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

In Open Session

Members of the Board of Directors of the University of Louisville Foundation, Inc. met at 12:16 p.m. on October 29, 2020. As a result of the state of emergency in Kentucky the regular meeting was conducted by live audio and/or video teleconference. Members of the public and media were able to access the meeting on a live stream. Members were present and absent as follows:

Present:	Mr. Earl Reed, Chair Mr. David Anderson Dr. Neeli Bendapudi Mr. Jim Boone Mr. Paul Carrico Mr. John Chilton Ms. Sabrina Collins Ms. Jill Force Ms. Sandra Frazier Mr. David Krebs Mr. Larry McDonald Mr. Mark Nickel Ms. Mary Nixon Mr. Ken Payne Mr. Jim Rogers Mr. David Schultz Mr. John Thompson
Absent:	Mr. John Smith
Board Advisors Present:	Mr. Ernest Brooks, Member of Investment Subcommittee Ms. Jessica Cole, Member of Audit, Compliance and Risk Management Committee Ms. Deborah Lawson, Member of Investment Subcommittee
From the Foundation:	Mr. Keith Sherman, Executive Director/COO Ms. Julie Kroger, Executive Assistant Mr. Justin Ruhl, Controller
From Legal Counsel:	Mr. Franklin Jelsma, Wyatt, Tarrant & Combs
From the University:	Mr. Dan Durbin, CFO and VP Business Affairs Dr. Jasmine Farrier, VP Advancement

I. Call to Order

Having determined a quorum present, Chair Reed called the meeting to order at 12:16 p.m. No conflicts of interest or appearances of conflicts were identified.

II. Consent Agenda

Next, Mr. Reed read the **attached** consent agenda as follows:

- Approval of Minutes, July 30, 2020
- Resolution Regarding Employee Flexible Benefits Plan

Mr. Anderson made a motion to approve the Consent Agenda, which Mr. Thompson seconded. The motion passed.

III. Audit, Compliance, & Risk Management Committee Report

Mr. Boone reported the Audit, Compliance & Risk Management Committee held a joint meeting with the UofL Real Estate Foundation's Audit Committee on September 25, 2020. Ernst & Young presented the audited financial statements for ULF, TNRP, and ULREF during the meeting. Ernst & Young issued unqualified opinions on the financial statements. There were no corrected or material uncorrected misstatements identified as a result of their procedures. No material weaknesses in internal controls over financial reporting were identified and there were no matters that would impair their independence with respect to management or the Foundations.

The Committee approved the following recommendations for the Board's consideration at their meeting on September 25, 2020:

Approval of Service Provider to Prepare TIF Agreed Upon Procedure Reports

Approval of FY20 Audited Financial Statements and Independent Auditor's Report

Approval of Service Provider for Tax Preparation Services

The Board approved the resolutions (**attached**).

IV. Finance Committee Report

Ms. Force reported the Finance Committee reviewed the most recent financials and investment returns at their meeting on October 29, 2020.

The Committee also reviewed a pledge analysis with the intent identifying long term giving and pledge trends. The analysis showed outright cash gifts and cash gifts to the endowment have remained relatively constant during the past ten years, while pledges have decreased over time. Currently, the outstanding pledge balance is $22M, with $11M due this fiscal year. From 2010 to 2016, the average outstanding pledge balance was approximately $40M each year. Ms. Force concluded her report by saying the Board needs to be mindful of this analysis when determining the spending policy for the next fiscal year.

Investment Subcommittee Report

Mr. Nickel reported the investment returns on the main endowment pool during the third quarter were up 4.6%. Year-to-date returns are flat, but Prime Buchholz is making

progress as they continue moving towards the asset allocation targets. They continue to evaluate investment managers. This includes incorporating more passive managers, which will result in cost-savings. The Subcommittee will continue to work with Prime Buchholz on fine-tuning their reporting so that the Foundation can better understand underperformance and outperformance.

V. ULREF Update

Mr. Payne provided an update on the University of Louisville Real Estate Foundation. At their October 29, 2020 meeting, they approved their FY20 audited financial statements, and reviewed their current financials and real estate holdings. The potential negative impact from the current pandemic has not been realized.

VI. Reports from the University of Louisville

Dr. Bendapudi expressed her appreciation to the University's faculty, staff and students for their compliance with the COVID-19 recommendations. The University continues to make progress on implementing its three-year strategic plan. Dr. Bendapudi noted the significance and importance of the stabilization of the University's finances and the hospital acquisition.

Mr. Durbin provided a high-level overview of the **attached** financial presentation.

Dr. Farrier provided a high-level overview of the **attached** Advancement presentation.

Mr. Reed expressed his appreciation to Dr. Bendapudi and her team.

VII. Report of the Executive Director

Mr. Sherman expressed his appreciation to Mr. Ruhl and Mr. Robertson for their work on the financial audit.

He also expressed his appreciation to Dr. Farrier noting that in the last few years there have been improvements in the working relationship between the Foundation and the Advancement team, under her leadership they have become even stronger.

Mr. Sherman provided a high-level overview of the **attached** presentation, noting that in December 2016 the Foundation had ten distinct entities but today there are five.

Two real estate holdings, the North Quad and the Atria building, are both fully leased.

Mr. Sherman reported the Gift Processing team within University Advancement will be transitioning from the University to the Foundation. The target date is January 1, 2021.

The last item in Mr. Sherman's report were the **attached** resolutions related to TNRP. Mr. Thompson made a motion, which Ms. Force seconded, to approve them. The motion passed.

VIII. Executive Session to Discuss Proposed or Pending Litigation, Personnel Matters, and a Specific Business Proposal Pursuant to KRS 61.810 (1)(c) (f) and (g)

Mr. Reed asked for a motion to go into executive session to discuss proposed or pending litigation, personnel matters, and a specific business proposal pursuant to KRS 61.810(l)(c)(f) and (g). Mr. Anderson made the motion, which Mr. Payne seconded, to go into executive session at 1:16 p.m. The motion passed.

IX. Reconvene Open Session

When open session reconvened at 1:30 p.m., Mr. Reed reported that proposed or pending litigation, personnel matters, and a specific business proposal were discussed during the executive session. No action was taken.

X. Report of the Chair

Mr. Reed reported the Governance and Nominating Committee met on October 22, 2020 to review a draft of a new Memorandum of Understanding between the Foundation and the University. Once approved it will replace the existing Memorandum of Understanding and Management Representation and Indemnity Agreement. The Committee was prepared to recommend the Board approve it at this meeting, however the Board of Trustees has requested it be delayed so that their new members may have more time to review the documents.

Mr. Reed expressed his appreciation to the various Committees that have been meeting regularly.

XI. Adjournment

Having no other business, a motion to adjourn the meeting, made by Mr. Anderson and seconded by Mr. Rogers, passed. The meeting adjourned at 1:34 p.m.

Approved by:

[redacted]

James E. Boone, Secretary
University of Louisville Foundation, Inc.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

October 29, 2020

At a duly convened meeting of the Board of Directors (the "**Board**") of the University of Louisville Foundation, Inc., a Kentucky non-profit corporation ("**ULF**"), held on October 29, 2020 the Board adopted the following resolution:

Employee Flexible Benefits Plan

RESOLVED, the Board approves the Employee Flexible Benefits Plan as outlined in the attached Adoption Agreement and approves the Certificate of Corporate Resolution on the last page of the Agreement.

BOARD ACTION:
Passed X
Did Not Pass _____
Other _____

[redacted]

James E. Boone, Secretary
University of Louisville Foundation, Inc.

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(502) 244-1161 FAX (502) 244-1162

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Adoption Agreement-Flexible Benefits Plan

Employer Name: University of Louisville Foundation
Plan Year: December 1, 2020 – November 30, 2021

The undersigned Employer, by executing this Adoption Agreement, elects to adopt the accompanying Flexible Benefits Plan by adopting said plan document in full. The Employer makes the following elections granted under the provisions of the plan.

1. The **Name of the Employer**: University of Louisville Foundation
   The Employer shall be the **Plan Sponsor** and **Plan Administrator**.

2. **Effective Date:**
   X This Flexible Benefits Plan shall be effective as of December 1, 2020.

3. **Plan** and **Plan Year:**
   The Name of the Plan shall be the University of Louisville Foundation Flexible Benefits Plan (the "Plan"). The initial Plan Year shall begin on December 1, 2020, and end on November 30, 2021. Future Plan Years will be based on a full twelve-month period beginning each December 1st and ending each November 30th.

4. **Plan Number:** 501

5. **Employer's Principal Office:**
   This Flexible Benefits Plan shall be governed under the laws of the:
   State (or Commonwealth) of KY

6. **Eligible Employees:**
   All Employees shall be eligible to participate in the Plan, **except**:

   - Under the Health Savings Account, individuals who fail to qualify as an Eligible Individual for a Health Savings Account under Code Section 223(c);
   - With the exception of the Health Savings Account program, any self-employed person(s), within the meaning of Code Section 401(c), including independent contractors, a greater than 2% shareholder in a Subchapter S corporation, a partner in a partnership, or any owner or member of a limited liability company that is treated like a partnership for tax purposes;
   - A relative, within the meaning of IRC Section 308, of one of the above self-employed person(s);
   - Under the Healthcare Flexible Spending Account, employees not eligible under Employer group health insurance plan; AND:

_____Part-time Employees expected to work less than _____ hours per week.
_____Commission salespersons.
_____Any Employee of the Employer who is included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one or more employers unless the collective bargaining agreement requires the employee to be included within the Plan.
_____Any Employee who is temporary or seasonal (working for the Employer less than 6 months of the year).
_____Any Leased Employee, as well as any independent contractor, or other "statutory employee" who is not treated as a common law employee of the Employer for payroll purposes, regardless of any other court or administrative agency determination.
_____Nonresident Aliens.
_____Other: _____.

7. Plan Entry Date/Waiting Period:

Employees eligible to participate may become Participants:
_____ Same as Employer's group health insurance plan.
___X___ Date of hire (but subject to any shorter limitation period if mandated under applicable law).

8. Benefits:

The following Benefit Options shall be included in the Plan:
___X_____ Healthcare Flexible Spending Account subject to an annual limit of $_2,750.00 _. (Not to exceed $2,750.00, as indexed, for a 12-month Plan Year or prorated for a short Plan Year)
___X___ Limited-Purpose Healthcare Flexible Spending Account subject to an annual limit of $2,750.00. (Not to exceed $2,750.00, as indexed, for a 12-month Plan Year or prorated for a short Plan Year)
___X_____ Dependent Care Assistance Program subject to the maximums contained in Section 7.9 of the Plan Document.
___NA_____Adoption Assistance Program subject to the maximums contained in Section 8.9 of the Plan Document.
___X_____ Insurance Benefits. The Employer's Sponsored Group Health Insurance Plans (including any Employer Sponsored Plans which can include: Health or Medical insurance, Dental insurance, Vision insurance, Accidental Death & Dismemberment insurance, Group Term Life Insurance on the life of the employee for coverage that does not exceed $50,000, Long or Short Term Disability Insurance; and premiums for COBRA Continuation Coverage payroll deducted for eligible employee;
___NA_____ Tax-Free Transportation Program, subject to the terms and conditions of Article IX of the Plan Document.
___X_____ Employee Health Savings Account Contributions, subject to the terms and conditions of Article X of the Plan Document.

9. Contributions:

The contributions for this Plan can be both Employee (via Salary Redirection) and Employer Contributions. Employer Contributions are considered the portion in which the Employer pays for qualified Insurance Benefits under this Plan. It can include contributions to an Employer funded Flexible Spending Account (if applicable to the Plan Benefits above. And, it could also include contributions to a Health Savings Account by the Employer (if applicable) to the Plan benefits indicated above.

10. Claims Extension Period

The Plan ___X___ Shall _____ Shall not be subject to the terms and conditions of Section 15.16 Claims Extension Period.

The Dependent Care and Adoption Assistance Programs ___X___ Shall _____ Shall not be subject to the terms and conditions of Section 15.16 Claims Extension Period.

11. Carryover Provision

The Healthcare Flexible Spending Account _____ Shall ___X___ Shall not be subject to the terms and conditions of Section 15.17 Carryover Provision.

