

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE
UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.

October 28, 2022

In Open Session

Members of the University of Louisville Research Foundation Board of Directors met in the Angel's Envy Bourbon Club, Cardinal Stadium, on October 28, 2022, at 1:47 p.m. with members present and absent as follows:

Present: Mr. James Rogers, Chair
Mr. Jerry Abramson
Dr. Larry Benz
Mr. Scott Brinkman
Mr. Dorian Brown
Dr. Raymond Burse
Ms. Diane Medley
Dr. Eugene Mueller
Ms. Diane Porter
Mr. John Smith
Ms. Sherrill Zimmerman

Absent: Mr. Al Cornish
Ms. Mary Nixon

From the
University: Dr. Lori Stewart Gonzalez, Interim President
Dr. Gerry Bradley, Interim Provost
Mr. Dan Durbin, Executive Vice President for Finance and Administration
Ms. Mariana Barzun, Co-Interim Vice President for University Advancement
Dr. Douglas Craddock, Interim Vice President for Community Engagement
Ms. Angela Curry, General Counsel and Vice President for Legal Affairs
Ms. Julie Dials, Co-Interim Vice President for University Advancement
Mr. Lee Gill, Vice President for Diversity and Equity
Mr. Josh Heird, Vice President for Athletics and Athletic Director
Dr. Michael Mardis, Vice President for Student Affairs
Ms. Mary Elizabeth Miles, Vice President for Human Resources
Ms. Sandy Russell, Vice President for Risk, Audit, and Compliance
Mr. John Drees, Sr. Assoc. Vice President for Communications & Marketing
Ms. Shannon Rickett, Assoc. Vice President for Government Relations
Dr. William Metcalf, Assoc. VP for Research Dev. & Strategic Partnerships
Mr. John Karman, Executive Director of Communications
Dr. Robert Fox, Dean, University Libraries
Ms. Beverly Santamouris, Treasurer

Mr. Jerry Johnson, Interim COO
Ms. Kim Adams, Chief Information Security Officer
Ms. Jennifer Mudd, Director of Integrity and Compliance
Ms. Sarah Lopez, Deputy Chief of Staff, Provost's Office
Ms. Melissa Brown, Coordinator for Minors on Campus
Ms. Agustina Gomez Cisterna, Student Athlete, Women's Golf
Ms. Mairead Martin, Student Athlete, Women's Golf
Mr. Gary Stewart, Advisor to Audit, Compliance, and Risk Committee
Mr. Jake Beamer, Dir. of Governance & Strategic Initiatives & Asst. Secretary

From UofL
Health: Mr. Tom Miller

From UofL
Foundation: Mr. Keith Sherman

Others: Mr. Ethan Lay, Clifton Larson Allen
Mr. Chris Suda, Clifton Larson Allen

I. Call to Order

Chair Rogers called the roll and having determined a quorum present, he called the meeting to order at 1:47 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. He stated each member has received the agenda and related information for this Board of Directors meeting. The Chair 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 Directors at this meeting, to please identify the conflict or appearance of conflict at this time.

No conflicts were identified.

Approval of Minutes, 7-14-2022

Ms. Medley made a motion, which Mr. Brown seconded, to approve the minutes of the July 14, 2022 meeting.

The motion passed.

ULRF Audited Financial Statements

Mr. Brinkman made a motion, which Dr. Benz seconded, to approve the

Chair’s recommendation that the Board of Directors authorize the Executive Committee to approve the Auditor’s Report and Financial Statements June 30, 2022 and 2021, to the extent that they remain unchanged as presented in the form attached.

The motion passed.

II. Research and Innovation Update

Dr. Metcalfe provided an update to the board regarding the research enterprise at UofL, as **attached**. Highlights included \$153.8 million in competitive research funding in FY22; the expansion of the “Bucks for Brains” program and new endowed positions in the Schools of Dentistry, Medicine, Public Health, and Engineering; the hiring of new directors for shared research facilities, research development, industry partnerships, and manufacturing engagement; and the launch of the new regional Innovation-Corps MidSouth Hub (one of only 10 across the U.S.).

Dr. Metcalfe then fielded questions from directors.

III. Adjournment

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

The motion passed and the meeting adjourned at 2:01 p.m.

Approved by:

ⁿ
Signature on file _____
Assistant Secretary

RECOMMENDATION TO UNIVERSITY OF LOUISVILLE
RESEARCH FOUNDATION BOARD OF DIRECTORS
AUTHORIZING THE EXECUTIVE COMMITTEE TO APPROVE
THE AUDITOR'S REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Board of Directors – October 28, 2022

RECOMMENDATION:

The Chair recommends that the Board of Directors authorize the Executive Committee to approve the Auditor's Report and Financial Statements June 30, 2022 and 2021, to the extent that they remain unchanged as presented in the form [attached](#).

BOARD ACTION:

Passed X

Did Not Pass

Other

 ⁿSignature on file
Assistant Secretary

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.

A Component Unit of the University of Louisville

**Auditor's Report and Financial Statements
June 30, 2022 and 2021**

DRAFT

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
For the Years Ended June 30, 2022 and 2021

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UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Management Discussion and Analysis (Unaudited)
For Years Ended June 30, 2022 and 2021

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the University of Louisville Research Foundation, Inc. (Research Foundation) for the years ended June 30, 2022 and 2021. Comparative information for the year ended June 30, 2020 has been provided where applicable. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

The University's strategic plan guides the Research Foundation's programs, along with the grand challenges from the Kentucky Council on Postsecondary Education: 1) empowering our communities, 2) advancing our health, and 3) engineering our future economy by focusing on our research on our community to foster equity and eliminate gaps in health, education and economic attainment. The Research Foundation accepts funding for research, training, and service from extramural sources for programs and projects that match these goals. During the fiscal year ended June 30, 2022, total awards were \$153.8 million, a decrease of \$48 million or 23.67%, as compared to fiscal year 2021. Some of the funding highlights include:

- \$3.6 million from the National Institutes of Health (NIH) – IDeA Networks of Biomedical Research Excellence in Kentucky
- \$3.3 million from the National Institutes of Health (NIH) – Upgrading Infectious Disease Research Facilities at University of Louisville RBL
- \$2.7 million from the National Institutes of Health (NIH) for the Protection of Ischemic Myocardium - Administrative Core
- \$2.3 million from the National Institutes of Health (NIH) for the Administrative Core - Center for Cancer Immunology and Immunotherapy (CCII)

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 and provide aid to students. The funds were utilized over the 2020, 2021, and 2022 fiscal years. The University continues to monitor for outbreaks of the Coronavirus to anticipate the need for responses.

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 sites, 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 and Research Foundation 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.

The Research Foundation adopted GASB 87-*Leases* during the current year and retroactively applied the standard to the beginning of the prior period, July 1, 2020. The new accounting standard results in new assets and liabilities related to the use of leased assets. Notes 1 and 6 provide explanation and detail about the accounting change. The 2021 financial statements have been restated to reflect the accounting change as of the beginning of the period.

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Management Discussion and Analysis (Unaudited)
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Using the Financial Statements

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

Statements of Net Position

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

A condensed version of the Research Foundation's assets, liabilities, and net position at June 30, 2022, 2021, and 2020 (in thousands) is summarized below:

	2022	2021 (Restated)	2020	2022-2021 Change	2021-2020 Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current assets	\$ 208,829	\$ 169,702	\$ 65,896	\$ 39,127	\$ 103,806
Capital assets	51,475	54,193	53,536	(2,718)	657
Right-of-use asset, net	5,035	5,272	—	(237)	5,272
Other noncurrent assets	680,915	678,488	40,777	2,427	637,711
Deferred outflow of resources	5,964	5,438	3,364	526	2,074
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	952,218	913,093	163,573	39,125	749,520
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current liabilities	46,369	35,203	26,520	11,166	8,683
Noncurrent liabilities	38,035	34,423	26,750	3,612	7,673
Deferred inflows of resources	659,534	678,901	10,069	(19,367)	668,832
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	743,938	748,527	63,339	(4,589)	685,188
NET POSITION					
Net investment in capital assets	51,519	54,347	53,547	(2,828)	800
Restricted - expendable	24,422	17,536	27,720	6,886	(10,184)
Unrestricted	132,339	92,683	18,967	39,656	73,716
TOTAL NET POSITION	208,280	164,566	100,234	43,714	64,332
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 952,218	\$ 913,093	\$ 163,573	\$ 39,125	\$ 749,520

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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Assets

Current assets of \$208.8 million consist of \$106.8 million in cash and cash equivalents, \$70.4 million of accounts receivable and \$31.0 million due from affiliate. The Research Foundation's cash and cash equivalents grew \$64.2 million from the previous year due to the results of contracted activities with hospitals and cost reduction measures. Accounts receivable decreased \$7.8 million mostly representing a decrease in outstanding grant balances. The due from affiliates decrease of \$16.7 million stems from collections of payments due and a reduction of approximately \$9.0 million in the FY22 profit share from UL Health as compared to the FY21 profit share.

