and shall be sent to the Provost Office of Faculty Affairs. As previously noted, proceedings for termination for cause shall be administered in accordance with provisions in the Redbook, Article 4.5.

RESPONSIBILITIES

Faculty members are responsible for knowing and understanding this policy.

The faculty member's immediate supervisor and the department chair, dean, or other appropriate administrative officials are responsible for administering discipline in accordance with this policy.

The Office of the Provost is responsible for interpretation of this policy and for educating faculty and their academic units and programs about this policy and its procedures. The Office of the Provost is also responsible for regular assessment of this policy in accordance with all applicable anti-discrimination policies and to revise it to correct identified issues.

RESPONSIBLE AUTHORITY

Executive Vice President and University Provost

RESPONSIBLE UNIVERSITY DEPARTMENT/DIVISION

Executive Vice President and University Provost
Phone: 502-852-5726
Email: provost@louisville.edu

HISTORY

Revision Date(s):
Reviewed Date(s):

The University Policy and Procedure Library is updated regularly. In order to ensure a printed copy of this document is current, please access it online at http://louisville.edu/policies.

RECOMMENDATION TO THE BOARD OF TRUSTEES
CONCERNING THE CREATION OF THE
BACHELOR OF SCIENCE IN GENERAL STUDIES

Academic and Student Affairs Committee – September 23, 2021
Executive and Compensation Committee – September 23, 2021

RECOMMENDATION:

The President recommends that the Board of Trustees approve the creation of the Bachelor of Science in General Studies effective fall 2022.

BACKGROUND:

The Dean of the College of Arts and Sciences (A&S) recommends the creation of the Bachelor of Science in General Studies.

The proposed BS in General Studies is a 120-credit-hour degree program that will be entirely online and designed for returning adult learners who have earned college credits but stopped-out of college and do not have a bachelor's degree. Admission to the program will be limited to adults with credits who stopped-out of school. Thus, the program will not be competing with existing programs for first-time freshmen, nor will it be appropriate for current students who have accumulated credits but have not completed a degree program.

The program will be housed in the A&S Dean's Office (similar to the Liberal Studies program), and students admitted to this program will have the opportunity to earn credits through a Prior Learning Assessment (PLA) analysis and review. Following the strategy of successful existing online programs at UofL that offer PLA, a program committee will work with students to determine the extent of PLA credit hours awarded. The program will leverage existing online courses and recruiting and advertisement through the Delphi Center.

The proposed program aligns with state adult learner initiatives as well as the mission of the College and the University strategic plan. The program is designed for maximum flexibility and affordability. Through a combination of targeted online coursework, already accrued undergraduate credits, and credit-worthy experiential learning, adult learners will be able to complete their bachelor's degrees. Adding a General Studies degree to UofL's portfolio will help the university signal to the community the institution's commitment to adult learning and degree completion across the state.

The Faculty Senate recommended the creation of the Bachelor of Science in General Studies at their meeting on July 7, 2021. The Executive Vice President and University Provost joins the President in making this recommendation.

COMMITTEE ACTION:	BOARD ACTION:
Passed X	Passed X
Did Not Pass	Did Not Pass
Other	Other
Signature on file	
Assistant Secretary	Assistant Secretary

RECOMMENDATION TO THE BOARD OF TRUSTEES
CONCERNING THE CREATION OF THE
MASTER OF SCIENCE IN HEALTH PROFESSIONS EDUCATION

Academic and Student Affairs Committee – September 23, 2021
Executive and Compensation Committee – September 23, 2021

RECOMMENDATION:

The President recommends that the Board of Trustees approve the creation of the Master of Science in Health Professions Education effective spring 2022.

BACKGROUND:

The Dean of the College of Education and Human Development (CEHD) recommends the creation of the Master of Science in Health Professions Education.

The proposed graduate degree in Health Professions Education (HPE) focuses on preparing current faculty of medicine, dentistry, public health, and other health professional schools to teach effectively in their respective fields. Potential candidates for the degree are current health professions faculty members. In addition, basic science graduate students and subspecialty fellows who plan to enter academic medicine or dentistry would also be potential candidates.

The degree is 33 credit hours. The expected time to complete the degree is two to three years. Many classes are hybrid, meaning a component of the course is conducted online and other components are in a classroom/clinical setting. This master's degree is built on the existing 12-credit hour graduate certificate in Health Professions Education.

By earning a Master's in Health Professions Education, students will develop an in-depth knowledge of the following competencies:

- Curriculum and instructional design
- Assessing learning
- Scholarship of teaching and learning
- Professional educator identity formation
- Leading educational efforts in academic health centers

According to the Bureau of Labor Statistics, over the next 10 years the number of Health Specialty Educator open positions is expected to be approximately 31,000.The Faculty Senate recommended the creation of the Master of Science in Health Professions Education at their meeting on July 7, 2021. The Executive Vice President & University Provost joins the President in making this recommendation.

COMMITTEE ACTION:
Passed ______X__________
Did Not Pass ____________
Other __________________

Signature on file
Assistant Secretary

BOARD ACTION:
Passed _____X__________
Did Not Pass __________
Other ________________

Assistant Secretary

RECOMMENDATION TO BOARD OF TRUSTEES
REGARDING PERSONNEL MATTERS

Academic and Student Affairs Committee – September 23, 2021
Executive and Compensation Committee – September 23, 2021

The President recommends that the following personnel recommendations be approved by the Board of Trustees.

Business

Kathleen Gosser, PhD, Assistant Professor (Term) of Management and Entrepreneurship; additional appointment as the YUM! Assistant Professor of Franchise Management Practice, November 1, 2021 through October 31, 2026.

Notable Accomplishments:
Dr. Gosser was recently named Director of the YUM! Center for Global Franchise Excellence. She comes to this role with over 30 years' experience working for KFC YUM! Brands. In addition to serving as Director of the Franchise Management Program since 2020, Dr. Gosser served as Director of Learning Excellence and Organizational Development from 2015 – 2019 and was awarded the University of Louisville TILL Innovation in Teaching award for Podcast Integration in 2021. She is a long-time member of the Society of Human Resources, as well as the Society of Industrial Psychologists.

Selection Process: Internal appointment.

Salary Data:
Current base salary: $111,100
Supplement: $30,000 – YUM! Center Director
Total compensation: $141,100

Proposed base salary: 111,100
Proposed supplement: $30,000 – YUM! Center Director
Proposed supplement: $10,000 – YUM! Endowed Professorship
Proposed total: $151,100

Budget impact: Endowed Professorship will be covered by the endowment

Median benchmark comparison: $115,000 (median); $141,700 (80th pctl); $164,600 (90th pctl)
Benchmark position title: Assistant Professor of Management
Benchmark source: AACSB Staff Compensation & Demographics Survey
Year of benchmark data: 2020/21
Benchmark data number of incumbents: 877
Benchmark data number of institutions: 290

Engineering

Faisal Aqlan, PhD, Associate Professor (Term) of Industrial Engineering and Director of the Engineering Management Program; appointment as Associate Professor (Tenured) of Industrial Engineering, October 29, 2021.

Notable Accomplishments:
Pennsylvania State University, The Behrend College, Erie PA July 2014 through July 2021.
William & Wendy Korb Early Career Associate Professor of Industrial Engineering, 2021
Associate Professor (tenured) of Industrial Engineering.
Advisor: NSF Center for Health Organization Transformation (Penn State UP)
Coordinator: Metrology Lab and System Simulation and Automation Lab
Founder and Lead Instructor: Lean Six Sigma Green Belt Training and Certification
PI & Director: NSF RET Site in Manufacturing Simulation and Automation
Faculty Advisor: IISE Penn State Behrend Chapter

Selection Process: National Search

Salary Data:

Incumbent base salary:	$ 96,900
Incumbent supplement:	$ 15,000
Incumbent total:	$110,900
Proposed salary:	$105,000
Proposed supplement:	$ 10,000
Proposed total:	$115,000
Budget impact:	$ 4,100

Median benchmark comparison: $111,518
Benchmark position title: Associate Professor, Industrial Engineering (tenured/tenure track)
Benchmark source: OSU salary database
Year of benchmark data: 2020-21
Benchmark data number of incumbents: 151
Benchmark data number of institutions: 37

Medicine

Melissa Currie, MD, Professor (Term) of Pediatrics; additional appointment as the Kosair Charities Endowed Chair in Pediatric Forensic Medicine, November 1, 2021 through October 31, 2024.

Notable Accomplishments:
In Dr. Currie's current role as the Division Chief for the Kosair Charities Division of Pediatric Forensic Medicine, she provides local and state leadership in the battle to end child abuse in Kentucky. She is a leader and member of the Statewide Pediatric SANE Program Development Workgroup, a founding member of the steering committee and current chair of the policy committee for the Face It Movement sponsored by Kosair Charities. She is a member and former chair of the State Public Health Child Fatality Review Team, appointed by the Director of Maternal-Child Health in Frankfort, KY. Her work to mandate training for all first line providers for children to recognize child abuse which was approved a few years ago by the state legislature and signed into law by Governor Steve Beshear, shows how impactful her work is and has been. She leads the ACGME fellowship in Child Abuse and has trained future leaders of programs, thus broadening the impact of her work. Dr. Currie works tirelessly with a division of three faculty members and multiple nurses to provide consults throughout our region and the state, both at our hospital, our outpatient clinics and through Child Protective Services and Crimes Against Children Unit consults. She has been active in research especially around non-accidental traumatic brain injury, leading to work that has helped characterization, recognition and understanding of this leading cause of death in children.

Selection Process:
Discussion with donor and Vice Chairs of the Department of Pediatrics. Donor especially was supportive of Dr. Currie in this role.

Salary Data:

Current base salary:	$104,081	
Supplement	$ 10,000	(Division Chief supplement)
Nortons Children Med Group	$104.081	
Total Compensation:	$218,162	

Proposed base salary:	$134,081	(includes Endowed Chair, $30,000)
Proposed supplement:	$ 10,000	(current Division Chief supplement)
NCMG compensation:	$104,081	
Proposed compensation:	$248,162	
Budget Impact:	$ 30,000	(UofL base salary increase)

Median benchmark comparison:	$279,000
Benchmark position title:	Professor (Forensic Medicine)
Benchmark source:	AAAP National Salaries (Division Chief, full Professor)
Year of benchmark data:	2019-2020
Benchmark data number of incumbents:	23
Benchmark data number of institutions:	108

Susan Galandiuk, MD, Professor (Tenured) of Surgery; additional appointment as the Price Endowed Professorship in Surgery, November 1, 2021 through October 31, 2026.

Notable Accomplishments:
Dr. Galandiuk is currently the Program Director of the Division of Colorectal Surgery and the Director of the Price Institute of Surgical Research. She is a member of all the important learned societies within her discipline. She has over 180 peer-reviewed publications, 3 books, and over 50 book chapters. As Director of the Price Institute of Surgical Research, she has mentored numerous medical students, surgical residents and fellows from multiple disciplines from around the world.

Selection Process:
The Department of Surgery Chair, Dr. Kelly McMasters, recommended that this endowed professorship be appointed to the Director of the Price Institute of Surgical Research. This recommendation was sent to Dr. Toni Ganzel, Dean of the School of Medicine, who agreed with the recommendation.

Salary Data:

Current base salary:	$ 88,037
Supplement:	$ 69,984
Supplement:	$ 16,984
Supplement:	$ 25,750
Supplement:	$122,110
Supplement:	$226,639 - ULP
Total compensation:	$548,000

Proposed base salary:	$ 88,037
Proposed supplement:	$ 69,984
Proposed supplement:	$ 16,984
Proposed supplement:	$ 25,750
Proposed supplement:	$122,110
Proposed supplement:	$226,639 – ULP
Proposed total:	$548,000

Budget impact: None, overall salary will not be increasing. The endowment will provide an additional source of funding.

Median benchmark comparison:	$451,000
Benchmark position title:	Professor of Surgery (General Surgery)
Benchmark source:	AAMC
Year of benchmark data:	2019-2020

Benchmark data number of incumbents: 212

PROMOTION AND TENURE

University Libraries

Matthew Ertz, MLS, Assistant Professor (Probationary) of University Libraries; promotion to Associate Professor and award of tenure, December 1, 2021.

COMMITTEE ACTION:
Passed ______X__________
Did Not Pass ____________
Other ________________

Signature on file
Assistant Secretary

BOARD ACTION:
Passed _____X__________
Did Not Pass __________
Other ________________

Assistant Secretary

RECOMMENDATION TO THE BOARD OF TRUSTEES
RELATED TO THE CONSTRUCTION OF DENNY CRUM HALL

Finance Committee – September 23, 2021
Executive and Compensation Committee – September 23, 2021
Board of Trustees (ratification) - October 29, 2021

RECOMMENDATION:

The President recommends that the Board of Trustees approve the promissory notes attached to this recommendation and that the Board of Trustees authorize her or her designee to execute the promissory notes in substantially the form as attached, in connection with the development of Denny Crum Hall.

Further, the President recommends that the Board of Trustees authorize the President or her designee to execute such other documents and instruments as are necessary and appropriate to the consummation of the transaction contemplated by the promissory notes.

COMMITTEE ACTION:	BOARD ACTION:
Passed X	Passed X
Did Not Pass ____	Did Not Pass ____
Other ____	Other ____
Signature on file	
Assistant Secretary	Assistant Secretary

COMMERCIAL NOTE

$4,012,000.00 Louisville, Kentucky
Dated as of September ___, 2021 (the "**Effective Date**")

FOR VALUE RECEIVED, **UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**, a Kentucky nonprofit corporation, with a principal place of business at University of Louisville Athletic Association,, 2100 South Floyd Street, Louisville, Kentucky 40208 ("**Borrower**"), promises to pay to the order of **320 EASTERN JV, LLC**, a Kentucky limited liability company, whose address is 666 East Main Street, Suite A-2, Centreville, Michigan 49032 ("**Lender**"), the principal sum of Three Million Ninety-Two Thousand and No/100 Dollars ($3,092,000.00) ("**Tranche A**") on or before December 31, 2023 (the "**Tranche A Maturity Date**") and the principal sum of Nine Hundred Twenty Thousand and No/100 Dollars ($920,000.00) ("**Tranche B**"; collectively, Tranche A and Tranche B are referred to herein as the "**Note**") on or December 31, 2025 (the "**Tranche B Maturity Date**"), or the aggregate unpaid balance of all Advances made by Lender from time to time hereunder, together with interest thereon, on or before the Tranche B Maturity Date. Principal of this Note and all accrued interest thereon shall be due and payable as follows:

1. **<u>Interest Rate – Tranche A</u>.** This Note shall bear interest from the date hereof until the outstanding principal balance of Tranche A, all accrued but unpaid interest thereon and all other charges, fees or expenses hereunder have been repaid to Lender in full as follows:

<u>Fixed Rate</u>. This Note shall bear interest at a fixed rate equal to three and three-quarters percent (3.75%) per annum.

