

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 12:02 p.m. on October 27, 2022, in the University Club Ballroom. Members were present and absent as follows:

- Present: Ms. Jill Force, Chair
Mr. David Anderson
Mr. Scott Brinkman
Mr. Ernest Brooks
Mr. Dorian Brown
Ms. Jessica Cole
Mr. Al Cornish
Dr. Lori Gonzalez
Mr. David Krebs
Dr. Eugene Mueller (*arrived at 12:24 p.m.*)
Mr. Mark Nickel
Ms. Mary Nixon
Mr. Jim Rogers
Mr. John Smith
Mr. John Thompson
- Absent: Mr. Larry McDonald
- Board Advisor: Ms. Karen Edgerton
Ms. Deborah Lawson (*listened via audioconference*)
- From the Foundation: Mr. Keith Sherman, Executive Director and COO
Ms. Laura Hall, Compliance Officer
Ms. Gina Lankswert, Director of Administration
Mr. Jake Robertson, Senior Accountant
Mr. Justin Ruhl, Controller
Ms. Meghan Ruddlesden, Compliance Officer
Ms. Julie Soule, Executive Assistant
- From Legal Counsel: Mr. Franklin Jelsma, Wyatt, Tarrant & Combs
- From the University: Ms. Julie Dials, Interim Vice President, Advancement
Mr. Dan Durbin, Executive Vice President for Finance & Administration
Ms. Amanda LeDuke, Chief of Staff, University Advancement
- Guest: Mr. Kevin Grout, RunSwitch

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I. Call to Order

Having determined a quorum present, Chair Force called the meeting to order at 12:02 p.m. No conflicts of interest or appearances of conflicts were identified.

II. Consent Agenda

Ms. Force read the Consent Agenda as follows: Approval of Minutes from the July 28, 2022, meeting. Ms. Nixon made a motion, which Mr. Nickel seconded, to approve the **attached** Consent Agenda. The motion passed.

III. Audit, Compliance & Risk Management Committee Report

Mr. Anderson reported the Audit, Compliance & Risk Management Committee held a joint meeting with the UofL Real Estate Foundation's Audit Committee on September 28, 2022. Grant Thornton presented the audited financial statements for ULF and ULREF during the meeting. Grant Thornton issued unmodified 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 Grant Thornton's independence with respect to management or the Foundations.

Mr. Anderson reported the Committee approved the **attached** audited financial statements and Independent Auditor's Report, and as a final step they recommend the full Board also approve them. The Board approved the recommendation.

Ms. Lankswert reviewed the **attached** Gift and Endowment Compliance presentation. During Fiscal Year 2022, the Foundation reimbursed the University \$40.5M from endowment and gift accounts. Seventy percent of the reimbursed expenses underwent detailed review. The average monthly reimbursement request was \$3.7M from 585 unique accounts with 90% of requests reimbursed.

IV. Finance Committee Report

Ms. Cole reviewed a few highlights from the October 27, 2022, Finance Committee meeting. Gift revenues of \$37M during the first quarter of the fiscal year exceeded the current fiscal year's budget of \$36M for the entire year. The excess is due to a \$30M gift from one donor.

Total expenses are higher than the prior year due to increased support to the University. University support is up 30% compared to the first quarter of FY2022. \$96M of Foundation funds were available on September 30, 2022, which is an increase of \$15M from a year ago.

The Foundation's operating expenses were \$1.1M which is in line with the budget.

Investment Subcommittee Report

Referencing his report to the Finance Committee, Mr. Nickel noted the investment portfolio is outperforming the general market and our policy benchmarks.

Mr. Nickel stated the Investment Subcommittee and Finance Committee recommend the Board approve Prime Buchholz's recommendation that the benchmark for the flexible capital segment of the Main Endowment Pool be prospectively changed to a 50/50 blended index of the HFRI Equity Hedge AW and HFRI Event-Driven AW. The Board approved the flexible capital segment benchmark change recommendation.

V. ULREF Update

Mr. Ruhl provided a high-level overview of the **attached** financial presentation from the University of Louisville Real Estate Foundation's (ULREF) meeting on October 27, 2022.

Ms. Force shared the following highlights from the ULREF meeting. Specifically, ULREF:

- Authorized the sale of Humana Gym at 601 President's Boulevard;
- In conjunction with the University, it will research best practices employed by other universities in establishing research parks, as well as create criteria for commercial tenants and develop parameters for how a research park would function and best serve the University community;
- Authorized the engagement of QK4, an engineering firm, to provide site design, and roadway and utility infrastructure work in connection with the future development of the research park; and
- Authorized the purchase of property at 248 E. Market Street, adding plottage value to its existing portfolio on and around E. Market Street.

VI. Reports from the University of Louisville

Dr. Gonzalez provided an update on the University of Louisville highlighting homecoming and the alumni fellows, leadership team searches, student achievements, new facilities, and a campus trust survey.

Mr. Durbin provided a brief report on the university's financials.

Ms. Dials reviewed the **attached** advancement presentation.

VII. Report of the Executive Director

Mr. Sherman provided a high-level overview of the **attached** presentation summarizing some of the key actions taken in response to the Baker Tilly cyber-risk assessment.

VIII. Report of the Chair

Ms. Force expressed her enthusiasm to be serving as Board Chair. She noted that for the past several years, the Foundation has focused on improving internal governance and developing stronger policies, processes, and procedures. The Foundation is now well positioned to focus on oversight and stewardship. Other areas of focus will include determining the best utilization of real estate held by the Foundation and the UofL Real Estate Foundation as well as supporting a robust University Advancement function in collaboration with the Board of Trustees and the University President. She reminded the Board the Foundation provides \$5 million in support to Advancement annually and that

the Foundation, Trustees, and President should be aligned on Advancement's resources, processes, and expectations.

Finally, she reminded the Board that Foundation, in addition to being the stewards of the endowments and funds entrusted to it, should also be stewards of the University's message. It is important that the Board is knowledgeable about the good things happening at the University and that they share it with others.

IX. Executive Session to Discuss Proposed or Pending Litigation and a Specific Business Proposal Pursuant to KRS 61.810 (1) (c) and (g)

Ms. Force asked for a motion to go into executive session to discuss personnel matters and specific business proposal pursuant to KRS 61.810(1)(c) and (g). Ms. Cole made the motion, which Ms. Nixon seconded, to go into executive session at 1:45 p.m. The motion passed.

X. Reconvene Open Session

When open session reconvened at 2:02 p.m., Ms. Force reported that proposed litigation and specific business proposals were discussed during the executive session. No action was taken.

XI. Adjournment

Having no other business, a motion to adjourn the meeting, made by Ms. Nixon and seconded by Mr. Krebs, passed. The meeting adjourned at 2:02 p.m.

Approved by:



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

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

October 27, 2022

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 27, 2022, the Board adopted the following resolution:

Approval of FY2021-22 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, 2022 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, 2022 and the Independent Auditor’s Report.


RESOLVED, the Board approves the attached audited financial statements for the period ending June 30, 2022 and the Independent Auditor’s Report.

BOARD ACTION:

Passed X

Did Not Pass _____

Other _____


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

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**University of Louisville Foundation, Inc. and
Affiliates**

June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

We have audited the consolidated financial statements of University of Louisville Foundation, Inc. and Affiliates (the "Entity"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matter

The financial statements of the Entity as of and for the year ended June 30, 2021 were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated September 29, 2021.

Responsibilities of management for the financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Chicago, Illinois
September 29, 2022

University of Louisville Foundation, Inc. and Affiliates
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,
(In thousands)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,311	\$ 8,273
Accounts receivable, net	4,413	4,469
Other receivables, net	1,000	1,000
Contributions receivable, net	17,464	14,148
Due from the University of Louisville Real Estate Foundation, Inc.	8,617	12,053
Investments	878,527	905,077
Funds held in trust by others	63,360	74,711
Prepaid expenses and other assets	5,055	5,469
Capital assets, net	48,915	50,467
Total assets	\$ 1,030,662	\$ 1,075,667
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 989	\$ 831
Funds held in trust for others	14,096	14,488
Other liabilities	10,767	12,395
Bonds and notes payable	31,504	32,731
Due to the University of Louisville	4,064	4,543
Total liabilities	61,420	64,988
Net assets:		
Without donor restrictions	59,287	60,316
With donor restrictions	909,955	950,363
Total net assets	969,242	1,010,679
Total liabilities and net assets	\$ 1,030,662	\$ 1,075,667

The accompanying notes are an integral part of these consolidated financial statements.

University of Louisville Foundation, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**Years ended June 30, 2022 and 2021
(In thousands)**

	Without Donor Restrictions		With Donor Restrictions		Totals	
	2022	2021	2022	2021	2022	2021
Revenues, gains, and other support:						
Gifts	\$ 255	\$ 569	\$ 50,055	\$ 38,067	\$ 50,310	\$ 38,636
Investment return, net	(651)	16,517	(18,374)	219,870	(19,025)	236,387
Changes in funds held in trust by others	–	–	(12,941)	17,833	(12,941)	17,833
Rental revenues	4,718	4,594	–	–	4,718	4,594
Other revenues	4,367	3,744	–	–	4,367	3,744
Net assets released from restrictions	58,008	51,620	(58,008)	(51,620)	–	–
Total revenues, gains, and other support	66,697	77,044	(39,268)	224,150	27,429	301,194
Expenses:						
Contributions and allocations to University of Louisville departments	45,505	42,359	–	–	45,505	42,359
Contributions and allocations to UofL Health - Louisville, Inc.	10,656	7,544	–	–	10,656	7,544
Salaries	2,792	2,671	–	–	2,792	2,671
Utilities	700	597	–	–	700	597
General and administrative	1,335	1,358	–	–	1,335	1,358
Professional services	545	1,554	–	–	545	1,554
Repairs and maintenance	1,567	1,431	–	–	1,567	1,431
Depreciation and amortization	2,224	2,931	–	–	2,224	2,931
Interest expense	1,745	1,808	–	–	1,745	1,808
Other expenses	657	707	–	–	657	707
Total expenses	67,726	62,960	–	–	67,726	62,960
Gain on extinguishment of debt	–	(5,296)	–	–	–	(5,296)
Provision for uncollectible contributions receivable	–	–	2,262	3,662	2,262	3,662
Actuarial (gain) loss on annuity and unitrust obligations	–	–	(1,122)	1,321	(1,122)	1,321
Total expenses and losses	67,726	57,664	1,140	4,983	68,866	62,647
CHANGES IN NET ASSETS	(1,029)	19,380	(40,408)	219,167	(41,437)	238,547
Net assets, beginning of year	60,316	40,936	950,363	731,196	1,010,679	772,132
Net assets, end of year	<u>\$ 59,287</u>	<u>\$ 60,316</u>	<u>\$ 909,955</u>	<u>\$ 950,363</u>	<u>\$ 969,242</u>	<u>\$ 1,010,679</u>

The accompanying notes are an integral part of these consolidated financial statements.