Noncurrent assets of \$737.4 million consist mainly of long term receivables of \$654.0 million, of which, \$653.2 million is for future lease payments receivable for the contracted use of University or Research Foundation assets. Additionally, noncurrent assets includes \$51.5 million of capital assets, which slightly decreased due to \$5.8 million in depreciation offset by additional capital asset purchases of \$2.3 million.

Deferred Outflows of Resources

Deferred outflow of resources represents a consumption of net assets applicable to a future period. The balance of \$6.0 million as of June 30, 2022 consisted of future payments to be made for other post-employment benefits.

Liabilities

The Research Foundation's current liabilities of \$46.4 million consist \$3.0 million of grant advances for sponsored research activities, a decrease of \$4.0 million compared to June 30, 2021. The Research Foundation is required to set up a liability when awards are paid in advance, as they are responsible for paying back any unused funds to the sponsor. \$29.8 million of current liabilities relates to trade accounts payable and other accrued liabilities.

The Research Foundation's allocated portion of other post-employment benefits totals \$30.9 million, shown as other long-term liabilities which decreased by \$0.4 million due primarily to a change in actuarial assumptions.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to future periods. The balance of \$659.5 million represents \$651.9 million of future revenues to be recognized from leased assets and \$7.6 million of accumulated OPEB changes in actuarial assumptions and the difference between expected and actual experience used in the other post employment benefit liability.

Net Position

Net position represents the residual interest in the Research Foundation's assets after liabilities are deducted. The Research Foundation's net position at June 30, 2022 and 2021 was \$208.3 million and \$164.6 million, respectively. Net position is summarized into these major categories: net investment in capital assets of \$51.6 million and \$54.3 million, respectively; restricted expendable of \$24.4 million and \$17.5 million, respectively; and unrestricted of \$132.3 million and \$92.7 million, respectively.

Fiscal Year 2021

The Research Foundation's financial position as of the fiscal year ended June 30, 2021 shows an increase in assets, an increase in liabilities with an overall increase in net position. Assets increased during the fiscal year ended June 30, 2021 by \$747.4 million, as compared to the fiscal year ended June 30, 2020. This increase was due mainly to the implementation of lease accounting and recording receivables of \$674.6 million and an increase of \$47.7 million in due from affiliates. The increase in liabilities of \$16.4 million, or

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31%, includes a an increase of accounts payable and accrued liabilities of \$10.7 million and lease payables for future lease payments of \$5.1 million.

Net position increased \$64.3 million, or 64.1%, due primarily from enhanced clinical services offered through partnerships with other healthcare systems and affiliated healthcare providers and fixed contract revenues exceeding actual operating expenses.

Statements of Revenues, Expenses, and Changes in Net Position

A condensed version of the Research Foundation’s revenues, expenses and changes in net position for the years ended June 30, 2022, 2021, and 2020 (in thousands) is shown below:

	2022	2021 (Restated)	2020	2022-2021 Change	2021-2020 Change
OPERATING REVENUES					
Clinical services and practice plans	\$ 398,098	\$ 380,121	\$ 312,982	\$ 17,977	\$ 67,139
Grants and contracts	132,023	107,418	109,460	24,605	(2,042)
Facilities and administrative cost	38,708	32,428	28,447	6,280	3,981
Other operating revenues	8,015	6,961	11,450	1,054	(4,489)
TOTAL OPERATING REVENUE	576,844	526,928	462,339	49,916	64,589
OPERATING EXPENSES					
Depreciation	9,043	9,006	6,362	37	2,644
Other operating expenses	546,123	503,646	439,511	42,477	64,135
TOTAL OPERATING EXPENSE	555,166	512,652	445,873	42,514	66,779
NONOPERATING REVENUES (EXPENSES)					
Nonexchange grants and contracts	84,180	76,083	52,493	8,097	23,590
Contributions to related entities	(76,269)	(38,097)	(962)	(38,172)	(37,135)
Other nonoperating revenues	14,255	12,231	2,418	2,024	9,813
Interest expense	(130)	(161)	—	31	(161)
TOTAL NONOPERATING REVENUE/ (EXPENSES)	22,036	50,056	53,949	(28,020)	(3,893)
INCREASE/(DECREASE) IN NET POSITION					
	43,714	64,332	70,415	(20,618)	(6,083)
Net position, beginning of year	164,566	100,234	29,819	64,332	70,415
Net position, end of year	\$ 208,280	\$ 164,566	\$ 100,234	\$ 43,714	\$ 64,332

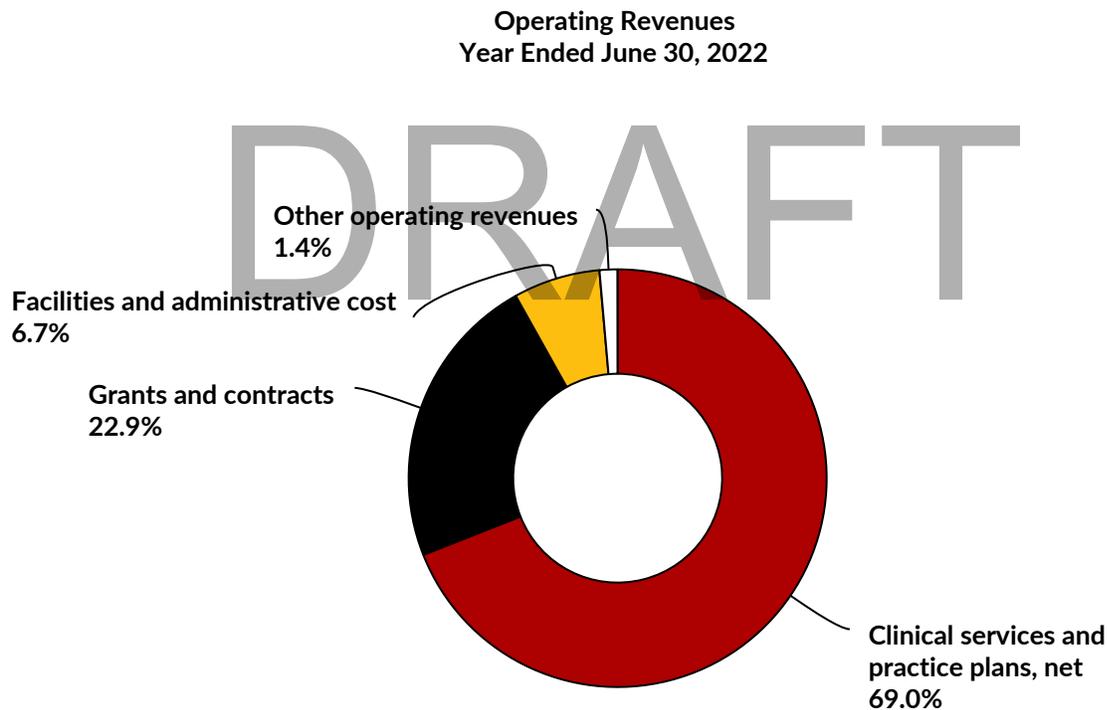
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Operating Revenues

Revenues from operations increased with \$576.8 million in operating revenues for the year ended June 30, 2022 compared to \$526.9 million for the year ended June 30, 2021. The \$18.0 million increase in clinical revenues are attributed to efficiencies obtained through contracts with other hospitals and care providers (further described in Note 8 to the financial statements). Other revenues consist of miscellaneous services and fees and experienced an increase of \$1.1 million million during the year ending June 30, 2022.