2. **<u>Interest Rate – Tranche B</u>.** This Note shall bear interest from the date hereof until the outstanding principal balance of Tranche B, all accrued but unpaid interest thereon and all other charges, fees or expenses hereunder have been repaid to Lender in full as follows:

<u>Fixed Rate</u>. This Note shall bear interest at a fixed rate equal to three and three-quarters percent (3.75%) per annum.

All interest calculations under this Note will be made based on a year of 360 days for the actual number of days in each interest period.

3. **<u>Payments</u>.** The principal of, and all interest on, this Note shall be due and payable as follows:

(a) **<u>Tranche A</u>**. Principal and interest shall be due and payable on the December 31 of each year commencing on December 31, 2022, and continuing thereafter until the Tranche A Maturity Date. Interest shall be paid in arrears and in the amount of all interest accrued and unpaid through the December 31 of the year in which such payment is due (*i.e.*, interest accrued on December 31, 2022, shall be for all interest accrued from January 1, 2022, through, and including, December 31, 2022). If a payment is due on a day that is not a Business Day, such payment shall be deemed due on the next succeeding Business Day. All payments on account of the indebtedness evidenced by this Note shall be made to Lender not later than 2:00 p.m. EST/EDT, on the day when due in lawful money of the United States, and shall be first applied to late charges, costs of collection or enforcement, and other similar amounts due, if any, under this Note and any of the other Loan Documents, then to interest due and payable hereunder and the remainder to principal due and payable hereunder; provided, however, that all outstanding principal and accrued interest shall be due and payable in full on the Tranche A Maturity Date.

(b) **Tranche B**. Principal and interest shall be due and payable on the December 31 of each year commencing on December 31, 2024, and continuing thereafter until the Tranche B Maturity Date. Interest shall be paid in arrears and in the amount of all interest accrued and unpaid through the December 31 of the year in which such payment is due (*i.e.*, interest accrued on December 31, 2024, shall be for all interest accrued from January 1, 2024, through, and including, December 31, 2024). If a payment is due on a day that is not a Business Day, such payment shall be deemed due on the next succeeding Business Day. All payments on account of the indebtedness evidenced by this Note shall be made to Lender not later than 2:00 p.m. EST/EDT, on the day when due in lawful money of the United States, and shall be first applied to late charges, costs of collection or enforcement, and other similar amounts due, if any, under this Note and any of the other Loan Documents, then to interest due and payable hereunder and the remainder to principal due and payable hereunder; provided, however, that all outstanding principal and accrued interest shall be due and payable in full on the Tranche B Maturity Date.

4. **Advances**. The proceeds of this Note may be disbursed from Lender to Borrower in one or more advances (an "**Advance**") made from time to time prior to the Maturity Date; provided, however, that the aggregate outstanding principal balance of all unpaid Advances at any time shall not exceed the original principal balance of this Note. To obtain an Advance, Borrower shall submit a written, fully executed and completed "**Request for Advance**" at least ten (10) business day prior to the date Borrower desires the funds to be made available. Upon each Advance, Lender shall record the making and amount of such Advance on the books and records of Lender maintained for this Note. Lender shall also record on such books and records each payment of principal of this Note made by Borrower. The aggregate amount of all Advances made by Lender and shown on such books and records, less the principal paid by Borrower and shown on such books and records, shall be the outstanding principal of this Note. The books and records of Lender shall, at any time, be prima facie evidence of the outstanding principal of this Note. The obligation of Lender to honor any tendered Request for Advance and to make any Advance is subject to the following conditions: (a) each and every one of the representations, warranties and covenants of Borrower set forth herein, and in any other agreement, document or instrument delivered by Borrower to Lender or any of its affiliates, shall be true and correct on the date such Advance is made; (b) no Event of Default (as defined herein) shall have occurred and be continuing and no event of default shall exist or be continuing under any other agreement between Borrower and Lender or any of their affiliates; (c) after giving effect to the Advance requested in the Request for Advance, the aggregate outstanding principal amount of Advances hereunder shall not exceed the lesser of the Note, or the maximum amount, if applicable; and (d) such other conditions as Lender may reasonably impose. Each Request for Advance submitted by Borrower to Lender shall constitute Borrower's representation and warranty to Lender that (i) Borrower is then and will be entitled to the Advance under this Note; (ii) all representations, warranties and covenants made by Borrower to Lender in this Note, and in any other agreement, document or instrument delivered by Borrower to Lender, are true and correct; and (iii) no Event of Default under this Note has occurred and is continuing. Each Request for Advance under this Note will be subject to all of the terms and conditions of the Note. Without limiting the generality of the foregoing, Lender will have no duty to make any Advance if insufficient funds remain available pursuant to the Note or any other maximum amount limitations set forth herein or in any of the Security Documents. Lender hereby is authorized at any time and from time to time, in its discretion, to make an advance under this Note for the payment on behalf of Borrower of any interest, principal or other sums due under any of the obligations of Borrower to Lender, and each such advance will constitute an Advance hereunder and part of the obligations. Notwithstanding the foregoing, Lender is not obligated to take such action. Advances that are repaid shall not be available for future Advances or otherwise "reborrowed" by Borrower at any time, and the aggregate amount of all Advances made hereunder shall not exceed the face amount of this Note.

5. [Intentionally omitted.]

6. **Late Charge and Default Rate of Interest.** If Lender does not receive any payment due under this Note within ten (10) days of the date it is due, then Lender may charge a late charge of five percent (5.00%) of the amount of the overdue payment (the "**Late Charge**"). Upon maturity, whether by acceleration or otherwise, or upon the occurrence of an Event of Default hereunder, in addition to any and all other remedies to which Lender may be entitled, the applicable rate of interest on this Note shall be increased to five percent (5.00%) per annum in excess of the rate set forth in Section 1, above (the "**Default Rate**"), but not more than the highest rate permitted by law.

7. **Security.** To secure repayment of this Note, any extensions or renewals thereof and all other existing and future indebtedness of Borrower to Lender (whether direct, indirect, absolute or contingent), Borrower shall grant, and does hereby grant, to Lender a security interest in the property described in the Security Agreement by and between Borrower and Lender dated on or about the date hereof (the "**Security Agreement**"), as well as all money and other property held by Lender on deposit in safekeeping or otherwise for the account of or to the credit of Borrower, or in which Borrower has an interest; provided that Lender will have the right to call for additional security as necessary. All of the documents or instruments that provide a lien or security interest in the collateral described above (the "**Collateral**"), as well as any and all other documents or instruments now or hereafter executed in connection with this Note and the loan evidenced hereby, including but not limited to any Security Agreement by and between Lender and Borrower, are referred to herein collectively as the "**Security Documents**." All of the terms and conditions of the Security Documents are incorporated herein and made a part of this Note as if fully set forth at length herein. Any holder of this Note shall be entitled to the rights, privileges, benefits and remedies provided in the Security Documents and in the real and personal property secured thereby. Borrower represents and warrants to Lender that the Security Documents have been validly executed and delivered to Lender and that the Security Documents are legally valid, binding and enforceable against Borrower (or any other party which has executed any of the Security Documents) in accordance with their respective terms. As used herein, "**Loan Documents**" will mean all Security Documents and this Note. Upon the occurrence of an Event of Default and in the event that Borrower receives payment of or proceeds from any of the Collateral, including without limitation and to the extent that it is included as Collateral hereunder, accounts, monies, checks, notes, drafts, or any other items of payment, Borrower agrees that Borrower will deliver to Lender the same in the form received by Borrower without commingling with any funds belonging to Borrower, and promptly will deposit the same in a special collateral account with Lender. Upon the occurrence of an Event of Default, Borrower authorizes Lender at any time without notice to appropriate and apply any balances, credits, deposits or accounts or money of Borrower (held individually or with others) in its possession, custody, or control or the possession, custody, or control of any affiliate of Lender to the payment of any of Borrower's obligations to Lender, all of which may at all times be held and treated as additional Collateral.

8. **Proceeds.** Borrower represents that the proceeds of this Note will be used exclusively for business or commercial purposes, specifically to acquire and finance certain tenant improvements and equipment as described in the Security Agreement.

9. **Covenants.** Borrower agrees to provide financial information reasonably requested by Lender, in form and substance acceptable to Lender.

10. **Events of Default and Remedies.** The occurrence of any of the following shall be an "**Event of Default**" hereunder: (a) failure of Borrower to make any payment when due under this Note or under any other note or obligation of Borrower to Lender; (b) an Event of Default under the Security Documents, or any default under any of the following that does not have a defined set of "**Events of Default**" and the lapse of any notice or cure period provided therein: any other agreement, document or instrument between Borrower and Lender; (c) if Borrower or endorsers of this Note shall (i) make an assignment for the benefit of creditors, (ii) have a petition initiating any proceeding under the Bankruptcy Code filed by or against one or more of them, (iii) have a receiver, trustee, or custodian appointed for all or any material part of their respective assets, or (iv) seek to make an adjustment, settlement or extension of their respective debts with its creditors generally; (d) a default with respect to any other indebtedness of Borrower for borrowed money; (e) a proceeding being filed by or commenced against Borrower of this Note for dissolution or liquidation, or Borrower of this Note voluntarily or involuntarily terminating or dissolving or being terminated or dissolved; (f) in the event a judgment or writ or order of attachment or garnishment is made and issued against Borrower or Borrower's property; (g) [intentionally omitted]; (h) [intentionally omitted]; (i) any representation or warranty made by Borrower to Lender or its affiliates in any document, including but not limited to the Security Documents, or any other documents now or in the future securing the obligations of Borrower to Lender, is false or erroneous in any material respect; (j) the failure of Borrower to observe or perform any covenant or other agreement with Lender contained in any document executed in connection with the Loan(s), including but not limited to this Note or any of the Security Documents; (k) [intentionally omitted]; (l) [intentionally omitted], or (m) the failure of Borrower to observe or perform any covenant or other agreement with Lender or its affiliates contained in any document, including but not limited to the Security Documents or any documents now or in the future securing the obligations of Borrower to Lender or its affiliates. Upon the occurrence of an Event of Default: (i) the outstanding principal balance hereunder together with any additional amounts secured by the Security Documents, at the option of the holder and without demand or notice of any kind (which are hereby expressly waived), may be accelerated and become immediately due and payable, (ii) this Note, together with all arrearages of interest will from the date of the occurrence of the Event of Default bear interest at the Default Rate, (iii) Borrower will pay to Lender all reasonable attorneys' fees, court costs and expenses incurred by Lender in connection with Lender's efforts to collect the indebtedness evidenced by the Note, and (iv) Lender may exercise from time to time any of the rights and remedies available to the holder under the Security Documents or under applicable law.

11. **<u>Prepayment</u>**. The indebtedness may be prepaid in whole or in part without premium or penalty.

Payments received will be applied in the following order: (i) to charges, fees and expenses (including reasonable attorneys' fees), (ii) to accrued interest, and (iii) to principal. Any additional payments will be applied in the foregoing order and, to the extent applied to principal, will be applied to installments of principal payable hereunder in the inverse order of maturity.

12. **<u>Cumulative Remedies</u>.** All rights and remedies of the holder of this Note shall be cumulative to the fullest extent allowed by law. Time shall be of the essence for paying interest on the principal of this Note.

13. **<u>Waiver</u>.** All parties to this Note, whether a borrower, endorsers, sureties, guarantors or otherwise connected herein, waive presentment, demand, notice of dishonor, protest, notice of protest, notice of nonpayment or non-acceptance, any other notice and all due diligence or promptness that may otherwise be required by law, and all exemptions to which they may now or hereafter be entitled under the laws of the Commonwealth of Kentucky, the United States of America, or any state thereof. No delay or failure on the part of Lender to exercise any right, remedy or power hereunder, under any of the Loan Documents or under applicable law will impair or waive any such right, remedy or power (or any other right, remedy or power), be considered a waiver of or an acquiescence in any breach, default or Event of Default or affect any other or subsequent breach, default or Event of Default of the same or a different nature. No waiver of any breach, default or Event of Default, nor any modification, waiver, discharge or termination of any provision of this Note, nor consent to any departure by Borrower therefrom, will be established by conduct, custom or course of dealing; and no modification, waiver, discharge, termination nor consent will in any event be effective unless the same is in writing, signed by Lender and specifically refers to this Note, and then such modification, waiver, discharge or termination or consent will be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on Borrower in any case will entitle Borrower to any other or further notice or demand in the same or any similar or other circumstance.

14. **Expenses Incurred by Lender.** If Lender expends sums in defending or otherwise protecting its collateral under the Loan Documents prior to an Event of Default, or if any Event of Default occurs under this Note, and this Note is placed in the hands of an attorney for collection, or is collected through any court, including, without limitation, bankruptcy court, then Borrower promises to pay the holder of this Note the reasonable attorneys' fees and legal costs incurred in collecting or attempting to collect or securing or attempting to secure this Note or enforcing the rights of such holder with respect to any collateral securing this Note, including, without limitation, appraisal fees, costs of environmental audits, site assessments and/or remediation, to the fullest extent allowed by the laws of the Commonwealth of Kentucky or any state in which any collateral for this Note is situated.

15. **Rights of Lender.** Lender may, with or without notice to any party and without affecting the obligations of any Borrower, surety, endorser, accommodation party or any other party to this Note, (a) renew, extend or otherwise postpone the time for payment of either principal of this Note or interest thereon from time to time, (b) release or discharge any one or more parties liable on this Note, (c) change, exchange or release any property in which Lender possesses any interest securing this Note, (d) justifiably or otherwise, impair any collateral securing this Note or suspend the right to enforce against any such collateral, and (e) at any time it deems it necessary or proper, call for and should it be made available, accept, as additional security, the signature(s) of an additional party or a security interest in property of any kind or description or both.