University of Louisville Foundation, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

**Years ended June 30,
(In thousands)**

	<u>2022</u>	<u>2021</u>
Operating activities		
Changes in net assets	\$ (41,437)	\$ 238,547
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Realized and unrealized loss (gain) on investments, net	19,025	(236,387)
Changes in funds held in trust by others	12,941	(17,833)
Depreciation and amortization expense	2,224	2,931
Provision for uncollectible contributions receivable	2,262	3,662
Contributions restricted for long-term investment	(6,467)	(6,571)
Gain on extinguishment of debt	-	(5,296)
Changes in assets and liabilities:		
Accounts and notes receivable, net	56	(187)
Contributions receivable, net	(5,578)	(2,996)
Due from the University of Louisville Real Estate Foundation, Inc.	3,436	4,681
Prepaid expenses and other assets	(160)	(298)
Accounts payable	158	(68)
Funds held in trust for others	(392)	853
Other liabilities	(909)	2,413
Due to the University of Louisville	(479)	(1,738)
	<hr/>	<hr/>
Net cash used in operating activities	(15,320)	(18,287)
Investing activities		
Purchases of investments	(265,951)	(362,846)
Proceeds from sales of investments	271,886	378,605
Purchases of capital assets	(76)	(195)
	<hr/>	<hr/>
Net cash provided by investing activities	5,859	15,564
Financing activities		
Contributions restricted for long-term investment	6,467	6,571
Payments to annuitants	(719)	(704)
Payments on bonds and notes payable	(1,249)	(1,374)
	<hr/>	<hr/>
Net (used in) cash provided by financing activities	4,499	4,493
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,962)	1,770
Cash and cash equivalents, beginning of year	<hr/>	<hr/>
	8,273	6,503
Cash and cash equivalents, end of year	<hr/>	<hr/>
	\$ 3,311	\$ 8,273
Supplemental cash flow information		
Cash paid for interest	<hr/>	<hr/>
	\$ 1,745	\$ 1,818

The accompanying notes are an integral part of these consolidated financial statements.

University of Louisville Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - 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, 2022 and 2021, unless otherwise noted:

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 in the joint venture 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, whose sole member is ULF. Its purpose is to identify and support commercially promising health science discoveries in the region.

MetaCyte Equity Holdings, LLC (MetaCyte Equity) is a limited liability company acquired in February 2008 whose sole member is ULF. 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.

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. TNRP filed articles of dissolution in November 2020.

The Nucleus Real Properties, LLC (TNRP, LLC) is a limited liability company formed in November 2020, whose sole member is ULF. Its 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. TNRP, LLC is the successor entity to TNRP.

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).

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

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

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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.

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 or that include a stipulation that assets provided by retained in perpetuity while permitting the Foundation to use all or part of the investment return on these assets for specified or unspecified purposes.

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 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, 2022 and 2021, the Foundation's cash accounts exceeded federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes that the Foundation is not exposed to any significant credit risk on cash.

Investments and Investment Return

Investments are recorded at fair value. Investment return includes interest and dividends and realized and unrealized appreciation (depreciation). Investment expenses, such as custodial fees, investment advisory fees and direct internal investment expenses involving the direct conduct or direct supervision of the strategic and tactical activities involved in generating investment return, are netted against investment return in the accompanying consolidated statements of activities. 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 Foundation includes, as a part of its portfolio, investments that are restricted by donors for use in the future activities of the University. 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.

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, and limited partnerships, are recorded at net asset value (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

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

may include marketable debt and equity securities, commodities, foreign currencies, derivatives, real assets (such as real estate), and private equity investments.

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, 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 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, through ULDC, holds a 51% 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), 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.

As required by U.S. GAAP, 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

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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, 2022 and 2021, the Foundation's loss in excess of its investment was approximately \$(607,000) and \$(456,000), respectively, and is included within investments on the accompanying consolidated statements of financial position.

Capital Assets

Capital assets are stated at cost or estimated market value at date of receipt from donors. The Foundation capitalizes assets with a value greater than \$5,000. 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, 2022 and 2021.

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.

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

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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 received 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, as appropriate. 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 met and the gift becomes unconditional.

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. The Foundation records income for the estimated fair value of in-kind donations in the period they are received and records as assets or as part of the program or supporting services expense upon use on its consolidated financial statements. The Foundation received approximately \$405,000 and \$571,000 of in-kind gifts for the years ended June 30, 2022 and 2021, respectively. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions and were immediately contributed to the University.

Contributed library materials, vehicles, art and other educational equipment and supplies were utilized in program services. In valuing those items, the Foundation utilizes third party valuation specialists to estimate fair value that is generally performed on the basis of recent comparable sale prices in the applicable market.

Rental Revenue and Deferred Rent

Rental revenue is recognized over the terms of each tenant's lease agreement on a straight-line basis. Certain of TNRP's lease agreements are structured to include scheduled and specific rent increases over the lease term. The amount by which straight-line rental revenue exceeds minimum rents collected in accordance with the lease agreements is included in deferred rent receivables. Accrued income from these leases reflected as deferred rent, which is included in accounts receivable, net on the consolidated statements of financial position, was approximately \$3.3 million and \$3.4 million as of June 30, 2022 and 2021, respectively, respectively.

Total revenues do not include sales tax because the Foundation is a pass-through conduit for collecting and remitting sales, use and other similar taxes.

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Tax Status

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), except for income taxes pertaining to unrelated business income. Under U.S. GAAP, the tax effects from uncertain tax positions are to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a tax authority. 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, 2022 or 2021.

Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets*. This ASU intends to improve the transparency of disclosures in the notes to financial statements by requiring distinct presentation of contributed non-financial assets within the statement of activities and clarification of the contributed non-financial assets by category within the notes. The ASU is effective for annual reporting periods ending after June 15, 2022, with early adoption permitted. The Foundation adopted this new standard for the fiscal year ended June 30, 2022.

Reclassifications

Certain amounts as previously reported here have been reclassified in order to conform to the current year presentation.

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 2 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

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 as of June 30 (in thousands):

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 3,311	\$ 8,273
Accounts receivable, net	4,413	4,469
Other receivables, net	1,000	1,000
Contributions receivable, net	17,464	14,148
Due from the University of Louisville Real Estate Foundation, Inc.	8,617	12,053
Investments	878,527	905,077
Funds held in trust by others	63,360	74,711
Total financial assets	976,692	1,019,731
Less amounts not available to be used within one year:		
Endowments with donor restrictions, net of current year spending appropriations	(596,053)	(616,105)
Quasi-endowments established by the board, net of current year spending appropriations	(195,744)	(212,237)
Funds held in trust by others	(63,360)	(74,711)
Contributions receivable not due within one year, net	(10,957)	(3,677)
	(866,114)	(906,730)
Total financial assets available to meet general expenditures over the next twelve months	\$ 110,578	\$ 113,001

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 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.

University of Louisville Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 3 - NET ASSETS

Net assets with donor restrictions consisted of the following at June 30 (in thousands):

	<u>2022</u>	<u>2021</u>
Perpetual in nature	\$ 430,511	\$ 422,755
Purpose or time restricted		
Instruction	25,580	29,613
Research	129,332	141,827
Academic support	112,288	124,487
Student services and financial aid	87,006	95,057
Institutional support	43,904	46,141
Other	17,973	15,772
Funds held in trust by others	<u>63,361</u>	<u>74,711</u>
	<u>\$ 909,955</u>	<u>\$ 950,363</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or other events specified by the donor consisted of the following for the year ended June 30 (in thousands):

	<u>2022</u>	<u>2021</u>
Instruction	\$ 1,677	\$ 1,357
Research	18,752	17,996
Academic support	10,467	8,994
Student services and financial aid	8,898	8,433
Institutional support	1,790	1,490
Other	<u>16,424</u>	<u>13,350</u>
	<u>\$ 58,008</u>	<u>\$ 51,620</u>

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Net assets without donor restrictions is comprised of undesignated and board-designated amounts for the following purposes at June 30 (in thousands):

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 24,035	\$ 23,660
Board-designated		
Research	10,234	10,598
Student services and financial aid	3,607	3,685
Institutional support	21,148	22,098
Public service	263	275
	<u>\$ 59,287</u>	<u>\$ 60,316</u>

NOTE 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 \$4.1 million and \$4.5 million as of June 30, 2022 and 2021, 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.

NOTE 5 - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable are discounted using rates on risk-free obligations ranging from 0.2% to 4.2% for both 2022 and 2021. Contributions receivable, are due to be collected as follows as of June 30 (in thousands):

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 6,507	\$ 10,471
One to five years	17,785	8,197
Greater than five years	1,151	2,341
	<u>25,443</u>	<u>21,009</u>
Allowance for doubtful accounts	(6,996)	(6,487)
Unamortized discount	(983)	(374)
	<u>\$ 17,464</u>	<u>\$ 14,148</u>

Contributions receivable, net

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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. The fair market value of these conditional gifts is as follows as of June 30 (in thousands):

	<u>2022</u>	<u>2021</u>
Bequests	\$ 280,902	\$ 281,359
Other	<u>32,852</u>	<u>32,438</u>
Total	<u>\$ 313,754</u>	<u>\$ 313,797</u>

NOTE 6 - 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.

University of Louisville Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2022 and 2021

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ —	\$ 630,374	\$ 630,374
Board-designated endowment funds	35,510	170,066	205,576
	<u>\$ 35,510</u>	<u>\$ 800,440</u>	<u>\$ 835,950</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ —	\$ 649,684	\$ 649,684
Board-designated endowment funds	36,987	176,777	213,764
	<u>\$ 36,987</u>	<u>\$ 826,461</u>	<u>\$ 863,448</u>

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 36,987	\$ 826,461	\$ 863,448
Investment return, net	(448)	(11,019)	(11,467)
Contributions	-	6,467	6,467
Appropriations	(786)	(24,352)	(25,138)
Other changes/transfers	(243)	2,883	2,640
Endowment net assets, end of year	<u>\$ 35,510</u>	<u>\$ 800,440</u>	<u>\$ 835,950</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 31,380	\$ 618,121	\$ 649,501
Investment return, net	10,381	215,399	225,780
Contributions	-	6,571	6,571
Appropriations	(660)	(22,045)	(22,705)
Other changes/transfers	(4,114)	8,415	4,301
Endowment net assets, end of year	<u>\$ 36,987</u>	<u>\$ 826,461</u>	<u>\$ 863,448</u>

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 \$325,000 and \$0 at June 30, 2022 and 2021, respectively, in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of contributions with donor restrictions. The Foundation's spending policy allows for a pro-rated amount of appropriations in certain instances of endowments with these deficiencies.

