

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

October 29, 2021

In Open Session

Members of the University of Louisville Research Foundation Board of Directors met in the Jefferson Room, Grawemeyer Hall, Belknap Campus, both in-person and virtually at 1:55 p.m. on October 29, 2021, with members present and absent as follows:

Present: Mr. James Rogers, Chair
 Mr. Jerry Abramson
 Mr. Scott Brinkman
 Dr. Raymond Burse
 Mr. John Chilton
 Mr. Al Cornish
 Ms. Diane Medley
 Ms. Mary Nixon
 Ms. Ugonna Okorie
 Ms. Diane Porter
 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 Rogers called the roll. Having determined a quorum present, he called the meeting to order at 1:55 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. Chair Rogers 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.

Consent Agenda

Chair Rogers read the consent agenda as follows:

- **Approval of Minutes, 4-22-2021**

- **From the Audit, Compliance, and Risk Committee, 10-29-2021**
 - **ULRF Audited Financial Statements**

Ms. Nixon made a motion, which Mr. Abramson seconded, to approve the consent agenda.

The motion passed.

II. Update from the Executive Vice President for Research and Innovation

Executive Vice President Gardner provided to the board an update using the **attached** presentation. He reported that the university was awarded more than \$200 million for groundbreaking research in FY2021, a more than \$30 million increase over the previous record set the year before.

Additionally, the research enterprise continues to embrace the university's Grand Challenges of empowering Louisville communities, advancing health, and engineering the future economy. Dr. Gardner highlighted the projects demonstrating those challenges:

- The Resilience Justice Project in Southwest Louisville, a collaboration with Louisville Metro and environmental/community groups to transform the inequitable environmental condition of the watershed and improve community resilience and equity; empower community residents, especially low-income people of color; and prevent green gentrification and displacement.
- The launch of the UofL Sequencing Technology Service Center, a statewide collaborative network for NIH-funded SARS-CoV-2 genomic surveillance that uses custom target methods development resulting in new, experimental strategies with direct impact on personalized medicine, cancer biology, and HIV cure research.
- The Louisville Automation and Robotics Research Institute (LARRI) dedicated to research, education, and collaboration in automation and research to investigate human-robot interaction, automation and robotics for industry, networked robots and autonomous vehicles, and planning and control for mechatronic systems.

Dr. Gardner also briefed the board on the university's thriving innovation ecosystem, its commercialization successes, and follow-on funding to further develop university-born technologies.

He then fielded questions from the board.

Chair Rogers thanked Dr. Gardner for his report.

III. Adjournment

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

The motion passed and the meeting adjourned at 2:15 p.m.

Approved by:



Signature on file

Assistant Secretary

RECOMMENDATION TO THE AUDIT, COMPLIANCE, AND RISK COMMITTEE
OF THE UofL RESEARCH FOUNDATION, INC., BOARD OF DIRECTORS
CONCERNING THE CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR
YEAR ENDING JUNE 30, 2021 AND INDEPENDENT AUDITOR'S REPORT

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

RECOMMENDATION:

The President recommends that the Board of Directors 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


Signature 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, 2021 and 2020**

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

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INDEPENDENT AUDITORS' REPORT

Board of Directors
University of Louisville Research Foundation, Inc.
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Louisville Research Foundation, Inc. (Research Foundation), a component unit of the University of Louisville, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Research Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Research Foundation as of June 30, 2021 and 2020, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14, and the Schedule of Funding Progress on Page 37, 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.

Signature on file

CliftonLarsonAllen LLP

St. Louis, Missouri
October 19, 2021

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

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the University of Louisville Research Foundation, Inc. (Research Foundation) for the years ended June 30, 2021 and 2020. Comparative information for the year ended June 30, 2019 has been provided where applicable. This discussion has been prepared by management and should be read in conjunction with the financial statements and 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 program. The Research Foundation accepts funding for research, training, and service from extramural sources and has maintained progress towards the goals established by the Kentucky Council on Postsecondary Education. During the fiscal year ended June 30, 2021, total awards were \$201.5 million, an increase of \$32.0 million or 18.9%, as compared to fiscal year 2020. Some of the funding highlights include:

- Funding from the Higher Education Emergency Relief Fund – \$15.0 million in Institutional funding and \$6.5 million in student aid funding utilized during the year;
- \$8.7 million from the Department of Health and Human Services – Centers for Disease Control; Linking SARS-CoV-2 Wastewater Concentrations to Community Infection Prevalence
- \$8.8 million from the Advanced Technology International; to prevent CoV-2 Griffithsin Intranasal Spray
- \$8.0 million from the National Institutes of Health (NIH) for the University of Louisville Vivarium Construction
- \$6.0 million from the National Security Agency (NSA) for Healthcare Cybersecurity Pathways
- \$5.9 million from the Commonwealth of Kentucky – Reimbursement Award - Coronavirus Relief Fund.

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

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

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

Using the Financial Statements

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

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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Management Discussion and Analysis (Unaudited)
For Years Ended June 30, 2021 and 2020

	2021	2020	2019	2021-2020 Change	2020-2019 Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current assets	\$ 159,140	\$ 65,896	\$ 61,758	\$ 93,244	\$ 4,138
Capital assets	54,193	53,536	56,423	657	(2,887)
Other noncurrent assets	13,203	40,777	4,758	(27,574)	36,019
Deferred outflow of resources	5,438	3,364	1,049	2,074	2,315
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	231,974	163,573	123,988	68,401	39,585
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current liabilities	33,200	26,520	58,290	6,680	(31,770)
Noncurrent liabilities	31,315	26,750	23,974	4,565	2,776
Deferred inflows of resources	9,835	10,069	11,905	(234)	(1,836)
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	74,350	63,339	94,169	11,011	(30,830)
NET POSITION					
Net investment in capital assets	54,185	53,547	56,423	638	(2,876)
Restricted - expendable	17,536	27,720	25,583	(10,184)	2,137
Unrestricted	85,903	18,967	(52,187)	66,936	71,154
TOTAL NET POSITION	157,624	100,234	29,819	57,390	70,415
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 231,974	\$ 163,573	\$ 123,988	\$ 68,401	\$ 39,585

Assets

Current assets of \$159.1 million consist of \$42.5 million in cash and cash equivalents, \$67.7 million of accounts receivable and \$47.7 million due from affiliate. The Research Foundation's cash and cash and equivalents grew \$22.6 million from the previous year due to the results of contracted activities with hospitals and cost reduction measures. Accounts receivable increased \$27.5 million mostly representing an increase in grant activities. The due from affiliates increase of \$42.7 million consisted of the profit share receivable from UL Health which was \$33.2 million for fiscal year 2021.