16. **Complete Agreement.** This Note and the Security Documents are the entire and complete agreement of the parties hereto and supersede all previous understandings and agreements relating to the subject matter hereof. This Note and the Security Documents may be amended only by an instrument in writing that explicitly states that it amends this Note or such Security Documents and is signed by Borrower and acknowledged by Lender.

17. **Severability.** The provisions of this Note are intended to be severable. If any provision of this Note shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

18. [Intentionally left blank.]

19. **Late Charge and Default Rate.**

19.1 The Late Charge and the Default Rate are imposed as liquidated damages for the purpose of defraying Lender’s expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, Lender’s exercise of any rights and remedies hereunder, under the other Security Documents or under applicable law, and any fees and expenses of any agents or any reasonable fees and expenses of any attorneys which Lender may employ. In addition, the Default Rate reflects the increased credit risk to Lender of carrying a loan that is in default. Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by Lender, and that the actual harm incurred by Lender cannot be estimated with certainty and without difficulty.

19.2 Nothing contained in this Note regarding late charges or the Default Rate will be construed in any way to extend the due date of any payment or waive any payment default, and each such right is in addition to, and not in lieu of, the other and any other rights and remedies of Lender hereunder, under any of the Security Documents or under applicable law (including, without limitation, the right to interest, reasonable attorneys' fees and other expenses).

20. **Usury.** Without limiting the generality of the foregoing, if from any circumstances whatsoever the fulfillment of any provision of this Note involves transcending the limit of validity prescribed by any applicable usury statute or any other applicable law with regard to obligations of like character and amount, then the obligation to be fulfilled will be reduced to the limit of such validity as provided in such statute or law, so that in no event will any exaction of interest be possible under this Note in excess of the limit of such validity and the right to demand any such excess is hereby expressly waived by Lender. As used in this Section, "applicable usury statute" and "applicable law" mean such statute and law in effect on the date hereof, subject to any change therein that result in a higher permissible rate of interest.

21. **Singular and Plural Terms.** Wherever used herein, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders.

22. **Binding Effect.** This Note will bind Borrower and the successors and assigns of Borrower, and the benefits hereof will inure to the benefit of Lender and its successors and assigns. All references herein to the "**Borrower**" and "**Lender**" will include the respective successors and assigns thereof; provided, however, that Borrower may not assign, delegate or transfer any of its obligations under this Note in whole or in part without the prior written consent of Lender and Lender at any time may assign this Note in whole or in part (but no assignment by Lender of less than all of this Note will operate to relieve Borrower from any duty to Lender with respect to the unassigned portion of this Note).

23. **Repayment by Lender.** If at any time all or any part of any payment or transfer of any kind received by Lender with respect to all or any part of this Note is repaid, set aside or invalidated by reason of any judgment, decree or order of any court or administrative body, or by reason of any agreement, settlement or compromise of any claim made at any time with respect to the repayment, recovery, setting aside or invalidation of all or any part of such payment or transfer, Borrower's obligations under this Note will continue (and/or be reinstated) and Borrower will be and remain liable, and, to the extent permitted by law, will indemnify, defend and hold harmless Lender for, the amount or amounts so repaid, recovered, set aside or invalidated and all other claims, demands, liabilities, judgments, losses, damages, costs and expenses incurred in connection therewith. The provisions of this Section will be and remain effective notwithstanding any contrary action which may have been taken by Borrower in reliance upon such payment or transfer, and any such contrary action so taken will be without prejudice to Lender's rights hereunder and will be deemed to have been conditioned upon such payment or transfer having become final and irrevocable. The provisions of this Section will survive any termination, cancellation or discharge of this Note.

24. **Notices**. All notices, demands, requests, consents or approvals and other communications required or permitted hereunder will be in writing, and, to the extent required by applicable law, will comply with the requirements of the Uniform Commercial Code then in effect, and will be addressed to such party at the address set forth below or to such other address as any party may give to the other in writing for such purpose:

To Lender:		320 Eastern JV, LLC 666 East Main Street, Suite A-2 Centreville, Michigan 49032
	Attn:	Lawrence N. Gough
To Borrower:		University of Louisville Athletic Association, Inc. 2100 South Floyed Street Louisville, Kentucky 40208
		With a copy to: Office of University Counsel University of Louisville 206 Grawemeyer Hall Louisville, Kentucky 40292
	Attn:	General Counsel

All such communications, if personally delivered, will be conclusively deemed to have been received by a party hereto and to be effective when so delivered; if given by mail, on the fourth business day after such communication is deposited in the mail with first-class postage prepaid, return receipt requested; or if sent by overnight courier service, on the day after deposit thereof with such service; or if sent by certified or registered mail, on the third business day after the day on which deposited in the mail.

25. **Governing Law**. This Note has been delivered and accepted at and will be deemed to have been made at Louisville, Kentucky and will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the Commonwealth of Kentucky, excluding its conflict of laws rules, and will include all matters arising out of or relating to this Agreement, including without limitation claims as to its validity, interpretation, construction, performance, and all claims sounding in tort.

26. ***Waiver of Jury Trial*. THE PARTIES HERETO EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT, OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. BORROWER AND LENDER ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.***

[Remainder of page intentionally blank; signature follows]

[Signature Page to Commercial Note]

IN WITNESS WHEREOF, Borrower has executed this Note as of the Effective Date.

BORROWER

UNIVERSITY OF LOUISVILLE
ATHLETIC ASSOCIATION, INC.,
a Kentucky nonprofit corporation

By: ________________________
Name: ______________________
Title: _______________________

COMMERCIAL NOTE

$1,370,000.00 Louisville, Kentucky
Dated as of September ___, 2021 (the "**Effective Date**")

FOR VALUE RECEIVED, **UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC.**, a Kentucky nonprofit corporation, with a principal place of business at University of Louisville Athletic Association, 2100 South Floyd Street, Louisville, Kentucky 40208 ("**Borrower**"), promises to pay to the order of **INVESTMENT PROPERTY ADVISORS, LLC**, an Indiana limited liability company, whose address is 666 East Main Street, Suite A-2, Centreville, Michigan 49032 ("**Lender**") the maximum principal sum of One Million Three Hundred Seventy Thousand and No/100 Dollars ($1,370,000.00) (the "**Total Facility**"), or the aggregate unpaid balance of all Advances made by Lender from time to time hereunder, together with interest thereon, on or before the "**Maturity Date**" as that term is defined below. Principal of this Note and all accrued interest thereon shall be due and payable as follows:

1. **Interest Rate.** This Note shall bear interest from the date hereof until the outstanding principal balance of this Note, all accrued but unpaid interest thereon and all other charges, fees or expenses hereunder have been repaid to Lender in full as follows:

Fixed Rate. This Note shall bear interest at a fixed rate equal to four and one-half percent (4.50%) per annum.

All interest calculations under this Note will be made based on a year of 360 days for the actual number of days in each interest period.

2. **Payments.** The principal of, and all interest on, this Note shall be due and payable as follows:

Borrower shall make payments of principal and interest on this Note, in an amount sufficient to amortize fully the principal amount of this Note by December 31, 2030.

Interest only shall be due and payable on December 31 of each year commencing on December 31, 2021, and continuing thereafter through, and including, December 31, 2025. Commencing on December 31, 2026, principal and interest shall be due and payable on December 31 of each year and continuing thereafter until the Maturity Date. Interest shall be paid in arrears and in the amount of all interest accrued and unpaid through the December 31 of the year in which such payment is due (*i.e.*, interest accrued on December 31, 2022, shall be for all interest accrued from January 1, 2022, through, and including, December 31, 2022). If a payment is due on a day that is not a Business Day, such payment shall be deemed due on the next succeeding Business Day. All payments on account of the indebtedness evidenced by this Note shall be made to Lender not later than 2:00 p.m. EST/EDT, on the day when due in lawful money of the United States, and shall be first applied to late charges, costs of collection or enforcement, and other similar amounts due, if any, under this Note and any of the other Loan Documents, then to interest due and payable hereunder and the remainder to principal due and payable hereunder; provided, however, that all outstanding principal and accrued interest shall be due and payable in full on the Maturity Date.

3. **Maturity Date.** The outstanding principal of this Note, all accrued but unpaid interest thereon and all other charges, fees or expenses hereunder shall be due and payable in full on or before December 31, 2030 (the "**Maturity Date**"), or such later date as may be designated by Lender by written notice from Lender to Borrower (it being understood that in no event will Lender be under any obligation to extend or renew this Note beyond the initial or any extended Maturity Date).

4. **Advances**. The proceeds of this Note may be disbursed from Lender to Borrower in one or more advances (an "**Advance**") made from time to time prior to the Maturity Date; provided, however, that the aggregate outstanding principal balance of all unpaid Advances at any time shall not exceed the original principal balance of this Note. To obtain an Advance, Borrower shall submit a written, fully executed and completed "**Request for Advance**" at least ten (10) business day prior to the date Borrower desires the funds to be made available. Upon each Advance, Lender shall record the making and amount of such Advance on the books and records of Lender maintained for this Note. Lender shall also record on such books and records each payment of principal of this Note made by Borrower. The aggregate amount of all Advances made by Lender and shown on such books and records, less the principal paid by Borrower and shown on such books and records, shall be the outstanding principal of this Note. The books and records of Lender shall, at any time, be prima facie evidence of the outstanding principal of this Note. The obligation of Lender to honor any tendered Request for Advance and to make any Advance is subject to the following conditions: (a) each and every one of the representations, warranties and covenants of Borrower set forth herein, and in any other agreement, document or instrument delivered by Borrower to Lender or any of its affiliates, shall be true and correct on the date such Advance is made; (b) no Event of Default (as defined herein) shall have occurred and be continuing and no event of default shall exist or be continuing under any other agreement between Borrower and Lender or any of their affiliates; (c) after giving effect to the Advance requested in the Request for Advance, the aggregate outstanding principal amount of Advances hereunder shall not exceed the lesser of the Total Facility, or the maximum amount, if applicable; and (d) such other conditions as Lender may reasonably impose. Each Request for Advance submitted by Borrower to Lender shall constitute Borrower's representation and warranty to Lender that (i) Borrower is then and will be entitled to the Advance under this Note; (ii) all representations, warranties and covenants made by Borrower to Lender in this Note, and in any other agreement, document or instrument delivered by Borrower to Lender, are true and correct; and (iii) no Event of Default under this Note has occurred and is continuing. Each Request for Advance under this Note will be subject to all of the terms and conditions of the Note. Without limiting the generality of the foregoing, Lender will have no duty to make any Advance if insufficient funds remain available pursuant to the Total Facility or any other maximum amount limitations set forth herein or in any of the Security Documents. Lender hereby is authorized at any time and from time to time, in its discretion, to make an advance under this Note for the payment on behalf of Borrower of any interest, principal or other

sums due under any of the obligations of Borrower to Lender, and each such advance will constitute an Advance hereunder and part of the obligations. Notwithstanding the foregoing, Lender is not obligated to take such action. Advances that are repaid shall not be available for future Advances or otherwise "reborrowed" by Borrower at any time, and the aggregate amount of all Advances made hereunder shall not exceed the face amount of this Note.

5. [Intentionally omitted.]

6. **Late Charge and Default Rate of Interest.** If Lender does not receive any payment due under this Note within ten (10) days of the date it is due, then Lender may charge a late charge of five percent (5.00%) of the amount of the overdue payment (the "**Late Charge**"). Upon maturity, whether by acceleration or otherwise, or upon the occurrence of an Event of Default hereunder, in addition to any and all other remedies to which Lender may be entitled, the applicable rate of interest on this Note shall be increased to five percent (5.00%) per annum in excess of the rate set forth in Section 1, above (the "**Default Rate**"), but not more than the highest rate permitted by law.

7. **Security.** To secure repayment of this Note, any extensions or renewals thereof and all other existing and future indebtedness of Borrower to Lender (whether direct, indirect, absolute or contingent), Borrower shall grant, and does hereby grant, to Lender a security interest in the property described in the Security Agreement by and between Borrower and Lender dated on or about the date hereof (the "**Security Agreement**"), as well as all money and other property held by Lender on deposit in safekeeping or otherwise for the account of or to the credit of Borrower, or in which Borrower has an interest; provided that Lender will have the right to call for additional security as necessary. All of the documents or instruments that provide a lien or security interest in the collateral described above (the "**Collateral**"), as well as any and all other documents or instruments now or hereafter executed in connection with this Note and the loan evidenced hereby, including but not limited to any Security Agreement by and between Lender and Borrower, are referred to herein collectively as the "**Security Documents**." All of the terms and conditions of the Security Documents are incorporated herein and made a part of this Note as if fully set forth at length herein. Any holder of this Note shall be entitled to the rights, privileges, benefits and remedies provided in the Security Documents and in the real and personal property secured thereby. Borrower represents and warrants to Lender that the Security Documents have been validly executed and delivered to Lender and that the Security Documents are legally valid, binding and enforceable against Borrower (or any other party which has executed any of the Security Documents) in accordance with their respective terms. As used herein, "**Loan Documents**" will mean all Security Documents and this Note. Upon the occurrence of an Event of Default and in the event that Borrower receives payment of or proceeds from any of the Collateral, including without limitation and to the extent that it is included as Collateral hereunder, accounts, monies, checks, notes, drafts, or any other items of payment, Borrower agrees that Borrower will deliver to Lender the same in the form received by Borrower without commingling with any funds belonging to Borrower, and promptly will deposit the same in a special collateral account with Lender. Upon the occurrence of an Event of Default, Borrower authorizes Lender at any time without notice to appropriate and apply any balances, credits, deposits or accounts or money of Borrower (held individually or with others) in its possession, custody, or control or the possession, custody, or control of any affiliate of Lender to the payment of any of Borrower's obligations to Lender, all of which may at all times be held and treated as additional Collateral.

8. **Proceeds.** Borrower represents that the proceeds of this Note will be used exclusively for business or commercial purposes, specifically to acquire and finance certain tenant improvements and equipment as described in the Security Agreement.

9. **Covenants.** Borrower agrees to provide financial information reasonably requested by Lender, in form and substance acceptable to Lender.

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Payments received will be applied in the following order: (i) to charges, fees and expenses (including reasonable attorneys' fees), (ii) to accrued interest, and (iii) to principal. Any additional payments will be applied in the foregoing order and, to the extent applied to principal, will be applied to installments of principal payable hereunder in the inverse order of maturity.