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

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

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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

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

In April 2022, the Board of the Foundation approved a 4.00% spending policy for the fiscal year 2022-2023 for support to the academic units and allocated 0.75% 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 annual (loss) return for total endowment assets was (5%) and 34% in 2022 and 2021, respectively.

NOTE 7 - INVESTMENTS

Investments as of June 30 are as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Cash equivalents	\$ 55,755	\$ 50,790
Alternative investments:		
Hedge funds	87,449	114,262
Investments in partnerships	478,467	474,779
Mutual funds:		
Equity	168,635	153,005
Fixed income	15,088	18,837
Domestic marketable equity securities	34,748	50,996
U.S. Treasury debt securities	<u>38,385</u>	<u>42,408</u>
 Total investments	 <u>\$ 878,527</u>	 <u>\$ 905,077</u>

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

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

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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 (in thousands):

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge funds ^(a)	\$ 87,449	\$ -	Various from monthly to illiquid	Various from 30 to 90 days
Investments in partnerships ^(b)	478,467	92,727	Various from monthly to illiquid	Various from 30 to 180 days

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge funds ^(a)	\$ 114,262	\$ 1,000	Various from monthly to illiquid	Various from 30 to 90 days
Investments in partnerships ^(b)	474,779	65,882	Various from monthly to illiquid	Various from 30 to 180 days

^(a) Hedge funds include investments in long and short primarily in U.S. common stocks, equity and fixed income instruments to profit from economic, political, and government driven events, and other strategies to diversify risks and reduce volatility. The fair values of hedge funds have been estimated using the net asset value per share of the investments.

^(b) Investments in partnerships generally make investments, both global and domestic, directly into private companies. Capital can be used to fund new technologies, to expand working capital within an owned company, to make acquisitions or to strengthen a balance sheet, among other things. Funds with these strategies generally invest in diversified portfolios, including equities, fixed income securities and derivatives; these funds may use leverage, sell financial instruments short and/or invest in illiquid investments.

The fair value of investments is based on available information and does not necessarily represent amounts that might ultimately be realized, which depend on changing circumstances and cannot be reasonably determined until the investments are liquidated. The fair value may differ significantly from the values which would have been used had a ready market for the investments existed.

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 8 - 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 (in thousands):

	2022		
	Level 1	Level 2	Total
Cash equivalents	\$ 55,755	\$ -	\$ 55,755
Mutual funds:			
Equity	168,635	-	168,635
Fixed income	15,088	-	15,088
Domestic marketable equity securities	34,748	-	34,748
U.S. Treasury debt securities	38,385	-	38,385
Funds held in trust by others	-	63,360	63,360
	<u>\$ 312,611</u>	<u>\$ 63,360</u>	<u>375,971</u>
Investments at NAV:			
Hedge funds			87,449
Investments in partnerships			478,467
			<u>565,916</u>
Total assets held at fair value			<u>\$ 941,887</u>

	2021		
	Level 1	Level 2	Total
Cash equivalents	\$ 50,790	\$ -	\$ 50,790
Mutual funds:			
Equity	153,005	-	153,005
Fixed income	18,837	-	18,837
Domestic marketable equity securities	50,996	-	50,996
U.S. Treasury debt securities	42,408	-	42,408
Funds held in trust by others	-	74,711	74,711
	<u>\$ 316,036</u>	<u>\$ 74,711</u>	<u>390,747</u>
Investments at NAV:			
Hedge funds			114,262
Investments in partnerships			474,779
			<u>589,041</u>
Total assets held at fair value			<u>\$ 979,788</u>

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.

University of Louisville Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2022 and 2021

There have been no significant changes in the valuation techniques during the year ended June 30, 2022.

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 equity and fixed income mutual funds, along with domestic equity securities and U.S. Treasury securities, which are valued based on quoted market prices.

Funds Held in Trust by Others

Fair value is determined at the fair market values of the underlying marketable debt and equity securities in the beneficial trusts at June 30, 2022 and 2021. 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.

NOTE 9 - 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 \$27 million and \$35 million as of June 30, 2022 and 2021, respectively.

The Foundation's portion of the market value of the remaining trusts was approximately \$32 million and \$40 million as of June 30, 2022 and 2021, respectively. These funds are invested in various equities and income-producing assets. For the years ended June 30, 2022 and 2021, the Foundation recorded (losses) income of \$(12.9) million and \$17.8 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.

University of Louisville Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 10 - CAPITAL ASSETS, NET

Capital assets, net at June 30 consist of the following (in thousands):

	2022	2021
Land	\$ 5,483	\$ 5,483
Buildings	37,875	37,875
Other plant assets	22,263	22,187
	65,621	65,545
Accumulated depreciation	(17,694)	(16,066)
Construction in process	988	988
Total capital assets, net	\$ 48,915	\$ 50,467

Depreciation expense for the years ended June 30, 2022 and 2021, was approximately \$1.6 million and \$1.9 million, respectively.

NOTE 11 - 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, 2022 and 2021, the Foundation held approximately \$3.4 million and \$3.5 million, respectively, for the Association's investment purposes.

The Foundation entered into an agreement with Legacy Foundation of Kentuckiana, formerly Jewish Hospital & St. Mary's Healthcare, Inc. (Jewish Hospital) whereby the Foundation serves in an agency capacity to invest funds on behalf of Jewish Hospital. Jewish Hospital is a separate corporation organized for the purpose of providing health care services. As of June 30, 2022 and 2021, the Foundation held approximately \$10.4 million and \$10.7 million, respectively, for Jewish Hospital's investment purposes.

The Foundation was the recipient of endowed funds, the income of which shall be used in support of the Louisville Orchestra. As of June 30, 2022 and 2021, the Foundation held approximately \$270,000 and \$274,000, respectively, for the benefit of the Louisville Orchestra.

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

University of Louisville Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE 12 - BONDS AND NOTES PAYABLE

Bonds and notes payable consist of the following at June 30 (in thousands):

	2022	2021
Bonds payable	\$ 31,705	\$ 32,555
Term note payable	99	498
	31,804	33,053
Total bonds and notes payable		
	(300)	(322)
Less bond issuance costs		
	\$ 31,504	\$ 32,731
Bonds and notes payable, net		

Bonds Payable

In August 2013, the Foundation issued \$37.5 million of University of Louisville Foundation, Inc. Taxable Fixed Rate Bonds Series 2013 (2013 bonds). Principal payments of \$850,000 to \$2.5 million are due annually through maturity, and interest is due semiannually at fixed rates from 3.6% to 5.6%. Final maturity on the 2013 bonds is March 1, 2043.

Term Note Payable

In January 2018, the Foundation issued a \$1.9 million note payable. 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 as of June 30, 2022 are as follows (in thousands):

2023	\$ 984
2024	920
2025	960
2026	1,000
2027	1,045
Thereafter	26,895
	\$ 31,804

NOTE 13 - GUARANTEES

Loan

In December 2010, ULF guaranteed 51% of the outstanding loan of Campus One through September 1, 2028. As of June 30, 2022 and 2021, the amount under guarantee was \$6.3 million and \$6.6 million, respectively.

The Foundation has not made any payments on this guarantee to date.

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

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.

NOTE 14 - 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 \$4.9 million and \$6.3 million for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the Foundation recorded approximately \$2.3 million in revenues from the University and related affiliates, which is included in rental revenues and other revenues on the consolidated statements of activities and changes in net assets.

NOTE 15 - TRANSACTIONS WITH UNIVERSITY OF LOUISVILLE REAL ESTATE FOUNDATION, INC. AND AFFILIATES (ULREF)

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, 2022 and 2021, the net receivable from ULREF is \$8.6 million and \$12.1 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, 2022 and 2021. See Note 6 for further information regarding the endowment.

NOTE 16 - LEASING ACTIVITIES

TNRP leases space to tenants under noncancelable operating leases. As of June 30, 2022 and 2021, TNRP had leases with three tenants. These leases expire in 2 to 9 years, through 2031. These leases generally require TNRP to pay all executory costs (property, taxes, maintenance, and insurance).

University of Louisville Foundation, Inc. and Affiliates
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2022 and 2021

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

2023	\$	3,640
2024		3,382
2025		2,300
2026		2,059
2027		2,120
Thereafter		9,534
	\$	23,035

NOTE 17 - 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 as follows:

Expenses	Method of Allocation
Salaries	Time and effort
Utilities	Square footage
General and administrative	Time and effort
Professional services	Time and effort
Repairs and maintenance	Time and effort

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Expenses by functional classification for the year ended June 30, 2022 and 2021, were as follows (in thousands):

	2022				
	Program Services	Real Estate Operations	Management and General	Fundraising	Total
Contributions and allocations to University of Louisville departments	\$ 40,612	\$ (45)	\$ —	\$ 4,938	\$ 45,505
Contributions and allocations to UofL Health - Louisville, LLC	10,656	—	—	—	10,656
Salaries		1,846	946	—	2,792
Utilities		678	22	—	700
General and administrative	—	949	386	—	1,335
Professional services	—	330	215	—	545
Repairs and maintenance	—	1,562	5	—	1,567
Depreciation and amortization	—	2,170	54	—	2,224
Interest expense	—	—	1,745	—	1,745
Other expenses	—	(65)	722	—	657
Total expenses	51,268	7,425	4,095	4,938	67,726
Provision for uncollectible contributions receivable	—	—	—	2,262	2,262
Actuarial gain on annuity and unitrust obligations	(1,122)	—	—	—	(1,122)
Total expenses and losses	\$ 50,146	\$ 7,425	\$ 4,095	\$ 7,200	\$ 68,866

University of Louisville Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

	2021				
	Program Services	Real Estate Operations	Management and General	Fundraising	Total
Contributions and allocations to					
University of Louisville departments	\$ 36,240	\$ (200)	\$ –	\$ 6,319	\$ 42,359
Contributions and allocations to UofL Health - Louisville, LLC	7,544	–	–	–	7,544
Salaries	–	1,706	965	–	2,671
Utilities	–	570	27	–	597
General and administrative	–	861	497	–	1,358
Professional services	–	375	1,179	–	1,554
Repairs and maintenance	–	1,359	72	–	1,431
Depreciation and amortization	–	2,516	415	–	2,931
Interest expense	–	30	1,778	–	1,808
Other expenses	–	–	707	–	707
Total expenses	43,784	7,217	5,640	6,319	62,960
Gain on extinguishment of debt	–	(5,296)	–	–	(5,296)
Provision for uncollectible contributions receivable	–	–	–	3,662	3,662
Actuarial gain on annuity and unitrust obligations	1,321	–	–	–	1,321
Total expenses and losses	\$ 45,105	\$ 1,921	\$ 5,640	\$ 9,981	\$ 62,647

NOTE 18 - 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.