12. Expense Allocation and Order of Benefit Payments:

If the Employer sponsors a Healthcare Flexible Spending Account in addition to a Health Savings Account for Eligible Employees:

___X___ Eligible Medical Expenses (for vision or dental coverage only as defined under Code Section 223(c)) for each Eligible Employee are paid under the Healthcare Flexible Spending Account *before* or commensurate with the Health Savings Account;

_____ Eligible Medical Expenses for each Eligible Employee will be paid under the Healthcare Flexible Spending Account, but only *after* the Health Savings Account;

_____ If the Employer sponsors a Health Reimbursement Arrangement ("HRA"), in addition to a Health Savings Account, Eligible Medical Expenses under the HRA shall: _____ only include expense payments for vision and/or dental coverage, which can be paid before or commensurate with the Health Savings Account (but based on the ordering rules of the HRA Plan if a Healthcare Flexible Spending Account is also provided); or _____ be paid *after* the Health Savings Account.

13. Payment of HSA Medical Expenses During Claim Extension Period:

The Plan ___X___ shall _____ shall not allow an Employee to be considered as an Eligible Individual, for HSA participation purposes, to enable payment of HSA Medical Expenses during any applicable Healthcare Flexible Spending Account Claim Extension Period (provided such Employee had a "zero balance" in his or her Healthcare Flexible Spending Account as of the end of the prior calendar year, or other applicable conditions set forth under applicable law).

14. Affiliated Employers:

The following Employers have adopted this Plan (if applicable):

_____ _____

_____ _____

15. Authorized Signatures:

University of Louisville Foundation, Inc By [redacted]

Company Name Authorized Signature/Date

_____ By _____

Affiliated Employer (if applicable) Authorized Signature/Date

BMS LLC
BENEFIT MARKETING SOLUTIONS

Street Address: 1001 Jennabrooke Way, Louisville, KY 40243
Mailing: P.O. Box 43653, Louisville, KY 40253-0653
(502) 244-1161 FAX (502) 244-1162
www.bmsllc.net

Employer Name: University of Louisville Foundation
Plan Year: December 1, 2020 – November 30, 2021

Certificate of Corporate Resolution

The undersigned Secretary or Principal of University of Louisville Foundation (the Employer) hereby certifies that the following resolutions were duly adopted by the Employer on the date signed below, and that such resolutions have not been modified or rescinded as of the date hereof:

RESOLVED, that the form of Flexible Benefits Plan including any applicable Dependent Care Assistance Program, Healthcare Flexible Spending Account Plan, Adoption Assistance Program, Tax-Free Transportation Program, and/or Health Savings Account, effective December 1, 2020; presented to this meeting is hereby approved and adopted and that the duly authorized agents of the Employer are hereby authorized and directed to execute and deliver to the Administrator of the Plan one or more counterparts of the Plan.

RESOLVED, that the Administrator shall be instructed to take such actions that are deemed necessary and proper in order to implement the Plan, and to set up adequate accounting and administrative procedures to provide benefits under the Plan.

RESOLVED, that the duly authorized agents of the Employer shall act as soon as possible to notify the Employees of the Employer of the adoption of the Flexible Benefits Plan by delivering to each Employee a copy of the summary description of the Plan in the form of the Summary Plan Description presented to this meeting, which form is hereby approved.

The undersigned further certifies that attached hereto as Exhibits A and B, respectively, are true copies of the Flexible Benefits Plan and Summary Plan Description approved and adopted in the foregoing resolutions.

[redacted]

Authorized Signature

October 29, 2020

Date

RESOLUTION OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

October 29, 2020

At a duly convened meeting of the Board of Directors (the "**Board**") of the University of Louisville Foundation, Inc., a Kentucky non-profit corporation ("**ULF**"), held on October 29, 2020, the Board adopted the following resolution:

Approval of Engaging a Service Provider for the Purpose of Providing Professional Services to Prepare Two TIF Agree Upon Procedure Reports

WHEREAS, the University of Louisville Real Estate Foundation, Inc. Board of Directors approved the Administrative Services Agreement, which includes providing for accounting, tax and auditing services, with ULF on April 28, 2020.

WHEREAS, the Board approved engaging Ernst & Young (EY) for the purpose of providing financial statement auditing services for the fiscal year ending June 30, 2020 for the following 3 entities: University of Louisville Foundation, Inc.; University of Louisville Real Estate Foundation, Inc.; and The Nucleus Real Properties, Inc., a consolidated affiliate of the University of Louisville Foundation, Inc.

WHEREAS, the University of Louisville Real Estate Foundation, Inc. requires an auditor for the purpose of providing professional services to prepare two TIF Agreed Upon Procedures reports for the calendar year ending December 31, 2020. The reports are due in the first quarter of 2021.

WHEREAS, the Audit, Compliance and Risk Management Committee recommends the Board engage Ernst & Young for the purpose of providing professional services to prepare two TIF Agreed Upon Procedures reports.

THEREFORE, BE IT RESOLVED, the Board approves engaging Ernst & Young for the purpose of providing professional services to prepare two TIF Agreed Upon Procedures reports. Total fees not to exceed $15,000.

BOARD ACTION:
Passed X
Did Not Pass _____
Other _____

[redacted]

James. E. Boone, Secretary
University of Louisville Foundation, Inc.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

October 29, 2020

At a duly convened meeting of the Board of Directors (the "**Board**") of the University of Louisville Foundation, Inc., a Kentucky non-profit corporation ("**ULF**"), held on October 29, 2020, the Board adopted the following resolution:

Approval of FY2019-20 Audited Financial Statements and Independent Auditor's Report

WHEREAS, the Audit, Compliance and Risk Management Committee approved the audited financial statements for the period ending June 30, 2020 and the Independent Auditor's Report.

WHEREAS, the Audit, Compliance and Risk Management Committee recommends the Board approve the audited financial statements for the period ending June 30, 2020 and the Independent Auditor's Report.

RESOLVED, the Board approves the attached audited financial statements for the period ending June 30, 2020 and the Independent Auditor's Report.

BOARD ACTION:
Passed X
Did Not Pass _____
Other _____

[redacted]

James E. Boone, Secretary
University of Louisville Foundation, Inc.

Consolidated Financial Statements

University of Louisville Foundation, Inc. and Affiliates
Years Ended June 30, 2020 and 2019
With Report of Independent Auditors

Ernst & Young LLP

University of Louisville Foundation, Inc. and Affiliates

Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

Contents

Ernst & Young LLP
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Report of Independent Auditors

The Board of Directors
University of Louisville Foundation, Inc. and Affiliates
Louisville, Kentucky

We have audited the accompanying consolidated financial statements of the University of Louisville Foundation, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University of Louisville Foundation, Inc. and Affiliates at June 30, 2020 and 2019, and the consolidated results of their activities and changes in net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Ernst & Young LLP

September 29, 2020

University of Louisville Foundation, Inc. and Affiliates

Consolidated Statements of Financial Position
(In Thousands)

	June 30 2020	June 30 2019
Assets		
Cash and Cash Equivalents	**$ 6,503**	$ 9,785
Accounts and notes receivable, net	**4,282**	4,870
Loans receivable, net	**15,404**	15,720
Contributions receivable, net	**14,014**	15,818
Due from the University of Louisville Real Estate Foundation, Inc.	**16,734**	17,410
Investments	**682,811**	695,617
Funds held in trust by others	**58,516**	58,675
Prepaid expenses and other assets	**5,751**	6,298
Capital assets, net	**53,009**	54,114
Total assets	**$ 857,024**	$ 878,307
Liabilities and net assets		
Liabilities:		
Accounts payable	**$ 899**	$ 1,049
Unallocated gifts	**41**	99
Funds held in trust for others	**13,635**	19,555
Other liabilities	**10,645**	10,667
Bonds and notes payable	**53,391**	54,635
Due to the University of Louisville	**6,281**	1,383
Total liabilities	**84,892**	87,388
Net assets:		
Without donor restrictions	**40,936**	38,864
With donor restrictions	**731,196**	752,055
Total net assets	**772,132**	790,919
Total liabilities and net assets	**$ 857,024**	$ 878,307

See notes to consolidated financial statements.

University of Louisville Foundation, Inc. and Affiliates

Consolidated Statements of Activities and Changes in Net Assets

(In Thousands)

Years Ended June 30, 2020 and 2019

	Without Donor Restrictions		With Donor Restrictions		Totals	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Revenues, gains, and other support:						
Gifts	**$ 2,020**	$ 837	**$ 56,857**	$ 38,089	**$ 58,877**	$ 38,926
Net investment return (loss)	**1,646**	7,121	**(4,466)**	13,704	**(2,820)**	20,825
Changes in funds held in trust by others	**–**	–	**2,191**	1,907	**2,191**	1,907
Net rental revenues	**4,523**	6,829	**–**	–	**4,523**	6,829
Contributions from the University of Louisville Real Estate Foundation, Inc.	**–**	11,874	**–**	–	**–**	11,874
Other revenues	**3,110**	3,516	**–**	–	**3,110**	3,516
Net assets released from restrictions	**71,452**	58,672	**(71,452)**	(58,672)	**–**	–
Total revenues, gains, and other support	**82,751**	88,849	**(16,870)**	(4,972)	**65,881**	83,877
Expenses:						
Contributions and allocations to University of Louisville departments	**66,885**	64,058	**–**	–	**66,885**	64,058
Salaries	**2,568**	2,892	**–**	–	**2,568**	2,892
Utilities	**650**	975	**–**	–	**650**	975
General and administrative	**1,741**	2,592	**–**	–	**1,741**	2,592
Professional services	**2,199**	2,003	**–**	–	**2,199**	2,003
Repairs and maintenance	**1,355**	1,946	**–**	–	**1,355**	1,946
Depreciation and amortization	**2,515**	3,088	**–**	–	**2,515**	3,088
Interest expense	**1,964**	2,267	**–**	–	**1,964**	2,267
Other expenses	**802**	747	**–**	–	**802**	747
Total expenses	**80,679**	80,568	**–**	–	**80,679**	80,568
Loss on contributions receivable, net	**–**	–	**4,196**	3,227	**4,196**	3,227
Actuarial gain on annuity and unitrust obligations	**–**	–	**(207)**	(40)	**(207)**	(40)
Total expenses and losses	**80,679**	80,568	**3,989**	3,187	**84,668**	83,755
Changes in net assets	**2,072**	8,281	**(20,859)**	(8,159)	**(18,787)**	122
Net assets, beginning of year	**38,864**	30,583	**752,055**	760,214	**790,919**	790,797
Net assets, end of year	**$ 40,936**	$ 38,864	**$ 731,196**	$ 752,055	**$ 772,132**	$ 790,919

See notes to consolidated financial statements.

University of Louisville Foundation, Inc. and Affiliates

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended June 30 2020	2019
Operating activities		
Changes in net assets	**$ (18,787)**	$ 122
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Contributions of capital assets	**(800)**	–
Net change in unrealized loss (gain) on investments and alternative investments net return	**2,820**	(19,757)
Changes in funds held in trust by others	**(2,191)**	(1,907)
Depreciation and amortization expense	**2,515**	3,088
Loss on disposals of capital assets	**–**	19
Loss on contributions receivable	**4,196**	3,227
Loss on contribution of capital assets to University of Louisville Real Estate Foundation, Inc.	**–**	32,991
Contributions restricted for long-term investment	**(13,976)**	(9,082)
Changes in annuitant and unitrust funds and obligations	**(9)**	659
Changes in assets and liabilities:		
Accounts and notes receivable, net	**588**	756
Contributions receivable, net	**(2,392)**	2,275
Due from the University of Louisville Real Estate Foundation, Inc.	**676**	4,345
Prepaid expenses and other assets	**(8)**	14
Accounts payable	**(150)**	(681)
Unallocated gifts	**(58)**	(1,509)
Funds held in trust for others	**(5,920)**	(2,418)
Other liabilities	**788**	(2,194)
Due to the University of Louisville	**4,898**	(5,159)
Net cash (used in) provided by operating activities	**(27,810)**	4,789
Investing activities		
Purchases of investments	**(621,581)**	(240,727)
Proceeds from sales of investments	**633,917**	258,158
Payments on note receivable	**316**	–
Net cash provided by investing activities	**12,652**	17,431
Financing activities		
Contributions restricted for long-term investment	**13,976**	9,082
Payments to annuitants	**(801)**	(830)
Principal payments on bonds and notes payable	**(1,299)**	(26,948)
Net cash provided by (used in) financing activities	**11,876**	(18,696)
Net (decrease) increase in cash and cash equivalents	**(3,282)**	3,524
Cash and cash equivalents, beginning of year	**9,785**	6,261
Cash and cash equivalents, end of year	**$ 6,503**	$ 9,785
Supplemental cash flow information		
Cash paid for interest	**$ 1,972**	$ 2,548

See notes to consolidated financial statements.