12. **Cumulative Remedies.** All rights and remedies of the holder of this Note shall be cumulative to the fullest extent allowed by law. Time shall be of the essence for paying interest on the principal of this Note.

13. **Waiver.** All parties to this Note, whether a borrower, endorsers, sureties, guarantors or otherwise connected herein, waive presentment, demand, notice of dishonor, protest, notice of protest, notice of nonpayment or non-acceptance, any other notice and all due diligence or promptness that may otherwise be required by law, and all exemptions to which they may now or hereafter be entitled under the laws of the Commonwealth of Kentucky, the United States of America, or any state thereof. No delay or failure on the part of Lender to exercise any right, remedy or power hereunder, under any of the Loan Documents or under applicable law will impair or waive any such right, remedy or power (or any other right, remedy or power), be considered a waiver of or an acquiescence in any breach, default or Event of Default or affect any other or subsequent breach, default or Event of Default of the same or a different nature. No waiver of any breach, default or Event of Default, nor any modification, waiver, discharge or termination of any provision of this Note, nor consent to any departure by Borrower therefrom, will be established by conduct, custom or course of dealing; and no modification, waiver, discharge, termination nor consent will in any event be effective unless the same is in writing, signed by Lender and specifically refers to this Note, and then such modification, waiver, discharge or termination or consent will be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on Borrower in any case will entitle Borrower to any other or further notice or demand in the same or any similar or other circumstance.

14. **Expenses Incurred by Lender.** If Lender expends sums in defending or otherwise protecting its collateral under the Loan Documents prior to an Event of Default, or if any Event of Default occurs under this Note, and this Note is placed in the hands of an attorney for collection, or is collected through any court, including, without limitation, bankruptcy court, then Borrower promises to pay the holder of this Note the reasonable attorneys' fees and legal costs incurred in collecting or attempting to collect or securing or attempting to secure this Note or enforcing the rights of such holder with respect to any collateral securing this Note, including, without limitation, appraisal fees, costs of environmental audits, site assessments and/or remediation, to the fullest extent allowed by the laws of the Commonwealth of Kentucky or any state in which any collateral for this Note is situated.

15. **Rights of Lender.** Lender may, with or without notice to any party and without affecting the obligations of any Borrower, surety, endorser, accommodation party or any other party to this Note, (a) renew, extend or otherwise postpone the time for payment of either principal of this Note or interest thereon from time to time, (b) release or discharge any one or more parties liable on this Note, (c) change, exchange or release any property in which Lender possesses any interest securing this Note, (d) justifiably or otherwise, impair any collateral securing this Note or suspend the right to enforce against any such collateral, and (e) at any time it deems it necessary or proper, call for and should it be made available, accept, as additional security, the signature(s) of an additional party or a security interest in property of any kind or description or both.

16. **Complete Agreement.** This Note and the Security Documents are the entire and complete agreement of the parties hereto and supersede all previous understandings and agreements relating to the subject matter hereof. This Note and the Security Documents may be amended only by an instrument in writing that explicitly states that it amends this Note or such Security Documents and is signed by Borrower and acknowledged by Lender.

17. **Severability.** The provisions of this Note are intended to be severable. If any provision of this Note shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

18. [Intentionally left blank.]

19. **Late Charge and Default Rate.**

19.1 The Late Charge and the Default Rate are imposed as liquidated damages for the purpose of defraying Lender's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, Lender's exercise of any rights and remedies hereunder, under the other Security Documents or under applicable law, and any fees and expenses of any agents or any reasonable fees and expenses of any attorneys which Lender may employ. In addition, the Default Rate reflects the increased credit risk to Lender of carrying a loan that is in default. Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by Lender, and that the actual harm incurred by Lender cannot be estimated with certainty and without difficulty.

19.2 Nothing contained in this Note regarding late charges or the Default Rate will be construed in any way to extend the due date of any payment or waive any payment default, and each such right is in addition to, and not in lieu of, the other and any other rights and remedies of Lender hereunder, under any of the Security

Documents or under applicable law (including, without limitation, the right to interest, reasonable attorneys' fees and other expenses).

20. **<u>Usury</u>.** Without limiting the generality of the foregoing, if from any circumstances whatsoever the fulfillment of any provision of this Note involves transcending the limit of validity prescribed by any applicable usury statute or any other applicable law with regard to obligations of like character and amount, then the obligation to be fulfilled will be reduced to the limit of such validity as provided in such statute or law, so that in no event will any exaction of interest be possible under this Note in excess of the limit of such validity and the right to demand any such excess is hereby expressly waived by Lender. As used in this Section, "applicable usury statute" and "applicable law" mean such statute and law in effect on the date hereof, subject to any change therein that result in a higher permissible rate of interest.

21. **<u>Singular and Plural Terms</u>.** Wherever used herein, the singular number shall include the plural, the plural the singular, and the use of any gender shall include all genders.

22. **<u>Binding Effect</u>.** This Note will bind Borrower and the successors and assigns of Borrower, and the benefits hereof will inure to the benefit of Lender and its successors and assigns. All references herein to the "**Borrower**" and "**Lender**" will include the respective successors and assigns thereof; provided, however, that Borrower may not assign, delegate or transfer any of its obligations under this Note in whole or in part without the prior written consent of Lender and Lender at any time may assign this Note in whole or in part (but no assignment by Lender of less than all of this Note will operate to relieve Borrower from any duty to Lender with respect to the unassigned portion of this Note).

23. **<u>Repayment by Lender</u>.** If at any time all or any part of any payment or transfer of any kind received by Lender with respect to all or any part of this Note is repaid, set aside or invalidated by reason of any judgment, decree or order of any court or administrative body, or by reason of any agreement, settlement or compromise of any claim made at any time with respect to the repayment, recovery, setting aside or invalidation of all or any part of such payment or transfer, Borrower's obligations under this Note will continue (and/or be reinstated) and Borrower will be and remain liable, and, to the extent permitted by law, will indemnify, defend and hold harmless Lender for, the amount or amounts so repaid, recovered, set aside or invalidated and all other claims, demands, liabilities, judgments, losses, damages, costs and expenses incurred in connection therewith. The provisions of this Section will be and remain effective notwithstanding any contrary action which may have been taken by Borrower in reliance upon such payment or transfer, and any such contrary action so taken will be without prejudice to Lender's rights hereunder and will be deemed to have been conditioned upon such payment or transfer having become final and irrevocable. The provisions of this Section will survive any termination, cancellation or discharge of this Note.

24. **<u>Notices</u>**. All notices, demands, requests, consents or approvals and other communications required or permitted hereunder will be in writing, and, to the extent required by applicable law, will comply with the requirements of the Uniform Commercial Code then in effect, and will be addressed to such party at the address set forth below or to such other address as any party may give to the other in writing for such purpose:

To Lender:		Investment Property Advisors, LLC 666 East Main Street, Suite A-2 Centreville, Michigan 49032
	Attn:	Lawrence N. Gough
To Borrower:		University of Louisville Athletic Association, Inc 2100 South Floyd Street Louisville, Kentucky 40208 Attn: Jeff Spoelker
		With a copy to:
		Office of University Counsel University of Louisville 206 Grawemeyer Hall Louisville, Kentucky 40292
	Attn:	General Counsel

All such communications, if personally delivered, will be conclusively deemed to have been received by a party hereto and to be effective when so delivered; if given by mail, on the fourth business day after such communication is deposited in the mail with first-class postage prepaid, return receipt requested; or if sent by overnight courier service, on the day after deposit thereof with such service; or if sent by certified or registered mail, on the third business day after the day on which deposited in the mail.

25. **Governing Law**. This Note has been delivered and accepted at and will be deemed to have been made at Louisville, Kentucky and will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the Commonwealth of Kentucky, excluding its conflict of laws rules, and will include all matters arising out of or relating to this Agreement, including without limitation claims as to its validity, interpretation, construction, performance, and all claims sounding in tort.

26. ***Waiver of Jury Trial. THE PARTIES HERETO EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT, OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. BORROWER AND LENDER ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.***

[Remainder of page intentionally blank; signature follows]

[Signature Page to Commercial Note]

IN WITNESS WHEREOF, Borrower has executed this Note as of the Effective Date.

BORROWER

UNIVERSITY OF LOUISVILLE
ATHLETIC ASSOCIATION, INC.,
a Kentucky nonprofit corporation

By: _________________________
Name: _______________________
Title: ________________________

SECURITY AGREEMENT
(Tenant Improvements and Equipment – Purchase Money Security Interest)

UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC., a Kentucky nonprofit corporation ("**Debtor**"), for valuable consideration, receipt of which hereby is acknowledged, hereby transfers, assigns and pledges to **320 EASTERN JV, LLC**, a Kentucky limited liability company ("**Secured Party**"), and grants to Secured Party as of September ___, 2021 (the "**Effective Date**") a security interest in, the following collateral, wherever located, now existing and hereafter arising or coming into existence (the "**Collateral**"):

1. The tenant improvements and equipment described on the attached **Exhibit A**;

2. Together with all attachments, additions and accessions thereto, and added and substituted parts, equipment and repairs now or hereafter placed upon such property, whether because of necessary repairs or otherwise; and

The proceeds (including insurance proceeds) and products of the foregoing in whatever form the same may be, for the purpose of securing the payment to Secured Party of all of the following ("**Obligations**"): all loans, advances, debts, liabilities, obligations, covenants and duties owing to Secured Party from Debtor arising under: (i) the Commercial Note given by Debtor to Secured Party dated September ___, 2021 (the "**Note**"), and all of the documents executed in connection therewith, and, as to all of the foregoing, including any amendments, modifications, or superseding documents to each of the foregoing; and all charges, expenses, fees, including but not limited to reasonable attorneys' fees, and any other sums chargeable to Debtor under any of the Obligations. This Agreement is in addition to any previous assignments or pledges, and such previous assignments and pledges remain in full force and effect.

Debtor further warrants to and agrees with Secured Party as follows:

1. **Location and Use of Collateral**.

1.1 Debtor now keeps and will continue to keep the Collateral at the facilities located on the real estate described in **Exhibit B**; and Debtor now keeps and will continue to keep its books and records concerning the Collateral at its principal place of business. Debtor has not had any other registered offices in the Commonwealth of Kentucky other than the following: 2100 South Floyd Street, Louisville Kentucky 40208.

1.2 The Collateral is being acquired with the proceeds of the loans by Secured Party to Debtor. Secured Party may disburse such proceeds directly to the seller of the Collateral. The security interest created under this Agreement is intended by the parties to be a purchase money security interest in the Collateral and in the proceeds of the sale of such Collateral.

1.3 If the Collateral has been or is to be attached to real estate, the name of the record ground lease holder of such real estate is **320 EASTERN JV, LLC**, a Kentucky limited liability company, and such real estate is described in **Exhibit B** attached hereto and if the Collateral is attached to real estate prior to the perfection of the security interest hereby granted, Debtor upon demand will furnish Secured Party with written consent to such security interest or a written disclaimer of any interest in the Equipment as fixtures, signed by all persons with an interest in the real estate at the time of the attachment of such security interest.

2. **Preservation of Collateral.** Debtor will keep the Collateral in good order and repair at all times, will use same with reasonable care and caution, will not part with possession or ownership thereof nor lease or hire out the Collateral without the written consent of Secured Party, and will exhibit the Collateral to Secured Party upon demand. Debtor will promptly notify Secured Party of any loss or damage to the Collateral. Debtor will not use, or permit the Collateral to be used, in violation of any federal, state, county or municipal law or regulation or for any unlawful purpose whatsoever.

3. **Execution of Appropriate Documentation with Respect to Collateral.** With respect to any and all of the Collateral, Debtor agrees to do and cause to be done all things necessary or appropriate to perfect, maintain the priority of and keep in full force and effect the security interest granted by Debtor to Secured Party, including, but not limited to, the prompt payment upon demand therefor by Secured Party of all fees and expenses (including documentary stamp, excise or intangibles taxes) incurred in connection with the preparation, delivery, or filing of any document or the taking of any action deemed necessary or appropriate by Secured Party to perfect, protect, or enforce a security interest in any of the Collateral for the benefit of Secured Party, subject only to the Permitted Liens, as such liens are set forth on the attached **Exhibit C**, which is incorporated by reference as if fully set forth herein and as such term is defined in any of the documents executed in connection with the Obligations. All amounts not so paid when due will be added to the Obligations and (in addition to other rights and remedies resulting from such non-payment) will bear interest from the date of demand until paid in full at the Default Rate. Debtor also authorizes Secured Party to file one or more financing statements, as deemed necessary or desirable by Secured Party (including but not limited to any correction statements as set forth more fully in UCC Section 9-518), which financing statements lists or otherwise describes the Collateral as consisting of all of Debtor's assets or words to that effect, regardless of the actual description of the Collateral set forth in this Agreement.

4. **Insurance.** Debtor will keep its insurable real and personal property insured with responsible insurance companies against loss or damage by fire, windstorm and other hazards which are commonly insured against in an extended coverage endorsement in an amount equal to not less than 90% of the insurable value thereof on a replacement cost basis and also maintain public liability insurance in a reasonable amount. In addition, Debtor will maintain extended liability insurance covering its operations of at least $1,000,000 and in a form and with companies reasonably satisfactory to Secured Party. Notwithstanding the foregoing, such property insurance will at all times be in an amount

so that Debtor will not be deemed a "co-insurer" under any co-insurance provisions of such policies. All such insurance policies will name Secured Party as an additional insured and, where applicable, as lender's loss payee under a loss payable endorsement satisfactory to Secured Party. All such policies will be in form and substance satisfactory to Secured Party and will provide that ten (10) days' prior written notice must be given to Secured Party before such policy is altered or cancelled. Schedules of all insurance of Debtor will be submitted to Secured Party upon request. Such schedules will contain a description of the risks covered, the amounts of insurance carried on each risk, the name of the insurer and the cost of such insurance to Debtor. Debtor will provide new schedules to Secured Party promptly to reflect any change in insurance coverage. Debtor will deliver to Secured Party certificates representing such insurance policies upon the execution hereof. All amounts payable in settlement of insurance losses may be applied, at Secured Party's option, to the Obligations, or used to repair, replace or restore the Collateral.