NOTE 19 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 29, 2022, which is the date the consolidated financial statements were issued. No recognized or non-recognized subsequent events were identified for recognition or disclosure on the consolidated financial statements.



PRESENTATION TO THE AUDIT COMMITTEE

2022 Annual Audit Presentation

University of Louisville Foundation

University of Louisville Real Estate Foundation

September 28, 2022

This communication is intended solely for the information and use of management and those charged with governance of University of Louisville Foundation and University of Louisville Real Estate Foundation and is not intended to be and should not be used by anyone other than these specified parties.

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Audit timeline & scope

<p>April-June 2022</p>	<p>Client acceptance</p>	<ul style="list-style-type: none"> • Confirm independence and perform client acceptance procedures • Issue engagement letter • Conduct internal client service planning meeting • Review predecessor auditor workpapers
<p>June 2022</p>	<p>Planning</p>	<ul style="list-style-type: none"> • Meet with management to confirm expectations and discuss business risks • Discuss scope of work and timetable as well as identify current year audit issues • Materiality determination • Perform walkthroughs of business processes and controls
	<p>Preliminary risk assessment procedures</p>	<ul style="list-style-type: none"> • Develop an audit plan that addresses risk areas/identify significant risks & focus areas • Update understanding of internal control environment • Coordinate planning with management and develop work calendar
<p>August 2022</p>	<p>Final fieldwork</p>	<ul style="list-style-type: none"> • Perform final phase of audit and year-end fieldwork procedures • Meet with management to discuss results, including review of draft financial statements, misstatements (if any) and completeness/accuracy of disclosures
<p>September 2022</p>	<p>Deliverables</p>	<ul style="list-style-type: none"> • Present results to the Audit Committee • Issue financial statements • Listing of unrecorded/recorded misstatements and omitted disclosures (if any)

Significant risks and other areas of focus

The following provides an overview of significant risks based on our risk assessments.

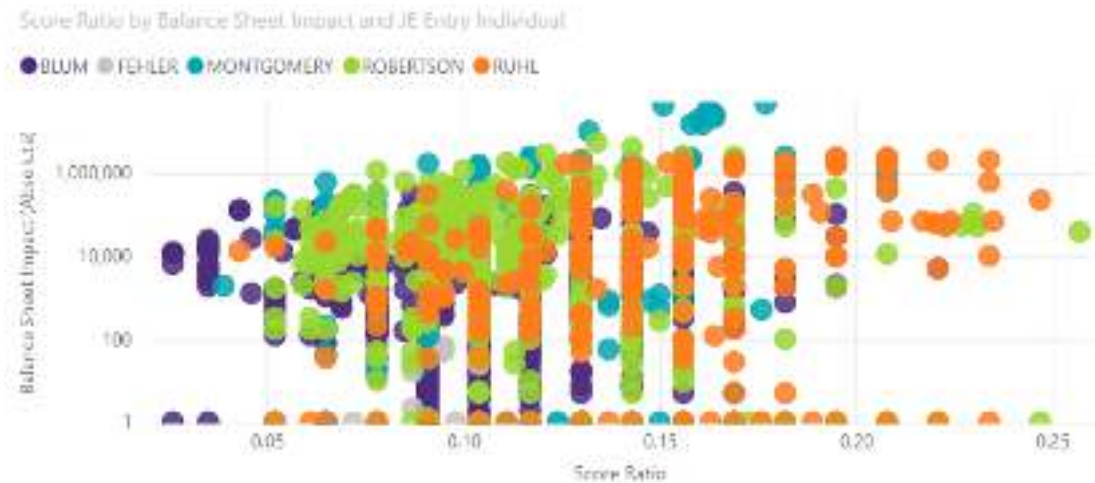
Significant risk	Procedures
Revenue Recognition. A significant portion of revenue comes from contracts with customers (rent and TIF revenue). The accounting for revenue is subject to revenue recognition determination and the existence of revenue. (ULREF)	<ul style="list-style-type: none">• Evaluate the design and implementation of controls over the calculation of revenue to be recognized.• Perform analytical tests using data outside of the accounting department to create expectations of revenue and compare to actual results.• Perform tests of details, including testing individual revenue transactions.• Evaluate the revenue recognition policies for appropriateness within the GAAP framework.
Management Override of Internal Controls. The inherent risk of management override is a significant risk present in every audit engagement, specifically around the manual journal entry process. (ULF and ULREF)	<ul style="list-style-type: none">• Consider the design and implementation of entity-level controls, including information technology controls, designed to prevent/detect fraud.• Assess the ability of the Foundation to segregate duties in its financial reporting, information technology, and at the activity-level.• Conduct interviews of individuals involved in the financial reporting process to understand (1) whether they were requested to make unusual entries during the period and (2) whether they are aware of the possibility of accounting misstatements resulting from adjusting or other entries made during the period.• Perform risk assessment for journal entries, including analytic routines, and detail test a sample of journal entries based on our risk assessments to ensure propriety of the entries.

Whole ledger analytics - ULF

The following provides an overview of our response to the presumed fraud risk of management override of controls.

We performed Whole Ledger Analytics on all journal entries (manual and automated) to pinpoint transactions that appeared to have a higher risk of management override of controls based on the cumulative risk score. The cumulative risk score is generated based on how the individual transaction performs against 38 routines, which have been designed to identify unusual transactions or those that could indicate fraud (e.g., abnormal size, abnormal volume, unusual account combinations). We subjected entries with high cumulative risk scores to further analysis and isolated a subset of these entries for testing. For entries tested, we obtained underlying support, evaluated for validity in the normal course of business, and obtained evidence of approval.

Whole Ledger Analytics for ULF are depicted in this scatterplot, which shows the cumulative risk score on the x-axis and the financial statement impact on the y-axis. Each dot represents a transaction, while the color indicates the individual who posted the transaction.

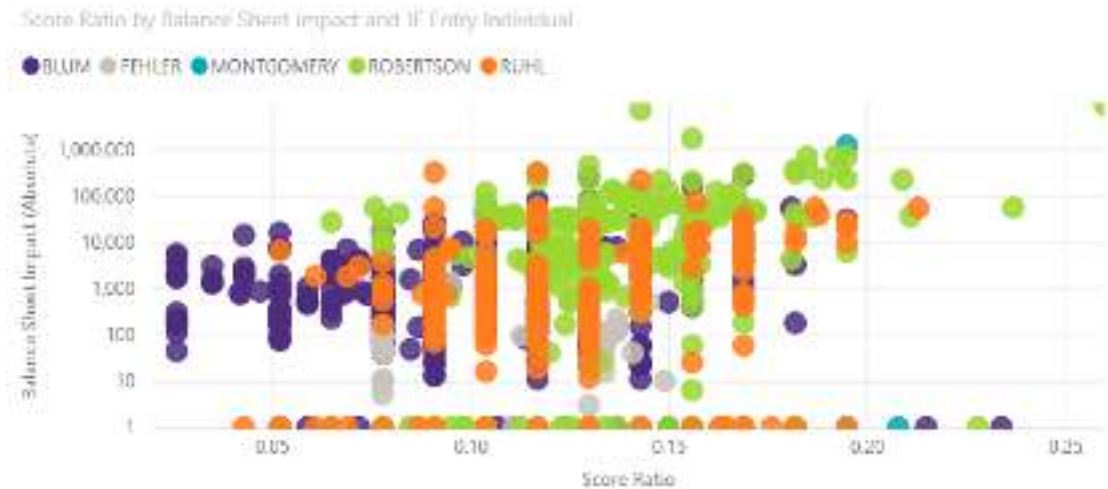


Whole ledger analytics - ULREF

The following provides an overview of our response to the presumed fraud risk of management override of controls.

We performed Whole Ledger Analytics on all journal entries (manual and automated) to pinpoint transactions that appeared to have a higher risk of management override of controls based on the cumulative risk score. The cumulative risk score is generated based on how the individual transaction performs against 38 routines, which have been designed to identify unusual transactions or those that could indicate fraud (e.g., abnormal size, abnormal volume, unusual account combinations). We subjected entries with high cumulative risk scores to further analysis and isolated a subset of these entries for testing. For entries tested, we obtained underlying support, evaluated for validity in the normal course of business, and obtained evidence of approval.

Whole Ledger Analytics for ULREF are depicted in this scatterplot, which shows the cumulative risk score on the x-axis and the financial statement impact on the y-axis. Each dot represents a transaction, while the color indicates the individual who posted the transaction.



Significant risks and other areas of focus (continued)

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Area of focus	Procedures
Investments. The valuation of the investments is a significant management estimate, which could vary based upon market conditions, trading activity, and financing transactions of the underlying investments. (ULF)	<ul style="list-style-type: none">• Gain an understanding of the pre- and post- investment monitoring procedures and selection process.• Evaluate management’s process for estimating the value of investments, including those valued at net asset value.• For marketable securities:<ul style="list-style-type: none">• Confirm existence of investment holdings directly with custodians.• Develop an independent estimate of valuation.• For alternative investments:<ul style="list-style-type: none">• Confirm a sample of investments directly with the fund manager.• Test management’s process to develop an estimate of valuation, including obtaining manager statements and audited financial statements of the fund. Review auditors’ reports to assess quality of financial reporting and type of opinion received.• Obtain fiscal roll-forwards for a sample of non-marketable alternative investment positions. Test a sample of capital additions, withdrawals, fees and income.• For investments with a fund year-end different from the Foundation, compare investment return to benchmarks and evaluated reasonableness.• Test reasonableness of investment-related income, including unrealized appreciation/(depreciation) in fair values.• Evaluate prioritization of inputs used to determine fair value investment assets is reasonable and in accordance with Topic 820, <i>Fair Value Measurements</i>, and review related disclosures.