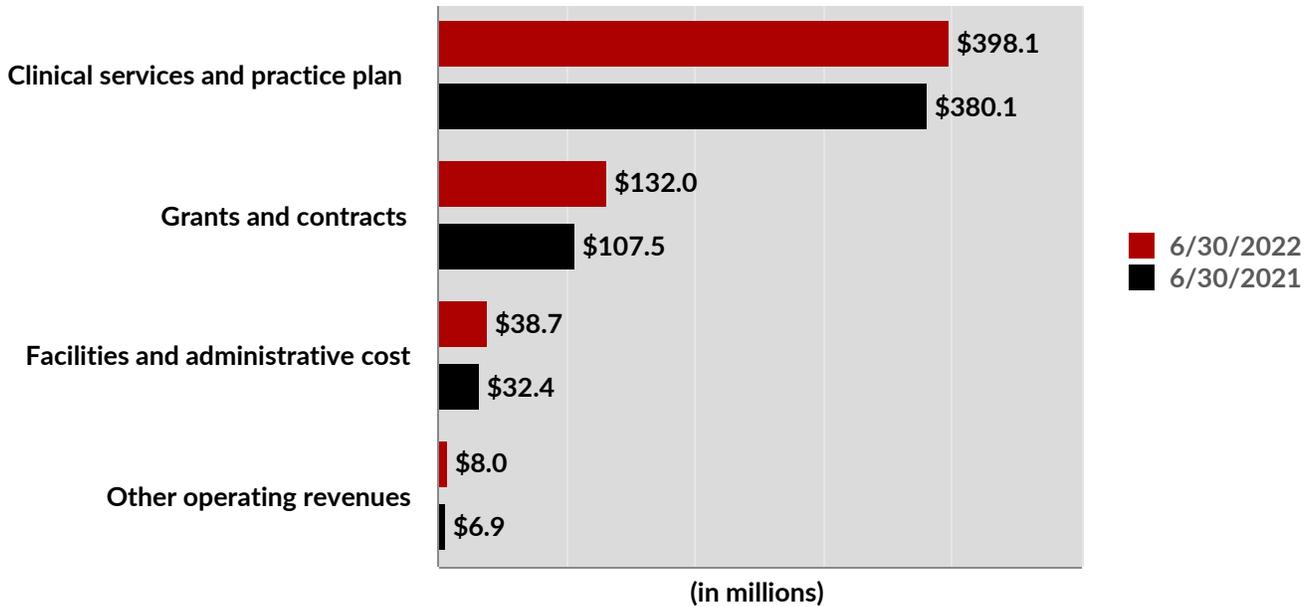
Revenue from facilities and administrative cost recoveries were \$38.7 million and \$32.4 million for the years ended June 30, 2022 and 2021, respectively. The Research Foundation compensates the University for a portion of the cost recoveries in support of University expenditures. For the years ended June 30, 2022 and 2021, approximately \$12.6 million transferred to the University for this purpose.

The following is a graphic illustration of the Research Foundation’s operating revenues by major source for the years ended June 30, 2022 and 2021 (in millions):



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Operating Revenue Trends



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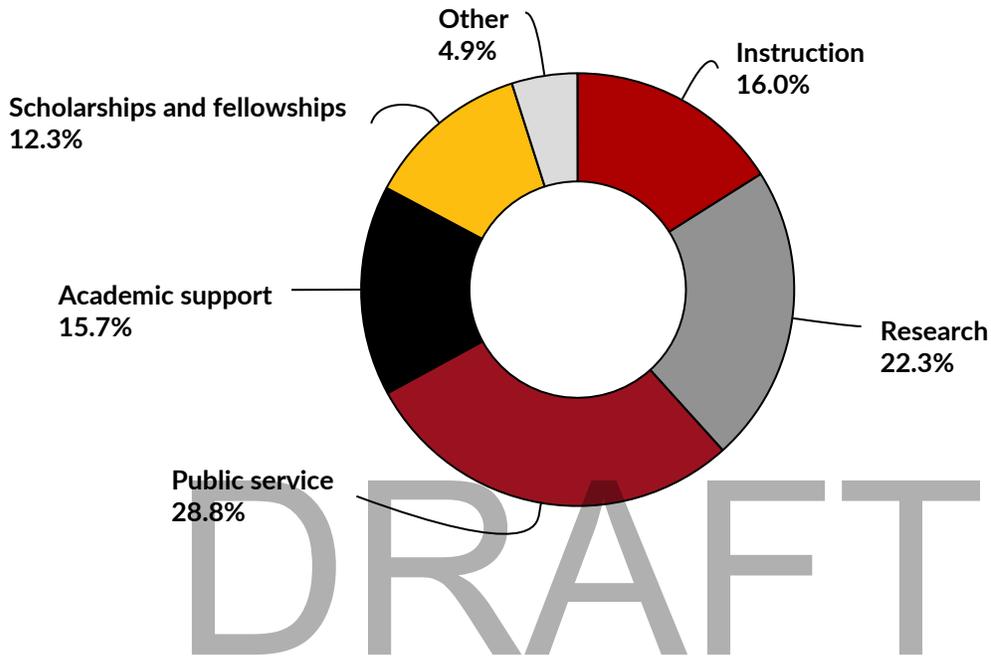
Operating Expenses by Functional and Natural Classification

Total operating expenses were \$555.2 million and \$512.7 million for the fiscal years ended June 30, 2022 and 2021, respectively. In fiscal year 2022, operating expenses increased \$42.5 million or 7.9%. Across the University in fiscal year 2021, cost saving measures were enacted in response to the Pandemic. As campus operations returned to normal and on campus learning and activities increased, so did operating expenses. An increase in supplies and other services of \$23.4 million reflects the increase in expenses for integrating back into fully in-person. Scholarships and fellowships increased \$14.3 million partially related to additional HEERF student aid awards.

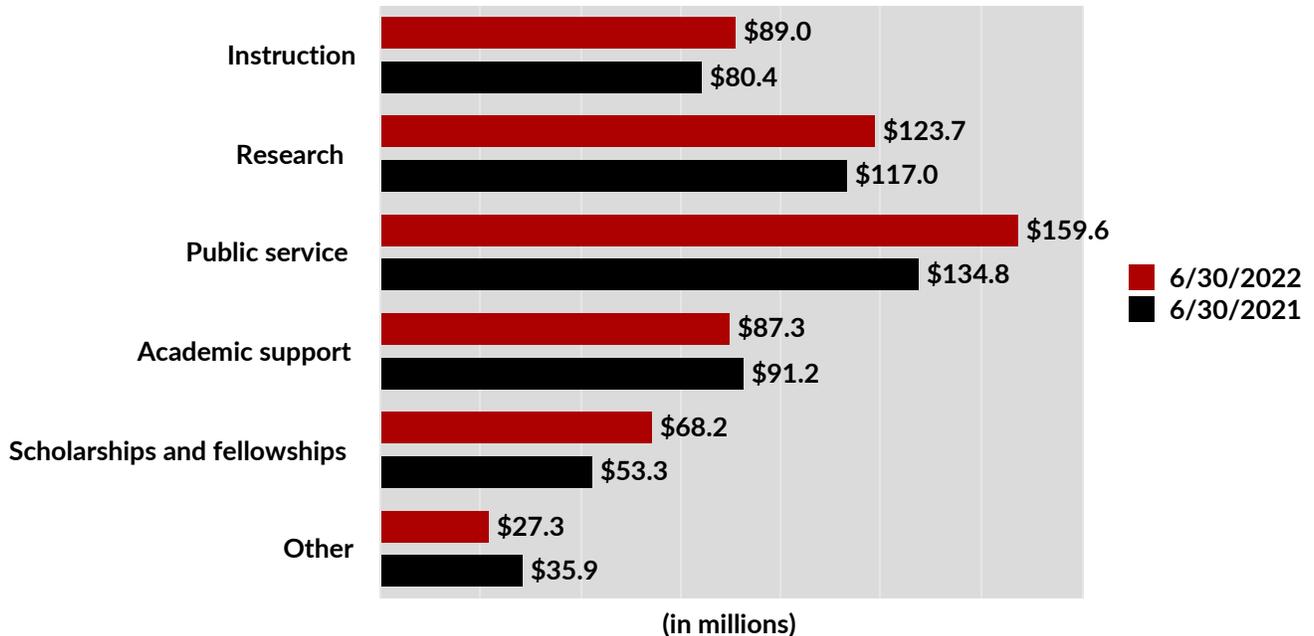
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The following is a graphic illustration of total operating expenses by function for the years ended June 30, 2022 and 2021 (in millions):