5. **Payment of Expenses by Secured Party.** At its option, Secured Party may discharge taxes, liens, security interests or such other encumbrances as may attach to the Collateral, may pay for required insurance on the Collateral and may pay for the maintenance and preservation of the Collateral, as determined by Secured Party to be necessary, and such expenditures will become a part of the Obligations. Debtor will reimburse Secured Party on demand for any payment so made or any expense incurred by Secured Party pursuant to the foregoing authorization, and the Collateral also will secure any advances or payments so made or expenses so incurred by Secured Party.

6. **Information.** Debtor will furnish to Secured Party from time to time if and as requested current lists of the Collateral. Secured Party and its designated representatives and agents will have the right at all reasonable times to examine, inspect, and audit the Collateral wherever located.

7. **Representations and Covenants.** Debtor represents and covenants to Secured Party that, except for any Permitted Liens: (a) Debtor has not made any prior sale, pledge, encumbrance, assignment or other disposition of any of the Collateral and the same is free from all encumbrances and rights of set off of any kind; (b) Debtor will not hereafter without the prior written consent of Secured Party sell, pledge, encumber, assign or otherwise dispose of any of the Collateral or permit any right of set off, lien or security interest to exist thereon except to Secured Party; and (c) Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

8. **Receivers.** Upon or at any time after the occurrence of an Event of Default, Secured Party may request the appointment of a receiver of the Collateral, and Debtor expressly consents to the appointment of such a receiver, who will be entitled to a reasonable fee for so managing the Collateral. Such appointment may be made without notice, and without regard to (i) the solvency or insolvency, at the time of application for such receiver, of the person or persons, if any, liable for the payment of the Obligations; and (ii) the value of the Collateral at such time. Such receiver will have the power to take possession, control and care of the Collateral and to collect all accounts resulting therefrom. Notwithstanding the appointment of any receiver, trustee, or other custodian, Secured Party will be entitled to the possession and control of any cash, or other instruments at the time held by, or payable or deliverable under the terms of this Agreement to Secured Party.

9. **<u>Place of Business</u>.** Debtor's state of formation is Kentucky, and Debtor will not change its state of formation. Debtor's exact legal name is University of Louisville Athletic Association, Inc**.** Debtor (a) now keeps and will continue to keep the Collateral at the facilities located on the real estate described in **<u>Exhibit B</u>**; and Debtor now keeps and will continue to keep its books and records concerning the Collateral at its principal place of business shown above and (b) represents that it has no other place of business other than the following: 2100 South Floyd Street, Louisville, Kentucky 40208.

In the five years preceding the date hereof, Debtor has not conducted business under any name other than its current name nor maintained any place of business or any assets in any jurisdiction other than the following: Louisville, Kentucky.

10. **<u>Default</u>.**

10.1 Upon the occurrence of any of the following (herein referred to as an "**Event of Default**"): (i) any Event of Default (as defined in any of the documents evidencing the Obligations), (ii) or any default under any of such documents that do not have a defined set of "Events of Default," (iii) any representation made by Debtor to Secured Party in this Agreement is false or erroneous in any material respect, or (iv) the failure of Debtor to observe or perform any covenant or other agreement with Secured Party under this Agreement, Secured Party may exercise any one or more of the rights and remedies granted pursuant to this Agreement or given to a secured party under applicable law, as it may be amended from time to time, including but not limited to the right to take possession and sell, lease or otherwise dispose of the Collateral and, at its option, operate, use or exercise any rights of ownership pertaining to the Collateral as the Secured Party deems necessary to preserve the value and receive the benefits of the Collateral. Upon the occurrence of an Event of Default, Secured Party may, so far as Debtor can give authority therefor, enter upon any premises on which the Collateral or any part thereof may be situated and take possession of and remove the same therefrom and gives permission to Secured Party to conduct a sale of any or all of the Collateral, which sale may be conducted on any real property owned by Debtor without charge or interference by Debtor. Secured Party may require Debtor to make the Collateral available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. Debtor waives all claims for damages by reason of any seizure, repossession, retention, use, or sale of the Collateral under the terms of this Agreement.

10.2 The net proceeds arising from the disposition of the Collateral after deducting expenses incurred by Secured Party will be applied to the Obligations in the order determined by Secured Party. If any excess remains after the discharge of all of the Obligations, the same will be paid to Debtor. If after exhausting all of the Collateral, there should be a deficiency, Debtor will be liable therefor to Secured Party, provided, however, that nothing contained herein will obligate Secured Party to proceed against the Collateral prior to making a claim against Debtor or any other party obligated under the Obligations or prior to proceeding against any other collateral for the Obligations.

10.3 Whenever notice is required by law to be sent by Secured Party to Debtor of any sale or other disposition of the Collateral, ten days written notice sent in accordance with the requirements of the applicable section of the Uniform Commercial Code to Debtor at the address specified below, or at such other address as Debtor may furnish Secured Party in writing from time to time for this purpose, will be reasonable.

11. **Rights of Secured Party; Power of Attorney.** Debtor hereby irrevocably constitutes and appoints Secured Party and any officer thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Debtor or in its name, from time to time in Secured Party's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, Debtor hereby gives Secured Party the power and right, on behalf of Debtor, after an Event of Default, and without notice to or assent by Debtor, to do the following:

11.1 to receive payment of, endorse, and receipt for, any and all monies, claims and other amounts due and to become due at any time in respect of or arising out of the Collateral;

11.2 to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect any of the Collateral and to enforce any other right in respect of the Collateral;

11.3 to settle, compromise or adjust any suit, action or proceeding described above, and, in connection therewith, to give such discharges or releases as Secured Party may deem appropriate; and

11.4 generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect or preserve the Collateral and Secured Party's security interest and rights therein in order to effect the intent of this Agreement, all as fully and effectively as Debtor might do.

Debtor hereby ratifies all that such attorneys in fact may lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest, will be irrevocable and will terminate only upon payment in full of the Obligations and the termination of this Agreement. The powers conferred upon Secured Party hereunder are solely to protect Secured Party's interests in the Collateral and will not impose any duty upon it to exercise any such powers. Secured Party will have no obligation to preserve any rights of any third parties in the Collateral. Secured Party will be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents will be responsible to Debtor for any action taken or omitted to be taken in good faith or in reliance on the advice of counsel except for its own gross negligence or willful misconduct.

12. General.

12.1 Waiver. No delay or omission on the part of Secured Party to exercise any right or power arising from any Event of Default will impair any such right or power or be considered a waiver of any such right or power or a waiver of any such Event of Default or an acquiescence therein nor will the action or non-action of Secured Party in case of such Event of Default impair any right or power arising as a result thereof or affect any subsequent default or any other default of the same or a different nature.

12.2 Notices. All notices, demands, requests, consents or approvals and other communications required or permitted hereunder will be in writing, and, to the extent required by applicable law, will comply with the requirements of the Uniform Commercial Code then in effect, and will be addressed to such party at the address set forth below or to such other address as any party may give to the other in writing for such purpose:

To Secured Party: 320 Eastern JV, LLC
666 East Main Street, Suite A-2,
Centreville, Michigan 49032
Attn: Lawrence N. Gough

To Debtor: University of Louisville Athletic Association, Inc.
2100 South Floyd Street
Louisville, Kentucky 40208
Attn: Jeff Spoelker

With a copy to: Office of University Counsel
University of Louisville
206 Grawemeyer Hall
Louisville, Kentucky 40208
Attn: General Counsel

All such communications, if personally delivered, will be conclusively deemed to have been received by a party hereto and to be effective when so delivered; if given by mail, on the fourth business day after such communication is deposited in the mail with first-class postage prepaid, return receipt requested; or if sent by overnight courier service, on the day after deposit thereof with such service; or if sent by certified or registered mail, on the third business day after the day on which deposited in the mail.

12.3 **Successors and Assigns.** This Agreement will be binding upon and inure to the benefit of Debtor and Secured Party and their respective successors and assigns, provided, however, that Debtor may not assign, delegate, or transfer this Agreement in whole or in part without the prior written consent of Secured Party and Secured Party at any time may assign this Agreement in whole or in part. All references herein to the "Debtor" and "Secured Party" will be deemed to apply to Debtor and Secured Party and their respective heirs, administrators, successors and assigns.

12.4 **Modifications.** No modification or waiver of any provision of this Agreement nor consent to any departure by Debtor therefrom, will be established by conduct, custom or course of dealing; and no modification, waiver or consent will in any event be effective unless the same is in writing and specifically refers to this Agreement, and then such waiver or consent will be effective only in the specific instance and for the purpose for which given. No notice to or demand on Debtor in any case will entitle Debtor to any other or further notice or demand in the same, similar or other circumstance.

12.5 [Intentionally left blank.]

12.6 [Intentionally left blank.]

12.7 **Illegality.** If fulfillment of any provision hereof or any transaction related hereto or of any provision of this Agreement, at the time performance of such provision is due, involves transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled will be reduced to the limit of such validity; and if any clause or provisions herein contained other than the provisions hereof pertaining to repayment of the Obligations operates or would prospectively operate to invalidate this Agreement in whole or in part, then such clause or provision only will be void, as though not herein contained, and the remainder of this Agreement will remain operative and in full force and effect.

12.8 **Continuing Agreement.** This is a continuing Agreement and will continue in effect even though all or any part of the Obligations have been paid in full and even though for a period of time Debtor may not be indebted to Secured Party.

12.9 **<u>Gender, etc</u>.** Whenever used herein, the singular number will include the plural, the plural the singular and the use of the masculine, feminine or neuter gender will include all genders.

12.10 **<u>Headings</u>.** The headings in this Agreement are for convenience only and will not limit or otherwise affect any of the terms hereof.

12.11 [Intentionally left blank.]

12.12 **<u>Counterparts</u>.** This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed will be deemed to be an original and all of which taken together will constitute one and the same agreement. Any party so executing this Agreement by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

12.13 **<u>Definitions</u>.** Capitalized terms used herein and not otherwise defined will be given the definitions set forth in the Uniform Commercial Code in force and effect in the State indicated in the Governing Law section of this Agreement

12.14 **<u>Governing Law</u>.** This Agreement has been delivered and accepted at and will be deemed to have been made at Louisville, Kentucky and will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the Commonwealth of Kentucky, and will include all matters arising out of or relating to this Agreement, including without limitation claims as to its validity, interpretation, construction, performance, and all claims sounding in tort.

12.15 ***<u>Waiver of Jury Trial</u>. THE PARTIES HERETO EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT, OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. DEBTOR AND SECURED PARTY ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.***

[Remainder of Page Left Blank]

[Signature Page to Security Agreement (Equipment – Purchase Money Security Interest)]

Dated as of the Effective Date, and Debtor hereby acknowledges and agrees that each of the exhibits attached hereto is incorporated by reference as if fully set forth herein.

DEBTOR:

UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC., a Kentucky nonprofit corporation

By______________________________
Print Name: ______________________
Title: ___________________________

SECURED PARTY:

320 EASTERN JV, LLC, a Kentucky limited liability company

By:_____________________________
Print Name: Lawrence N. Gough
Title: Manager

EXHIBIT A
DESCRIPTION OF EQUIPMENT

[*attached hereto*.]

EXHIBIT B
LEGAL DESCRIPTION OF REAL ESTATE

[insert]

EXHIBIT C
PERMITTED LIENS

"**Permitted Liens**" will mean:

(i) liens securing the payment of taxes, either not yet due or the validity of which is being contested in good faith by appropriate proceedings, and as to which it has set aside on its books adequate reserves to the extent required by generally accepted accounting principles;

(ii) liens imposed by law, such as carriers' warehousemen's or mechanics' liens, incurred by it in good faith in the ordinary course of business, and liens arising out of a judgment or award against it with respect to which it will currently be prosecuting an appeal, a stay of execution pending such appeal having been secured;

(iii) liens in favor of Secured Party; and

(iv) attachment, judgment, and similar liens provided that execution is effectively stayed pending a good faith contest.

SECURITY AGREEMENT
(Tenant Improvements and Equipment – Purchase Money Security Interest)

UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC., a Kentucky nonprofit corporation ("**Debtor**"), for valuable consideration, receipt of which hereby is acknowledged, hereby transfers, assigns and pledges to **INVESTMENT PROPERTY ADVISORS, LLC**, an Indiana limited liability company ("**Secured Party**"), and grants to Secured Party as of September ___, 2021 (the "**Effective Date**") a security interest in, the following collateral, wherever located, now existing and hereafter arising or coming into existence (the "**Collateral**"):

1. The tenant improvements and equipment described on the attached **Exhibit A**;

2. Together with all attachments, additions and accessions thereto, and added and substituted parts, equipment and repairs now or hereafter placed upon such property, whether because of necessary repairs or otherwise; and

The proceeds (including insurance proceeds) and products of the foregoing in whatever form the same may be, for the purpose of securing the payment to Secured Party of all of the following ("**Obligations**"): all loans, advances, debts, liabilities, obligations, covenants and duties owing to Secured Party from Debtor arising under: (i) the Commercial Note given by Debtor to Secured Party dated September ___, 2021 (the "**Note**"), and all of the documents executed in connection therewith,; and, as to all of the foregoing, including any amendments, modifications, or superseding documents to each of the foregoing; and all charges, expenses, fees, including but not limited to reasonable attorneys' fees, and any other sums chargeable to Debtor under any of the Obligations. This Agreement is in addition to any previous assignments or pledges, and such previous assignments and pledges remain in full force and effect.

Debtor further warrants to and agrees with Secured Party as follows:

1. **Location and Use of Collateral**.

1.1 Debtor now keeps and will continue to keep the Collateral at the facilities located on the real estate described in **Exhibit B**; and Debtor now keeps and will continue to keep its books and records concerning the Collateral at its principal place of business. Debtor has not had any other registered offices in the Commonwealth of Kentucky other than the following: _2100 South Floyd Street, Louisville, Kentucky 40208.

1.2 The Collateral is being acquired with the proceeds of the loans by Secured Party to Debtor. Secured Party may disburse such proceeds directly to the seller of the Collateral. The security interest created under this Agreement is intended by the parties to be a purchase money security interest in the Collateral and in the proceeds of the sale of such Collateral.

1.3 If the Collateral has been or is to be attached to real estate, the name of the record ground lease holder of such real estate is **320 EASTERN JV, LLC**, a Kentucky limited liability company, and such real estate is described in **Exhibit B** attached hereto and if the Collateral is attached to real estate prior to the perfection of the security interest hereby granted, Debtor upon demand will furnish Secured Party with written consent to such security interest or a written disclaimer of any interest in the Equipment as fixtures, signed by all persons with an interest in the real estate at the time of the attachment of such security interest.