Significant risks and other areas of focus (continued)

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Area of focus	Procedures
Funds Held in Trusts by Others. The valuation of such funds is a management estimate based upon market conditions and transactions of the underlying investments and the beneficial interest. (ULF)	<ul style="list-style-type: none">• Confirm existence of investment holdings directly with custodians.• Review the assumptions used to estimate the value of funds held in trusts by others.
Tax Incremental Financing Assets. The valuation and potential impairment of intangible assets could vary based on economic and organizational conditions. (ULREF)	<ul style="list-style-type: none">• Review rollforward of activity.• Review management's amortization policies for appropriateness.
Bonds and Notes Payable. Organizations with debt must ensure amounts are complete and recorded properly and debt covenants are met. (ULF and ULREF)	<ul style="list-style-type: none">• Confirm debt with holders.• Assess management's debt covenant compliance calculations.
Net Assets. Complying with donor restrictions is an important legal requirement for all not-for-profits, with related accounting implications. (ULF and ULREF)	<ul style="list-style-type: none">• Perform tests of details of contributions received during the year to verify that they were recorded in the proper net asset classification.• Perform tests of details of net assets released from restriction to determine the restrictions had been satisfied.

Significant risks and other areas of focus (continued)

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Area of focus	Procedures
Contribution Revenue. A significant portion of revenue comes from contributions, which can often involve specialized and complex accounting guidance, as well as management judgements and estimates. (ULF)	<ul style="list-style-type: none">• Perform tests of details, including testing individual transactions.• Review pledge agreements and payments on pledges receivables received during the year.• Evaluate the revenue recognition policies for appropriateness within the GAAP framework.
Operating Expenses/ Accrued Expenses. Operating expenses are deemed a critical area in virtually all not-for-profits as many services are performed and programs are supported by way of these expenditures. (ULREF)	<ul style="list-style-type: none">• Agree balances of significant accrued liabilities to supporting documents or calculations to ensure completeness.• Performed analytical testing using drivers based upon our knowledge of the business.• We evaluated the functional allocation of expenses by reviewing the methodology and inputs used to allocate the expenses. We also analytically reviewed the functional expense statement.
Contributions and Allocations. Issuance of contributions to the University of Louisville and UofL Health is a significant operating activity of the foundation. (ULF)	<ul style="list-style-type: none">• Test a sample of payments for accuracy.

Significant risks and other areas of focus (continued)

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Area of focus	Procedures
Accounting estimates	The preparation of the financial statements requires management to make multiple estimates and assumptions that affect the reported amounts of assets and liabilities as well as the amounts presented in certain required disclosures in the notes to those financial statements. Procedures include reviewing these estimates and evaluating their reasonableness.
Financial statement disclosures	Procedures include an assessment as to the adequacy of the financial statement disclosures to ensure they are complete, accurate and appropriately describe the significant accounting policies employed in the preparation of the financial statements and provide a detail of all significant commitments, estimates and concentrations of risk, amongst other relevant disclosures required by US GAAP.

Summary of misstatements (\$000s)

Description	Increase (Decrease) to:			Change in Net Assets
	Assets	Liabilities	Net assets	
<u>Recorded Adjustments</u>				
None noted.				
<u>Uncorrected Misstatements</u>				
<u>ULREF</u>				
None noted.				
<u>ULF</u>				
Investments	\$ (14,043)	\$ -	\$ -	\$ -
Unrealized gain(loss) on investments	-	-	(14,043)	(14,043)
<i>To record investment balance due lag in values obtained from fund managers.</i>				
Net impact	<u>\$ (14,043)</u>	<u>\$ -</u>	<u>\$ (14,043)</u>	<u>\$ (14,043)</u>

Management believes the uncorrected misstatement is immaterial to the financial statements. There are no omitted disclosures to report.

Other required communications

Professional standards require that we communicate the following matters to you, as applicable.

Going concern matters

Fraud and noncompliance with laws and regulations

Significant deficiencies and material weaknesses in internal control over financial reporting

Use of other auditors

Use of internal audit

Related parties and related party transactions

Significant unusual transactions

Disagreements with management

Management's consultations with other accountants

Significant issues discussed with management

Significant difficulties encountered during the audit

Other significant findings or issues that are relevant to you and your oversight responsibilities

Modifications to the auditor's report

Other information in documents containing audited financial statements



Quality of accounting practices

Accounting policies	Accounting policies appear consistent and appropriate. There were no changes in significant accounting policies.
Accounting estimates	We believe that the following accounting estimates are critical to the Foundation and that they are consistent and appropriate in the circumstances. <ul style="list-style-type: none">• Valuation of investments• Functional expense allocation
Disclosures	We believe that management has made the appropriate disclosures in the financial statements. <ul style="list-style-type: none">• We noted no issues involved and judgments made in formulating particularly sensitive disclosures• The financial statements and disclosures are clear and complete• Overall neutrality, consistency, and clarity of disclosures is appropriate





Appendix

ASU 2020-07:

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

Summary

Main provisions:

- Separate line-item for contributed nonfinancial assets on the statement of activities, apart from contributed cash and other financial assets
- Additional disclosure requirements:
 - Disaggregated amounts by category based on type of contributed nonfinancial asset
 - For each category:
 - Qualitative information regarding monetization or utilization of the assets in the reporting period
 - Policy, if any, about monetizing rather than utilizing
 - Description of any donor restrictions
 - Valuation techniques and inputs in fair value measurement
 - Principal (or most advantageous) market used in fair value measurement if the receiving NFP is prohibited by donor from selling or using the assets in that market

Effective date and transition:

- Effective for annual reporting periods beginning after June 15, 2021, and interim periods the following year
- Early adoption permitted
- Retrospective transition method

Potential impact

Not-for-profits that receive nonfinancial assets should plan how to capture and decide how to present the additional information required by this ASU. Scope of the update includes contributions of nonfinancial assets including fixed assets, use of fixed assets, materials and supplies, intangibles and services. Crypto currency donations represent financial assets and therefore are not within the scope of this ASU.

NFPs with significant volumes and diverse types of nonfinancial asset contributions might face a sizeable project to ensure that systems and routines are in place to support the level of information and analysis needed, especially for the disclosures.

Transparency and valuation of gifts-in-kind is relevant as many NFPs rely on gifts-in-kind to fulfill their missions/execute their programs which could be important to financial statement users and might not be clear in current reporting. Value of gifts-in-kind can impact key metrics (for example: program expense ratio and liquidity/reserve ratios).

Refer to next slide for sample of the new presentation and disclosure requirements.

ASU 2021-01:

Reference Rate Reform (Topic 848)

Summary

Main provisions:

- In March 2020, FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, in response to concerns about structural risks of interbank offered rates (IBORs).
- For accounting purposes, such contract modifications must be evaluated to determine whether they result in the establishment of new contracts or the continuation of existing contracts.
- The ASU will allow organizations to continue the accounting for contracts with changes that are limited to replacement of such rates, without having to do the cash flow assessments normally triggered by contract modifications to determine possible gain or loss recognition.

Effective date and transition:

- Effective immediately for all entities
- Transition methods: full retrospective or prospective
- Does not apply to contract modifications after December 31, 2022, new hedging relationships after December 31, 2022, existing hedging relationships after December 31, 2022

Potential impact

All entities that have derivative instruments affected by reference rate reform may elect to apply the amendments in the ASU.

Simplifies accounting for reference rate reform by providing expedient to related derivative instruments modifications.

NFPs are often parties to loan, debt, lease, and other contractual arrangements that reference the LIBOR or similar reference rates that are expected to be discontinued because of the global reference rate reform, led in the United States by the Federal Reserve Board.

Statement on Auditing Standards No. 134: Auditor Reporting and Amendments, Including Amendments Addressing Disclosures

Summary

Main provisions:

- SAS 134 significantly changes the form and content of the auditor's report and also addresses the auditor's responsibility to form an opinion on the financial statements.
- SAS 134 adds a new section to the auditing standards codification: AU-C Section 701, *Communicating Key Audit Matters* in the Independent Auditor's Report, which allows, but does not require, the auditor to report on Key Audit Matters when engaged to do so by management.
- SAS 134 completely replaces the following sections with new versions:
 - Section 700, *Forming an Opinion and Reporting on Financial Statements*
 - Section 705, *Modifications to the Opinion in the Independent Auditor's Report*
 - Section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*
- Key changes include (but are not limited to):
 - Opinion section will be the first paragraph, followed by the Basis for Opinion section.
 - Enhanced auditor reporting related to going concern, including a description of the responsibilities of both management and the auditor
 - When substantial doubt exists about the audited entity's ability to continue as a going concern, there will be a separate section of the report that calls this out
 - Expanded description of the auditor's responsibilities

Effective date

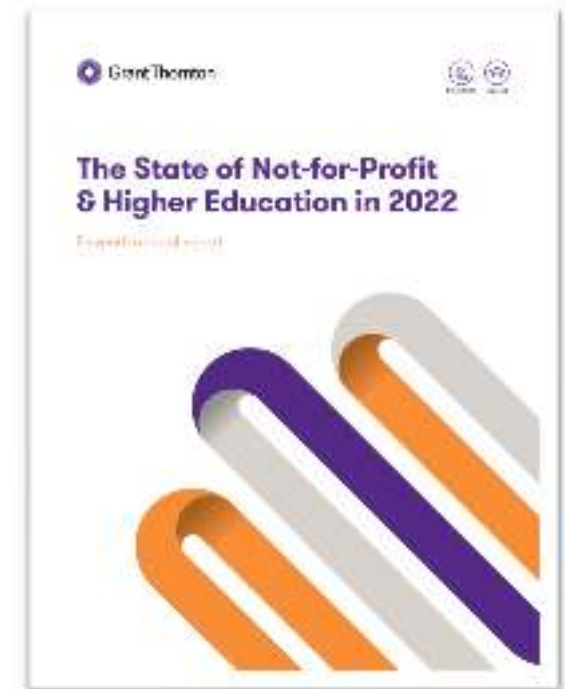
- SAS 134, as deferred by SAS 141, is effective for periods ending on or after December 15, 2021