Operating Expenses by Functional Classification
Year Ended June 30, 2022



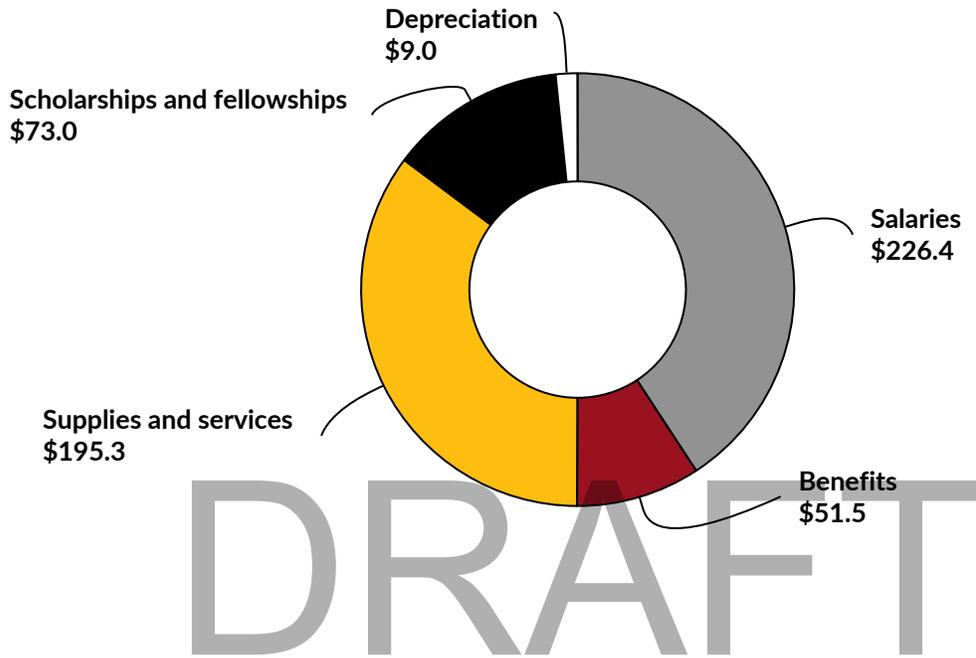
Functional Expense Trends



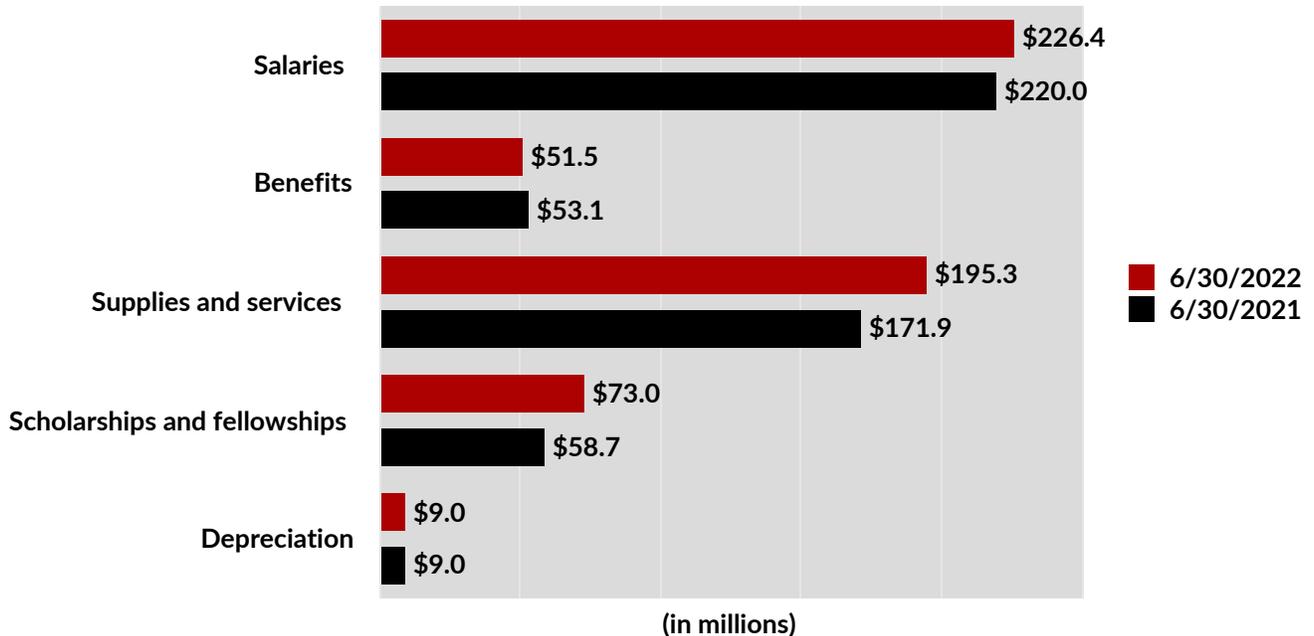
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The following is a graphic illustration of total operating expenses by natural classification for the years ended June 30, 2022, and 2021 (in millions):

Operating Expenses by Natural Classification
Year Ended June 30, 2021



Natural Expense Trends



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Nonoperating Revenues (Expenses)

The Research Foundation's total nonoperating revenues of \$22.0 million for fiscal year ended June 30, 2022, was mostly comprised of nonexchange grants and contract revenues of \$84.2 million reduced by transfers to the University of \$76.3 million for support of university operations. Total nonoperating revenues decreased by \$28.0 million as compared to fiscal year ended June 30, 2021. The decrease is attributed to an increase in nonexchange grants and contract revenues of \$8.1 million, an increase of \$2.6 million in gifts and offset an increase in support provided to the university of \$38.2 million in fiscal year ending June 30, 2022. Revenues from the HEERF Coronavirus relief grants are reported in nonexchange grants and contracts and contribute to the increased revenues in that category. HEERF funds utilized for support of University operations outside the Research Foundation was provided through transfers recorded in contributions to related entities, accounting for the increased activity in this category.

Fiscal Year 2021

For the year ended June 30, 2021, Research Foundation reported \$526.9 million in operating revenues, an increase of \$64.6 million, or 12.3% compared to the \$462.3 million reported for the year ended June 30, 2020.

Revenues from clinical services and practice plans were \$380.1 million for fiscal year 2021, an increase of \$67.1 million or 19.1% from the fiscal year ended June 30, 2020. The majority of the increase is attributed to improved clinical operations of \$46.2 million offset by a decrease of \$14.1 million in academic program support. Revenues from grants and contracts were \$107.4 million for the year ended June 30, 2021 as compared to \$109.5 million in revenues reported in the previous year, a \$2.0 million decrease, or 1.8%. Revenue from facilities and administrative cost recoveries were \$32.4 million and \$28.4 million for the years ended June 30, 2021 and 2020, respectively.

Total operating expenses were \$512.7 million and \$445.9 million for the fiscal years ended June 30, 2021 and 2020, respectively. The increase is attributed to additional operational cost for fully in person activities and increasing salary and wage cost.

Nonoperating revenues and expenses, net, were \$50.1 million and \$53.9 million for the fiscal years ended June 30, 2021 and 2020, respectively. The increase of \$(3.9) million, or 6.9%, is a combination of increased nonexchange grant activity offset by increased contributions to affiliates entities. These increases are connected to the HEERF activity of the Research Foundation and University

Statements of Cash Flows

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

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Condensed statements of the Research Foundation's cash flows for the years ended June 30, 2022, 2021, and 2020 (in thousands) are summarized below:

	2022	2021 (Restated)	2020	2022-2021 Change	2021-2020 Change
CASH (USED)/PROVIDED BY:					
Operating activities	\$ 16,142	\$ 4,024	\$ 25,509	\$ 12,118	\$ (21,485)
Noncapital and related financing activities	51,894	26,072	(2,006)	25,822	28,078
Capital financing activities	(3,797)	(7,525)	(3,532)	3,728	(3,993)
NET (DECREASE)/INCREASE IN CASH EQUIVALENTS	64,239	22,571	19,971	41,668	2,600
Cash and cash equivalents, beginning of year	42,542	19,971	—	22,571	19,971
Cash and cash equivalents, end of year	\$ 106,781	\$ 42,542	\$ 19,971	\$ 64,239	\$ 22,571

Operating Activities

The Research Foundation's operating activities provided approximately \$16.1 million of cash during the fiscal year ended June 30, 2022, representing an increase of \$12.1 million compared to the prior year. The increase is due to concerted efforts by the University to manage expenditures during the Pandemic and increased clinical revenues.

Other Activities

The net \$51.9 million cash provided by noncapital and related financing activities includes an increase in cash provided by nonexchange grants and contracts of \$8.1 million offset by an increase in payments to the university of \$38.2 million mostly related to HEERF funds utilized to offset Pandemic expenses and lost revenues.