Noncurrent assets of \$67.4 million consist mainly of \$54.2 million of capital assets, which slightly increased due to \$6.9 million in depreciation offset by additional capital asset purchases of \$7.5 million.

Deferred Outflows of Resources

Deferred outflow of resources represents a consumption of net assets applicable to a future period. The balance of \$5.4 million as of June 30, 2021 consisted of future payments to be made for other post-employment benefits.

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Liabilities

The Research Foundation's current liabilities of \$26.1 million consist \$7.1 million of unexpended cash advances for sponsored research activities, a decrease of \$4.0 million compared to June 30, 2020. 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. The remaining \$26.1 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 \$31.3 million, shown as other long-term liabilities which increased by \$4.6 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 \$9.8 million is related to a change in actuarial assumptions and the difference between expected and actual experience used in the other postemployment 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, 2021 and 2020 was \$157.6 million and \$100.2 million, respectively. Net position is summarized into these major categories: net investment in capital assets of \$54.2 million and \$53.5 million, respectively; restricted expendable of \$17.5 million and \$27.7 million, respectively; and unrestricted of \$85.9 million and \$19.0 million, respectively.

Fiscal Year 2020

The Research Foundation's financial position as of the fiscal year ended June 30, 2020 shows an increase in assets, a decrease in liabilities with an overall increase in net position. Assets increased during the fiscal year ended June 30, 2020 by \$17.3 million, or 14.0%, as compared to the fiscal year ended June 30, 2019. This increase was due mainly to the increase in due from affiliates for the profit share contribution from UL Health. The decrease in liabilities of \$29.0 million, or 35.2%, includes a decrease of amounts due to the University of Louisville of \$30.5 million representing overspent amounts funded by the University.

Net position increased \$70.4 million, or 236%, 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, 2021, 2020, and 2019 (in thousands) is shown below:

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	2021	2020	2019	2021-2020 Change	2020-2019 Change
OPERATING REVENUES					
Clinical services and practice plans	\$ 372,621	\$ 312,982	\$ 271,974	\$ 59,639	\$ 41,008
Grants and contracts	107,418	109,460	106,134	(2,042)	3,326
Facilities and administrative cost	32,428	28,447	28,248	3,981	199
Other operating revenues	6,961	11,450	9,320	(4,489)	2,130
TOTAL OPERATING REVENUE	519,428	462,339	415,676	57,089	46,663
OPERATING EXPENSES					
Depreciation	6,863	6,362	6,052	501	310
Other operating expenses	503,646	439,511	440,975	64,135	(1,464)
TOTAL OPERATING EXPENSE	510,509	445,873	447,027	64,636	(1,154)
NONOPERATING REVENUES (EXPENSES)					
Nonexchange grants and contracts	76,083	52,493	46,179	23,590	6,314
Contributions to related entities	(30,597)	(962)	(4,153)	(29,635)	3,191
Other nonoperating revenues	2,985	2,418	814	567	1,604
TOTAL NONOPERATING REVENUE/(EXPENSES)	48,471	53,949	42,840	(5,478)	11,109
INCREASE/(DECREASE) IN NET POSITION	57,390	70,415	11,489	(13,025)	58,926
Net position, beginning of year	100,234	29,819	18,330	70,415	11,489
Net position, end of year	\$ 157,624	\$ 100,234	\$ 29,819	\$ 57,390	\$ 70,415