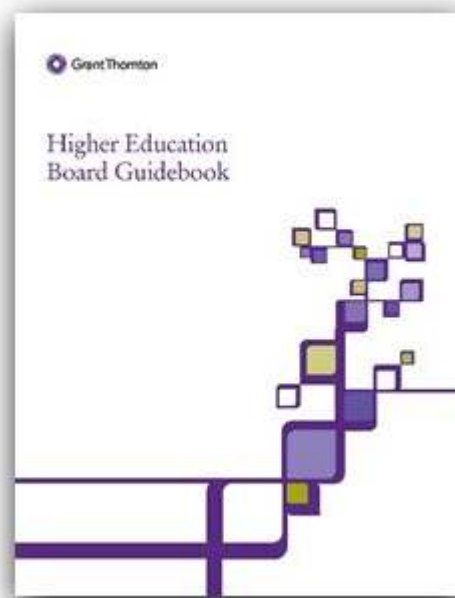
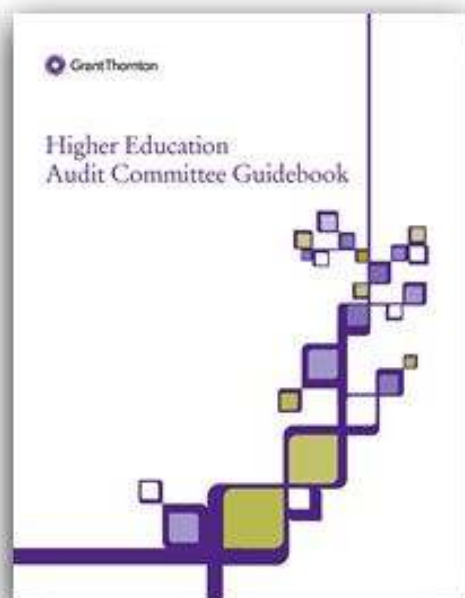
Guidance on important emerging trends and developments

Articles in our 2022 report:

- Workforce strategies for the new age
- Strategies for hiring and retaining talent
- Learning from life sciences companies
- The case for a customer-centric approach
- Embracing a holistic ESG strategy
- DE&I, ESG and the compliance function
- Leveraging your mission to succeed
- Supporting mission through technology
- Leadership strategies in a virtual world
- The future of the corporate foundation
- A framework for educational equity
- Student preferences help drive change
- Rethinking facilities and workforce expenses
- M&A activity accelerates in higher education



Additional resources



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Board and Executive Institute

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2022 Webcast Series

Each year, leaders from Grant Thornton LLP's Not-for-Profit and Higher Education Practices provide learning opportunities through our webcast series. These sessions cover a wide variety of trending topics and regulatory updates relevant to not-for-profit and higher education management and trustees. We welcome you to visit grantthornton.com/nfp for more information on upcoming webcasts and to access past webcasts, which are archived for one year.



The state of the not-for-profit and higher education sectors

MAR 24



The race for talent: Attracting and retaining your nonprofit workforce

JUN 15



Not-for-profit accounting, regulatory and Uniform Guidance update

SEP 14



Evolving role of a not-for-profit's chief diversity officer

DEC 7

All webcasts are from 2:00-3:30 p.m. ET.

Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link can be accessed from our external website or through this link:

https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191

Disclaimer: EthicsPoint is not intended to act as a substitute for a company's "whistleblower" obligations.



The image shows a white stone pillar with a brick base. The pillar has two panels, each featuring a carved cardinal head. The pillar is topped with a white, ribbed spherical finial. In the background, there are green trees and a brick building.

**University of Louisville
Foundation:
Gift and Endowment
Compliance**

**Board of Directors
October 2022**



UNIVERSITY *of* LOUISVILLE
FOUNDATION

ULF Responsibility

Ensure private gifts received for the benefit of the University and UofL Health are distributed as required by the terms of the gift and consistent with donor intent.

COMPLIANCE OVERVIEW



Compliance Process (University)

Reimbursement Request Review

- Identify monthly expenses that are unambiguously non-compliant and should not be reimbursed.
- Identify accounts that should undergo detail compliance review.
- Process includes compliance staff, Director and Executive Director.
- Completed monthly in 5-8 business days.

Detail Compliance Review

- Deep review to ensure overall compliance with donor intent and terms of agreement.
- Evaluate all expenses reimbursed for an account in last 1-2 fiscal years.
- Review gift agreements, donations, and supporting expense documentation.
- Process includes compliance staff, Director and Executive Director.
- May result in funds being returned to ULF.
- On-going, questions sent to departments and funds recovered quarterly.

Compliance Process (UofL Health)

Due to current volume of activity, detail review process is incorporated with monthly review of reimbursement request

All supporting documentation reviewed prior to remitting reimbursement UofL Health each month

Average Request: \$68K

FY19-FY22 METRICS: COMBINED MONTHLY AVERAGE

	Reimbursement Request in Dollars	% of Dollars Requested Not Reimbursed	Number of Reimbursement Requests	% of Requests Not Reimbursed
FY22	\$3,667,000	13.1%	585	9.9%
FY21	\$3,305,000	15.6%	524	10.0%
FY20	\$3,871,000	13.0%	574	8.5%
FY19	\$3,861,000	8.6%	622	8.5%

FY22 METRICS: MONTHLY REIMBURSEMENT REQUESTS IN DOLLARS

Jul 2021 – June 2022	Monthly Average \$	Total \$	% of Total Request Not Reimbursed
Reimbursement Request	\$3,667,000	\$43,998,000	-
Expenses Not Meeting Donor Intent	(\$126,000)	(\$1,506,000)	3.4%
Funds Not Available	(\$245,000)	(\$2,936,000)	6.7%
Reimbursement prior months' expenses ^(a)	\$69,000	\$823,000	1.9%
Total Reimbursed	\$3,365,000	\$40,379,000	-

(a) Expenses for which reimbursement was previously withheld that were found to comply with donor intent.

FY22 METRICS: REQUESTS BY TYPE

Endowment

Current Use

Endowment				Current Use			
Jul 21 – Jun 22	% of Total Non-Compliant	Monthly Average	Total	Jul 21 – Jun 22	% of Total Non-Compliant	Monthly Average	Total
Reimbursements Requests		421	5046	Reimbursement Requests		229	2,743
Non-Compliant	3.8%	18	221	Non-Compliant	3.7%	13	159
Lack of Funds	6.0%	25	306	Lack of Funds	6.7%	15	185

ULF POST-REIMBURSEMENT DETAIL COMPLIANCE REVIEW

RESULTS

FY22 University Expenses

Total Reimbursements = \$40.5M

- 70% of reimbursed expense \$ underwent detailed review (an increase of 35% over prior year)
- Reimbursed expenses found to be non-compliant= \$124K (<1%)

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

October 27, 2022

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 27, 2022, the Board adopted the following resolution:

Investment Policy Statement for Main Endowment Pool

WHEREAS, the purpose of an Investment Policy Statement (“**IPS**”) is to identify and present a formal set of investment objectives, parameters, and performance standards in order that the Board of Directors of the Foundation and its Investment Subcommittee can be assured that the assets of the Foundation, including those of the Main Endowment Pool, are managed in accordance with industry accepted standards and in a manner consistent with the financial needs of the University.

WHEREAS, upon the recommendation of Prime Buchholz, the Investment Subcommittee recommends the benchmark for the flexible capital segment of the Main Endowment Pool be prospectively changed to a 50/50 blended index of the HFRI Equity Hedge AW and HFRI Event-Driven AW. Currently the flexible capital segment is using the HFRI Asset Weighted Composite Index as a benchmark. The Investment Subcommittee recommends the Board approve the change to the Main Endowment Pool’s Investment Policy Statement.


RESOLVED, upon the recommendation of the Investment Subcommittee and the Finance Committee, the Board approves the recommended flexible capital segment benchmark change in the IPS for the Main Endowment Pool.

BOARD ACTION:

Passed _____

Did Not Pass _____

Other _____


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



**Fiscal Year 2023 – First Quarter
Financial Update**

Executive Summary

- Net income for the three months ended September 30th, exceeded budget by \$2.3 million.
 - TIF revenues have already exceeded our FY23 budget by \$1.9 million. LMCDC is currently holding over \$15.4 million.
- LMCDC has an outstanding receivable from Louisville Metro for \$1.7 million related to tax year 2019 increment. Increment requests and the necessary support have been submitted to Louisville Metro and the Kentucky Department of Revenue for tax year 2021.
- ULREF was gifted three land parcels valued at \$65,000.

ULREF Consolidated Income Statements

- A.** Rental revenues have exceeded budget due to the month-to-month lease at Solae and a new lease at Cardinal Station.
- B.** Louisville Medical Center Development Corporation (“LMCDC”) recorded \$8.7 million in revenue from the State for tax year 2020 TIF increment.
- C.** ULREF received a gift of land located on 7th street road.
- D.** \$60K of variance related to the 515 Building, which was not included in our FY23 budget.
- E.** \$220K variance attributable to the dorms for deferred maintenance and conference-related expenses.

	For the Three Months Ended September 30,				
	2022	2021	Variance	Budget	Variance
	<i>(in thousands)</i>				
Revenues					
Rental revenue (A)	\$ 1,062	\$ 1,003	\$ 59	\$ 935	\$ 127
Dorm rental revenue	2,244	1,839	405	1,918	326
Parking revenue	217	196	21	199	18
Tax increment financing revenue (B)	8,680	-	8,680	6,800	1,880
Gift revenue (C)	65	-	65	-	65
Other revenues	384	345	39	162	222
Total revenues	12,652	3,383	9,269	10,014	2,638
Expenses					
Salaries	277	304	(27)	319	(42)
General and administrative	540	345	195	512	28
Professional services	310	351	(41)	316	(6)
Utilities (D)	453	271	182	359	94
Repairs and maintenance (E)	772	615	157	504	268
Total operating expenses	2,352	1,886	466	2,010	342
Net operating income	10,300	1,497	8,803	8,004	2,296
Other expenses (gains) after NOI					
Depreciation and amortization	2,212	2,207	5	2,217	(5)
Interest expense	601	599	2	597	4
Total other expenses after NOI	2,813	2,806	7	2,814	(1)
Change in net assets	\$ 7,487	\$ (1,309)	\$ 8,796	\$ 5,190	\$ 2,297

See Appendix A for financial statements

ULREF Consolidated Statements of Position

- A. LMCDC is holding \$15.4 million, and the dorms are holding \$7.4 million.
- B. LMCDC has an outstanding \$1.7 million receivable for tax year 2019 Metro TIF increment for the HSC TIF.
- C. Represents the future tax effect of net operating loss carryforwards, which will reduce future taxable income from investments in Campus Two and Campus Three.

	September	
	2022	2021
	<i>(in thousands)</i>	
Assets		
Cash (A)	\$ 24,086	\$ 12,894
Accounts receivable, net (B)	3,057	1,405
Prepays and other assets	1,752	1,579
Deferred tax asset (C)	1,161	-
Investments in joint ventures	3,406	4,216
Intangibles, net	87,777	92,272
Capital assets, net	144,881	139,561
Total assets	\$ 266,120	\$ 251,927

See Appendix A for financial statements

ULREF Consolidated Statements of Position (cont'd)

- A. Increase due to \$1.1 million dorm-related ground lease payable
- B. ULREF made \$4 million in principal payments on the KYT note during FY22.
- C. ULREF made \$4 million in principal payments on the ULF payable during FY22.