Cash used for capital financing activities decreased \$3.7 million to \$3.8 million during the fiscal year ended June 30, 2022.

Fiscal Year 2021

The Research Foundation's operating activities generated a loss of approximately \$4.0 million of cash during the fiscal year ended June 30, 2021, representing a decrease of \$21.5 million compared to the prior year. The reduction of cash is the result of the growth in accounts receivable for grants and contracts offset by savings in operational expenses.

The net \$26.1 million cash used for non-capital and related financing activities relates to \$76.1 million provided by nonexchange grants and contracts and \$2.9 million in gifts offset by payments to the university of \$14.9 million for settlement of negative cash balances. In total, cash used for noncapital and related financing activities increased \$28.1 million from the fiscal year ended June 30, 2021.

Cash used for capital financing activities increased \$4.0 million to \$7.5 million during the fiscal year ended June 30, 2021.

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Economic Factors that May Affect the Future

The Pandemic declared in March 2020 by the World Health Organization has had a profound impact on almost all facets of the US and Global economy. The Research Foundation is working closely with its hospital affiliates, federal, state and local governments to respond in a responsible way to the changing needs of its students, employees, and the community at large. The research and teaching landscape is evolving and the Research Foundation is responding by adapting the services provided to meet these needs. Most all classes that historically were offered in a face to face format were converted to on-line delivery for the 2020-2021 academic year. The conversion to virtual learning enabled continued learning and research activities without a break in services.

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. Senior Leadership continues to believe that it is financially well-positioned despite the rapidly changing environment 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 Research Foundation moving into fiscal year 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 research, medicine and 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 adjust 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 on-line 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 expects COVID 19 testing, personal protective equipment and other safety measures to continue to be incremental cost for 2022.

The federal government has passed multiple stimulus bills that have resulted in \$135.4 billion in funding for the Higher Education Emergency Relief Fund (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.

Requests for Information

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

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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Statements of Net Position
as of June 30, 2022 and 2021
(in thousands)

	2022	2021 (Restated)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 106,781	\$ 42,542
Accounts receivable, net	70,436	78,218
Due from affiliate	30,974	47,718
Inventories	465	544
Other assets	173	680
Total current assets	208,829	169,702
Noncurrent assets		
Accounts receivable, net	654,019	664,773
Due from affiliate	25,625	12,423
Other long-term assets	1,271	1,292
Right-of-use asset, net	5,035	5,272
Capital assets, net	51,475	54,193
Total noncurrent assets	737,425	737,953
Total assets	946,254	907,655
DEFERRED OUTFLOWS OF RESOURCES	5,964	5,438
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	952,218	913,093

See notes to financial statements

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Statements of Net Position
as of June 30, 2022 and 2021
(in thousands)

	2022	2021 (Restated)
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	29,817	26,132
Due to the University of Louisville	11,276	—
Grant advances	3,040	7,081
Lease payable	2,236	1,990
Total current liabilities	46,369	35,203
Noncurrent liabilities		
Other post-retirement benefits	30,938	31,293
Other long-term liabilities	8	22
Due to the University of Louisville	4,350	—
Lease payable	2,739	3,108
Total noncurrent liabilities	38,035	34,423
Total liabilities	84,404	69,626
DEFERRED INFLOWS OF RESOURCES	659,534	678,901
NET POSITION		
Net investment in capital assets	51,519	54,347
Restricted:		
Expendable	24,422	17,536
Unrestricted	132,339	92,683
Total net position	208,280	164,566
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 952,218	\$ 913,093

See notes to financial statements

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Statements of Revenues, Expenses, and Changes in Net Position
For Years Ended June 30, 2022 and 2021
(in thousands)

	2022	2021 (Restated)
OPERATING REVENUES		
Clinical services and practice plan, net of contractual allowances of \$88,182 in 2022 and \$147,963 in 2021	\$ 398,098	\$ 380,121
Federal grants and contracts	97,217	82,197
State and local grants and contracts	16,370	9,169
Nongovernmental grants and contracts	18,436	16,052
Facilities and administrative cost recoveries	38,708	32,428
Sales and services of educational departments	903	732
Other operating revenue	7,112	6,229
Total operating revenue	576,844	526,928
OPERATING EXPENSES		
Instruction	89,044	80,421
Research	123,698	117,009
Public service	159,582	134,837
Academic support	87,312	91,206
Student services	—	39
Institutional support	14,497	26,628
Operation and maintenance of plant	3,744	230
Scholarships and fellowships	68,246	53,276
Depreciation	9,043	9,006
Total operating expense	555,166	512,652
Operating gain	21,678	14,276
NONOPERATING REVENUES (EXPENSES)		
Gifts	5,488	2,905
Nonexchange grants and contracts	84,180	76,083
Net realized and unrealized gain on investments	—	(5)
Interest expense	(130)	(161)
Other nonoperating revenue	8,767	9,331
Net nonoperating revenue	98,305	88,153
Contributions to related entities	(76,269)	(38,097)
Total other revenue	22,036	50,056
Increase in net position	43,714	64,332
NET POSITION		
Net position - beginning of year	164,566	100,234
Net position - end of year	\$ 208,280	\$ 164,566

See notes to financial statements

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Statements of Cash Flows
For Years Ended June 30, 2022 and 2021

	2022	2021 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Clinical services	397,851	\$ 361,675
Grants and contracts	134,296	82,642
Sales and service of educational departments	903	732
Payments to suppliers	(192,126)	(150,176)
Payments to employees	(227,457)	(218,959)
Payments for benefits	(70,141)	(51,886)
Payments for scholarships and fellowships	(73,004)	(58,661)
Facilities and administrative cost recoveries	38,708	32,428
Other operating revenue	7,112	6,229
Net cash provided by operating activities	16,142	4,024
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts	5,488	2,905
Nonexchange grants and contracts	84,180	76,083
Contributions to related entities	(76,269)	(38,097)
Due to (due from) affiliates	19,167	(14,874)
Other noncapital financing activities	19,328	55
Net cash provided by noncapital financing activities	51,894	26,072
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(3,664)	(7,525)
Interest paid	(133)	-
Net cash used in capital and related financing activities	(3,797)	(7,525)
Net increase in cash and cash equivalents	64,239	22,571
Cash and cash equivalents - beginning of year	42,542	19,971
Cash and cash equivalents - end of year	\$ 106,781	\$ 42,542
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating gain	\$ 21,678	\$ 14,276
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	9,043	9,006
Loss on equipment disposals	-	5
Change in assets and liabilities:		
Accounts receivable	8,132	(35,268)
Inventories	79	(81)
Other assets	506	(373)
Accounts payable and accrued liabilities	1,131	18,226
Grant advances	(4,042)	(4,024)
Other long-term liabilities	(492)	4,565
Deferred outflows of resources	(526)	(2,074)
Deferred inflows of resources	(19,367)	(234)
Net cash provided by (used in) operating activities	\$ 16,142	\$ 4,024

See notes to financial statements

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Notes to the Financial Statements
For Years Ended June 30, 2022 and 2021

1. Organizations and Summary of Significant Accounting Policies

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

a. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (GASB).

The financial statements of the Research Foundation have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used by affiliates. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, investment income and interest on capital asset-related debt and leases are included in nonoperating revenues and expenses. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

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

b. Cash and Cash Equivalents

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

c. Accounts Receivable

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

d. Inventories

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

e. 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.

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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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.

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

Depreciation of capital assets is computed on a straight-line basis over the estimated useful lives of the respective assets as follows: buildings - 40 years or componentized using 15-50 years, library books - 10 years, and equipment - 3 to 20 years. The Research Foundation capitalizes, but does not depreciate, works of art and rare books.

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

f. Deferred Inflows and Outflows of Resources and Net Position

The Foundation reports deferred outflows of resources, deferred inflows of resources and net position in its statement of net position and related disclosures. Deferred outflows of resources of \$6.0 million and \$5.4 million for the years ended June 30, 2022 and 2021, consist of future payments to be made for other post-employment benefits and changes to assumptions used to calculate the future liability. Deferred inflows of resources of 659.5 million and 678.9 million for the years ended June 30, 2022 and 2021 consist of changes in the other post-employment benefits liability of will be amortized into expenses in future periods.

g. Grant Advances

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

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

In the case of advanced funding, the Research Foundation receives funds prior to incurring costs pursuant to the sponsored agreement, with the stipulation that these funds may have to be returned to the sponsor in the event the project is not completed to the sponsor's satisfaction. These funds, totaling approximately \$3.0 million and \$7.1 million as of June 30, 2022 and 2021, respectively, are recorded as a liability in the Research Foundation's financial statements as grant advances and recognized as revenue as reimbursable cost are incurred.

h. Compensated Absences

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

Expense and the related liability are recognized as the vacation or sick benefits are earned, whether the employee is expected to realize the benefit as time off or 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.