1. Description of Organization and Summary of Significant Accounting Policies

Organization

The University of Louisville Foundation, Inc. and Affiliates (ULF or the Foundation) have been designated by the University of Louisville (the University) to receive funds derived from gifts and other sources, including funds held in trusts by others. As directed by its Board of Directors (the Board), ULF transfers funds to the University upon satisfaction of donor restrictions. In addition, a portion of the Foundation's unrestricted resources provides support for certain of the University's activities.

The Foundation owns or controls the following entities, all of which are included in the consolidated financial statements of the Foundation as of June 30, 2020 and 2019, unless otherwise noted:

ULH, Inc. (ULH) began operations on April 23, 2001, and is affiliated with ULF through certain common management and trustees. ULH leases land from the University and issues revenue bonds for student housing purposes. ULH receives, retains, and disposes of real estate, and manages and operates the student housing properties it owns. ULH filed articles of dissolution in January 2019. See Note 16 for further descriptions of ULH transactions.

University of Louisville Development Corporation, LLC (ULDC) is a limited liability company formed in September 2007, whose sole member is ULF. Its purpose is to develop and manage certain real estate operations of ULF at the Shelby Campus of the University. In October 2010, ULDC became a 51% owner of Campus One, LLC (Campus One). Campus One operates a commercial real estate building on the University's Shelby Campus. This investment is accounted for under the equity method, since ULDC is not considered the primary beneficiary.

MetaCyte Business Lab, LLC (MetaCyte) is a limited liability company acquired in 2008. Its purpose is to identify and support commercially promising health science discoveries in the region. ULF is the sole member of MetaCyte.

MetaCyte Equity Holdings, LLC (MetaCyte Equity) is a limited liability company acquired in February 2008. Its purpose is to hold the equity shares obtained by MetaCyte Equity through development with startup corporations. MetaCyte Equity has had no activity since inception.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

The Nucleus Real Properties, Inc. (TNRP) is a Kentucky not-for-profit corporation formed in July 2013, affiliated with the Foundation through a common board of directors and certain common management. TNRP's purpose is to develop the property and improvements located at the corner of Market and Shelby Streets in Louisville, Kentucky commonly known as the Atria Support Center Building, as a revenue-producing asset, in order to further the charitable and educational purposes of the Foundation and the University.

CCG, LLC (CCG) is a limited liability company formed in December 2013, whose sole member is ULF. Its purpose is to acquire and operate a first-class collegiate golf practice facility located in Shelby County, Kentucky. Formally known as the Cardinal Club, CCG is managed by the University of Louisville Athletic Association (the Association).

DCPA, LLC is a limited liability company formed in May 2014, whose sole member is ULF. Its purpose is to serve as a vehicle for the efficient administration of various deferred compensation plans, agreements, and understandings. The entity filed articles of dissolution in June 2019.

All significant intercompany balances and transactions have been eliminated in consolidation. The Foundation is presented in the financial statements of the University as a discretely presented component unit.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates could also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash includes all cash and highly liquid investments that are neither internally nor externally restricted. The Foundation considers highly liquid investments to be cash and cash equivalents when they are both readily convertible to cash and so near to maturity (typically within three months) that their value is not subject to risk due to changes in interest rates. The amount of cash and cash equivalents carried on the consolidated statements of financial position represents fair value.

At June 30, 2020 and 2019, the Foundation's cash accounts exceeded federally insured limits by approximately $6.3 million and $10.2 million, respectively.

Investments and Investment Return

The Foundation includes, as a part of its portfolio, investments that are restricted by donors for use in the future activities of the University. Restricted investments include assets under bond indenture agreements.

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

The investment objectives of the Foundation are to preserve the principal of the endowment funds in both absolute and real terms while maximizing, over the long term, the total rate of return (yield and appreciation) within reasonable risk parameters.

All investment securities are considered trading. Included in net investment return are interest, dividends, realized gains and losses on investments, investment manager fees, and changes in the value of investments carried at net asset value (NAV).

Investment return that is initially restricted by donor stipulation is included in net assets with donor restrictions. Other investment return is reflected in the consolidated statements of activities and changes in net assets as with donor restrictions or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Alternative investments, including hedge funds, private equity funds, limited partnerships, and real estate funds, are recorded under the equity method of accounting using NAV. The NAV of alternative investments is based on valuations provided by the administrators of the specific financial instrument. The underlying investments in these financial instruments may include marketable debt and equity securities, commodities, foreign currencies, derivatives, real assets (such as real estate), and private equity investments.

The Foundation is a limited partner in certain funds that employ hedged investment strategies and funds that employ investment strategies that require long holding periods to create value. These investments are accounted for using the equity method of accounting, based on the fund's financial information. Management has utilized the best available information for reported alternative investment values, which, in some instances, are valuations as of an interim date.

Fair Value Measurements

ULF follows the provisions of Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. ASC 820 defines a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering market participant assumptions in fair value measurements and, as noted above, ASC 820 defines a three-level fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's

1. Description of Organization and Summary of Significant Accounting Policies (continued)

own assumptions about market participants. The fair value hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Inputs utilize quoted market prices in active markets for identical assets or liabilities that ULF has the ability to access.

- Level 2 – Inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset and liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

- Level 3 – Inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, since there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Investment in Joint Venture

ULF maintains an ownership percentage of 51% or less in a joint venture that does not require consolidation. This investment is accounted for using the equity method of accounting.

ULF, through ULDC, holds a variable interest in a joint venture accounted for under the equity method of accounting acquired through the creation of Campus One in October 2010. The joint venture builds and manages rental properties on the University's Shelby Campus. NTS Development Company (NTS), which is the joint venture partner and manager, may terminate the management agreement without cause upon 60 days' written notice or terminate the management agreement for cause at any time upon prior written notice, and, in such case, NTS may require ULDC to purchase NTS's interest at fair value.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

The Foundation has evaluated these investments for consolidation under Accounting Standards Update (ASU) 2017-02, Not-for-Profit Entities—Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity.

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

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

The Foundation monitors the unconsolidated investments to determine whether any reconsideration events have occurred that could impact the conclusion to these investments. The Foundation reconsiders whether it is the primary beneficiary of an investee on an ongoing basis. A previously unconsolidated investee is consolidated when the Foundation becomes the primary beneficiary. A previously consolidated investee is deconsolidated when the Foundation ceases to be the primary beneficiary.

The Foundation has concluded it is not the primary beneficiary of this joint venture, since most of the daily operations and key operating decisions are conducted by NTS, and, therefore, the entity is not consolidated.

At June 30, 2020 and 2019, the Foundation's loss in excess of its investment was approximately $(787,000) and $(586,000), respectively, and is included within investments on the accompanying consolidated statements of financial position.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are stated at cost or estimated market value at date of receipt from donors. Depreciation on capital assets is charged to expense using the straight-line method based on their estimated useful lives.

The estimated useful lives for each major depreciable classification of capital assets are as follows:

Buildings	40 years
Furniture and fixtures	3 to 15 years
Other plant assets	3 to 25 years

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

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flow expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. There was no impairment loss recognized during the years ended June 30, 2020 and 2019.

Funds Held in Trusts by Others

The Foundation is the beneficiary of irrevocable trust funds held by others. The Foundation has recorded the fair value of the ownership interest of the trusts as net assets with donor restrictions.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

Funds Held in Trusts for Others

The Foundation has entered into agreements with other entities to serve as agent for certain trusts. The Foundation manages these investments as a part of these agency agreements. The Foundation records these investments within investments and funds held in trusts for others on the consolidated statements of financial position. The Foundation, acting in an agent capacity, does not reflect earnings on investments held in trust for others on the consolidated statements of activities, since these earnings are distributed to the owners of the funds.

Unrestricted Bequests

The Foundation follows the policy of designating all unrestricted bequests of $100,000 or greater as funds functioning as board-designated endowments.

Gifts

Gifts of cash and other assets received are reported as net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statement of activities as net assets released from restrictions.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. An allowance on uncollectible pledges is recorded based on such factors as collection and payment history, type of gift, and nature of fundraising. Scheduled payments past due are allowed.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recorded when the conditions are substantially met and the gift becomes unconditional.

1. Description of Organization and Summary of Significant Accounting Policies (continued)

In-Kind Contributions

In addition to receiving cash contributions, the Foundation receives in-kind contributions of library materials, art, vehicles, and other educational equipment and supplies from various donors. It is the policy of the Foundation to record the estimated fair value of certain in-kind donations as an expense on its consolidated financial statements and similarly increase gift revenue by a like amount. The Foundation received approximately $2.1 million and $837,000 of in-kind gifts for the years ended June 30, 2020 and 2019, respectively.

Rental Revenue and Deferred Rent

Rental revenue is recognized over the terms of each tenant's lease agreement. Certain of TNRP's lease agreements are structured to include scheduled and specific rent increases over the lease term. For financial reporting purposes, deferred rent consists of rents receivable from these leases recognized on a straight-line basis over the initial lease term. Accrued income from these leases reflected as deferred rent, which is included in accounts and notes receivable, net on the consolidated statements of financial position, was approximately $3.4 million for each of the years ended June 30, 2020 and 2019.

Income Taxes

The Foundation and primarily all of its affiliates are recognized by the Internal Revenue Service (IRS) as exempt from federal income tax under Section 501(a) of the Internal Revenue Code as charitable organizations qualifying under Internal Revenue Code Section 501(c)(3). Certain of ULF's affiliates are single-member limited liability companies, which are considered disregarded entities for tax purposes.

The Foundation completed an analysis of its uncertain tax positions in accordance with applicable accounting guidance and determined there are no amounts to be recognized on the consolidated financial statements at June 30, 2020 or 2019.

Accounting Policy Change

Effective July 1, 2019, the Foundation elected to change its method of recording current use gifts and net investment return as revenues with donor restrictions. This change will also impact the amount recorded as net assets released from restrictions. There is no change to total revenue, gains

1. Description of Organization and Summary of Significant Accounting Policies (continued)

and other support or net assets. The Foundation believes this method is preferable as the consolidated statements of activities will properly reflect the revenues consistent with the gifts' underlying donor restrictions.

Accounting Policy Change (continued)

As a result of the retrospective application of the change in accounting principle, certain financial statement line items in the Foundation's consolidated statements of activities for the year ended June 30, 2019 were adjusted as presented in the following table.

	Without Donor Restrictions			With Donor Restrictions			
	As Previously Reported	Effects of Change	As Adjusted	As Previously Reported	Effects of Change	As Adjusted	Total
Consolidated Statements of Activities, Fiscal Year June 30, 2019							
Gifts	$ 25,014	$ (24,177)	$ 837	$ 13,912	$ 24,177	$ 38,089	$ 38,926
Net investment return	7,791	(670)	7,121	13,034	670	13,704	20,825
Net assets released from restrictions	33,825	24,847	58,672	(33,825)	(24,847)	(58,672)	–

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The ASU requires the rights and obligations arising from the lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheets. The ASU will require disclosures to help the financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for the Foundation beginning July 1, 2020, and will be applied using a modified retrospective approach. The Foundation is currently in the process of evaluating its lease contracts, as well as certain service contracts that may include embedded leases. Additionally, the Foundation is finalizing its analysis of certain key assumptions that will be utilized at the transition date, including the incremental borrowing rate. The primary effect of the new standard will be to record right-of-use assets and obligations for current operating leases and incremental disclosures in the consolidated financial statement footnotes. The transition adjustment is not expected to have a material impact on the consolidated statements of financial position and activities and changes in net assets.