2. **Preservation of Collateral.** Debtor will keep the Collateral in good order and repair at all times, will use same with reasonable care and caution, will not part with possession or ownership thereof nor lease or hire out the Collateral without the written consent of Secured Party, and will exhibit the Collateral to Secured Party upon demand. Debtor will promptly notify Secured Party of any loss or damage to the Collateral. Debtor will not use, or permit the Collateral to be used, in violation of any federal, state, county or municipal law or regulation or for any unlawful purpose whatsoever.

3. **Execution of Appropriate Documentation with Respect to Collateral.** With respect to any and all of the Collateral, Debtor agrees to do and cause to be done all things necessary or appropriate to perfect, maintain the priority of and keep in full force and effect the security interest granted by Debtor to Secured Party, including, but not limited to, the prompt payment upon demand therefor by Secured Party of all fees and expenses (including documentary stamp, excise or intangibles taxes) incurred in connection with the preparation, delivery, or filing of any document or the taking of any action deemed necessary or appropriate by Secured Party to perfect, protect, or enforce a security interest in any of the Collateral for the benefit of Secured Party, subject only to the Permitted Liens, as such liens are set forth on the attached **Exhibit C**, which is incorporated by reference as if fully set forth herein and as such term is defined in any of the documents executed in connection with the Obligations. All amounts not so paid when due will be added to the Obligations and (in addition to other rights and remedies resulting from such non-payment) will bear interest from the date of demand until paid in full at the Default Rate. Debtor also authorizes Secured Party to file one or more financing statements, as deemed necessary or desirable by Secured Party (including but not limited to any correction statements as set forth more fully in UCC Section 9-518), which financing statements lists or otherwise describes the Collateral as consisting of all of Debtor's assets or words to that effect, regardless of the actual description of the Collateral set forth in this Agreement.

4. **Insurance.** Debtor will keep its insurable real and personal property insured with responsible insurance companies against loss or damage by fire, windstorm and other hazards which are commonly insured against in an extended coverage endorsement in an amount equal to not less than 90% of the insurable value thereof on a replacement cost basis and also maintain public liability insurance in a reasonable amount. In addition, Debtor will maintain extended liability insurance covering its operations of at least $1,000,000 and in a form and with companies reasonably satisfactory to Secured Party. Notwithstanding the foregoing, such property insurance will at all times be in an amount so that Debtor will not be deemed a "co-insurer" under any co-insurance provisions of such policies. All such insurance policies will name Secured Party as an additional insured and, where applicable, as lender's loss payee under a loss payable endorsement satisfactory to Secured Party. All such policies will be in form and substance satisfactory to Secured Party and will provide that ten (10) days' prior written notice must be given to Secured Party before such policy is altered or cancelled. Schedules of all insurance of Debtor will be submitted to Secured Party upon request. Such schedules will contain a description of the risks covered, the amounts of insurance carried on each risk, the name of the insurer and the cost of such insurance to Debtor. Debtor will provide new schedules to Secured Party promptly to reflect any change in insurance coverage. Debtor will deliver to Secured Party certificates representing such insurance policies upon the execution hereof. All amounts payable in settlement of insurance losses may be applied, at Secured Party's option, to the Obligations, or used to repair, replace or restore the Collateral.

5. **Payment of Expenses by Secured Party.** At its option, Secured Party may discharge taxes, liens, security interests or such other encumbrances as may attach to the Collateral, may pay for required insurance on the Collateral and may pay for the maintenance and preservation of the Collateral, as determined by Secured Party to be necessary, and such expenditures will become a part of the Obligations. Debtor will reimburse Secured Party on demand for any payment so made or any expense incurred by Secured Party pursuant to the foregoing authorization, and the Collateral also will secure any advances or payments so made or expenses so incurred by Secured Party.

6. **Information.** Debtor will furnish to Secured Party from time to time if and as requested current lists of the Collateral. Secured Party and its designated representatives and agents will have the right at all reasonable times to examine, inspect, and audit the Collateral wherever located.

7. **Representations and Covenants.** Debtor represents and covenants to Secured Party that, except for any Permitted Liens: (a) Debtor has not made any prior sale, pledge, encumbrance, assignment or other disposition of any of the Collateral and the same is free from all encumbrances and rights of set off of any kind; (b) Debtor will not hereafter without the prior written consent of Secured Party sell, pledge, encumber, assign or otherwise dispose of any of the Collateral or permit any right of set off, lien or security interest to exist thereon except to Secured Party; and (c) Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

8. **Receivers.** Upon or at any time after the occurrence of an Event of Default, Secured Party may request the appointment of a receiver of the Collateral, and Debtor expressly consents to the appointment of such a receiver, who will be entitled to a reasonable fee for so managing the Collateral. Such appointment may be made without notice, and without regard to (i) the solvency or insolvency, at the time of application for such receiver, of the person or persons, if any, liable for the payment of the Obligations; and (ii) the value of the Collateral at such time. Such receiver will have the power to take possession, control and care of the Collateral and to collect all accounts resulting therefrom. Notwithstanding the appointment of any receiver, trustee, or other custodian, Secured Party will be entitled to the possession and control of any cash, or other instruments at the time held by, or payable or deliverable under the terms of this Agreement to Secured Party.

9. **<u>Place of Business</u>.** Debtor's state of formation is Kentucky, and Debtor will not change its state of formation. Debtor's exact legal name is University of Louisville Athletic Association, Inc**.** Debtor (a) now keeps and will continue to keep the Collateral at the facilities located on the real estate described in **<u>Exhibit B</u>**; and Debtor now keeps and will continue to keep its books and records concerning the Collateral at its principal place of business shown above and (b) represents that it has no other place of business other than the following: 2100 South Floyd Street, Louisville, Kentucky 40208.

In the five years preceding the date hereof, Debtor has not conducted business under any name other than its current name nor maintained any place of business or any assets in any jurisdiction other than the following: Louisville, Kentucky.

10. **<u>Default</u>.**

10.1 Upon the occurrence of any of the following (herein referred to as an "**Event of Default**"): (i) any Event of Default (as defined in any of the documents evidencing the Obligations), (ii) or any default under any of such documents that do not have a defined set of "Events of Default," (iii) any representation made by Debtor to Secured Party in this Agreement is false or erroneous in any material respect, or (iv) the failure of Debtor to observe or perform any covenant or other agreement with Secured Party under this Agreement, Secured Party may exercise any one or more of the rights and remedies granted pursuant to this Agreement or given to a secured party under applicable law, as it may be amended from time to time, including but not limited to the right to take possession and sell, lease or otherwise dispose of the Collateral and, at its option, operate, use or exercise any rights of ownership pertaining to the Collateral as the Secured Party deems necessary to preserve the value and receive the benefits of the Collateral. Upon the occurrence of an Event of Default, Secured Party may, so far as Debtor can give authority therefor, enter upon any premises on which the Collateral or any part thereof may be situated and take possession of and remove the same therefrom and gives permission to Secured Party to conduct a sale of any or all of the Collateral, which sale may be conducted on any real property owned by Debtor without charge or interference by Debtor. Secured Party may require Debtor to make the Collateral available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. Debtor waives all claims for damages by reason of any seizure, repossession, retention, use, or sale of the Collateral under the terms of this Agreement.

10.2 The net proceeds arising from the disposition of the Collateral after deducting expenses incurred by Secured Party will be applied to the Obligations in the order determined by Secured Party. If any excess remains after the discharge of all of the Obligations, the same will be paid to Debtor. If after exhausting all of the Collateral, there should be a deficiency, Debtor will be liable therefor to Secured Party, provided, however, that nothing contained herein will obligate Secured Party to proceed against the Collateral prior to making a claim against Debtor or any other party obligated under the Obligations or prior to proceeding against any other collateral for the Obligations.

10.3 Whenever notice is required by law to be sent by Secured Party to Debtor of any sale or other disposition of the Collateral, ten days written notice sent in accordance with the requirements of the applicable section of the Uniform Commercial Code to Debtor at the address specified below, or at such other address as Debtor may furnish Secured Party in writing from time to time for this purpose, will be reasonable.

11. **Rights of Secured Party; Power of Attorney.** Debtor hereby irrevocably constitutes and appoints Secured Party and any officer thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Debtor or in its name, from time to time in Secured Party's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, Debtor hereby gives Secured Party the power and right, on behalf of Debtor, after an Event of Default, and without notice to or assent by Debtor, to do the following:

11.1 to receive payment of, endorse, and receipt for, any and all monies, claims and other amounts due and to become due at any time in respect of or arising out of the Collateral;

11.2 to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect any of the Collateral and to enforce any other right in respect of the Collateral;

11.3 to settle, compromise or adjust any suit, action or proceeding described above, and, in connection therewith, to give such discharges or releases as Secured Party may deem appropriate; and

11.4 generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Secured Party were the absolute owner thereof for all purposes, and to do, at Secured Party's option, at any time, or from time to time, all acts and things which Secured Party deems necessary to protect or preserve the Collateral and Secured Party's security interest and rights therein in order to effect the intent of this Agreement, all as fully and effectively as Debtor might do.

Debtor hereby ratifies all that such attorneys in fact may lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest, will be irrevocable and will terminate only upon payment in full of the Obligations and the termination of this Agreement. The powers conferred upon Secured Party hereunder are solely to protect Secured Party's interests in the Collateral and will not impose any duty upon it to exercise any such powers. Secured Party will have no obligation to preserve any rights of any third parties in the Collateral. Secured Party will be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents will be responsible to Debtor for any action taken or omitted to be taken in good faith or in reliance on the advice of counsel except for its own gross negligence or willful misconduct.

12. **General**.

12.1 **Assignment.** Debtor acknowledges that Secured Party is assigning its interest in this Security Agreement to L&N Federal Credit Union ("**L&N**") as security for the repayment of that certain Note from Secured Party in favor of L&N in the face principal amount of $1,400,000.00 and consents to such assignment and all of the provisions thereof.

12.2 **Waiver.** No delay or omission on the part of Secured Party to exercise any right or power arising from any Event of Default will impair any such right or power or be considered a waiver of any such right or power or a waiver of any such Event of Default or an acquiescence therein nor will the action or non-action of Secured Party in case of such Event of Default impair any right or power arising as a result thereof or affect any subsequent default or any other default of the same or a different nature.

12.3 **Notices.** All notices, demands, requests, consents or approvals and other communications required or permitted hereunder will be in writing, and, to the extent required by applicable law, will comply with the requirements of the Uniform Commercial Code then in effect, and will be addressed to such party at the address set forth below or to such other address as any party may give to the other in writing for such purpose:

To Secured Party: Investment Property Advisors, LLC
666 East Main Street, Suite A-2,
Centreville, Michigan 49032
Attn:________________________________

To Debtor: University of Louisville Athletic Association, Inc.
2100 South Floyd Street
Louisville, Kentucky 40208
Attn: Jeff Spoelker

With a copy to: Office of University Counsel

University of Louisville
206 Grawemeyer Hall
Louisville, Kentucky 40292
Attn: General Counsel

All such communications, if personally delivered, will be conclusively deemed to have been received by a party hereto and to be effective when so delivered; if given by mail, on the fourth business day after such communication is deposited in the mail with first-class postage prepaid, return receipt requested; or if sent by overnight courier service, on the day after deposit thereof with such service; or if sent by certified or registered mail, on the third business day after the day on which deposited in the mail.

12.4 **Successors and Assigns.** This Agreement will be binding upon and inure to the benefit of Debtor and Secured Party and their respective successors and assigns, provided, however, that Debtor may not assign, delegate, or transfer this Agreement in whole or in part without the prior written consent of Secured Party and Secured Party at any time may assign this Agreement in whole or in part. All references herein to the "Debtor" and "Secured Party" will be deemed to apply to Debtor and Secured Party and their respective heirs, administrators, successors and assigns.

12.5 **Modifications.** No modification or waiver of any provision of this Agreement nor consent to any departure by Debtor therefrom, will be established by conduct, custom or course of dealing; and no modification, waiver or consent will in any event be effective unless the same is in writing and specifically refers to this Agreement, and then such waiver or consent will be effective only in the specific instance and for the purpose for which given. No notice to or demand on Debtor in any case will entitle Debtor to any other or further notice or demand in the same, similar or other circumstance.

12.6 [Intentionally left blank.]

12.7 [Intentionally left blank.]

12.8 **Illegality.** If fulfillment of any provision hereof or any transaction related hereto or of any provision of this Agreement, at the time performance of such provision is due, involves transcending the limit of validity prescribed by law, then ipso facto, the obligation to be fulfilled will be reduced to the limit of such validity; and if any clause or provisions herein contained other than the provisions hereof pertaining to repayment of the Obligations operates or would prospectively operate to invalidate this Agreement in whole or in part, then such clause or provision only will be void, as though not herein contained, and the remainder of this Agreement will remain operative and in full force and effect.

12.9 **Continuing Agreement.** This is a continuing Agreement and will continue in effect even though all or any part of the Obligations have been paid in full and even though for a period of time Debtor may not be indebted to Secured Party.

12.10 **Gender, etc.** Whenever used herein, the singular number will include the plural, the plural the singular and the use of the masculine, feminine or neuter gender will include all genders.

12.11 **Headings.** The headings in this Agreement are for convenience only and will not limit or otherwise affect any of the terms hereof.

12.12 [Intentionally left blank]

12.13 **Counterparts.** This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed will be deemed to be an original and all of which taken together will constitute one and the same agreement. Any party so executing this Agreement by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

12.14 **Definitions.** Capitalized terms used herein and not otherwise defined will be given the definitions set forth in the Uniform Commercial Code in force and effect in the State indicated in the Governing Law section of this Agreement

12.15 **Governing Law.** This Agreement has been delivered and accepted at and will be deemed to have been made at Louisville, Kentucky and will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the Commonwealth of Kentucky, and will include all matters arising out of or relating to this Agreement, including without limitation claims as to its validity, interpretation, construction, performance, and all claims sounding in tort.