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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For Years Ended June 30, 2022 and 2021

i. Net Position

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

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

The following table includes detail of the net position balances at June 30, 2022 and 2021 (in thousands):

	2022	2021
Net investment in capital assets	\$ 51,519	\$ 54,347
Restricted expendable for:		
Research	21,103	14,304
Instruction	995	1,302
Public service	751	1,925
Academic support	5	5
Institutional support	1,568	—
Unrestricted	132,339	92,683
Total net position	\$ 208,280	\$ 164,566

j. Revenue and Expense Classifications

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

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

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

k. Net Clinical Services Revenue

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

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

l. Tax Status

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

m. Use of Estimates

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

n. Reclassifications

Certain 2021 amounts have been reclassified to conform to the 2022 presentation. The reclassifications more accurately represent revenue and expense activities in the categories presented on the statement of revenues, expense and changes in net position. These reclassifications had no effect on the change in net position.

o. Recent Accounting Pronouncements and Restatement

As of June 30, 2022 the following GASB Statements were implemented which had a financial or disclosure impact on the financial statements.

GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-of-use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The University adopted the requirements of the guidance effective July 1, 2021 and has retroactively applied the provisions of this standard to the beginning of the period prior of adoption.

The Statement of Net Position as of June 30, 2021 was restated to reflect the asset, liability, deferred inflows and unrestricted net position balances as stated with the affect of the adoption. Current accounts receivable increased \$10.6 million, noncurrent accounts receivable increased \$664.0 million, accrued interest receivable increased \$1.3 million and deferred inflows of resources increased \$669.9 million in to reflect the affect of recording leases where the Research Foundation is the landlord. Right-of-use assets of \$5.3 million, current lease payable of \$2.0 million, noncurrent lease payable of \$3.1 million, and accrued interest payable of \$11 thousand were established to reflect the affect of recording leases where the Research Foundation is the tenant. Beginning net position was increased \$6.9 million in unrestricted activities for the net effect of activities prior to July 1, 2020.

The following statements will be implemented in future reporting periods:

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 Research Foundation 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

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assets and associated cost. The Research Foundation has not yet adopted this standard and is evaluating the impact it may have on its financial statements.

GASB Statement No. 101, *Compensated Absences*. The statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The Research Foundation has not yet adopted the standard and is evaluating the impact it may have on its financial statements.

p. Risks and Uncertainties

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 Research Foundation, COVID-19 may impact various parts of its 2021 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. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

2. Cash and Cash Equivalents

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

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

3. Transactions with Related Entities

a. Contributions with Related Entities

The University provides certain facilities and administrative services to the Research Foundation for a share of the facilities and administrative cost recoveries. The current agreement provides for a transfer of 80%, after certain deductions, of the cost recoveries realized. Transfers from the Research Foundation to the University for their portion of cost recoveries totaled \$20.3 million and \$12.6 million for the years ended June 30, 2022 and 2021, respectively.

During the fiscal year ended June 30, 2022 research and operational support provided to the University from the Research Foundation totaled \$45.6 million, which included approximately \$8.2 million in CARES and HEERF funding. During the fiscal year ended June 30, 2021 the Research Foundation received \$25.0 million for research and operational support.

The Research Foundation transferred \$7.3 million and \$3.3 million related to capital projects and debt service payments during each of the fiscal years ended June 30, 2022 and 2021, respectively to the University. These transfers relate to certain capital projects, which are financed by the University.

For each of the years ended June 30, 2022 and 2021, the Research Foundation was the recipient of \$4.7 million and \$2.8 million, respectively, from related entities to assist in funding cost share required by certain sponsored programs and grants.

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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For Years Ended June 30, 2022 and 2021

b. Receivables With Related Entities

The Research Foundation received a \$5.9 million unsecured, non-interest bearing note from University of Louisville Physicians, Inc. (ULP), an affiliate entity, for past due fees owed the Research Foundation. The outstanding note balance was \$2.4 million and \$3.2 million as of June 30, 2022 and 2021, respectively.

The Research Foundation 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, 2022 and 2021 receivables of \$13 thousand and \$0.1 million were due respectively.

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 \$22.3 million and \$33.2 million for the years ended June 30, 2022 and 2021. During fiscal year 2022, the Research Foundation received payments of \$10.6 million related to the agreement with UL Health. As of June 30, 2022, the remaining balance due is \$54.2 million of which \$30.2 million is reported in current and noncurrent due from affiliates based on when receipt of payment is expected. The remaining \$24.0 million is reported in current and noncurrent due from affiliates of the University.

The Research Foundation 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, 2022 and 2021, receivables of \$8.41 million and \$3.6 million were due, respectively.

The Research Foundation discontinued receivables reporting from UMC in fiscal year 2022. All receivables activity is currently being reported under UL Health. For fiscal year 2021 the Research Foundation had receivable reporting due through the normal course of business and reflected in loans, accounts and contributions receivable, net in the Statements of Net Position in the amount of \$5.2 million.

c. Sale of Passport Health Plan

On May 10, 2019 Evolent Health Inc. (Evolent) and ULP, Norton Healthcare, Inc., UMC, Jewish Heritage Fund for Excellence, Inc. and Louisville Primary Care Association reached an agreement whereby Evolent would buy a 70% stake in Passport Health Plan for \$70.0 million. The transaction resulted in a receivable of \$15.0 million from ULP for the Research Foundation's involvement in patient care. The outstanding balance was fully paid as of June, 30, 2022.

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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Notes to the Financial Statements
For Years Ended June 30, 2022 and 2021

4. Accounts Receivable, net

Accounts receivable, net as of June 30, 2022 and 2021, are summarized as follows (in thousands):

2022			
	Gross Receivable	Allowance	Net Receivable
Patient care	\$ 43,406	\$ (18,425)	\$ 24,981
Sponsored agreements	37,245	(1,763)	35,482
Lease Receivables	\$ 663,992	\$ —	663,992
Total	\$ 744,643	\$ (20,188)	724,455
Current portion			70,436
Noncurrent portion			654,019
2021 (Restated)			
	Gross Receivable	Allowance	Net Receivable
Patient care	\$ 46,777	\$ (22,043)	\$ 24,734
Sponsored agreements	47,373	(3,671)	43,702
Lease Receivables	\$ 674,555	\$ —	674,555
Total	\$ 768,705	\$ (25,714)	742,991
Current portion			78,218
Noncurrent portion			664,773

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UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
A Component Unit of the University of Louisville
Notes to the Financial Statements
For Years Ended June 30, 2022 and 2021

5. Capital and Intangible Assets, net

Capital assets and intangible assets as of June 30, 2022 and 2021 are summarized as follows (in thousands):

	2022				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Cost - Nondepreciable					
Land	\$ 351	\$ —	\$ —	\$ —	\$ 351
Construction in progress	—	602	—	—	602
Subtotal	351	602	—	—	953
Cost - Depreciable					
Buildings	70,941	61	—	—	71,002
Infrastructure	929	—	—	—	929
Land improvements	237	—	—	—	237
Equipment	99,090	3,368	(414)	—	102,044
Leasehold improvements	818	—	—	—	818
Library materials	62	—	—	—	62
Right-of-use asset	7,575	2,056	—	—	9,631
Subtotal	179,652	5,485	(414)	—	184,723
Total capital and intangible assets, cost	180,003	6,087	(414)	—	185,676
Accumulated depreciation					
Buildings	31,315	2,713	—	—	34,028
Infrastructure	117	15	—	—	132
Land improvements	70	6	—	—	76
Equipment	85,941	4,008	(414)	—	89,535
Leasehold improvements	743	6	—	—	749
Library materials	49	1	—	—	50
Right-of-use asset	2,303	2,293	—	—	4,596
Total accumulated depreciation	120,538	9,042	(414)	—	129,166
Capital and intangible assets, net	\$ 59,465	\$ (2,955)	\$ —	\$ —	\$ 56,510

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Notes to the Financial Statements
For Years Ended June 30, 2022 and 2021