2. Financial Assets and Liquidity Resources

As of June 30, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and scheduled principal payments on debt were as follows:

	2020	2019
	(In Thousands)	
Financial assets at year end:		
Cash	**$ 6,503**	$ 9,785
Accounts and notes receivable, net	**4,282**	4,870
Loans receivable, net	**15,404**	15,720
Contributions receivable, net	**14,014**	15,818
Due from the University of Louisville Real Estate Foundation, Inc.	**16,734**	17,410
Investments	**682,811**	695,617
Funds held in trust by others	**58,516**	58,675
Total financial assets	**798,264**	817,895
Less amounts not available to be used within one year:		
Endowments with donor restrictions, net of current year spending appropriations	**(448,712)**	(447,971)
Quasi-endowments established by the board, net of current year spending appropriations	**(163,059)**	(170,882)
Loan receivable not due within one year	**(14,404)**	(14,404)
Funds held in trust by others	**(58,516)**	(58,675)
Contributions receivable not due within one year	**(7,425)**	(7,894)
	(692,116)	(699,826)
Total financial assets available to meet general expenditures over the next twelve months	**$ 106,148**	$ 118,069

The Foundation has certain board-designated assets limited to use that are available for general expenditure within one year in the normal course of operations. These assets are part of the governing board-designated policy and included in the qualitative information above. It is the Foundation's practice to utilize the income from the endowments for operations; however, the entire amount could be made available, if necessary.

3. Net Assets

Without Donor Restrictions – These are net assets that are not subject to donor-imposed restrictions. Items that affect this category principally consist of revenues and expenses associated with the core activities of the Foundation and its affiliates, along with unrestricted gifts to the Foundation.

With Donor Restrictions – These are net assets subject to donor-imposed restrictions that will be met by the Foundation or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, pledges, and investment returns on true and term endowments. Expirations of restrictions on net assets are reported as net assets released from restrictions.

Net assets with donor restrictions consisted of the following at June 30:

	2020	**2019**
	(In Thousands)	
Instruction	**$ 77,971**	$ 81,042
Research	**261,309**	270,367
Academic support	**148,961**	140,411
Student services and financial aid	**162,966**	153,967
Institutional support	**43,523**	59,694
Other	**36,465**	46,574
	$ 731,196	$ 752,055

4. Due to the University

In accordance with the Foundation's memorandum of understanding with the University, the Foundation receives and disburses monies on behalf of the University. The net amount of these receipts and disbursements approximated a payable of $6.3 million and $1.4 million as of June 30, 2020 and 2019, respectively, which is recorded as an amount due to the University on the consolidated statements of financial position. Generally, the receivable or payable is cleared within the subsequent month; however, no formal agreement governs the time period in which payments are to be made. The Foundation has remitted an additional $3,958,000 to the University subsequent to June 30, 2020.

5. Loans Receivable, Net

Loan Receivable From Nucleus Innovation Investment Fund, LLC

In connection with TNRP's new market tax credit financing in September 2013, Nucleus Innovation Investment Fund, LLC (NIIF), an unrelated third party, signed a $14.4 million promissory note payable to the Foundation. The note bears a fixed rate of 1% with interest-only payments due quarterly through September 2020. Thereafter, NIIF will make quarterly payments of accrued interest and principal sufficient to fully amortize the remaining principal balance of the note. The note matures in December 2043. At June 30, 2020 and 2019, the principal balance of the note was $14,404,000 and is recorded in loans receivable, net on the consolidated statements of financial position. For each of the years ended June 30, 2020 and 2019, the Foundation received interest income approximating $144,000, which is included in net investment return on the consolidated statements of activities and changes in net assets.

6. Contributions Receivable, Net

Contributions receivable are discounted using rates on risk-free obligations ranging from 0.2% to 5.9% for both 2020 and 2019. Contributions receivable, certain of which are restricted by donors, as of June 30 are as follows:

	2020	**2019**
	(In Thousands)	
Less than one year	**$ 10,446**	$ 15,038
One to four years	**5,397**	6,288
Greater than four years	**2,028**	1,606
	17,871	22,932
Allowance for doubtful accounts	**(3,415)**	(6,490)
Unamortized discount	**(442)**	(624)
Contributions receivable, net	**$ 14,014**	$ 15,818

6. Contributions Receivable, Net (continued)

Conditional promises of gifts depend on the occurrence of a specific and uncertain event. The Foundation has not recorded these types of gifts on the consolidated financial statements. As of June 30, the fair market value of these conditional gifts is as follows:

	2020	2019
	(In Thousands)	
Bequests	**$ 285,898**	$ 290,452
Other	**42,583**	6,359
Total	**$ 328,481**	$ 296,811

7. Endowments

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

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

7. Endowments (continued)

The composition of net assets by type of endowment fund at June 30 was as follows:

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

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
	(In Thousands)		
Donor-restricted endowment funds	$ –	$ 491,477	$ 491,477
Board-designated endowment funds	38,421	134,181	172,602
	$ 38,421	$ 625,658	$ 664,079

7. Endowments (continued)

Changes in endowment net assets for the years ended June 30 were as follows:

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

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
	(In Thousands)		
Endowment net assets, beginning of year	$ 41,553	$ 611,601	$ 653,154
Investment return:			
Investment and endowment income	383	5,887	6,270
Net appreciation	517	8,229	8,746
Total investment return	900	14,116	15,016
Contributions	3	10,791	10,794
Appropriations	(1,616)	(28,076)	(29,692)
Other changes	(2,419)	17,226	14,807
Endowment net assets, end of year	$ 38,421	$ 625,658	$ 664,079

7. Endowments (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the fair value level that the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with or without donor restrictions and aggregated to approximately $24 million at June 30, 2020 and 2019 in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of contributions with donor restrictions. The Foundation's spending policy allows for a pro-rated amount of appropriations in certain instances of endowments with these deficiencies.

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

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

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

In April 2019, the Board of the Foundation approved a 4.25% spending policy for the fiscal year 2020 for support to the academic units and allocated 1.25% for overall fundraising efforts and operations of the Foundation. The spending policy remains based on a three-year moving average of certain market values as of December 31.

7. Endowments (continued)

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

The Foundation has adopted an investment objective whereby the average annual return over the long term should equal the rate of inflation (measured by the three-year moving average of the Gross Domestic Product Deflator) plus the average level of spending from total endowment assets. The annual (loss) return for total endowment assets was (1.7%) and 1.7% in 2020 and 2019, respectively.

8. Investments and Investment Income

Investments as of June 30 are as follows:

	2020	**2019**
	(In Thousands)	
Cash equivalents	**$ 55,291**	$ 42,117
Alternative investments:		
Hedge funds	**129,057**	130,295
Investments in partnerships	**328,695**	378,885
Mutual funds:		
Equity	**88,244**	34,468
Fixed income	**18,455**	44,659
Marketable alternatives:		
Domestic marketable equity securities	**37,561**	28,902
Marketable debt securities:		
Agency bonds	**–**	1,473
U.S. Treasury	**25,508**	34,818
Total investments	**$ 682,811**	$ 695,617

8. Investments and Investment Income (continued)

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

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

The market risk inherent in certain of the Foundation's investments is primarily the potential loss arising from adverse changes in quoted market prices on equity securities and in interest rates on fixed income securities. In an effort to mitigate this market risk, the Foundation has adopted a policy of maintaining a diverse investment pool through the use of target asset allocation guidelines. These guidelines require that the Foundation's investment pool be made up of a mix of publicly traded fixed income and equity securities, private equities and other nonmarketable securities, and real estate investments.

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

8. Investments and Investment Income (continued)

Alternative Investments

The fair value of alternative investments has been estimated using the NAV per share of the investments. Alternative investments held at June 30 consisted of the following:

	2020			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
	(In Thousands)			
Hedge funds	**$ 129,057**	**$ 1,000**	Various from monthly to illiquid	Various from 30 to 90 days
Investments in partnerships	**328,695**	**65,882**	Various from monthly to illiquid	Various from 30 to180 days

	2019			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
	(In Thousands)			
Hedge funds	$ 130,295	$ 1,928	Various from quarterly to illiquid	Various from 30 to 90 days
Investments in partnerships	378,885	59,796	Various from monthly to illiquid	Various from 30 to180 days

9. Fair Value Measurements

The following tables present the fair value measurements of assets by class recorded at fair value on a recurring basis under ASC 820 at June 30:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Cash	**$ 6,503**	**$ –**	**$ –**	**$ 6,503**
Cash equivalents	**55,291**	**–**	**–**	**55,291**
Mutual funds:				
Equity	**88,244**	**–**	**–**	**88,244**
Fixed income	**18,455**	**–**	**–**	**18,455**
Domestic marketable equity securities	**37,561**	**–**	**–**	**37,561**
Marketable debt securities:				
U.S. Treasury	**25,508**	**–**	**–**	**25,508**
Total investments	**225,059**	**–**	**–**	**225,059**
Funds held in trust by others	**–**	**58,516**	**–**	**58,516**
Total cash, investments, funds held in trusts by others, and restricted investments	**$ 231,562**	**$ 58,516**	**$ –**	**290,078**
Investments at NAV:				
Hedge funds				**129,057**
Investments in partnerships				**328,695**
				$ 747,830

9. Fair Value Measurements (continued)

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	(In Thousands)			
Cash	$ 9,785	$ –	$ –	$ 9,785
Cash equivalents	42,117	–	–	42,117
Mutual funds:				
Equity	34,468	–	–	34,468
Fixed income	44,659	–	–	44,659
Domestic marketable equity securities	28,902	–	–	28,902
Marketable debt securities:				
Agency bonds	–	1,473	–	1,473
U.S. Treasury	34,818	–	–	34,818
Total investments	184,964	1,473	–	186,437
Funds held in trust by others	–	58,675	–	58,675
Total cash, investments, funds held in trusts by others, and restricted investments	$ 194,749	$ 60,148	$ –	254,897
Investments at NAV:				
Hedge funds				130,295
Investments in partnerships				378,885
				$ 764,077

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized on the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. The Foundation does not have any assets classified as Level 3 of the fair value hierarchy.

There have been no significant changes in the valuation techniques during the year ended June 30, 2020.

9. Fair Value Measurements (continued)

Cash Equivalents

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

Investments

Level 1 securities include cash, equity, and fixed income mutual funds, along with domestic equity securities and U.S. Treasury securities. If quoted market prices are not available, then fair values are estimated by a third-party pricing service using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows, which would be classified as Level 2. Level 2 securities include U.S. government agency bonds.

Funds Held in Trust by Others

Fair value is determined at the market values of the underlying marketable debt and equity securities in the beneficial trusts at June 30, 2020 and 2019. The Foundation's fair value is determined based on its proportional beneficial interest in the trust, with the Foundation as the sole beneficiary of the majority of the trusts. Due to the nature of the valuation inputs, the interests are classified within Level 2 of the hierarchy.

10. Funds Held in Trust by Others

The Foundation has been designated by the University as the income beneficiary of various trusts and financial entities that are held and controlled by others. One of these is a perpetual and irrevocable trust known as the University of Louisville Trust (the Trust). It was created in 1983 to receive, administer, and invest assets that result from gifts to the Trust. The market value of the Trust was approximately $26 million as of June 30, 2020 and 2019.

The Foundation's portion of the market value of the remaining trusts was approximately $32 million as of June 30, 2020 and 2019. These funds are invested in various equities and income-producing assets. For the years ended June 30, 2020 and 2019, the Foundation recorded income of $2.2 million and $1.9 million, respectively, from these trusts, which is included in changes in funds held in trust by others on the consolidated statements of activities and changes in net assets.

11. Capital Assets

Capital assets as of June 30 are as follows:

	2020	2019
	(In Thousands)	
Land	**$ 5,483**	$ 5,483
Buildings	**37,868**	37,868
Other plant assets	**21,999**	21,671
	65,350	65,022
Accumulated depreciation	**(14,128)**	(12,224)
Construction in process	**1,787**	1,316
Total capital assets, net	**$ 53,009**	$ 54,114

12. Funds Held in Trust for Others

The Foundation is the custodian of funds owned by the Association. The Association is a separate corporation organized for the purpose of promoting the intercollegiate athletic activities of the University. As of June 30, 2020 and 2019, the Foundation held approximately $5.5 million and $11.2 million, respectively, for the Association's investment purposes.

The Foundation entered into an agreement with Legacy Foundation of Kentuckiana, formerly Jewish Hospital & St. Mary's Healthcare, Inc. (Jewish Hospital) whereby the Foundation serves in an agency capacity to invest funds on behalf of Jewish Hospital. Jewish Hospital is a separate corporation organized for the purpose of providing health care services. As of June 30, 2020 and 2019, the Foundation held approximately $8.0 million for Jewish Hospital's investment purposes.

The Foundation was the recipient of endowed funds, the income of which shall be used in support of the Louisville Orchestra. As of June 30, 2020 and 2019, the Foundation held approximately $200,000 for the benefit of the Louisville Orchestra.