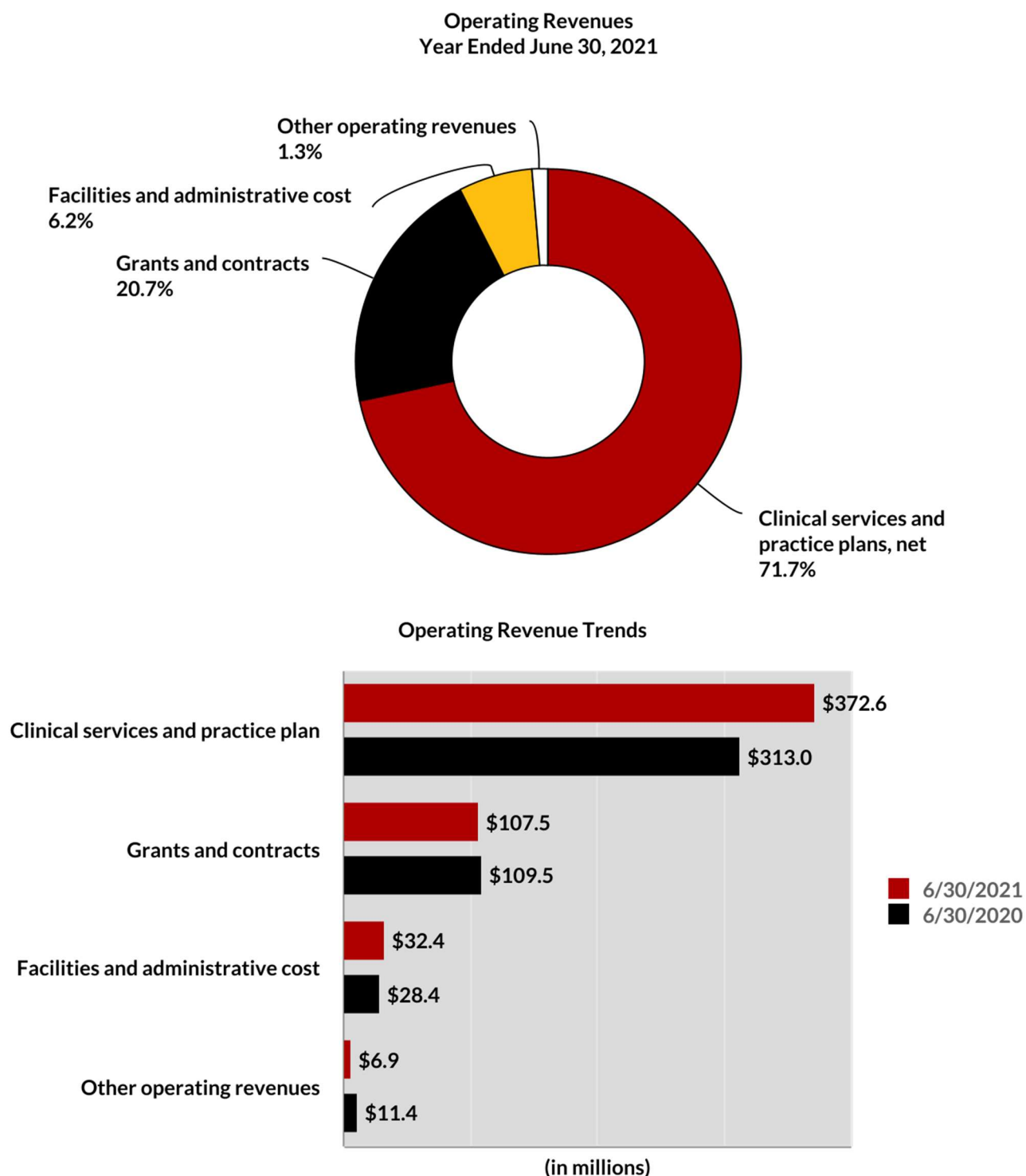
Operating Revenues

Revenues from operations increased with \$519.4 million in operating revenues for the year ended June 30, 2021 compared to \$462.3 million for the year ended June 30, 2020. Increases in clinical services and facilities and administrative cost earned on grants and contracts were offset by reductions in revenues from grants and contracts and other operating revenues. The \$59.6 million increase in clinical revenues are attributed to efficiencies obtained through contracts with other hospitals and care providers (further described in Note 7 to the financial statements). Other revenues consist of miscellaneous services and fees and experienced a decrease of \$4.5 million during the year ending June 30, 2021.

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. The Research Foundation compensates the University for a portion of the cost recoveries in support of University expenditures. For the years ended June 30, 2021 and 2020, approximately \$12.6 million and \$11.6 million, respectively, were transferred to the University for this purpose.

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The following is a graphic illustration of the Research Foundation's operating revenues by major source for the years ended June 30, 2021 and 2020 (in millions):

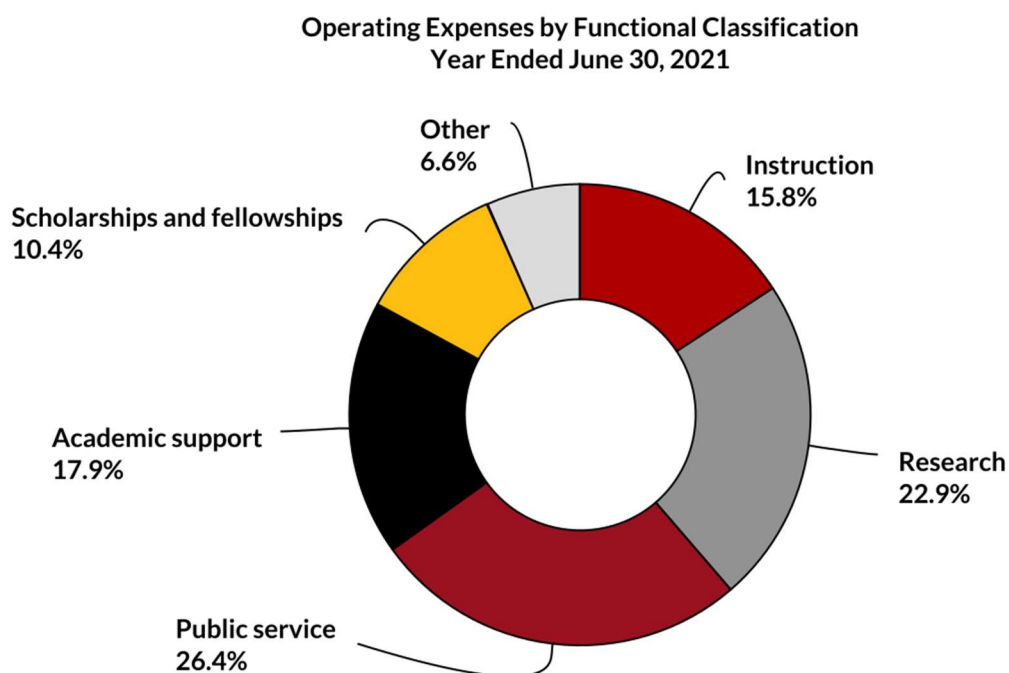


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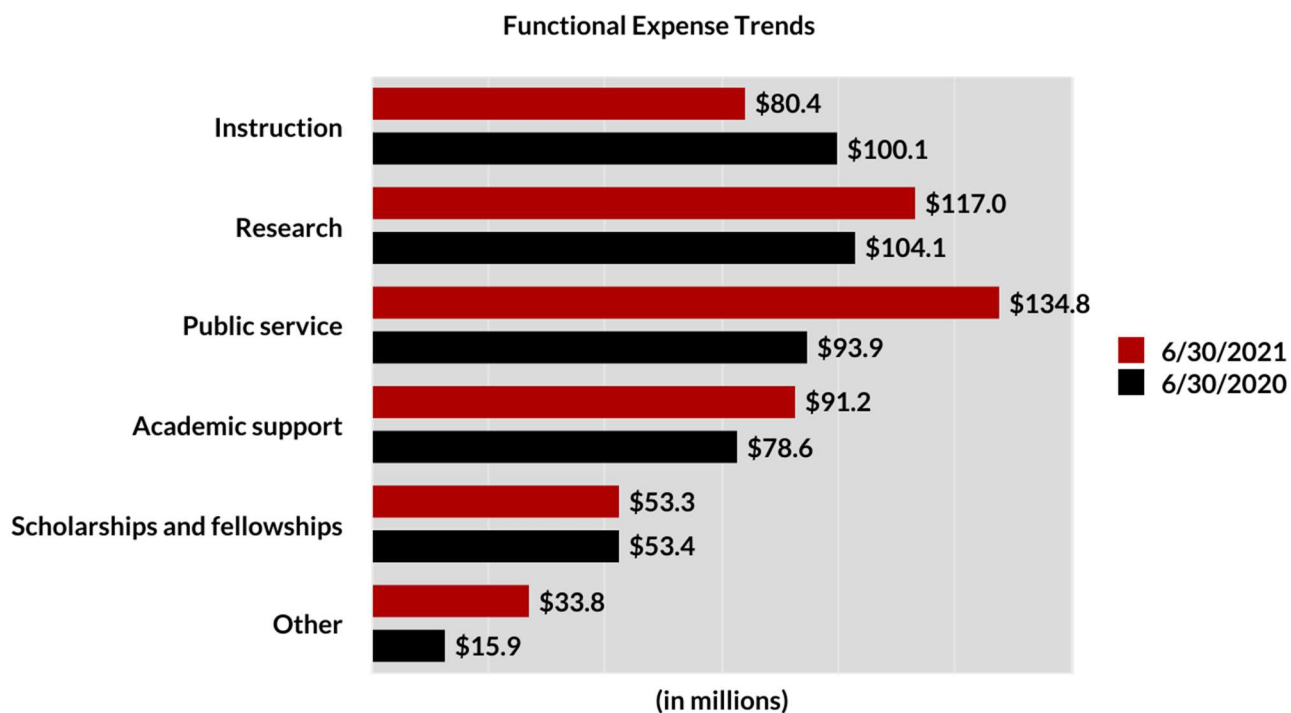
Operating Expenses by Functional and Natural Classification