12.16 ***Waiver of Jury Trial. THE PARTIES HERETO EACH WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS AGREEMENT, OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. DEBTOR AND SECURED PARTY ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.***

[Remainder of Page Left Blank]

[Signature Page to Security Agreement (Equipment – Purchase Money Security Interest)]

Dated as of the Effective Date, and Debtor hereby acknowledges and agrees that each of the exhibits attached hereto is incorporated by reference as if fully set forth herein.

DEBTOR:

UNIVERSITY OF LOUISVILLE ATHLETIC ASSOCIATION, INC., a Kentucky nonprofit corporation

By______________________________
Print Name: ________________________
Title: ______________________________

SECURED PARTY:

INVESTMENT PROPERTY ADVISORS, LLC, an Indiana limited liability company

By:______________________________
Print Name: Lawrence N. Gough
Title: Manager

EXHIBIT A
DESCRIPTION OF EQUIPMENT

[*attached hereto*.]

EXHIBIT B
LEGAL DESCRIPTION OF REAL ESTATE

[insert]

EXHIBIT C
PERMITTED LIENS

"**Permitted Liens**" will mean:

(i) liens securing the payment of taxes, either not yet due or the validity of which is being contested in good faith by appropriate proceedings, and as to which it has set aside on its books adequate reserves to the extent required by generally accepted accounting principles;

(ii) liens imposed by law, such as carriers' warehousemen's or mechanics' liens, incurred by it in good faith in the ordinary course of business, and liens arising out of a judgment or award against it with respect to which it will currently be prosecuting an appeal, a stay of execution pending such appeal having been secured;

(iii) liens in favor of Secured Party; and

(iv) attachment, judgment, and similar liens provided that execution is effectively stayed pending a good faith contest.

RECOMMENDATION TO THE
UNIVERSITY OF LOUISVILLE BOARD OF TRUSTEES
CONCERNING THE RENOVATION OF A CLUB SPACE AT CARDINAL STADIUM

Finance Committee – September 23, 2021
Executive and Compensation Committee – September 23, 2021

RECOMMENDATION:

The President recommends that the Board of Trustees approve the issuance of an RFP and authorize a project to renovate the west-side club area of Cardinal Stadium, at an estimated cost not to exceed $6,000,000.

BACKGROUND:

To further enhance the fan experience at Cardinal Stadium, Athletics will undertake a $6 million renovation to the west side club, formerly known as the Brown and Williamson Club. This space, which totals 18,000 square feet, has not been renovated since the stadium was built in 1998. This renovation will create a premium space emphasizing the influences of Louisville (the bourbon distillery + the horse culture the speakeasy + the forward-thinking character as a city). In addition to enhancing the fan experience, the renovated space should generate additional operating revenues through ticket sales, concessions and event rentals.

The estimated cost is between $4 and 6 million and construction will be funded using the Athletics line of credit with Republic Bank. Repayment will be made from a $4 million naming rights agreement (announcement forthcoming) and operating funds from incremental revenue generated from the new club space.

Construction is expected to begin immediately following the last home football game on November 27, 2021, and to be complete prior to the first home football game in 2022.

In the 2020-2022 State budget, renovation provisions for Cardinal Stadium in the amount of up to $10 million was authorized so no additional approvals are required at the state level.

The Vice President for Athletics joins the President in making this recommendation.

COMMITTEE ACTION:
Passed X
Did Not Pass
Other
Signature on file
Assistant Secretary

BOARD ACTION:
Passed X
Did Not Pass
Other
Assistant Secretary

UNIVERSITY OF LOUISVILLE 2021 CAMPUS SAFETY UPDATE

CHIEF GARY D. LEWIS JR.

UNIVERSITY OF LOUISVILLE POLICE DEPARTMENT

- FUNDED FOR 50 STATE CERTIFIED AND SWORN POLICE OFFICERS
- 20 SECURITY OFFICERS
- EMERGENCY MANAGEMENT
- FIRE MARSHAL
- DISPATCH COMMUNICATIONS
- PHYSICAL SECURITY / ACCESS CONTROL
- CLERY COORDINATOR

LAW ENFORCEMENT AGENCY JURISDICTION

UNIVERSITY OF LOUISVILLE POLICE DEPARTMENT (ULPD) – CAMPUSES AND AFFILIATED PROPERTIES

LOUISVILLE METRO POLICE DEPARTMENT (LMPD) – BELKNAP CAMPUS 4TH DIVISION RESPONSE AREA

METRO VS. CAMPUS CRIME INDEX

THE UNIVERSITY OF LOUISVILLE IS A SAFE CAMPUS WHICH IS LOCATED GEOGRAPHICALLY WITHIN A BUSY METROPOLITAN COMMUNITY - SIMILAR TO LIKE SIZED AND URBAN UNIVERSITIES THE MAJORITY HAVE THE INCIDENTS INVOLVING CRIME.

ALTHOUGH THE CITY HAS EXPERIENCED INCREASES, WE HAVE SEEN RELATIVITY DECREASES IN MOST AREAS – THIS IS DUE IN PART TO THE DUE DILIGENCE OF OUR POLICE AND SECURITY PERSONNEL.

AFFILIATED PROPERTIES

INCREASE PRESENCE WITH BOTH POLICE AND SECURITY HAS BEEN IMPLEMENTED AND WILL CONTINUE UNTIL THE COMPLETION OF WINTER BREAK. WE WILL EVALUATE IN JANUARY 2022.

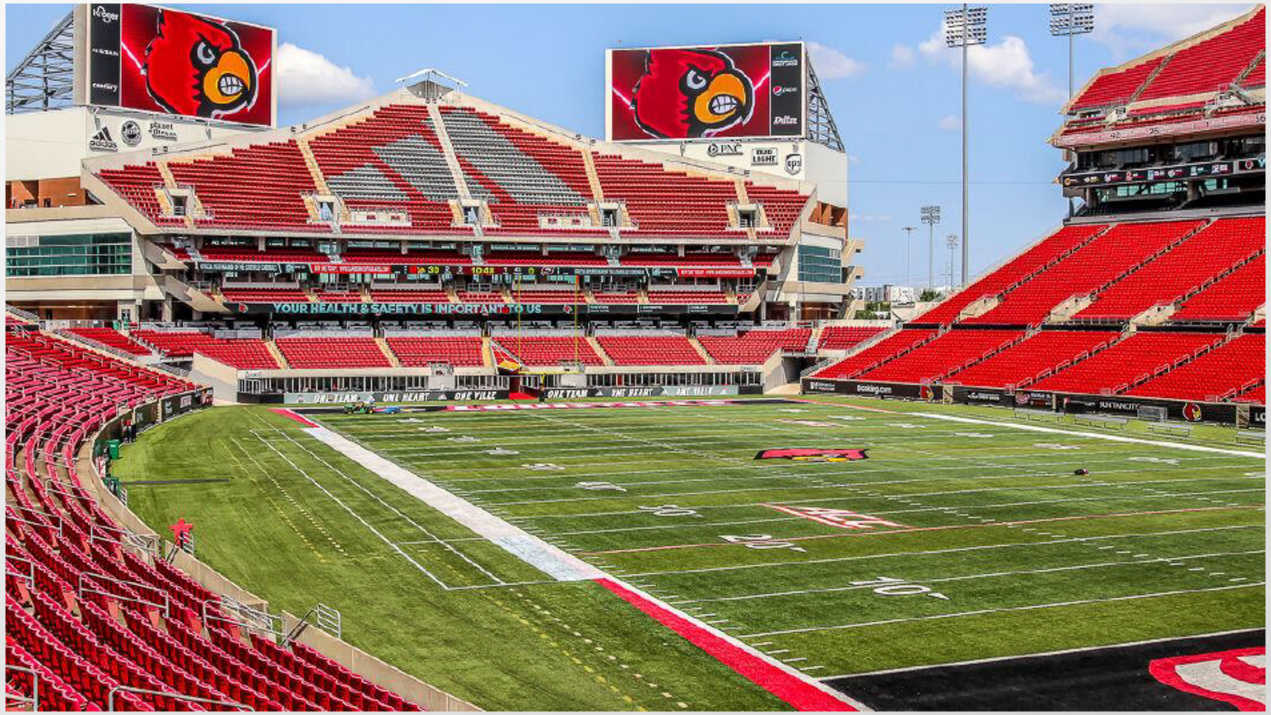
CARDINAL CRUISER

AVERAGING 800 MOTOR VEHICLE TRANSPORT EACH MONTH

IN SEPTEMBER WE SAW 1200 TRANSPORTS

DUSK UNTIL DAWN

CARDINAL STADIUM



RECRUITING AND RETAINING APPLICANTS

PARTNERSHIP WITH DEPT OF CRIMINAL JUSTICE

AIR FORCE R.O.T.C. PARTNERSHIP EKSTROM

COMMUNITY RELATIONS

OUR UNIVERSITY AND MORE SPECIFICALLY OUR POLICE DEPARTMENT PATROL BARES THE SEAL OF MINERVA, THE ROMAN GODDESS OF WISDOM AND IS OUR OLDEST INSTITUTIONAL SYMBOL.

THERAPY DOG K9 HOSS!!

NAME IMAGE LIKENESS

University of Louisville

Board of Trustees

October 29, 2021

NIL Background

- State and NCAA laws changed on July 1, 2021, to permit student-athletes to pursue NIL activities for compensation

- Permissible NIL activities: business endorsements, social media influencing, appearances, autograph signings, providing lessons/camps, and more.

- NIL activities may be for compensation (cash of trade) or non-profit initiatives.

- Breadth of NIL Stakeholders: student-athletes; parents & guardians; agents and marketing firms; coaches and staff; donors and fans; university staff and boards; state and congressional representatives; and NCAA.

First 100+ Days of NIL

- 150 unique NIL deals with 97 different companies
- 67 different student-athletes across 15 sports have reported NIL deals
- Average NIL Deal Value = $837.50
- Range of Individual NIL Deal Values = $0 to $30,000
- Total Dollars Earned for all Student-Athletes: $129,266
- Top NIL Income By Sport: FB (79%); MBB (7%); MS&D (6%); WBB (4%); WVB (1.5%)
- Two football student-athletes have $88,000+ in NIL income
- NIL Income by Gender: Male 92% / Female 8%

First 100+ Days of NIL

- Popular NIL Categories: Endorsements; Social Media Influencing; Appearances
- Specific NIL Examples: electrolyte/protein products; gym; restaurant; car dealership; equipment/apparel; autographs; trading cards; clothing/boutiques
- Over 1,000 NIL and Life Skills Education Modules Completed on GamePlan
- Over 450 NIL Modules Completed on Compass
- Data above reflects July 1, 2021 through October 14, 2021 time period.

Outreach & Support

- NIL Educational Outreach to Student-Athletes:
  - ✓ In-person instruction
  - ✓ GamePlan On-Line Modules
  - ✓ Weekly NIL Text Tips
  - ✓ NIL Office Hours @ TACE
  - ✓ University Law Clinic
  - ✓ Faculty led workshops
- Monitoring & Reporting of NIL Activities via Compass
- NIL Resource & News Landing Page = www.gocards.com/NIL
- Dedicated NIL Email for Inbound Inquiries = NIL@gocards.com
- NIL Advisory Board

Legislative Services Database - LS | Name, Image, Likeness - Universi

gocards.com/sports/nil

Apps | Suggested Sites | Access Your Accoun... | GoCards.com Offici... | Google | Log In to Fidelity N... | NCAA Division I Le... | NCAA.org - Sign In | Oracle PeopleSoft S... | PanAm Travel | UL Student Athlete... | University of Louisv... | Imported From IE | Reading list

LOUISVILLE CARDINALS

ACCN ESPN

MY CARDINALS ACCOUNT

SPORTS | SCHEDULES | TICKETS | FACILITIES | ATHLETICS | MULTIMEDIA | FAN CENTER | VIDEO | DONATE | SHOP

NAME, IMAGE, LIKENESS

ELEVATE | STUDENT-ATHLETES | COACHES & STAFF | FANS, BOOSTERS & COMPANIES (PDF) | MORE +

Louisville Athletics to Prepare Student-Athletes for NIL with Opendorse

MORE NEWS

QUICK LINKS

- University of Louisville NIL Advisory Board (PDF)
- University of Louisville NIL Policies (PDF)
- Agents & Professional Service Providers - NIL Guidelines & Registration (PDF)
- Beyond the Buzzer
- Boosters & Fans Guidance (PDF)
- Kentucky's NIL Executive Order (PDF)
- FAQ to NCAA Interim NIL Policy (PDF)
- Guide to NCAA's Interim NIL Policy (PDF)
- Key Takeaways to NCAA Interim NIL Policy (PDF)
- NCAA "Taking Action" NIL Resource Hub
- NIL Activities, Supplement & Food Companies and Banned Substances (PDF)

SCHEDULE PRESENTED BY NISS

COMPOSITE CALENDAR

Type here to search

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10/14/2021

Looking Ahead

- Kentucky Executive Order may be superseded by future State NIL bill
- Recent Congressional Hearing
- ACC Student-Athlete Advisory Committee Letter to Congress
- Hot Topics: Recruiting Inducements, Level of Institutional Involvement, Group Licensing, Potential for Federal Solution
- NIL Landscape Continues to Evolve