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

13. Bonds and Notes Payable

Bonds and notes payable consist of the following at June 30:

	Description	Fiscal Year of Maturity	2020	2019
			(In Thousands)	
Series 2013 (taxable) – ULF	Principal payments of $800 to $2,450 are due annually through maturity, and interest is due semiannually at fixed rates from 3.6% to 5.6%	2043	**$ 33,380**	$ 34,180
CDE Note "A" – TNRP	Fixed rate of 0.73%, with quarterly interest-only payments of $6 through December 2020,then quarterly principal and interest payments of $42 through maturity	2044	**3,518**	3,518
PNC CDE Note "B" – TNRP	Fixed rate of 0.73%, with quarterly interest-only payments of $3 through December 2020, then quarterly principal and interest payments of $18 through maturity	2044	**1,482**	1,482
NNMF Note "A" – TNRP	Fixed rate of 0.73%, with quarterly interest-only payments of $20 through December 2020, then quarterly principal and interest payments of $129 through maturity	2044	**10,886**	10,886
NNMF Note "B" – TNRP	Fixed rate of 0.73%, with quarterly interest-only payments of $7 through December 2020, then quarterly principal and interest payments of $45 through maturity	2044	**3,964**	3,964
Term Note Payable – ULF	Fixed rate of 3.23%, with monthly principal and interest payments through January 1, 2023	2023	**897**	1,396
Total bonds and notes payable			**54,127**	55,426
Less bond issuance costs			**(736)**	(791)
Bonds and notes payable, net			**$ 53,391**	$ 54,635

13. Bonds and Notes Payable (continued)

Bonds Payable – ULF

In August 2013, the Foundation issued $37.5 million of University of Louisville Foundation, Inc. Taxable Fixed Rate Bonds Series 2013 (2013 bonds) at a total interest cost of 4%. Final maturity on the 2013 bonds is March 1, 2043.

Notes Payable – TNRP

TNRP, a qualified active low-income community business (QALICB), executed a loan agreement on September 12, 2013, that provides for borrowings totaling $5.0 million from PNC CDE 28, LP (PNC) and $14.9 million from NNMF Sub-CDE XX, LLC (NNMF). The loans financed the construction of the Atria Support Center Building. The loans are secured by a property deed of trust and security agreement filing on the property and a guaranty by the Foundation for obligations under the loan agreement. TNRP's loan balance is $19.9 million at June 30, 2020 and 2019.

Under the terms of the loan agreements, the loans have an interest rate of 0.73%, payable quarterly to PNC and NNMF. TNRP is not permitted to prepay any portion of the principal of the loans until the seventh anniversary date. Commencing September 2020, TNRP will pay quarterly, in arrears, equal installments of principal and interest in amounts sufficient to fully amortize the principal balances of each of the loans through the maturity date, December 31, 2043. Total interest expense on the notes for each of the years ended June 30, 2020 and 2019, was approximately $144,000.

Under the terms of the loan agreement, TNRP has certain compliance requirements, including compliance reporting and maintaining its status as a QALICB as defined by the Internal Revenue Code. At June 30, 2020 and 2019, TNRP was in compliance with these requirements.

During September 2020, PNC and NNMF assigned rights to their loan agreements, including mortgage security interests in the property, with TNRP to Nucleus Innovation Investment Fund, LLC (NIIF). PNC exercised its put option to the Foundation for its interest in NIIF for $1,000. The Foundation is now the sole member of NIIF which holds the promissory notes with TNRP. During closing, TNRP paid approximately $173,000 to NNMF, of which $150,000 was a principal payment on NNMF Note B. TNRP's remaining restricted cash balance was transferred to its operating account. Legal fees incurred were approximately $17,000. There is no impact to the June 30, 2020 consolidated financial statements for this subsequent event.

13. Bonds and Notes Payable (continued)

Term Note Payable – ULF

In January 2018, the Foundation issued a $1.9 million note payable that repaid the financial guarantee of Pharmacogenetics Diagnostic Laboratory, LLC's line of credit. Amounts outstanding under the note bear a 3.23% fixed interest rate. The note matures in January 2023.

Principal payments on the above obligations due in the next five years and thereafter are as follows (in thousands):

	Principal Due
2021	$ 1,832
2022	2,043
2023	1,918
2024	1,726
2025	1,772
Thereafter	44,836
	$ 54,127

14. Guarantees

Loans

As of June 30, 2020 and 2019, ULF guaranteed four loans related to certain University student organizations, including fraternities and sororities. If the student organization does not meet its scheduled payments, ULF could be called upon to make the payments, as well as collect expenses and costs. The total amount approved for loans was approximately $1.6 million, with $621,000 and $746,000 outstanding as of June 30, 2020 and 2019, respectively.

In December 2010, ULF guaranteed 51% of the outstanding loan of Campus One. As of June 30, 2020 and 2019, the amount under guarantee was $6.9 million and $7.3 million, respectively.

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

14. Guarantees (continued)

Lease Guarantee

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

15. Related-Party Transactions

Included in the spending policy contribution to the University is a specific component designed to approximate the Foundation's allocated portion of salaries, benefits, and certain other administrative support costs related to fundraising and advancement. These amounts were approximately $6.0 million and $6.1 million for the years ended June 30, 2020 and 2019, respectively, and are included in contributions and allocations to the University departments on the consolidated statements of activities and changes in net assets.

For the years ended June 30, 2020 and 2019, the Foundation recorded approximately $2.3 million and $2.5 million, respectively, in revenues from the University and related affiliates, which is included in net rental revenues and other revenues on the consolidated statements of activities and changes in net assets.

16. Transactions With University of Louisville Real Estate Foundation, Inc. and Affiliates (ULREF)

In 2020 and 2019, there were approximately $0 and $11.9 million, respectively, of contributions directly from ULREF related to ULH property transfers and general assignments of its assets and liabilities.

In November 2018, ULH defeased approximately $26 million of outstanding bonds and transferred capital assets with a net book value of approximately $33 million to ULREF. ULH entered into an assignment agreement with the Foundation to transfer, assign, and convey approximately $10 million of the ULH bond escrow proceeds to the Foundation in December 2018, which were placed into the Foundation's endowment. Additionally, ULH entered into general assignment and assumption agreements in January 2019 to transfer all other assets and liabilities of ULH to ULREF. ULH filed articles of dissolution in January 2019 subsequent to these transfers.

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

At June 30, 2020 and 2019, the net receivable from ULREF is $16.7 million and $17.4 million, respectively, and is included as due from ULREF on the consolidated statements of financial position. The amount due from ULREF is included within the endowment assets as of June 30, 2020 and 2019. See Note 7 for further information regarding the endowment.

On January 27, 2015, 220 South Preston, LLC (Preston), whose sole member is ULREF, entered into a Master Parking Lease Agreement with the Foundation whereby the Foundation will lease certain parking spaces in the garage from ULREF, and, in exchange, the Foundation will pay an amount to ULREF that would cause the annual debt service coverage ratio to be not less than 1.25 to 1.00 per month. The term of this agreement began on January 27, 2015, and will continue for a period of not earlier than the maturity date, December 2018, or earlier retirement of the garage construction loan. As of June 30, 2020 and 2019, the Foundation payments to Preston are insignificant. In June 2019, the Foundation was released from the Master Parking Lease Agreement.

17. Leasing Activities

TNRP leases space to tenants under noncancelable operating leases. As of June 30, 2020 and 2019, TNRP had leases with four tenants. These leases expire in 3 to 11 years, through 2031. These leases generally require TNRP to pay all executory costs (property, taxes, maintenance, and insurance).

Future leasing rent payments due to TNRP during the next five years ending June 30 and thereafter were as follows (in thousands):

	Leasing Payments Due
For the year ending June 30,	
2021	$ 3,505
2022	3,562
2023	3,620
2024	3,348
2025	2,143
Thereafter	12,638
Total	$ 28,816

Major Tenants

As of June 30, 2020 and 2019, TNRP has leased approximately 95% of its leasable space to three tenants.

18. Functional Expenses

The Foundation's primary program service is contributions and allocations to the University. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques, such as square footage and time and effort.

Expenses by functional classification for the year ended June 30, 2020, were as follows:

	2020				
	Program Services	Real Estate Operations	Management and General	Fundraising	Total
			(In Thousands)		
Contributions and allocations to University of Louisville departments	$ 61,760	$ (875)	$ –	$ 6,000	$ 66,885
Salaries	–	1,622	946	–	2,568
Utilities	–	622	28	–	650
General and administrative	72	1,257	412	–	1,741
Professional services	–	353	1,846	–	2,199
Repairs and maintenance	–	1,259	96	–	1,355
Depreciation and amortization	–	2,007	508	–	2,515
Interest expense	–	146	1,818	–	1,964
Other expenses	–	–	802	–	802
Total expenses	61,832	6,391	6,456	6,000	80,679
Loss on contributions receivable, net	–	–	–	4,196	4,196
Actuarial gain on annuity and unitrust obligations	(207)	–	–	–	(207)
Total expenses and losses	$ 61,625	$ 6,391	$ 6,456	$ 10,196	$ 84,668

18. Functional Expenses (continued)

	2019				
	Program Services	Real Estate Operations	Management and General	Fundraising	Total
			(In Thousands)		
Contributions and allocations to University of Louisville departments	$ 55,674	$ 2,265	$ –	$ 6,119	$ 64,058
Salaries	–	1,949	943	–	2,892
Utilities	–	865	110	–	975
General and administrative	78	2,067	447	–	2,592
Professional services	–	611	1,392	–	2,003
Repairs and maintenance	–	1,749	197	–	1,946
Depreciation and amortization	–	2,553	535	–	3,088
Interest expense	–	416	1,851	–	2,267
Other expenses	–	–	747	–	747
Total expenses	55,752	12,475	6,222	6,119	80,568
Loss on contributions receivable, net	–	–	–	3,227	3,227
Actuarial gain on annuity and unitrust obligations	(40)	–	–	–	(40)
Total expenses and losses	$ 55,712	$ 12,475	$ 6,222	$ 9,346	$ 83,755

19. Commitments and Contingencies

The Foundation is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. Management assesses the probable outcome of unresolved litigation and records estimated settlements, if applicable. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material effect on the consolidated financial position, results of activities, and changes in net assets and cash flows of the Foundation.

20. Subsequent Events

The Foundation has evaluated and disclosed subsequent events through September 29, 2020, which is the date the consolidated financial statements were made publicly available. No recognized or non-recognized subsequent events were identified for recognition or disclosure on the consolidated financial statements, other than those previously disclosed.

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RESOLUTION OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

October 29, 2020

At a duly convened meeting of the Board of Directors (the "**Board**") of the University of Louisville Foundation, Inc., a Kentucky non-profit corporation ("**ULF**"), held on October 29, 2020, the Board adopted the following resolution:

Approval of Tax Preparation Service Provider

WHEREAS, on November 21, 2017 the Board approved engaging Deming Malone Livesay & Ostroff (DMLO) for the purpose of providing tax preparation services for the fiscal year ending June 30, 2017, with the option of four one-year renewals.

WHEREAS, the Audit, Compliance, and Risk Management Committee recommends the Board engage DMLO for the purpose of providing tax preparation services for the fiscal year ending June 30, 2020.

NOW THEREFORE, BE IT RESOLVED, the Board approves the engagement of DMLO for the purpose of providing tax preparation services for the fiscal year ending June 30, 2020:

1. University of Louisville, Foundation, Inc. (Form 990, 990T, 926, and 8665 (including review of applicable K-1s))
2. The Nucleus Real Properties, Inc. (Form 990)
3. Louisville Medical Center Development Corporation (Form 990)
4. University of Louisville Real Estate Foundation (Form 990, 990-T)
5. Metacyte Business Lab, LLC Form 1120, KY 720, OL-3

BOARD ACTION:
Passed X
Did Not Pass _____
Other

[redacted]

James E. Boone, Secretary
University of Louisville Foundation, Inc.