Total operating expenses were \$510.5 million and \$445.9 million for the fiscal years ended June 30, 2021 and 2020, respectively. In fiscal year 2021, operating expenses increased \$64.6 million or 14.4%. Across the University, cost saving measures were enacted in response to the Pandemic. Non-critical 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 of \$1.6 million due to temporary salary cuts, furloughs and reduction in retirement benefits. These savings were offset by an increase in supplies and other services mainly for an increase of \$61.1 million in intergovernmental transfers for the state Medicaid program related to increased clinical activities.

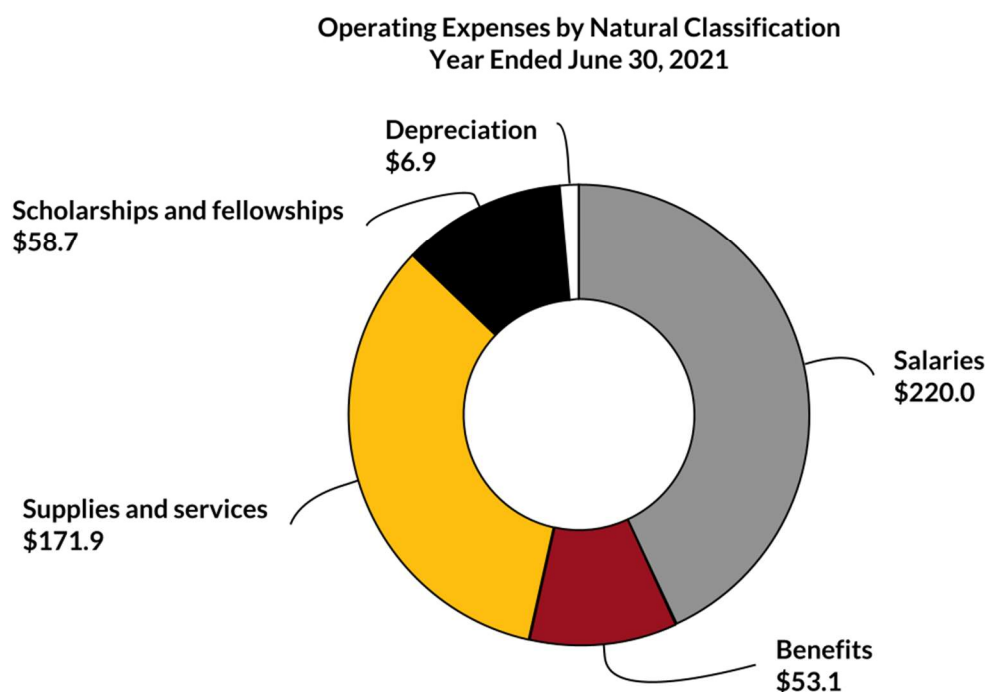
The following is a graphic illustration of total operating expenses by function for the years ended June 30, 2021 and 2020 (in millions):



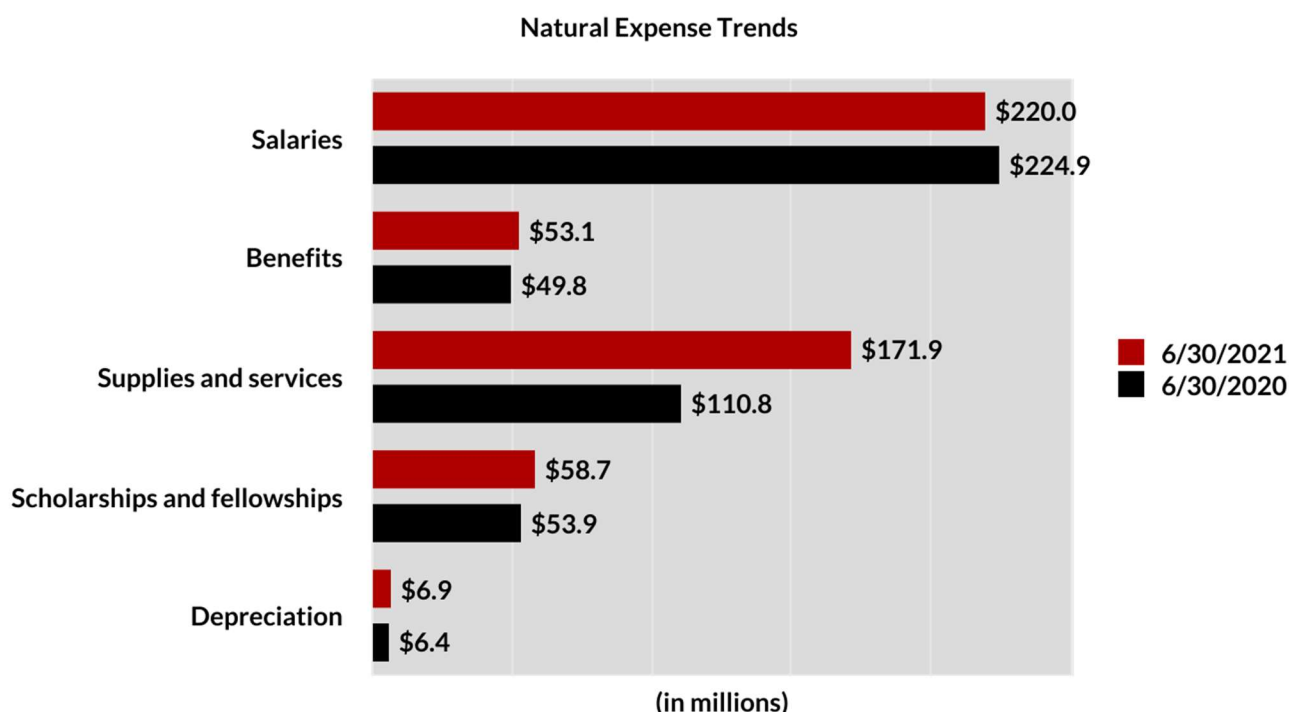
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The following is a graphic illustration of total operating expenses by natural classification for the years ended June 30, 2021, and 2020 (in millions):