	September	
	2022	2021
	<i>(in thousands)</i>	
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 236	\$ 539
Other liabilities (A)	4,574	3,446
Debt (B)	52,538	58,478
Due to ULF (C)	10,889	14,900
Total liabilities	68,237	77,363
Net assets	197,883	174,564
Total liabilities and net assets	\$ 266,120	\$ 251,927

See Appendix A for financial statements

ULREF Debt

Loan	Terms	Fiscal Year of Maturity	Outstanding Principal at September 30, 2022 <i>(in thousands)</i>
220 S. Preston - Permanent Financing \$9.3 million	<ul style="list-style-type: none"> Fixed 3.65% rate 5-year maturity and 20-year amortization, balloon payment at maturity Quarterly principal and interest payments 	2024	\$ 7,823
KYT, LLC – Note Payable \$19.5 million	<ul style="list-style-type: none"> Variable rate - SOFR plus 2.05% Monthly interest-only payments Principal due in full at maturity 	2024	\$ 8,000
Dorm, LLCs - Northwestern Mutual Loan \$42.0 million	<ul style="list-style-type: none"> Fixed 4.77% rate 20-year amortization Monthly principal and interest payments 	2038	\$ 36,715

Schedule of Cumulative Remaining Payments

<i>(in thousands)</i>	
Year ending June 30,	
2023	\$ 1,371
2024	17,067
2025	1,672
2026	1,754
2027	1,839
Thereafter	28,835
	\$ 52,538

Debt without Payment Schedule

Outstanding Principal at September 30, 2022	
<i>(in thousands)</i>	
Due to ULF	\$ 10,889

Real Estate Performance

- Campus Two and Campus Three are non-consolidated joint ventures. ULREF is a 51% partner in these JVs. PP&E values are not included on ULREF's balance sheet. JV total capital asset values include infrastructure investments at ShelbyHurst incurred by the Foundation.

	Annualized Cash Flows (Deficit)	Total Cash Investment <i>(in thousands)</i>	Return (Loss) on Investment
<u>Strategic Properties</u>			
Cardinal Station	717	12,752	5.6%
JD Nichols Garage	203	9,358	2.2%
UofL Research Park (LRP)	(396)	11,500	(3.4%)
One Innovation Center	66	7,579	0.9%
Bed Bath & Beyond	442	7,000	6.3%
Solae	261	3,600	7.3%
UofL Optimal Aging	81	3,567	2.3%
K-I Lumber	187	3,441	5.4%
South Preston Lot	46	2,885	1.6%
301 Lot Surface Parking	56	2,826	2.0%
<u>Joint Ventures</u>			
Campus Two	606	3,575	17.0%
Campus Three	587	5,226	11.2%

Historical TIF Increment Receipts

- LMCDC is awaiting checks from Louisville Metro for 2019 increment on the HSC TIF.
- 2020 State HSC TIF increment was received in July 2022.

Tax Year	Health Science Campus TIF		Belknap Campus TIF		Total
	State	Metro	State	Metro	
	<i>(in thousands)</i>				
2011	4,632	775	-	-	5,407
2012	4,544	1,443	-	-	5,987
2013	3,819	1,083	-	-	4,902
2014	2,087	1,722	4	36	3,849
2015	2,648	1,653	182	86	4,569
2016	5,191	2,281	-	376	7,848
2017	6,794	2,298	-	360	9,452
2018	7,198	1,911	-	355	9,464
2019	6,837	1,687	-	433	8,957
2020	8,680	-	-	-	8,680
Total	\$ 52,430	\$ 14,853	\$ 186	\$ 1,646	\$ 69,115



UNIVERSITY ADVANCEMENT UPDATE

Julie Dials
Interim Vice President for University Advancement

October 27, 2022

FISCAL YEAR 2022 WAS STRONG

- \$68.5M raised for Academic Initiatives. \$28.6M raised by Athletics. \$97.1M total raised.
- Ten seven-figure gifts closed, which helped 9 units surpass their fundraising goals (A&S, CEHD, Diversity, Libraries, SPHIS, Kent, Dentistry, Music, Nursing)
- Planned Giving – \$12.2M for FY22, compared to \$11M in FY21
- Annual Giving – \$5.6M for FY22, compared to \$4.6M in FY21
- Increased number of donors – 19,309 donors in FY22, compared to 16,554 in FY21

FY22 PHILANTHROPY BY UNIT

Unit	FY22 Total	FY 22 Unit Goal	FY22 % to Goal	FY21 Total
College of Arts and Sciences	\$4,326,970	\$3,800,000	114%	\$2,053,777
College of Business	\$3,332,317	\$6,000,000	56%	\$5,572,636
College of Ed & Human Development	\$603,972	\$500,000	121%	\$378,633
Diversity Funds	\$621,553	\$600,000	104%	\$299,126
Institutional Support/Financial Aid	\$26,988,218			\$3,033,391
Graduate School	\$3,435			\$1,325
J.B. Speed School of Engineering	\$3,111,520	\$3,500,000	89%	\$3,524,416
Libraries	\$1,093,297	\$850,000	129%	\$818,985
Louis D. Brandeis School of Law	\$843,088	\$1,500,000	56%	\$985,220
Public Health and Information Sciences	\$738,976	\$400,000	185%	\$345,015
Raymond A. Kent School of Social Work	\$1,001,418	\$350,000	286%	\$284,331
School of Dentistry	\$2,032,699	\$2,000,000	102%	\$1,327,562
School of Medicine (includes BCC)	\$19,079,811	\$21,500,000	89%	\$14,815,901
School of Music	\$581,838	\$550,000	106%	\$548,445
School of Nursing	\$2,013,248	\$750,000	268%	\$999,217
Student Affairs	\$344,068	\$600,000	57%	\$1,234,565
UofL Health	\$1,846,699	\$2,500,000	74%	\$791,075
Academic Totals	\$68,563,127	\$45,400,000	151%	\$37,013,620
Athletics	\$27,334,813			\$22,602,062
Stadium Gifts	\$1,248,675			\$1,214,980
Athletic Totals	\$28,583,488			\$23,817,042
Total Philanthropy	\$97,146,615			\$61,590,548

FY23 LANDSCAPE

Challenges for FY23

- Administrative Leadership across UofL (Interim President, VP of ADV, Provost)
- Academic Leadership (Six of 13 Interim Deans, one new Dean)
- Transition to new Customer Relationship Management system
- 14 fundraising staffing vacancies from Jan 2022 – present
- 9 current open fundraising positions

Opportunities for FY23

- Prospect Development and Management
- Staffing shifts in high-potential fundraising units
- Stewardship and Donor Relations Advances
- Strategic Alumni engagement
- Regional fundraising
- Fundraising collaboration between Advancement and UofL Health & Athletics
- Focus on creating more effective internal processes and procedures

FY23 UNIT GOALS

Unit	FY 23 Unit Goal
College of Arts and Sciences	\$2,500,000
College of Business	\$6,000,000
College of Ed & Human Development	\$750,000
Diversity Funds	\$600,000
Financial Aid	
Institutional Support	
Graduate School	
J.B. Speed School of Engineering	\$3,500,000
Libraries	\$2,500,000
Louis D. Brandeis School of Law	\$1,000,000
Public Health and Information Sciences	\$500,000
Raymond A. Kent School of Social Work	\$350,000
School of Dentistry	\$2,250,000
School of Medicine (includes BCC)	\$16,000,000
School of Music	\$500,000
School of Nursing	\$1,000,000
Student Affairs	\$500,000
UofL Health	\$1,000,000
Academic Totals	\$38,950,000

FY23 YEAR-TO-DATE HIGHLIGHTS

- \$47M to create UofL Christina Lee Brown Envirome Institute – New Vision of Health Campus
- \$6.75M for McConnell Center Archives expansion
- \$2.5M to create the Barry Bingham Jr. Courier-Journal Photo Collection
- \$1M for Polk Endowment for Surgery/School of Medicine research
- \$600k from JHFE for College of Education and School of Public Health programs
- \$450k for STEM pipeline scholarships and programming for West Louisville students
- Early numbers show successful Day of Giving (“Raise Some L”) fundraising



The Advancement Investment and Performance Initiative

A Study of FY2021 Costs, Staffing, Structure, and Fundraising
at the University of Louisville

Advancement Forum

Your Customized Benchmarking Cohort

10 Institutions that Share Your 'Fundraising DNA'

Institution	Control & Classification	Alumni (All/Undergrad)	Enrollment (All/Undergrad)	Endowment	Campaign Status
University of Louisville	Public Research	152,458/99,931	22,211/15,927	\$930M	None
Clemson University	Public Research	172,919/138,998	26,406/20,868	\$1.0B	Quiet
George Mason University	Public Research	208,047/135,682	38,541/27,104	\$189M	None
Kansas State University	Public Research	198,446/165,434	20,854/16,257	\$861M	None
Mississippi State University	Public Research	145,335/124,167	22,986/18,803	\$698M	None
University of Alabama at Birmingham	Public Research	167,181/91,275	22,563/13,878	\$690M	None
University of California, Santa Cruz	Public Research	127,069/118,923	19,161/17,207	\$294M	None
University of Delaware	Public Research	157,676/165,024	23,613/19,328	\$2.1B	Public
University of Memphis	Public Research	149,032/111,978	22,205/17,383	\$261M	Quiet
University of Oklahoma	Public Research	255,055/180,248	27,772/21,383	--	None
University of Texas at Dallas	Public Research	103,139/65,468	28,669/21,187	\$773M	Public

Executive Summary

Key Advancement Health Indicators

The below data presents a snapshot of your institution's fundraising health in FY2021. The analysis considers critical inputs (investment, staffing) and outputs (fundraising, major gifts) and compares your institution to the median for institutions within your cohort ("Cohort Median").

Investment

Your Institution: \$8.9M
Cohort Median: \$11.1M
▶ ***Difference:* -20.1%**

Your institution has relatively low investment compared to the median within your cohort. This low investment level may be negatively impacting fundraising returns.

FTEs

Your Institution: 73.0
Cohort Median: 83.3
▶ ***Difference:* -12.3%**

Your institution has relatively light staffing compared to the median for your cohort. These low staffing levels may be negatively impacting fundraising returns.

ROI

Your Institution: \$13.98
Cohort Median: \$9.51
▶ ***Difference:* +47.0%**

Your institution has relatively high ROI compared to your cohort. You may generate higher fundraising returns by increasing investment (even though doing so would lower ROI in the short term).