UNIVERSITY OF LOUISVILLE®

University of Louisville
Financial Update for the UofL Foundation

Daniel A. Durbin
VP for Finance/CFO

October 28, 2020

Highlights of FY20 Audit & Financials

- **The Audit**
  - *Unqualified/Unmodified (clean) opinion – highest quality possible*
  - *Prior year significant deficiencies have been cleared*
  - *Single audit (Federal compliance) will be separately released due to pending Federal requirements*

- **Key Points**
  - *Accrual based activity:*
    - Captures COMMITMENTS of revenues and expenses
    - Measures economic value (through Net Position)
  - *Heavily influenced by significant items:*
    - Donation of healthcare facilities (buildings)
    - Health system mission support distribution
    - COVID- 19
  - *We met our balanced budget objective (slightly exceeded)*

Summary of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2020 (Reflected in Thousands)

	6/30/20		6/30/19
REVENUES			
Student tuition and fees, net	$ 227,233		$ 223,173
State appropriations	128,712		128,930
Clinical services and practice plans	322,989	Clinical revenues includes the $37 million UofL Health System pledge	287,393
Grants and contracts	161,893		155,578
Intercollegiate athletics	86,557		86,826
Affiliate contributions, net	49,770		61,324
Value of Capital/Building Assets Received	141,503	Capital includes $132 million value of donated health facilities (non-cash) for acquisition of KOH/Jewish assets (no University funds expended)	58,147
Other revenues	105,471		98,002
Total Revenues	1,224,128		1,099,373
EXPENSES			
Salary & wages	543,946		564,801
Employee benefits	129,181		138,153
Utilities	21,374		21,309
Travel	16,817		20,715
Scholarships and fellowships	39,274		35,662
Supplies & services	221,917		232,720
Depreciation	56,840		52,213
Interest on capital asset-related debt	10,364		10,457
Total operating expenses	1,039,714		1,076,030
Increase (Decrease) in Net Position	**$ 184,414**		**$ 23,343**
Less: Value of Capital/Building Assets Received	**(141,503)**	Increase in economic value	**(58,147)**
Less: Health System Margin Share Pledge	**(37,000)**	Paid over 3 years	**-**
Normalized incr/(decr) in Net Position	**5,911**	Consistent with budgeted plan	**(34,804)**

UNIVERSITY OF LOUISVILLE

Liquid Cash by Source
(Actuals through June FY 2020)

($ millions)	FY 2017 Actual Cumulative Total	FY 2017 Actual Cumulative Days	FY 2018 Actual Cumulative Total	FY 2018 Actual Cumulative Days	FY 2019 Actual Cumulative Total	FY 2019 Actual Cumulative Days	FY 2020 Actual Amount	FY 2020 Actual Cumulative Total	FY 2020 Actual Cumulative Days
• **University Based Liquidity**									
□ Liquid Cash	$77.9	28.7	$100.1	38.0	$125.9	46.5	$159.5	$159.5	58.9
□ ULAA Short-Term Investments	$103.2	38.0	$114.0	43.2	$137.2	50.7	$5.0	$164.5	60.8
□ General Line of Credit			$164.0	62.2	$187.2	69.2	$50.0	$214.5	79.3
• **UofL Liquidity Held by Foundation**									
□ Designated/Unrestricted Gift Account Cash Available	$149.4	55.0	$209.3	79.4	$232.4	85.9	$43.3	$257.8	95.3
□ Endowment Spend Cash Availability									
▪ Current Year End	$150.9	55.5	$210.9	80.0	$234.9	86.8	$0.0	$257.8	95.3
▪ Carryover	$190.9	70.3	$233.8	88.7	$261.4	96.6	$27.7	$285.5	105.5
▪ Spend Cash Available 7/1	$214.1	78.8	$259.5	98.5	$281.5	104.0	$15.8	$301.3	111.4
Total	$214.1	78.8	$259.5	98.5	$281.5	104.0		$301.3	111.4

UNIVERSITY OF LOUISVILLE

FY 2020 in Review ….

- **Balanced FY 20 Budget**

  Doing the right thing

- **Clean Audit Opinion**

  Doing it the right way

- **Maintaining a Good Financial and Planning Processes**

  Doing it for the right reasons – our future

FY 2021 Year to Date Financial Highlights

- **Most activity through 9/30 is in line with budget:**
  - *Enrollment & tuition revenues slightly ahead of budget*
  - *Prior year (FY20) state reduction rescinded*
  - *Expenses mainly in line with budget*
  - *Cash position*

- **Future Challenges:**
  - *Possible state reduction of $10 mill for FY21*
  - *Spring enrollment pressures*
  - *Athletics and other self-supportive units*
  - *COVID-19 duration and severity*

- **Active engagement with Deans, VPs, and constant monitoring**

FY 2021 Budget-to-Actual Report Thru September, 2020
Modified Cash Basis

Revenues	FY 2021				FY 2020	Year-over-Year	
	Annual Budget	YTD September	% Realized	Status	YTD September	$ Change	
General Funds							
Tuition and Fees	325,927,672	166,311,625	51.0%	↑	159,764,177	6,547,449	2% tuition rate increase; improved fall-to-fall enrollment performance
State Appropriations	127,056,800	37,235,400	29.3%	✓	37,990,100	(754,700)	Timing: 1Q allotment % lower than in FY 2020
Transfers In	23,967,589	4,291,481	17.9%	✓	2,530,834	1,760,648	Timing of debt service transfers
Other Revenue	14,206,997	2,364,295	16.6%	!	3,373,044	(1,008,748)	Early Learning Campus; intramurals; investment income
Auxiliaries	13,132,518	6,055,098	46.1%	✓	5,928,787	126,311	
Hospital-Related	9,308,327	2,108,696	22.7%	✓	2,336,876	(228,180)	
General Funds Total	**513,599,903**	**218,366,596**	**42.5%**	✓	**211,923,817**	**6,442,779**	
Funds received in prior periods	**3,000,000**	**0**			**0**		
Non-General Funds							
UL Research Foundation	501,106,844	142,463,376	28.4%	↑	135,555,441	6,907,935	See "*Description of Notable Revenue Changes*" section
UL Athletic Association	107,377,000	37,717,793	35.1%	!	65,861,918	(28,144,125)	Revenue decreased due to occupancy limits
UL Foundation	56,383,000	9,596,576	17.0%	✓	11,653,983	(2,057,407)	Reduced spend policy rate for FY 2021
Other Department Funds	40,914,903	10,543,191	25.8%	✓	9,309,376	1,233,815	
Funds received in prior periods	2,538,547	0			0	0	
Non-General Funds Total	**708,320,294**	**200,320,936**	**28.3%**		**222,380,719**	**(22,059,782)**	
Total Revenues	**$1,224,920,197**	**$418,687,532**	**34.2%**		**$434,304,535**	**($15,617,003)**	

Expenses	FY 2021				FY 2020		
	Annual Budget	YTD September	% of Budget	Status	YTD September	Change	
All Funds							
Salary	555,714,327	129,866,619	23.4%	↑	137,913,267	(8,046,647)	Mostly due to Peds transfer to Norton; plus reduction from furloughs
Fringe Benefits	143,439,172	29,962,649	20.9%	↑	36,939,894	(6,977,245)	No retirement benefits in July; partial in Aug. & Sep.; Peds shift to Norton's
Operating	313,684,374	82,669,224	26.4%	✓	88,985,511	(6,316,287)	See "*Description of Notable Expense Changes*" section
Financial Aid	133,968,819	65,345,268	48.8%	✓	65,325,140	20,128	
Capital Asset & Debt Service	54,099,395	11,237,144	20.8%	✓	10,230,000	1,007,144	Primarily timing-related
Utilities	24,014,110	3,023,923	12.6%	✓	2,219,038	804,884	Timing of chilled water expense (~$779k)
Total Expenses	**$1,224,920,197**	**$322,104,827**	**26.3%**		**$341,612,850**	**($19,508,023)**	
Revenue Over/(Under) Expenses	**$0**	**$96,582,706**			**$92,691,686**	**$3,891,020**	

FY 2021 Budget Shown with Mitigation Actions Applied

Status Indicators	
Better than Expected	↑
As Expected	✓
Worse than Expected	!

UNIVERSITY OF LOUISVILLE

FY 2021 Budget-to-Actual Report thru September, 2020
Modified Cash Basis

Description of Notable Revenue Changes

Revenues	Actuals (September) FY 2021	FY 2020	Change	
Tuition and Fees	166,311,625	159,764,177	6,547,449	2% tuition rate increase; improved fall-to-fall enrollment performance
UL Research Foundation	142,463,376	135,555,441	6,907,935	
Sponsored Research	*27,896,832*	*30,526,723*	*(2,629,891)*	*Impacted by COVID-19*
Pass-through financial aid	*17,613,889*	*17,242,668*	*371,221*	
CARES Act	*1,289,543*	*-*	*1,289,543*	*Non-recurring funds in FY 2021*
Clinical-related activities	*84,741,174*	*76,794,048*	*7,947,126*	*Mostly Dental IGT & other pass-through IGT funds to UL Health*
UL Athletic Association	37,717,793	65,861,918	(28,144,125)	

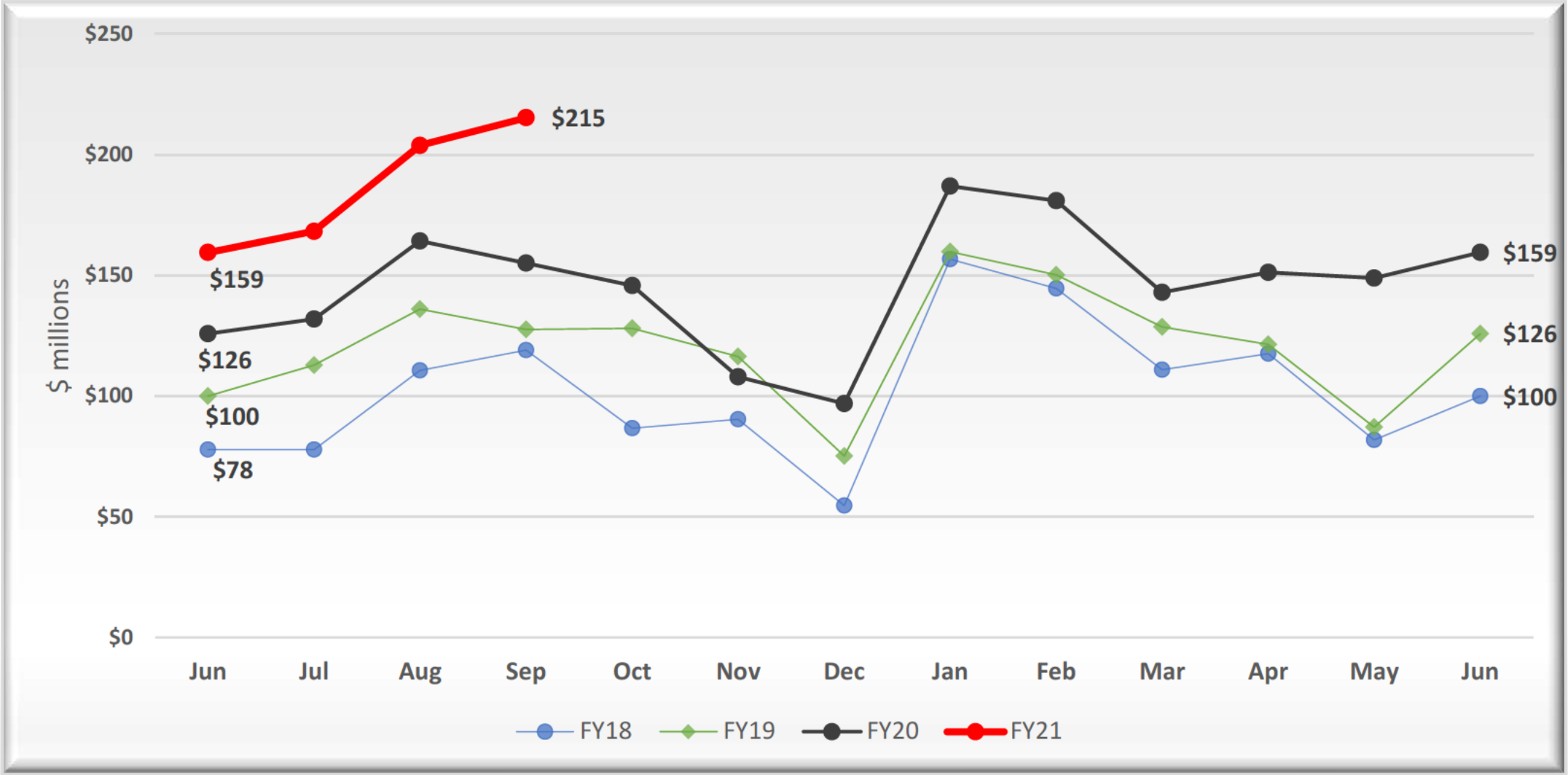
Description of Notable Expense Changes

Expenses	Actuals (September) FY 2021	FY 2020	Change	
Salaries and Wages	129,866,619	137,913,267	(8,046,647)	Mostly due to Peds personnel transfer to Norton's
Fringe Benefits	29,962,649	36,939,894	(6,977,245)	Retirement suspension for July; partly restored in Aug. & Sep.
Financial Aid	65,345,268	65,325,140	20,128	
Operating	82,669,224	88,985,511	(6,316,287)	
ULP Support	*106,390*	*6,177,342*	*(6,070,953)*	ULP payments/support decreased in FY21
Travel	*238,881*	*3,047,315*	*(2,808,435)*	Impact of COVID-19 travel restrictions
Subscriptions	*5,439,462*	*7,300,872*	*(1,861,410)*	Partially due to lower library subscriptions
IT equipment & services	*2,629,834*	*(1,819,107)*	*4,448,941*	Influenced by COVID-19/online requirements; partially funded from CARES