5. Capital Assets, net

	2021 (Restated)				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Cost - Nondepreciable					
Land	\$ 351	\$ —	\$ —	\$ —	\$ 351
Construction in progress	—	—	—	—	—
Subtotal	351	—	—	—	351
Cost - Depreciable					
Buildings	70,944	—	(3)	—	70,941
Infrastructure	929	—	—	—	929
Land improvements	237	—	—	—	237
Equipment	93,196	7,535	(1,641)	—	99,090
Leasehold improvements	818	—	—	—	818
Library materials	62	—	—	—	62
Right-of-use asset	—	7,575	—	—	7,575
Subtotal	166,186	15,110	(1,644)	—	179,652
Total capital and intangible assets, cost	166,537	15,110	(1,644)	—	180,003
Accumulated depreciation					
Buildings	28,575	2,740	—	—	31,315
Infrastructure	102	15	—	—	117
Land improvements	64	6	—	—	70
Equipment	83,475	4,095	(1,629)	—	85,941
Leasehold improvements	738	5	—	—	743
Library materials	47	2	—	—	49
Right-of-use asset	—	2,303	—	—	2,303
Total accumulated depreciation	113,001	9,166	(1,629)	—	120,538
Capital and intangible assets, net	\$ 53,536	\$ 5,944	\$ (15)	\$ —	\$ 59,465

6. Leases

a. Lessee Arrangements

The Research Foundation leases operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2067 and provide for renewal options ranging from one year to fifty years. The Association records right-of-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the Association's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer

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Price Index, subject to certain minimum increases. The Association does not have any leases subject to a residual value guarantee. Right-of-use assets acquired through outstanding leases are buildings.

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

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

For the years ending June 30,	Principal	Interest
2023	2,207	96
2024	1,745	45
2025	364	21
2026	382	11
2027	65	5
2028-2032	213	9
Total future payments	\$ 4,975	\$ 187

b. Lessor arrangements

The Research Foundation holds the leases of the University hospitals to an external affiliated party. The leases expire at various dates through 2060 and have renewals for five-year periods. The Research Foundation records lease receivables as deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease or the Research Foundation's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. During the years ended June 30, 2022 and 2021, the Research Foundation recognized revenues relating to these lease arrangements totaling \$26.7 million, respectively.

7. Other Liabilities

Other liabilities of the Research Foundation consisted of the following at June 30, 2022 and 2021 (in thousands):

	2022					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Leases payable	5,099	1,838	(1,962)	4,975	2,236	2,739
Other long-term liabilities	22	—	(14)	8	—	8
Total	\$ 5,121	\$ 1,838	\$ (1,976)	\$ 4,983	\$ 2,236	\$ 2,747

	2021 (Restated)					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Leases payable	—	7,575	(2,477)	5,098	1,990	3,108
Other long-term liabilities	22	—	—	22	—	22
Total	\$ 22	\$ 7,575	\$ (2,477)	\$ 5,120	\$ 1,990	\$ 3,130

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8. Revenues From Clinical Services, Contractual Services and Practice Plans

a. Clinics and Laboratories

The University's Health Science Center operates various clinics, which generate revenues from the treatment of patients, as well as laboratory services. Net revenues associated with the operations of these clinics totaled approximately \$105.8 million and \$104.4 million for the years ended June 30, 2022 and 2021, respectively.

b. UL Health, Inc.

During the fiscal year ending June 30, 2020 UMC became wholly owned by UL Health, Inc. UL Health, Inc. consolidated the management of existing hospital facilities and facilities obtained in acquisition with operations of 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 \$22.3 million and \$33.2 million for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, support totaling approximately \$150.1 million and \$113.7 million, respectively, was received under these agreements.

c. Norton Healthcare

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

The Clinical Affiliation and Academic Affiliation Agreements between the University and NCMG provides for certain payments to the university for academic and departmental support of teaching and research. The Research Foundation received total support of \$84.5 million and \$74.7 million related academic, departmental and research support for June 30, 2022 and 2021, respectively. Norton made additional payments to the Research Foundation for professional services provided by clinical providers of \$2.3 million and \$3.4 million for the years ending June 30, 2022 and 2021, respectively.

d. Other Clinical Revenues

The Research Foundation works with other area hospitals by providing support services, such as residents and other staff. Revenues associated with these activities totaled approximately \$33.1 million and \$43.2 million for the years ended June 30, 2022 and 2021, respectively.

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9. Natural Classification

Operating expenses by natural classification for the years ended June 30, 2022 and 2021 were approximately (in thousands):

	2022				
	Salary and wages	Employee benefits	Scholarships and fellowships	Supplies and other	Total
Instruction	\$ 64,530	\$ 15,148	\$ 1,876	\$ 7,490	\$ 89,044
Research	63,576	15,893	2,849	41,380	123,698
Public service	46,322	11,115	241	101,904	159,582
Academic support	41,995	9,195	734	35,388	87,312
Student services	—	—	—	—	—
Institutional support	8,260	(145)	(53)	6,435	14,497
Operation and maintenance of plant	835	238	—	2,671	3,744
Scholarships and fellowships	882	6	67,357	1	68,246
Depreciation	—	—	—	—	9,043
Total	\$ 226,400	\$ 51,450	\$ 73,004	\$ 195,269	\$ 555,166

	2021 (Restated)				
	Salary and wages	Employee benefits	Scholarships and fellowships	Supplies and other	Total
Instruction	\$ 58,685	\$ 13,869	\$ 1,501	\$ 6,366	\$ 80,421
Research	62,635	13,763	2,142	38,469	117,009
Public service	45,804	9,405	202	79,426	134,837
Academic support	43,120	8,222	794	39,070	91,206
Student services	39	—	—	—	39
Institutional support	8,388	7,598	1,403	9,239	26,628
Operation and maintenance of plant	693	207	—	(670)	230
Scholarships and fellowships	653	6	52,619	(2)	53,276
Depreciation	—	—	—	—	9,006
Total	\$ 220,017	\$ 53,070	\$ 58,661	\$ 171,898	\$ 512,652

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10. 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. During the years ending June 30, 2022 and 2021, \$17.1 million and 12.9 million of student financial aid, respectively, and \$18.0 million and \$20.8 million respectively, of institutional aid were recognized in revenues. These revenues are included in the Nonoperating revenue (expenses) and expenses are reported in institutional and scholarship operating expense section of the Statements of Revenues, Expenses, and Changes in Net Position. All relief funds were utilized as of June 30, 2022.

11. Retirement Plan

University personnel participate in a contributory retirement plan administered by the University. The University of Louisville 403(b) Retirement Plan (Retirement Plan) was established by the University and approved by the Board of Trustees. Permanent, full-time employees become eligible to participate in a defined contribution plan upon completion of one year's service and attainment of age 21. The Retirement Plan requires three years of continuous service for employees to vest in employer contributions.

From plan inception through April 30, 2020, eligible employees not contributing to the Retirement Plan were entitled to a 7.5% of base salary contribution on their behalf from the University and an additional match of 2.5% employee contributions. The University amended the Retirement Plan to reduce the university matching to 0% in response to pandemic uncertainties and subsequently increasing the match in increments. As of January 1, 2021 the university matching was restored to 7.5% of base salary and 2.5% of employee contributions.

The Research Foundation recorded expenses related to the defined contribution plan of approximately \$13.8 million and \$8.1 million during the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the Research Foundation had no outstanding liability related to the Retirement Plan.

12. Post Employment Healthcare Benefits

a. Plan Description

University personnel are eligible for post employment 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	4,701
Total	6,287

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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, 2022 and 2021, the University contributed approximately \$2.2 million and \$2.1 million to the Plan, approximately 60% and 60% of total premiums, respectively. Retired Plan members under age 65 receiving benefits contributed approximately \$924 thousand and \$956 thousand, approximately 25% and 27% of total premiums for the years ended June 30, 2022 and 2021, respectively. Health plan rates remained unchanged for the year ended June 30, 2022. 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, 2022 and 2021, the University contributed \$2.2 million and \$1.9 million for Medicare-eligible retirees, respectively.

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

The University's total OPEB liability was measured by an actuarial valuation as of June 30, 2021. The total OPEB liability in the June 30, 2021 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 2021, decreasing 0.10%-0.25% per year to an ultimate rate of 4.15% for 2034 and later years

The investment rate of return is shown as not applicable (NA) since the University contributes only the amount necessary to pay current benefits. The discount rate is 2.45% as of the Measurement Date, 3.13% as of the beginning of the measurement period.