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Nonoperating Revenues (Expenses)

The Research Foundation's total nonoperating revenues of \$48.5 million for fiscal year ended June 30, 2021, was mostly comprised of nonexchange grants and contract revenues of \$76.1 million reduced by transfers to the University of \$30.6 million for support of university operations. Total nonoperating revenues decreased by \$5.5 million as compared to fiscal year ended June 30, 2020. The decrease is attributed to an increase in nonexchange grants and contract revenues of \$23.6 million, an increase of \$0.5 million in gifts and offset an increase in support provided to the university of \$29.6 million in fiscal year ending June 30, 2021. 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 2020

For the year ended June 30, 2020, Research Foundation reported \$519.4 million in operating revenues, an increase of \$46.7 million, or 9.7% compared to the \$415.7 million reported for the year ended June 30, 2019.

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Revenues from clinical services and practice plans were \$313.0 million for fiscal year 2020, an increase of \$41.0 million or 15.1% from the fiscal year ended June 30, 2019. 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 \$109.5 million for the year ended June 30, 2020 as compared to \$106.1 million in revenues reported in the previous year, a \$3.3 million increase, or 3.1%. Revenue from facilities and administrative cost recoveries were \$28.4 million and \$28.2 million for the years ended June 30, 2020 and 2019, respectively.

Total operating expenses were \$445.9 million and \$447.0 million for the fiscal years ended June 30, 2020 and 2019, respectively. The primary drivers of the decrease of \$1.2 million is an decrease of \$9.8 million in salary expense offset by an increase of 5.8 million in scholarships and fellowships and an increase of \$2.6 million in supplies and services.

Nonoperating revenues and expenses, net, were \$53.9 million and \$42.8 million for the fiscal years ended June 30, 2020 and 2019, respectively. The primary drivers of the increase of \$11.1 million, or 25.9%, are an increase in nonexchange grants and contracts of \$6.3 million and a decrease in contributions to related entities of \$3.2 million.

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.

Condensed statements of the Research Foundation's 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	\$ (3,476)	\$ 25,509	\$ (14,442)	\$ (28,985)	\$ 39,951
Noncapital and related financing activities	33,572	(2,006)	19,237	35,578	(21,243)
Capital financing activities	(7,525)	(3,532)	(4,795)	(3,993)	1,263
NET (DECREASE)/INCREASE IN CASH EQUIVALENTS	22,571	19,971	—	2,600	19,971
Cash and cash equivalents, beginning of year	19,971	—	—	19,971	—
Cash and cash equivalents, end of year	\$ 42,542	\$ 19,971	\$ —	\$ 22,571	\$ 19,971

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Operating Activities

The Research Foundation's operating activities used approximately \$3.5 million of cash during the fiscal year ended June 30, 2021, representing a decrease of \$29.0 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.

Other Activities

The net \$33.6 million cash provided by noncapital and related financing activities includes an increase in cash provided by nonexchange grants and contracts of \$23.6 million offset by an increase in payments to the university of \$29.6 million mostly related to HEERF funds utilized to offset Pandemic expenses and lost revenues. Cash received from affiliate parties for long term payables provided \$41.1 million additional cash during 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.

Fiscal Year 2020

The Research Foundation's operating activities generated approximately \$25.5 million of cash during the fiscal year ended June 30, 2020, representing an increase of \$40.0 million compared to the prior year. The most significant driver in the reduction of cash usage is the increase in clinical services totaling \$28.5 million, a \$3.5 million increase in grants and contracts and a reduction of \$22.8 million in payments to employees for salaries, wages and benefits during the fiscal year ended June 30, 2020.

The net \$2.0 million cash used for noncapital and related financing activities relates to \$52.5 million provided by nonexchange grants and contracts and \$2.4 million in gifts offset by payments to the university of \$56.0 million for settlement of negative cash balances. In total, cash used for noncapital and related financing activities decreased \$21.2 million from the fiscal year ended June 30, 2020.

Cash used for capital financing activities decreased \$1.3 million to \$3.5 million during the fiscal year ended June 30, 2020.

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.

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

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.
A Component Unit of the University of Louisville
Statements of Net Position
For Years Ended June 30, 2021 and 2020
(in thousands)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 42,542	\$ 19,971
Accounts receivable, net	67,656	40,128
Due from affiliate	47,718	5,030
Inventories	544	463
Other assets	680	304
Total current assets	159,140	65,896
Noncurrent assets		
Accounts receivable, net	780	540
Due from affiliate	12,423	40,237
Capital assets, net	54,193	53,536
Total noncurrent assets	67,396	94,313
Total assets	226,536	160,209
DEFERRED OUTFLOWS OF RESOURCES	5,438	3,364
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	231,974	163,573
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	26,119	15,415
Grant advances	7,081	11,105
Total current liabilities	33,200	26,520
Noncurrent liabilities		
Other post-retirement benefits	31,293	26,728
Other long-term liabilities	22	22
Total noncurrent liabilities	31,315	26,750
Total liabilities	64,515	53,270
DEFERRED INFLOWS OF RESOURCES	9,835	10,069
NET POSITION		
Net investment in capital assets	54,185	53,547
Restricted:		
Expendable	17,536	27,720
Unrestricted	85,903	18,967
Total net position	157,624	100,234
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 231,974	\$ 163,573

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, 2021 and 2020
(in thousands)