UNIVERSITY OF LOUISVILLE

Liquid Cash – FY 2018 to FY 2021

(Actuals through September FY 2021)



UNIVERSITY OF LOUISVILLE

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University Advancement Update

Jasmine Farrier, Ph.D.
Vice President University Advancement
j.farrier@louisville.edu

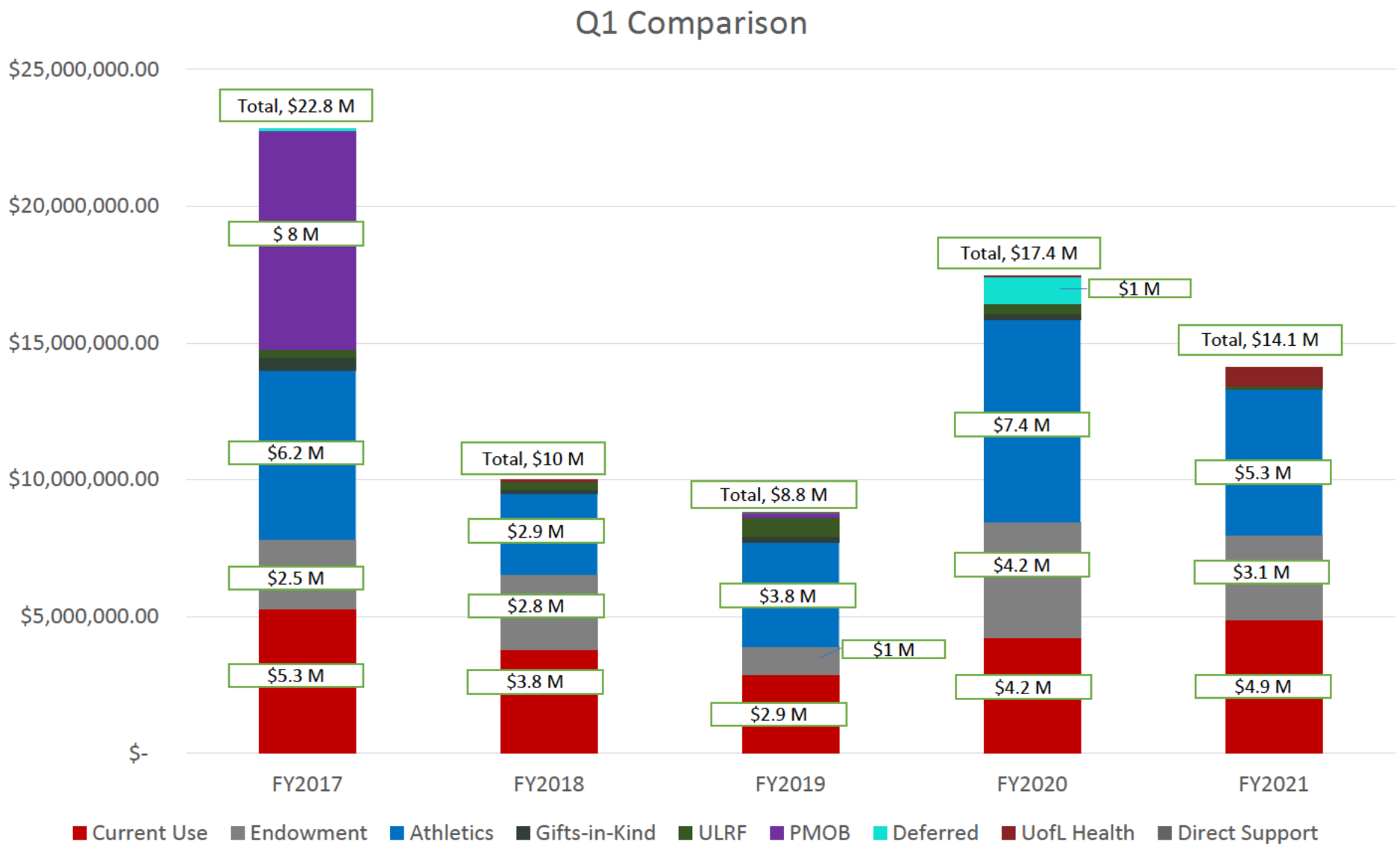
October 29, 2020

Fundraising Definitions

- Total Philanthropy = Outright gifts + pledges + matching gifts.
- Cash = Outright gifts + pledge payments + matching gifts.
- Endowment = Gifts permanently invested by the Foundation, the income from which is used to fund programs and scholarships.
- Direct Support = Donations that are not tax deductible according to the IRS and CASE (for example, government funds that are philanthropic in nature).
- Gifts-in-Kind = A physical (tangible) gift to the Foundation that is not cash, check or credit card.
- Annual Giving = Donations through phone, email, online, or mail under $25k (not multi-year pledges).
- Conditional Pledges = Umbrella term that says a commitment will be paid upon the fulfillment of enumerated condition.
- Bequest Pledge = Most common type of conditional pledge regarding a sum of money made available upon a donor's death.
- Deferred = Transactions, other than insurance and bequests, considered deferred, including trusts and gift annuities.
- PMOB = Pediatric Medical Office Building.

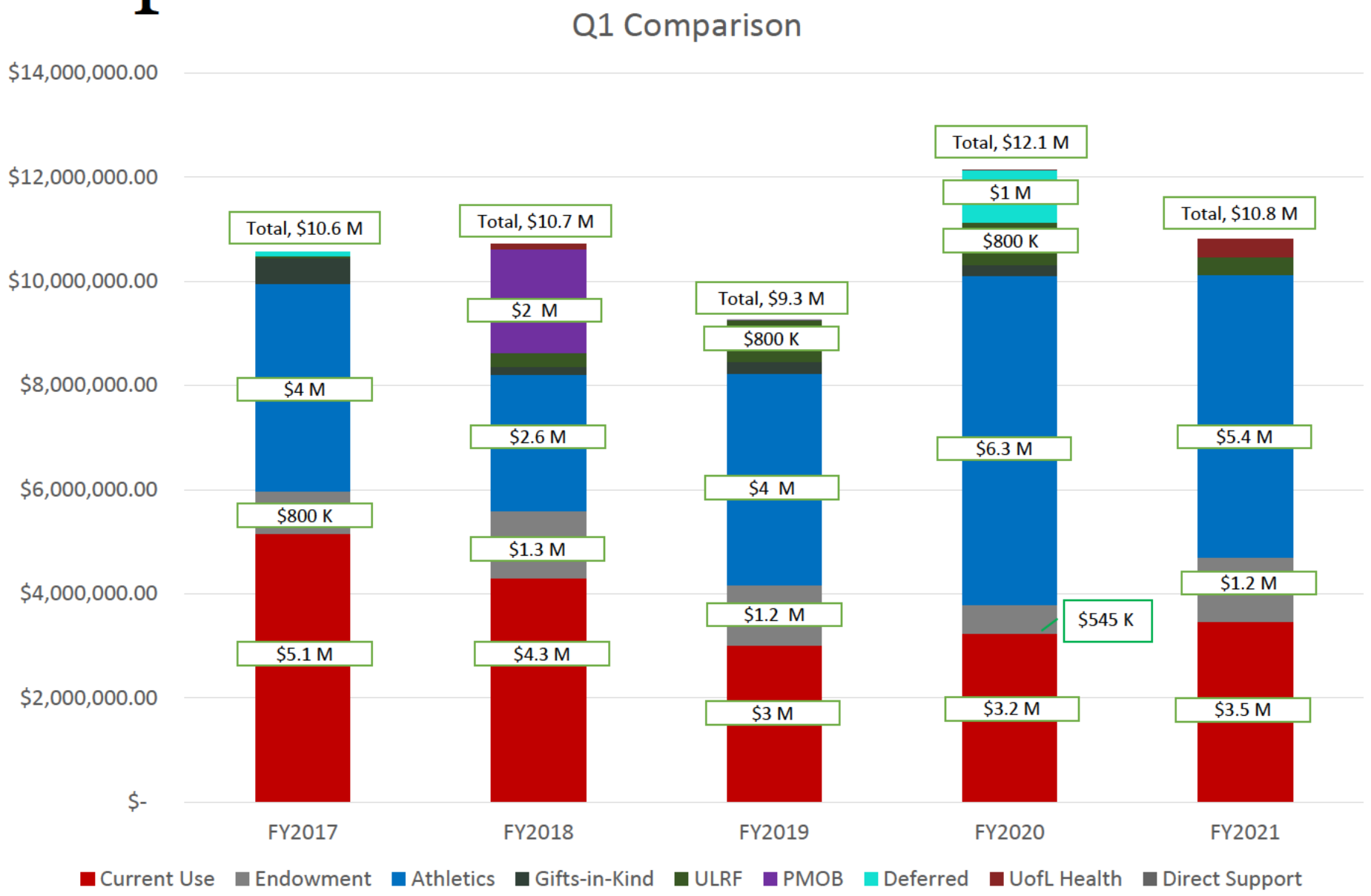
Philanthropy Report

*Total Philanthropy includes outright gifts, pledges (including bequests) and matching gifts.



*Total Cash includes outright gifts, pledge payments and matching gifts.

Cash Report



Day of Giving 2020

- **1,930 Donors (Goal of 1798)**
- **$6.522M Raised**

  2019 TOTAL: $920k from 2,214 gifts
- Several major gifts from September 1-October 21, 2020:
  - $2.5 million bequest to the Depression Center
  - $1 million to the School of Nursing
  - $1 million bequest for the School of Medicine
  - $1 million for Athletics
  - $500,000 for the Cancer Center
  - $100,000 for the Conn Center
  - $45,000 School of Public Health
- Matches from Deans and Program Directors played important role