UofL Health

University Board of Trustees

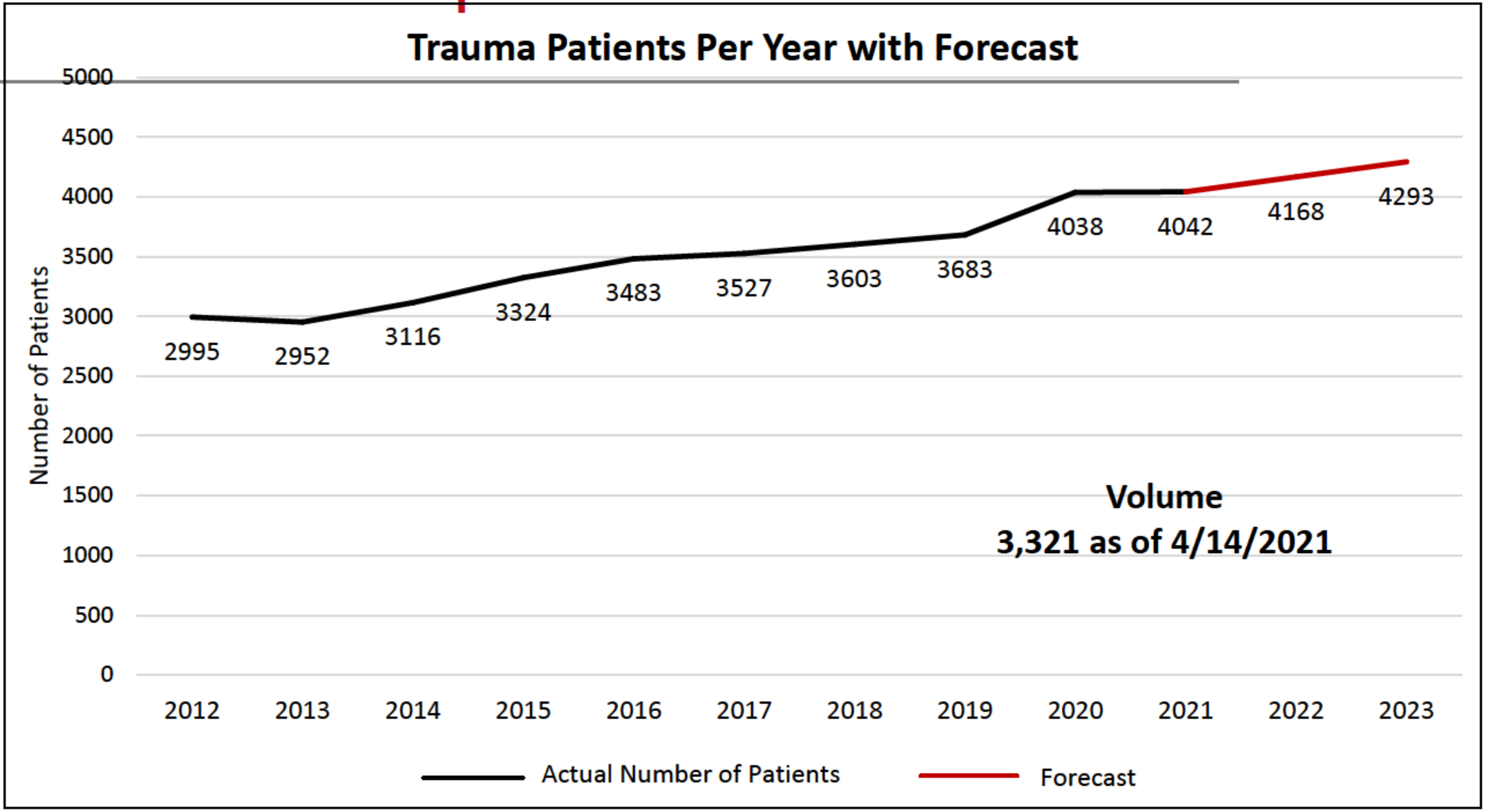
October 29, 2021

UofL Health Operations Update

- Covid 19
  - Wave four had significant effect on hospitals with a high in late August of 162 inpatients
  - Currently running 62 patients, seeing overall decline in positivity rates
  - Mandated vaccines for all staff (6 chose to leave employment of ~12,000 team members)
  - Completed over 165,000 vaccines with focus on West Louisville through churches
  - Hospital running above capacity with 30 patients a day holding in ER for beds all summer
- Struggling with finding enough nurses (~550 openings)
  - Staff working overtime, using traveling nurses
  - Hired 330 international nurses, 150 new graduates
  - We have thousands of health care heroes
- Access
  - Opened 3 “Urgent Care +” sites, one in West Louisville
  - Trauma volumes hit new records
  - Implanted two “Total Artificial Hearts” - another world’s first at Jewish Hospital
  - Recruited 143 new providers in FY 2021
- Financials
  - Audit complete for FY 2021 (Blue & Company)
  - Findings: financials were presented fairly in all material respects
  - Net operating income $114,119,650
  - U of L Health will provide the University mission support $31,946,973

JW

UofL Hospital Trauma Volume Trend



Service	2021 % Admits
MEDICINE / GERI.MED	9%
NEUROSURGERY	13%
ORTHO	15%
TRAUMA	56%

UofL Hospital

Strategic Focus

- Focused on growth
  - Bullitt County
    - Adding 60 beds at Medical Center South
  - Frazier Rehabilitation – Brownsboro
    - Building 40 bed rehab hospital in partnership with Kindred
  - Shelbyville (added 6 bed ICU)
  - Mary and Elizabeth Hospital
    - Established 24/7 STEMI (interventional cardiac program)
  - Expanded Brown Cancer Center Medical Center Northeast
  - University Hospital
    - Opened two additional ORs
    - Planning on solving bed issue (new bed tower)
  - Jewish (opened Geropsych program)
- Leapfrog Quality results showed improvements at all hospitals
  - All C or above and improving

Performance Dashboard

UofL Health Dashboard Quality

UMC MEASURE: Reduce mortality index (observed / expected) to 0.90
Baseline = 0.88 (final result determined by Vizient year to date index)

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Target
1	Goal	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	4 = <= 0.86 3 = 0.89 - 0.87
	Month	0.71	0.82	0.60	0.71	0.70	0.83	0.84	0.67	0.74	0.69	0.75	0.70	2 = 0.90
	YTD	0.71	0.79	0.73	0.75	0.72	0.78	0.79	0.72	0.74	0.73	0.74	0.73	1 = ≥ 0.90

Decrease CMI adjusted length of stay to 3.0 days
Baseline =3.05 days (final result determined by U of L Health finance statements. Excluding normal newborns, NICU, psych and Rehab)

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Target
2	Month Goal	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	4 = <= 2.90 3 = 2.99 - 2.91
	Month	2.34	2.53	2.59	2.50	2.62	2.60	2.64	2.40	2.30	2.38	2.38	2.40	2 = 3.00
	YTD Budget	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	1 = >3.00
	YTD	2.34	2.43	2.48	2.49	2.51	2.53	2.54	2.53	2.50	2.49	2.48	2.47	

Increase "Recommend this Hospital" percentile ranking to 35th percentile.
Baseline = 20th (final result determined by Press Ganey percentile result of the last quarter of the fiscal year)

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Target
3	Goal	35	35	35	35	35	35	35	35	35	35	35	35	4 = ≥ 45th 3 = 45th - 36th
	Month			14			25			19			21	2 = 35th - 25th
	YTD			14			25			19			19	1 = ≤ 24th

UMC MEASURE: Reduce Readmissions to 14.0%
Baseline = 14.02% (final result determined by Vizient benchmark)

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Target
4	Goal	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	4 = <= 13.57 3 = 13.99 - 13.58
	Month	12.6%	12.2%	11.6%	12.2%	12.6%	11.9%	11.26%	11.56%	9.84%	12.88%	10.93%	9.89%	2 = 14%
	YTD	12.6%	12.4%	12.2%	12.2%	12.2%	12.1%	12.1%	12.0%	11.9%	12.1%	11.9%	11.8%	1 = >14%

Reduce Nursing vacancies
Baseline = (final result determined by annual monthly open full time RN positions)

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Target
6	Goal	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	4 = > 8.0% 2 = 8.1% - 9.0%
	Month	14.0%	15.0%	15.0%	16.0%	17.0%	18.0%	18.0%	20.0%	20.0%	21.0%	21.0%	16.8%	2 = 9.1% - 10%
	YTD	14.5%	14.8%	14.8%	15.0%	15.2%	15.4%	15.4%	15.6%	15.6%	15.7%	15.8%	15.4%	1 = ≥ 11%

Joint Commission Acreditation
Maintain JCAHO/CARF acreditation across all facilities

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Target
7	Goal	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	4 = Yes
	Month	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1 = No
	YTD	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	

Performance Dashboard

UofL Health Dashboard (Mission Support/Research)

Mission Support Amount provided to the University of Louisville School of Medicine
Baseline = $7,500,000

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Target
8	Goal	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	4 = $7,725,001 + 3 = $7,500,001 - $7,725,000
	Month	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 625,000	$ 32,571,973	2 = $7,500,000
	YTD	$ 625,000	$ 1,250,000	$ 1,875,000	$ 2,500,000	$ 3,125,000	$ 3,750,000	$ 4,375,000	$ 5,000,000	$ 5,625,000	$ 6,250,000	$ 6,875,000	$ 39,446,973	1 = $7,499,999

Amount of Bed and License Agreement Dollars
Dollars provided to University from UofLHealth

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Target
9	Goal			$ 9,557,750			$ 9,557,750			$ 9,557,750			$ 9,557,750	4 = >$39,377,931 3 = $38,231,001 - $39,377,930
	Month			$ 9,557,750			$ 9,557,750			$ 9,557,750			$ 9,557,750	2 = $38,231,000
	YTD			$ 9,557,750			$ 19,115,500			$ 28,673,250			$ 38,231,000	1 = < 38,230,999

Residents supported by UofL Health
Baseline = 308 (determined by the number of funded resident positions on 6/30)

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Target
10	Goal	308	308	308	308	308	308	308	308	308	308	308	308	4 = ≥ 325 3 = 317 -325
	Month	411	411	429	576	576	576	576	576	576	576	576	576	2 = 308 - 316 1 = ≤ 308

Number of Clinical research project
As measured by the IRB (Institutional Review Board)

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Target
11	Goal	15	15	15	15	15	15	15	15	15	15	15	0	
	Month	16	16	22	29	15	9	7	14	16	12	10	10	
	YTD	770	770	787	809	810	814	801	795	802	804	808	778	

Performance Dashboard

UofL Health Dashboard (Community Measures)

Access to care
Number of Physician office visits per month

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		Target
12	Month Goal	78,779	78,652	74,763	84,797	69,596	68,709	79,949	72,718	50,089	38,400	52,846	68,541		4 = ≥ 866,910 3 = 842,375 - 866,909
	Actual	68,261	67,185	63,235	65,838	58,563	54,746	60,846	52,793	65,112	61,448	58,536	63,424		2 = 749,299 - 817,840
	YTD Goal	78,779	157,431	232,194	316,991	386,587	445,296	535,245	607,963	658,052	696,452	749,298	817,839		
	YTD Actual	68,261	135,446	198,681	264,519	323,082	377,828	438,674	491,467	556,579	618,027	676,563	739,993		1 = < 771,547

Meeting the needs of those most at risk for care
Percentage of Medicaid, self pay and Charity patients at UofL Health

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		Target
13	Medicaid	29.7%	28.9%	29.4%	28.1%	28.5%	27.7%	28.7%	27.8%	28.6%	28.5%	29.7%	28.0%		> 30% 3 = 28-29%
	Self-Pay	2.03%	1.75%	1.84%	1.85%	2.19%	1.19%	1.79%	1.98%	1.96%	1.55%	1.58%	2.04%		2 = 25-27% 1 = 25%

UofL Health Dashboard (Financials)

Meet board approved operating EBIDTA (Measured by monthly Uof L Health board approved budget)

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		Target
17	Budget	$ 4,906,590	$ 3,767,161	$ 2,331,037	$ 6,567,276	$ 4,384,902	$ 3,838,471	$ 6,607,991	$ 5,484,318	$ 6,104,986	$ 8,900,092	$ 19,209,900	$ 13,887,869		4 = 4 = >= $88,570,313
	Month	$ 32,798,250	$ (17,029)	$ 6,808,263	$ 5,152,859	$ 4,558,245	$ (775,743)	$ 3,087,878	$ 2,886,278	$ 3,397,151	$ 22,845,180	$ 38,190,831	$ 30,952,376		3 = $85,990,595 - $88,570,312
	YTD Budget	$4,906,590	$ 8,673,751	$ 11,004,788	$ 17,572,064	$ 21,956,965	$ 25,795,438	$ 32,403,429	$ 37,887,747	$ 43,992,733	$ 52,892,825	$ 72,102,725	$ 85,990,594		2 = $85,990,594
	YTD	$ 32,798,250	$ 32,781,221	$ 39,589,484	$ 44,742,343	$ 49,300,588	$ 48,524,845	$ 51,612,724	$ 54,499,002	$ 57,896,153	$ 80,741,333	$ 118,932,164	$ 149,884,540		1 = <=$83,410,876

We are making a difference in the health of our community, together.

UofL Health

RECOMMENDATION TO THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF LOUISVILLE CONCERNING THE
DESIGNATION OF A CLUB SPACE IN CARDINAL STADIUM

Board of Trustees – October 29, 2021

RECOMMENDATION:

The President recommends the Board of Trustees approve the renaming of the Brown and Williams Club in Cardinal Stadium as "The Angel's Envy Club."

BACKGROUND:

Currently named the Brown & Williamson Club at Cardinal Stadium, the Athletics Department has successfully negotiated a new naming rights agreement with Angel's Envy, a Louisville-based bourbon brand, which, if approved, will rename the club space to honor the brand's $4 million gift to UofL Athletics.

At the time the Cardinal Stadium was built, the naming rights were transferred to Brown & Williamson Tobacco for the west club space for the "life of the stadium" for $1 million. Brown & Williamson, a long-time Louisville-based tobacco company, exited Louisville in 2003 and was absorbed by British American Tobacco. Since then, the club space has languished without a naming partner willing to refresh and modernize the space. After a two-year negotiation with British American Tobacco, the Board of Directors relinquished the naming rights and gave them back to the University of Louisville to extend to another community partner/donor.

BOARD ACTION:
Passed ______X_________
Did Not Pass ____________
Other __________________
__Signature on file______
Assistant Secretary

RECOMMENDATION TO THE BOARD OF TRUSTEES TO AUTHORIZE THE EXECUTIVE AND COMPENSATION COMMITTEE TO ACT ON BEHALF OF THE BOARD OF TRUSTEES AT THE COMMITTEE'S DECEMBER 2021 MEETING

Board of Trustees – October 29, 2021

RECOMMENDATION:

The Chair recommends that the Board of Trustees authorize the Executive and Compensation Committee to take action on behalf of the Board of Trustees on the following:

- Time-sensitive actions regarding business proposals;
- Time-sensitive actions regarding proposed and pending litigation;
- Time-sensitive personnel actions and personnel policy revisions;
- Designations and awards;
- Other matters of housekeeping nature, including but not limited to December degree candidates.

BACKGROUND:

According to its bylaws, the Board of Trustees does not routinely meet in the month of December. The President, therefore, requests that the Board authorize the Executive and Compensation Committee to act for the Board during this timeframe.

BOARD ACTION:
Passed ______X_________
Did Not Pass ___________
Other _________________
__Signature on file ___
Assistant Secretary