	2021	2020
OPERATING REVENUES		
Clinical services and practice plan, net of contractual allowances of \$147,963 in 2021 and \$106,907 in 2020	\$ 372,621	\$ 312,982
Federal grants and contracts	82,197	77,001
State and local grants and contracts	9,169	10,261
Nongovernmental grants and contracts	16,052	22,198
Facilities and administrative cost recoveries	32,428	28,447
Sales and services of educational departments	732	808
Other operating revenue	6,229	10,642
Total operating revenue	519,428	462,339
OPERATING EXPENSES		
Instruction	80,421	100,079
Research	117,009	104,087
Public service	134,837	93,882
Academic support	91,206	78,604
Student services	39	7
Institutional support	26,628	8,066
Operation and maintenance of plant	230	1,416
Scholarships and fellowships	53,276	53,370
Depreciation	6,863	6,362
Total operating expense	510,509	445,873
Operating gain (loss)	8,919	16,466
NONOPERATING REVENUES (EXPENSES)		
Gifts	2,905	2,356
Nonexchange grants and contracts	76,083	52,493
Net realized and unrealized gain on investments	(5)	—
Other nonoperating revenue	85	62
Net nonoperating revenue	79,068	54,911
Contributions to related entities	(30,597)	(962)
Total other revenue	48,471	53,949
Increase in net position	57,390	70,415
NET POSITION		
Net position - beginning of year	100,234	29,819
Net position - end of year	\$ 157,624	\$ 100,234

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Clinical services	361,675	\$ 308,114
Grants and contracts	82,642	116,259
Sales and service of educational departments	732	— 808
Payments to suppliers	(157,676)	(106,856)
Payments to employees	(218,959)	(224,944)
Payments for benefits	(51,886)	(53,018)
Payments for scholarships and fellowships	(58,661)	(53,943)
Facilities and administrative cost recoveries	32,428	28,447
Other operating revenue	6,229	10,642
Net cash provided by (used in) operating activities	(3,476)	25,509
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts	2,905	2,356
Nonexchange grants and contracts	76,083	52,493
Contributions to (due from) related entities	(30,597)	(962)
Due to (due from) affiliates	(14,874)	(55,955)
Other noncapital financing activities	55	62
Net cash provided by noncapital financing activities	33,572	(2,006)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(7,525)	(3,532)
Net cash used in capital and related financing activities	(7,525)	(3,532)
Net increase/(decrease) in cash and cash equivalents	22,571	19,971
Cash and cash equivalents - beginning of year	19,971	—
Cash and cash equivalents - end of year	\$ 42,542	\$ 19,971
RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating gain/(loss)	\$ 8,919	\$ 16,466
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	6,863	6,362
Loss on equipment disposals	5	57
Change in assets and liabilities:		
Accounts receivable	(27,768)	5,291
Inventories	(81)	(51)
Other assets	(373)	—
Accounts payable and accrued liabilities	10,726	(1,094)
Grant advances	(4,024)	(148)
Other long-term liabilities	4,565	2,776
Deferred outflows of resources	(2,074)	(2,315)
Deferred inflows of resources	(234)	(1,835)
Net cash used by operating activities	\$ (3,476)	\$ 25,509

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, 2021 and 2020

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 University 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 and state appropriations) 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 internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The 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 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. 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.

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

d. Inventories

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

e. Capital Assets

Equipment and library books of the Research Foundation are stated at cost or, in the case of donated capital assets, estimated acquisition value at date of receipt from donors.

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 \$5.4 million for the year ended June 30, 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 \$9.8 million as of June 30, 2021 consist of changes in the other post-employment benefits liability and 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.

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

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 \$7.1 million and \$11.1 million as of June 30, 2021 and 2020, 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.

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.

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

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	\$ 54,185	\$ 53,547
Restricted expendable for:		
Research	14,304	17,982
Instruction	1,302	4,351
Public service	1,925	2,558
Academic support	5	5
Institutional support	—	2,824
Unrestricted	85,903	18,967
Total net position	\$ 157,624	\$ 100,234

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.

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.

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

I. 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 2020 amounts have been reclassified to conform to the 2021 presentation. The reclassifications more accurately represent revenue and expense activities in the categories presented on the statement of revenues, expense and changes in net position. These reclassifications had no effect on the change in net position.

o. Recent Accounting Pronouncements and Restatement

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

The Research Foundation 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 Research Foundation as the potential impact was deemed immaterial to the financial statements.

The following statements will be implemented in future reporting periods:

GASB Statement No. 87, *Leases*. Requires recognition of certain lease assets and liabilities for leases that were previously classified as operating, and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use. The Research Foundation has not yet adopted this standard and is evaluating the impact it may have on its 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, 2021 and 2020

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

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 Research Foundation 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 Research Foundation 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 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 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.

p. Risks and Uncertainties

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year end, the 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.

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

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 \$12.6 million and \$11.6 million for the years ended June 30, 2021 and 2020, respectively.

During the fiscal year ended June 30, 2021 research and operational support provided to the University from the Research Foundation totaled \$14.7 million, which included approximately \$11.3 million in CARES and HEERF funding. During the fiscal year ended June 30, 2020 the Research Foundation received \$12.4 million for research and operational support.

The Research Foundation transferred \$3.3 million and \$3.5 million related to capital projects and debt service payments during each of the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020, the Research Foundation was the recipient of \$2.8 million and \$1.8 million, respectively, from related entities to assist in funding cost share required by certain sponsored programs and grants.

b. Receivables With Related Entities

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. The outstanding note balance was \$3.2 million and \$4.0 million as of June 30, 2021 and 2020, respectively.

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

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, 2021 receivables of \$0.1 million were due. There was no receivable balance as of June 30, 2020.

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 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, 2021 and 2020, receivables of \$3.6 million and \$1.3 million were due, respectively.

The Research Foundation 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.

c. Guarantees

A memorandum of understanding dated April 2017 between the Research Foundation and ULP establishes obligations of the Research Foundation in the event ULP does not meet certain requirements under a lease agreement with PMOB, Inc. PMOB, Inc. had a \$48.6 million loan with a financial institution to construct a medical office building. ULP entered into a lease with PMOB, Inc. for a majority of the space within the medical office building and to provide \$9.5 million of furniture, fixtures and equipment for the leased space. For as long as the loan agreement between PMOB, Inc. and the financial institution remains in effect, the Research Foundation has provided assurance through a guarantee that all of ULP's obligations due to PMOB, Inc. under the lease and any unfunded portion of the leased premise furniture, fixture and equipment will be paid. The Research Foundation's obligation shall not exceed funds received by the Research Foundation for services provided by ULP for clinical services as of the date of the memorandum of understanding. During the year ending June 30, 2020, PMOB sold the medical office building and repaid the loan to the financial institution, releasing the Research Foundation from the guarantee.