Dollars Raised per FTE

Your Institution: \$1.70M
Cohort Median: \$1.27M
▶ ***Difference:* +33.3%**

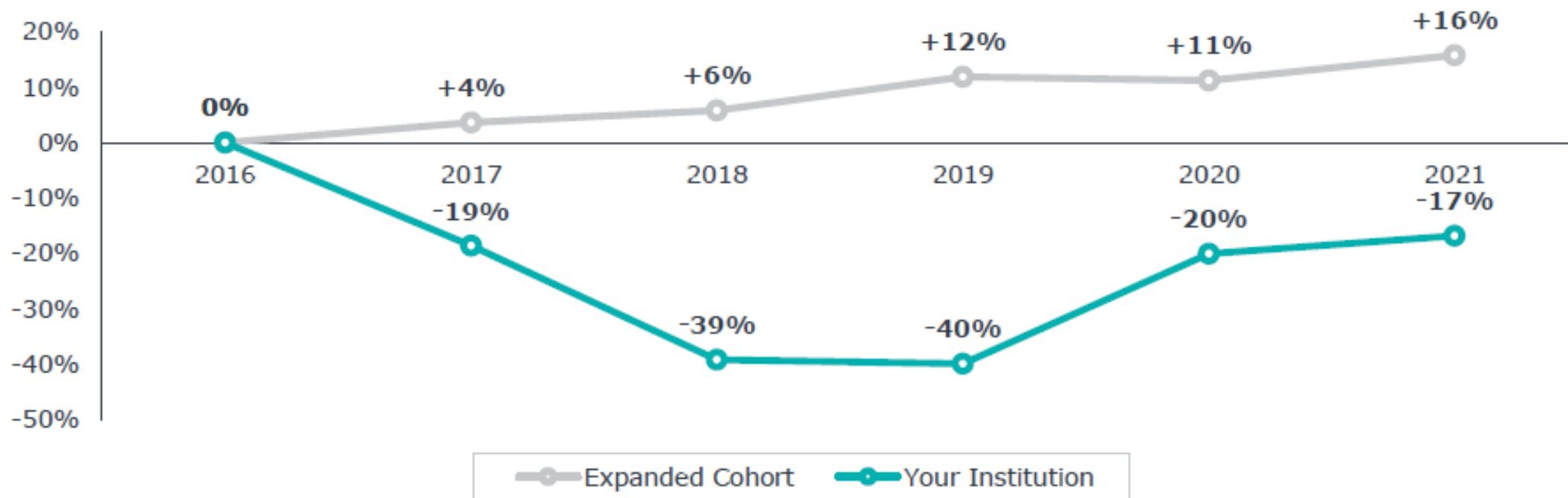
Your institution has high fundraising production per FTE compared to your cohort. Given these notably high productivity figures, you may generate outsized fundraising returns by increasing staffing.

Fundraising Production Highlights

The chart below visualizes the change in total fundraising production over time for your institution (teal line) and other institutions that share your Carnegie classification and control segment (i.e., public/private).

We measure this change starting at 0% from the first year that your institution submitted data to EAB. If FY2021 is your first year submitting data, the chart will only show a gray line.

Change in Fundraising Production Over Time

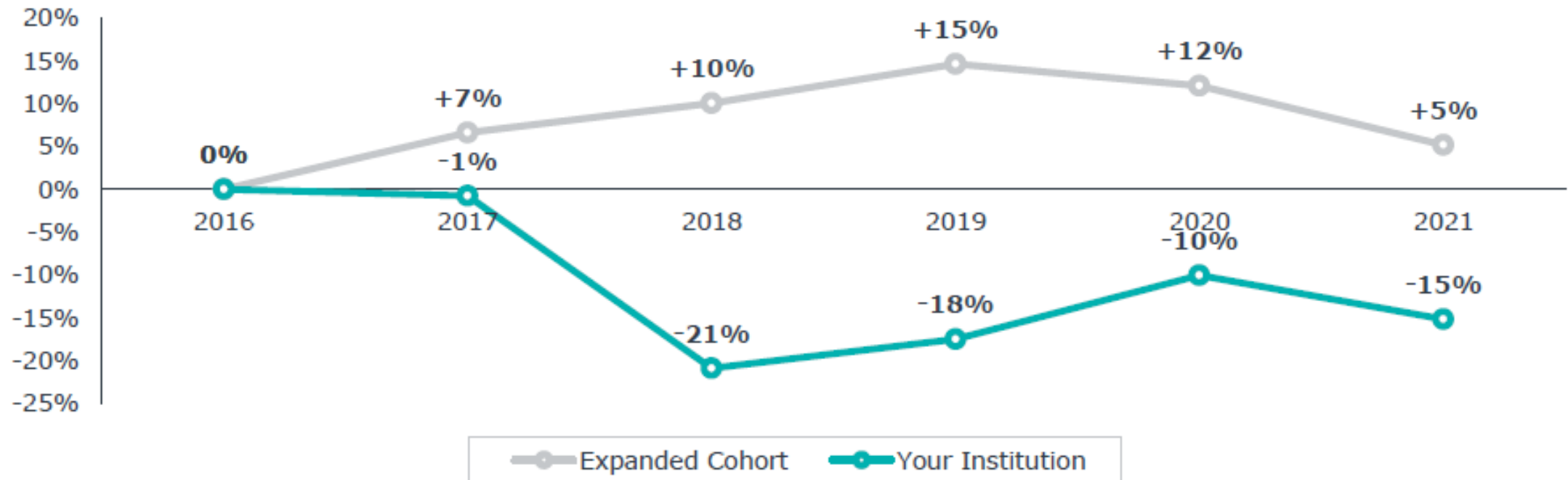


Staffing and Investment Highlights

Here, we explore the change over time in advancement investment. The teal line displays your institution's data; the gray line displays data from the larger group of institutions that share your Carnegie class and control segment (i.e., public/private).

The teal line will start at 0% from the first year your institution submitted data to EAB. If this is your first year submitting data, the chart will only show a gray line.

Change in Expenditures Over Time



STRATEGIC INVESTMENTS WITH CURRENT RESOURCES

- Prospect Development team liaison model
- New Senior Directors for Speed, Business, and Medicine
- CRM enhancements and optimization
- Additional fundraisers for new prospect discovery and alumni engagement for Law, A&S, Education, and Medicine
- Strategic donor communication positions
- Realignment of support staff

QUESTIONS?

Thank you for your support!

Please reach out anytime:

julie.dials@louisville.edu • 614-306-8665 (cell)

A white stone pillar with a brick base and a cardinal logo carved into it. The pillar is topped with a white spherical finial. The background shows green trees and a brick building.

ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

October 2022



**UNIVERSITY *of* LOUISVILLE
FOUNDATION**

ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

- 1. ULF maintains a manual inventory of hardware assets; software assets are inventoried on an ad hoc basis.**
 - ULF has implemented an up-to-date inventory of hardware utilizing ITGlue/MyGlue. This syncs with the remote management and monitoring platform that was implemented.**
 - There remains a gap for items such as laptop docking stations. These items have been added manually.**



ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

2. Multi-Factor Authorization (“MFA”) is only enabled for a select few systems and services.

- MFA is now operationalized for all users of VPN. There are still some applications that can be accessed through the internet that need to be checked for MFA. Our policy will require people to elect MFA whenever offered by an internet application provider.**



ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

3. ULF's managed service provider conducts backups for data and files on a regular basis; however, a complete backup restoration testing is not performed.



- All machines are backed up locally and to the cloud. Have implemented “Datto” which will verify successful back-ups/issues. Wyatt will assist with drafting policy for documenting backup testing.**

ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

- 4. ULF does not maintain a formal and documented business continuity/disaster recovery plan.**
 - **Wyatt will be assisting in drafting formal plan.**
 - **This plan is in the midst of being drafted and should be completed by year end.**



ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

5. **ULF has not established a formal security training program or conducted phishing campaigns to educate its users.** ✓
- **University has conducted phishing campaigns (2).**
 - **We contracted with KnowBe4 to provide additional training.**

ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

- 6. ULF does not perform vulnerability scans or penetrations tests on a regular basis to identify and remediate potential weaknesses in the IT environment.**
- These are now monitored on all equipment via Automate.**




ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

7. While ULF has data-in-transit encryption capabilities in place; there are no mechanisms in place to protect data-at-rest.

- We have addressed this partially through the acquisition of Sophos Encryption. We are purchasing an enterprise license to self-encrypt all drives. The supply chain is delayed.**

ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

- 8. ULF has not deployed a Mobile Device Management (MDM) solution. Employees retain unrestricted access to the organizational data on personal mobile devices.** 
- Only one mobile device has been provided to one employee (property manager). Considering if and how to limit access to everything but email via mobile devices.**

ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

9. ULF has not enabled Data Loss Prevention (DLP) capabilities or implemented an agent-based DLP system on workstations and other devices to protect data from unauthorized access or transfers. In addition, no restrictions or monitoring is placed on the usage of removable media devices.



- Work in progress.**

ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

10. ULF does not maintain a formal process for IT risk identification, assessment, and remediation. IT Risk tolerances and management activities are determined and performed on an ad hoc basis with no documentation.



- Work in progress that can be addressed with Wyatt and the Geek security team.**

ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

11. ULF does not maintain an IT governance program to direct and control IT security. No formal policies and procedures have been established.



- Work in progress. Wyatt and Geek are assisting with this.**

ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

12. ULF's analysis and mitigation procedures are largely reactive in nature. Additionally, no Security Information and Event Management (SIEM) system has been deployed to perform log aggregation and aid in investigations.



- The purchase of Arctic Wolf is handling this.**

ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

13. ULF does not have a formalized or documented incident response plan. The organization solely relies on managed service provider to handle security incidents.

- Work in progress. Wyatt is assisting with the incident response plan.**



ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

14.ULF currently secures their server room and networking closets utilizing keypad door lock, with non-essential employees retaining access due to no formal key management process. Additionally, no physical security detection technologies have been deployed.

- Work in progress. This can be rectified by upgrading the door access control system but can be costly. We can further secure the server cage.**



ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

15. ULF does not maintain data flows or network diagrams, which may lead to an inaccurate understanding of where data originates, resides, and moves through the environment.

- Work in progress. Geek is working on this.**



ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

16. ULF does not have formalized or documented policies and procedures as it relates to IT security.

- Work in progress. Wyatt and Geek helping with this.**



ACTIONS TAKEN IN RESPONSE TO BAKER TILLY CYBER-RISK ASSESSMENT

17. ULF's current process of granting and revoking permissions to employees is a manual process involving the provisioning of accounts on an individual basis.

- This has been partially covered by the onboarding and offboarding procedures in ITGlue / MyGlue and is tracked via a ticket in ConnectWise.**