Philanthropy by Unit FY21 *As of Sept. 30, 2020

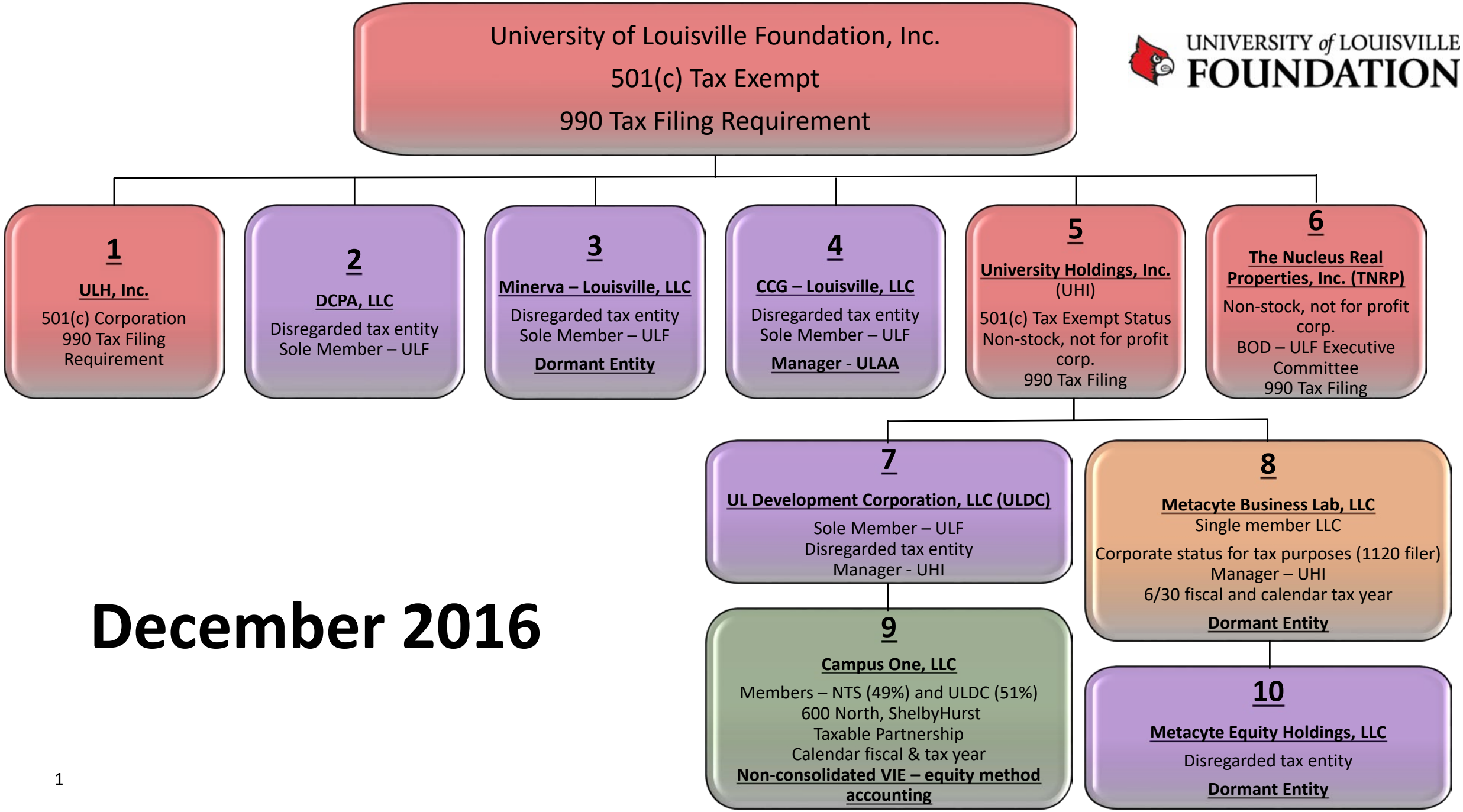
HSC					
Name	**FY20 Total**	**FY21 Initial Goal**	**FY21 Updated Goal**	**YTD Total**	**Percent of New Goal**
School of Medicine	$24,214,831	$26,500,000	$21,000,000	$3,357,591	16.0%
JGBCC	$2,041,959	$2,000,000	$2,000,000	$807,497	40.4%
Dentistry	$921,936	$2,000,000	$1,500,000	$95,920	6.4%
Public Health	$387,464	$200,000	$200,000	$54,501	27.3%
Nursing	$160,092	$350,000	$1,250,000	$1,035,738	82.9%
TOTAL HSC UNITS	**$27,726,282**	**$31,050,000**	**$25,950,000**	**$5,351,247**	20.6%
Belknap					
Name	**FY20 Total**	**FY21 Initial Goal**	**FY21 Updated Goal**	**YTD Total**	**Percent of Goal**
Arts & Sciences	$1,889,654	$2,500,000	$2,000,000	$459,315	23.0%
College of Business	$6,256,540	$5,000,000	$5,000,000	$1,133,157	22.7%
Law	$2,403,846	$2,500,000	$2,000,000	$163,585	8.2%
Speed	$2,062,028	$2,600,000	$2,600,000	$458,293	17.6%
Education	$779,487	$500,000	$500,000	$16,650	3.3%
Libraries	$1,003,078	$1,000,000	$750,000	$64,695	8.6%
Diversity Initiatives	N/A	$500,000	$400,000	$1,036	0.3%
Music	$883,188	$600,000	$600,000	$169,006	28.2%
Student Affairs	$649,997	$500,000	$500,000	$32,065	6.4%
Kent School	$343,039	$350,000	$325,000	$31,702	9.8%
TOTAL BELKNAP UNITS	**$16,270,857**	**$16,050,000**	**$14,675,000**	**$2,529,504**	17.2%
TOTAL ACADEMIC UNITS	**$43,997,139**	**$47,100,000**	**$40,625,000**	**$7,880,751**	19.4%
GENERAL ACADEMIC FUNDS	**$4,189,702**	**$4,000,000**	**$2,500,000**	**$170,758**	6.8%
TOTAL VPUA	**$48,172,371**	**$51,100,000**	**$43,125,000**	**$8,051,409**	18.7%
Other Units	**FY20 Actual**	**FY21 Projection**	**FY21 Updated Projection**	**YTD Total**	**Percent of Projection**
Athletics	$29,040,829	$32,000,000	$32,000,000	$5,349,132	16.7%
UofL Health	$50,028,432	N/A	N/A	$706,426	
TOTAL OTHER	**$79,083,731**	**$32,000,000**	**$32,000,000**	**$6,055,658**	18.9%
GRAND TOTAL	**$127,256,102**	**$83,100,000**	**$75,125,000**	**$14,107,067**	18.8%

Outstanding Pledge Information

- Past-Due Total – Approximately $3 million:
  - $405,000 was written off
  - $2 million - two pledges in the process of being resolved
  - $77,000 collected in October
  - DOs are actively working with donors to fulfill pledges

- Pledge Process Overview:
  - Monthly pledge reminders sent each month
  - No response to three consecutive reminders pledge is flagged as past-due
  - DOs follow-up personally once flagged

- Many pledges prior to 2018 were for 10 years and are still active.
- Most new pledges are now paid over a maximum of 5 years, an industry best practice.
- Past-due pledges of less than $1,000 and those 5+ years old with no activity are written-off, except in extenuating circumstances.
- Past-due pledges are reviewed quarterly and individual follow-up from DOs occurs, if necessary.



December 2016

University of Louisville Foundation, Inc.

501(c) Tax Exempt

990 Tax Filing Requirement

UNIVERSITY of LOUISVILLE FOUNDATION

1

CCG – Louisville, LLC

Disregarded tax entity
Sole Member – ULF

Manager Managed

2

TNRP, LLC

Disregarded tax entity
Sole Member – ULF

3

UL Development Corporation, LLC (ULDC)

Sole Member – ULF
Disregarded tax entity
Manager - ULF

4

Metacyte Business Lab, LLC
Single member LLC

Corporate status for tax purposes (1120 filer)
Manager – UHI
6/30 fiscal and calendar tax year

Dormant Entity

5

Campus One, LLC

Members – NTS (49%) and ULDC (51%)
600 North, ShelbyHurst
Taxable Partnership
Calendar fiscal & tax year
Non-consolidated VIE – equity method accounting

October 2020

RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC.

October 29, 2020

At a duly convened meeting of the Board of Directors (the "**Board**") of the University of Louisville Foundation, Inc., a Kentucky non-profit corporation ("**ULF**"), held on October 29, 2020, the Board adopted the following resolutions:

Dissolution of Nucleus Innovation Investment Fund, LLC

WHEREAS, ULF is the sole member of Nucleus Innovation Investment Fund, LLC, a Delaware limited liability company (the "**Fund**");

WHEREAS, the Board deem it advisable and in the best interest of ULF and the Fund that the Fund be liquidated and dissolved in accordance with the laws of the State of Delaware.

RESOLVED, that the Board does hereby consent to, approve and authorize the liquidation and dissolution of the Fund in accordance with the laws of the State of Delaware.

RESOLVED, that the officers of ULF be and hereby are each authorized, empowered and directed, for and on behalf of ULF and in its name, to execute, deliver, file and record such agreements, instruments, documents and certificates and to take or cause to be taken such other and further action as they shall, in their reasonable discretion, deem necessary or appropriate in order to effectuate the purposes of, and implement, the foregoing resolutions and all actions heretofore taken by them in connection with the foregoing, are hereby ratified, confirmed, adopted and approved.

Approval of Assignment Agreement

WHEREAS, (1) PNC CDE 28, LP, a Delaware limited partnership ("**PNC CDE**"), was the sole legal and equitable owner and holder of (i) that certain Promissory Note A (PNC) (Nucleus Innovation Center) dated as of September 12, 2013, in the amount of $3,518,000 (the "**Note A (PNC)**"), and (ii) that certain Promissory Note B (PNC) (Nucleus Innovation Center) dated as of September 12, 2013, in the amount of $1,482,000 (the "**Note B (PNC)**," and together with the Note A (PNC), the "**Notes (PNC)**"), each made by The Nucleus Real Properties, Inc., a Kentucky nonprofit corporation ("**TNRP**"), and (2) NNMF SUB-CDE XX, LLC, a California limited liability company ("**NNMF**"), was the sole legal and equitable owner and holder of (i) that certain Promissory Note A (NNMF) dated as of September 12, 2013, in the amount of $10,886,000.00 (the "**Note A (NNMF)**") and that certain Promissory Note B (NNMF) dated as of September 12, 2013, in the amount of $3,964,000.00 (the "**Note B (NNMF)**" and, together with the Note A (NNMF), the "**Notes (NNMF)**"), each made by TNRP;

WHEREAS, the Notes (PNC) and the Notes (NNMF) (collectively, the "**Notes**") are referred to and further described in that certain Loan Agreement dated as of September 12, 2013 (the "**Loan Agreement**") by and among TNRP, as borrower, and PNC CDE and NNMF, as

lenders, and certain other ancillary documents each dated as of September 12, 2013 (collectively, with the Notes, the "**QLICI Loan Documents**");

WHEREAS, (1) the Fund and PNC CDE are parties to that certain Assignment of QLICI Loan Documents dated September 16, 2020, pursuant to which PNC CDE assigned to the Fund, its successors and assigns, all of PNC CDE's right, title and interest in and to the QLICI Loan Documents and (2) the Fund and NNMF are parties to that certain Assignment of QLICI Loan Documents dated September 16, 2020, pursuant to which NNMF assigned to Assignor, its successors and assigns, all of NNMF's right, title and interest in and to the QLICI Loan Documents; and

WHEREAS, in connection with the dissolution and winding up of the Fund, as approved herein, the Fund and ULF desire to enter into that certain Assignment Agreement, substantially in the form presented to the Board (the "**Assignment Agreement**") which provides that the Fund will transfer, assign, grant, convey and set over to ULF, its successors and assigns, all of the right, title, interest and benefit of the Fund in and to the QLICI Loan Documents.

RESOLVED, that the Board hereby authorizes and approves the Assignment Agreement.

Approval of Bill of Sale, Assignment and Assumption Agreement and

WHEREAS, TNRP is the borrower under the Loan Agreement and made each of the Notes, all of which will be held by ULF upon execution, delivery and performance of the Assignment Agreement; and

WHEREAS, the Board of Directors of TNRP has authorized and approved the liquidation and dissolution of TNRP in accordance with a plan of distribution that provides that TNRP will transfer all of its assets, if any, and all of its remaining rights and obligations, if any, under the QLICI Loan Documents, to ULF, pursuant to that certain Bill of Sale, Assignment and Assumption Agreement, substantially in the form presented to the Board (the "**Bill of Sale, Assignment and Assumption Agreement**").

RESOLVED, that the Board hereby authorizes and approves the Bill of Sale, Assignment and Assumption Agreement.

Acknowledgement of Note Cancellation

WHEREAS, by reason of being the successor to both the Fund and TNRP as provided herein, upon execution, delivery and performance of the Assignment Agreement and the Bill of Sale, Assignment and Assumption Agreement, ULF will hold the QLICI Loan Documents as both the borrower and the lender under the Loan Agreement and as both the maker and the payee under each of the Notes.

RESOLVED, that the Board hereby acknowledges that the rights and obligations set forth in the QLICI Loan Documents are effectively cancelled by operation of law at such time as

ULF holds the QLICI Loan Documents as both borrower and lender under the Loan Agreement and as both maker and payee under each of the Notes.

General Resolutions

RESOLVED, that the officers of ULF be and hereby are each authorized, empowered and directed, for and on behalf of ULF and in its name, to execute, deliver, file and record such agreements, instruments, documents and certificates and to take or cause to be taken such other and further action as they shall, in their reasonable discretion, deem necessary or appropriate in order to effectuate the purposes of, and implement, the foregoing resolutions and all actions heretofore taken by them in connection with the foregoing, are hereby ratified, confirmed, adopted and approved.

BOARD ACTION:
Passed __X_____ ___

Did Not Pass _____

Other

[redacted]

Jim Boone, Secretary
University of Louisville Foundation, Inc.

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