A memorandum of understanding dated March 2017 between the Research Foundation and ULP establishes the obligation for the Research Foundation to make annual lump sum payments through July 2020 to a lending institution holding debt of ULP for the servicing of ULP scheduled debt payments. The payments made by the Research Foundation are for services rendered by ULP. During the year ending June 30, 2020, ULP paid in full the debt with the lending institution.

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

d. 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 is \$3.8 million and \$4.3 million as of June 30, 2021 and 2020, respectively.

4. Accounts Receivable, net

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

2021			
	Gross Receivable	Allowance	Net Receivable
Patient care	\$ 46,777	\$ (22,043)	\$ 24,734
Sponsored agreements	47,373	(3,671)	43,702
Total	\$ 94,150	\$ (25,714)	68,436
Current portion			67,656
Noncurrent portion			780

2020			
	Gross Receivable	Allowance	Net Receivable
Patient care	\$ 36,136	\$ (20,326)	\$ 15,810
Sponsored agreements	26,622	(1,764)	24,858
Total	\$ 62,758	\$ (22,090)	40,668
Current portion			40,128
Noncurrent portion			540

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.

A Component Unit of the University of Louisville

Notes to the Financial Statements

For Years Ended June 30, 2021 and 2020

5. Capital Assets, net

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

	2021				
	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
Subtotal	166,186	7,535	(1,644)	—	172,077
Total capital assets-cost	166,537	7,535	(1,644)	—	172,428
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
Total capital assets-cost	113,001	6,863	(1,629)	—	118,235
Capital assets, net	\$ 53,536	\$ 672	\$ (15)	\$ —	\$ 54,193

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.

A Component Unit of the University of Louisville

Notes to the Financial Statements

For Years Ended June 30, 2021 and 2020

	2020				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Cost - Nondepreciable					
Land	\$ 351	\$ —	\$ —	\$ —	\$ 351
Construction in progress	217	—	—	(217)	—
Subtotal	568	—	—	(217)	351
Cost - Depreciable					
Buildings	70,727	—	—	217	70,944
Infrastructure	929	—	—	—	929
Land improvements	237	—	—	—	237
Equipment	90,793	3,529	(1,126)	—	93,196
Leasehold improvements	818	—	—	—	818
Library materials	59	3	—	—	62
Subtotal	163,563	3,532	(1,126)	217	166,186
Total capital assets-cost	164,131	3,532	(1,126)	—	166,537
Accumulated depreciation					
Buildings	25,827	2,748	—	—	28,575
Infrastructure	87	15	—	—	102
Land improvements	58	6	—	—	64
Equipment	80,959	3,585	(1,069)	—	83,475
Leasehold improvements	732	6	—	—	738
Library materials	45	2	—	—	47
Total capital assets-cost	107,708	6,362	(1,069)	—	113,001
Capital assets, net	\$ 56,423	\$ (2,830)	\$ (57)	\$ —	\$ 53,536

6. Other Liabilities

Other liabilities of the Research Foundation consisted of the following at June 30, 2021 and 2020 (in thousands):

	2021					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Other long-term liabilities	22	—		22	—	22
Total	\$ 22	\$ —	\$ —	\$ 22	\$ —	\$ 22

	2020					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Other long-term liabilities						
Total	\$ 23	\$ —	\$ —	\$ 22	\$ —	\$ 22

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7. 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 \$104.4 million and \$124.8 million for the years ended June 30, 2021 and 2020, 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 \$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.

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. 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.

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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 years ended June 30, 2020 was \$26.9 million. All prior agreements were superseded by the agreements with NCMG.

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 \$43.2 million and \$40.5 million for the years ended June 30, 2021 and 2020, respectively.

8. Natural Classification

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

	2021				
	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	—	—	—	—	6,863
Total	\$ 220,017	\$ 53,070	\$ 58,661	\$ 171,898	\$ 510,509

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			2020		
	Salary and Wages	Employee Benefits	Scholarships and Fellowships	Supplies and Other	Total
Instruction	\$ 74,507	\$ 16,711	\$ 1,355	\$ 7,506	\$ 100,079
Research	51,313	13,399	1,822	37,553	104,087
Public service	58,261	12,839	350	22,432	93,882
Academic support	31,495	6,065	448	40,596	78,604
Student services	—	—	—	7	7
Institutional support	7,306	554	3	203	8,066
Operation and maintenance of plant	895	246	—	275	1,416
Scholarships and fellowships	1,167	2	49,965	2,236	53,370
Depreciation	—	—	—	—	6,362
Total	\$ 224,944	\$ 49,816	\$ 53,943	\$ 110,808	\$ 445,873

9. 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 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.

10. 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.

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

The Research Foundation recorded expenses related to the defined contribution plan of approximately \$8.1 million and \$12.3 million during the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the Research Foundation had no outstanding liability related to the Retirement Plan.

11. Postemployment Healthcare Benefits

a. Plan Description

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

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

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

Inactive plan members	1,586
Active plan members	5,354
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 \$2.4 million and \$1.9 million to the Plan, approximately 61% 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.

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	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 2.45% as of the Measurement Date, 3.13% as of the beginning of the Measurement Period.

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

	Total OPEB Liability
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

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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For Years Ended June 30, 2021 and 2020

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

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

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,408	\$ 3,986
Changes of assumptions	8,977	21,233
Contributions made in fiscal year ending 6/30/2021 after the measurement date of 6/30/2020	3,558	—
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 on the following page (in thousands):

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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For Years Ended June 30, 2021 and 2020

Year ended June 30:		
2022	\$	(2,648)
2023		(2,648)
2024		(2,648)
2025		(2,648)
2026		(2,231)
Thereafter		(2,013)
	\$	(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 about the future.

e. Actuarial Methods and Assumptions

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

In the June 30, 2020, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend rate of 6.4% initially, reduced by increments to an ultimate rate of 4.15% after 13 years. The increase in the benefit obligation recognized during the fiscal year ending June 30, 2020 was due to a change in the discount rate from 3.13% as of the beginning of the reporting year to 2.45% as of the measurement date, and updates to the retirement rates, participation rates and health care trend rates. The gains on the benefit obligation recognized during the fiscal year ended June 30, 2020 was due to updates made on expected future health claims and an increase in the discount rate from 2.85% as of the beginning of the reporting year to 3.58% as of the measurement date, and changes in the assumed per capita cost.