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

	Total OPEB Liability
Balances at 6/30/2021	\$ 80,238
Changes for the year:	
Service cost	2,795
Interest	1,956
Differences between expected and actual experience	(458)
Changes of assumptions	4,967
Benefit payments	(3,558)
Net Changes	5,702
Balances at 6/30/2022	\$ 85,940

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

	1% Decrease (0.92)%	Discount Rate (1.92)%	1% Increase (2.92)%
Net OPEB liability	96,719	85,940	76,935

The schedule below presents the University's OPEB liability, as well as what the University's OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.4% for 2021, decreasing 0.10%-0.25% per year to an ultimate rate of 3.25% for 2033) or 1 percentage point higher (7.4% for 2021, decreasing 0.10%-0.25% per year to an ultimate rate of 5.25% for 2033) than the current healthcare cost trend rate (in thousands):

	1% Decrease (5.4)%	Healthcare Cost Trend Rates (6.4)%	1% Increase (7.4)%
Net OPEB liability	82,316	85,940	90,197

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For Years Ended June 30, 2022 and 2021

For the year ended June 30, 2022 the University recognized OPEB expense of \$2.7 million. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,151	\$ 3,651
Changes of assumptions	11,732	17,525
Contributions made in fiscal year ending 6/30/2022 after the measurement date of 6/30/2021	3,684	—
Total	\$ 16,567	\$ 21,176

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 (in thousands):

Year ended June 30:	
2023	\$ (2,032)
2024	(2,032)
2025	(2,032)
2026	(1,615)
2027	(1,515)
Thereafter	933
	\$ (8,293)

d. Funded Status and Funding Progress

As of June 30, 2021, the most recent actuarial valuation date, the plan was 0% funded. The unfunded OPEB liability for benefits was \$85.9 million and \$80.2 million and there were no assets, resulting in an unfunded net OPEB liability of \$85.9 million and \$80.2 million as of June 30, 2022 and 2021, respectively. The covered payroll (annual payroll of active employees covered by the plan) was \$434.9 million and \$490.2 million, and the ratio of the unfunded net OPEB liability to the covered payroll was 20% and 16%, for the years ended June 30, 2022 and 2021, 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 about the future.

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e. Actuarial Methods and Assumptions

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

In the June 30, 2021, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 6.4% initially, reduced by increments to an ultimate rate of 4.15% after 13 years. The increase in the benefit obligation recognized during the fiscal year ending June 30, 2020 was due to a change in the discount rate from 2.45% as of the beginning of the reporting year to 1.92% 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, 2021 was due to updates made on expected future health claims and an increase in the discount rate from 2.45% as of the beginning of the reporting year to 1.92% as of the measurement date, and changes in the assumed per capita cost.

13. Commitments and Contingencies

a. Commitments

At June 30, 2022 and 2021, respectively, the Research Foundation had approximately \$12.8 million and \$13.7 million in encumbrance's outstanding related mainly to operational expenses 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 coverages and other statutory provisions, that the ultimate outcome of litigation will not have a material effect on the future operations or financial position of the University or the Research Foundation beyond the amounts already provided.

c. Government Grants

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

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

	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Total OPEB liability					
Service Cost	\$ 2,795	\$ 2,538	\$ 2,437	\$ 4,630	\$ 5,203
Interest	1,956	2,318	2,497	3,296	2,728
Difference between expected and actual experience	(458)	(1,687)	1,923	(1,718)	(2,608)
Changes of assumption	4,967	5,757	5,488	(27,504)	(5,495)
Benefit payments	(3,558)	(2,927)	(2,836)	(2,817)	(3,007)
Net change in OPEB Liability	\$ 5,702	\$ 5,999	\$ 9,509	\$ (24,113)	\$ (3,179)
OPEB liability - beginning of year	80,238	74,239	64,730	88,843	92,022
OPEB liability - end of year	\$ 85,940	\$ 80,238	\$ 74,239	\$ 64,730	\$ 88,843
Covered employee payroll	\$ 434,864	\$ 490,221	\$ 493,893	\$ 450,332	\$ 445,356
Total OPEB liability as a percentage of covered employee payroll	19.76%	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.

RESEARCH AND INNOVATION UPDATE

Presented to UofL Research Foundation
October 28, 2022

Office of Research and Innovation
louisville.edu/research

UNIVERSITY OF
LOUISVILLE[®]

**RESEARCH AND
INNOVATION
METRICS**

\$153.8M

IN COMPETITIVE RESEARCH FUNDING IN FY22

49

NEW
PATENTS
AWARDED

\$16M

IN INNOVATION
INCOME

428

AGREEMENTS
(LICENSE,
OPTION,
MATERIAL
TRANSFER,
NDA).

CHIPS ACT

- The CHIPS and Science Act of 2022 invests billions over the next five years to help the U.S. regain a leading position in semiconductor chip manufacturing;
- Creates new opportunities for semiconductor and other advanced technology research, innovation, workforce development and partnerships here at UofL.

BUCKS FOR BRAINS

- UofL received \$10 million from the Kentucky Legislature to expand Bucks for Brains program (UofL will match this through fundraising);
- New lines include:

Dentistry	Inflammation and Microbiome
School of Medicine	Bioinformatics Medical informatics (2 positions) Immunogenomics Pandemic preparedness Nutrition and health
School of Public Health and Information Sciences	Social justice and health equity
Speed School of Engineering	Cybersecurity Energy storage Nano-enabled medicine and healthcare

HEALTH EQUITY INNOVATION HUB

- Humana donation of recently renovated 8-story building, located at 515 W. Market St., to house Hub's academic, business and research areas;
- Launch of ENGAGE program, which connects UofL students with internships in health and equity-focused startups;
- Award of \$1 million in research funding to advance health equity for communities that have been marginalized.
 - The 10 projects awarded in this initial round of funding furthers this goal by tackling inequities in areas such as access to mental and physical health care and healthy food. Projects were eligible for up to \$100,000 per year for up to three years.



CHRISTINA LEE BROWN ENVIROME INSTITUTE

- Launch of the New Vision of Health Campus, a world-class research center and a nexus for community engagement;
- Made possible by donation from Christina Lee Brown valued at \$47 million - the largest single donation in UofL history;
- Consist of two historic buildings on West Muhammad Ali Boulevard totaling 133,000 square feet and an adjacent garden space.



RESEARCH UPDATES

- Continued strength of our supporting infrastructure:
 - Human Subjects Research (IRB) re-accreditation;
 - Animal care/biosafety/select agent inspection;
- Core Facilities:
 - Hire of Rand Haley, new Director of Shared Research Facilities;
 - Development of core facilities strategic plan;
- Research Development:
 - Hire of Leigh Botner, new Director of Research Development;
 - Re-focusing of UofL internal grants programs to focus on seed funding, collaborative mentoring, capacity building and programmatic support.
- Robotics And Additive Manufacturing Pathways To SUCCESS (RAMPS):
 - \$750,000 to launch, made possible by funding secured by U.S. Rep. John Yarmuth from the U.S. Department of Education;
 - Aims to address workforce needs in the advanced manufacturing industry sector and enhance employment opportunities for underrepresented groups.

INDUSTRY ENGAGEMENT UPDATES



- Hire of Laurie Young, new Director of Industry Partnerships;
- Hire of Scott Broughton, new Director for Manufacturing Engagement;
- Launch of EDA-backed Center for Organizational Readiness toward Enterprise 4.0, to help companies adapt to / adopt cutting-edge smart technology.

INNOVATION UPDATES



- UofL and partners received \$15M from the NSF to launch a new regional Innovation-Corps MidSouth Hub (one of only 10 across the U.S.);
- Hire of Laura Savatski, new executive director of UofL's technology transfer office;
- Hosting AOL co-founder Steve Case on Nov. 10, leading, technology-based economic development for the state and region.

CHALLENGES

National Security Presidential Memorandum 33 (NSPM-33):

- Establishes national security policy for federal government supported R&D;
- Seeks to strengthen protections for R&D against foreign government interference/misappropriation;
- Will require investment in research security, cybersecurity, and more;
- Will need to be in compliance with NSPM-33 to be eligible for federal R&D funding (\$120M+ in FY21).

Retaining Top Researchers:

- Lost 92 faculty in FY19-FY22 who were a PI on an award;
- Retained 58 of these projects, with PI change.
- Providing more resources and support is critical to attracting and retaining productive faculty, who secure grants and other funding that backs our mission of creating new knowledge and innovation.