UNIVERSITY OF LOUISVILLE RESEARCH FOUNDATION, INC.
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12. Commitments and Contingencies

a. Commitments

At June 30, 2021 and 2020, respectively, the Research Foundation had approximately \$13.7 million and \$2.2 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)

	6/30/2021	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 payroll	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 + INNOVATION **POWERHOUSE**

A Report on UofL's Impressive FY2021 Research Impact

Office of Research and Innovation
uofl.edu/research

UNIVERSITY OF
LOUISVILLE®

BREAKING *BOUNDARIES*

The University of Louisville was awarded more than \$200 million for groundbreaking research in FY2021, a more than \$30 million increase over the previous record set the year before. At \$26.7 million, our innovation income was no-less impressive, nearly tripling our previous high.

This funding supported work in UofL's three Grand Challenge areas: to empower our communities, advance our health and engineer our future economy.

\$201.5M

in competitive research funding - a more than \$30 million increase over our previous high in FY2020.

80

*new patents
awarded -
nearly double
the previous
year's total.*

\$26.7M

*in innovation
income - nearly
triple the
previous record
set in FY2020*

482

*agreements
(license,
option,
material
transfer, NDA).*

OUR 'GRAND CHALLENGES'

As part of its Strategic Plan, UofL has selected three 'Grand Challenges' to guide its research priorities. These are big, global challenges UofL is helping to solve through its existing and growing research infrastructure, talent and strength.

- **EMPOWERING OUR COMMUNITIES:** UofL will empower communities — promoting equity, eliminating disparities and strengthening the ability of all individuals and communities to achieve well-being and prosperity.
- **ADVANCING OUR HEALTH:** UofL will advance human health, leading a transformative shift in how we understand, promote and recover wellbeing through all stages of life.
- **ENGINEERING OUR FUTURE ECONOMY:** UofL will engineer a future economy made possible by cutting-edge technology and ideas in the world of work.



EMPOWERING OUR COMMUNITIES

THE RESILIENCE JUSTICE PROJECT + S.W. LOUISVILLE

- **Mill Creek Watershed Planning:** Apply environmental justice & resilience justice frameworks:
 - Collaboration with Louisville Metro & environmental & community groups;
 - U.S. EPA Clean Water Act grant;
 - Anti-racist;
 - Community-engaged;
 - Tony Arnold & Resilience Justice Fellows: 3 law students of color;
 - Uses Arnold's "field-defining" frameworks (e.g., Los Angeles, Chicago, Brazil, Pakistan).
- **Intended Impacts:**
 - **Transform** the inequitable environmental conditions of the watershed & improve community resilience & equity;
 - **Empower** community residents, especially low-income people of color;
 - **Prevent** green gentrification & displacement.

ADVANCING OUR HEALTH

GENOMICS SERVICE CENTER

Launched UofL Sequencing Technology Service Center, first run of PacBio Sequel IIe system in November 2020.

- Only instrument in KY or surrounding states (WV, TN, VA, OH, IN) and established as Certified Service Provider, operating at ~90% capacity;
- Broad and growing network of internal, external academic, and industrial customers and key collaborators;
- Statewide collaborative network for NIH-funded SARS-CoV-2 genomic surveillance - 7000 viral genomes will be sequenced by end of Q1 2022.
- Custom targeted methods development resulting in new experimental strategies with direct impact on personalized medicine, cancer biology, and HIV Cure research.
- Immune system response highly population/individual specific. Personalized immune/antibody response (e.g. for coronavirus vaccines or cancer therapies).
- Where have THE MOST long-read, PacBio-enabled sequences been generated for SARS-COV-2 in the world? Boston? San Francisco? The Mayo Clinic?

Right here at UofL by Melissa Smith and Corey Watson and their staff.



ENGINEERING OUR FUTURE ECONOMY

LOUISVILLE AUTOMATION AND ROBOTICS RESEARCH INSTITUTE (LARRI)

- New 10,000-square-foot space dedicated to research, education and collaboration in automation and robotics;
- 12 dedicated faculty members, postdoctoral staff, affiliated faculty and more than 50 student researchers;
- Areas of investigation include:
 - Human-robot interaction;
 - Automation and robotics for industry;
 - Networked robots and autonomous vehicles;
 - Planning and control for mechatronic systems, etc.

THRIVING INNOVATION ECOSYSTEM

- **Strong technologies and IP**, with areas of focus that include small molecule therapeutics for cancer, renewable energy/battery storage, advanced materials and social innovation.
- **UofL New Ventures**, a new office dedicated to the launch and growth of research-backed startups.
- **LaunchIt**, UofL's whirlwind 10-week startup and corporate innovation bootcamp. Lessons cover Steve Blank's lean launchpad methodology, with the goal of driving product development.
- The **Superfecta**, UofL's suite of five prestigious grant-backed programs, totaling nearly \$14 million, aimed at translating research for market. UofL is one of only a handful of universities to have each, and the only one to have them all.
- **Entrepreneurs in Residence**, seasoned founders hired to help foster entrepreneurship at UofL and shepherd university-born technologies to market.

COMMERCIALIZATION SUCCESES

- **Several products on the market, including:**
 - **ANSYS Inc.**, a global public firm, which is marketing and selling UofL-born modeling software that helps manufacturers optimize and improve efficiency. ANSYS acquired UofL startup 3D SIM;
- **Launched several startups, including acquisitions and IPOs:**
 - **Talaris Therapeutics**, launched by an endowed UofL researcher and commercializing her university-born cell therapy technology, completed a \$150 million IPO in early 2021 (NASDAQ: TALS). The IPO came on the heels of two funding raises worth a collective \$215 million.

IMPRESSIVE FOLLOW-ON *FUNDING*

UofL companies and licensees have a history of success in receiving follow-on funding to further develop university-born technologies.

This may include venture capital, federal or state development grants, and funding from Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR).

UofL supports companies pursuing this funding, including through its established relationships with venture capital firms.

\$365M

The amount of funding raised by UofL startup Talaris in two years' time. this number includes series A and B investment rounds (each being one of, if not *the*, largest raises in the state in their respective years) and a fully-funded IPO.

\$32M

The amount of SBIR/STTR funding secured by UofL licensees and partners in the past four fiscal years (2017-2020). This number out-paces our peers and make UofL possibly *the best* university partner for SBIR/STTR in the state.

RESEARCH + INNOVATION ***POWERHOUSE***

A Report on UofL's Impressive FY2021 Research Impact

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