

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 12:18 p.m. on January 26, 2023, in the 515 W. Market Street, First Floor Conference Room. Members were present as follows:

- Present: Ms. Jill Force, Chair  
Mr. David Anderson (*via videoconference*)  
Mr. Jim Boone  
Mr. Scott Brinkman  
Mr. Ernest Brooks  
Mr. Dorian Brown  
Ms. Jessica Cole  
Mr. Al Cornish  
Dr. Lori Gonzalez  
Mr. David Krebs  
Mr. Larry McDonald  
Dr. Eugene Mueller  
Mr. Mark Nickel  
Ms. Mary Nixon  
Mr. Jim Rogers  
Mr. John Smith  
Mr. John Thompson
- Board Advisor: Ms. Karen Edgerton  
Ms. Deborah Lawson
- From the Foundation: Mr. Keith Sherman, Executive Director and COO  
Ms. Gina Lankswert, Director of Administration  
Mr. Justin Ruhl, Controller  
Ms. Julie Soule, Executive Assistant
- From Legal Counsel: Mr. Franklin Jelsma, Wyatt, Tarrant & Combs
- From the University: Mr. Dan Durbin, Executive Vice President for Finance & Administration
- Guest: Mr. Kevin Grout, RunSwitch

I. Call to Order

Having determined a quorum present, Chair Force called the meeting to order at 12:18 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 October 27, 2022, meeting and a resolution regarding the Schlater Fund. Mr. Nickel made a motion, which Mr. Cornish seconded, to approve the **attached** Consent Agenda. The motion passed.

III. Governance & Nominating Committee Report

Ms. Force reported the Governance & Nominating Committee met on January 26, 2023. The Committee recommends the Board elect **Scott Brinkman** as an At-Large Director with a term expiring on June 30, 2025. The Board approved the motion.

Ms. Force expressed her appreciation to Mr. Brinkman for agreeing to serve on the Board as an At-Large Director now that his term as a Trustee Director has ended.

IV. Audit, Compliance & Risk Management Committee Report

Mr. Boone reported the Audit, Compliance & Risk Management Committee met on January 26, 2023, to receive an endowment and gift compliance report and an update on actions taken in response to the Baker-Tilly cyber-risk assessment.

From July 2022 through November 2022, the Foundation reimbursed the University \$21.4M from endowment and gift accounts. The average monthly reimbursement request was \$4.3M from 707 unique accounts with 98% of requests reimbursed.

V. Finance Committee Report

Ms. Cole reviewed a few highlights from the January 26, 2023, Finance Committee meeting. Gift revenues were significantly lower than the prior year and budget. The most significant decrease is new pledge revenue which was \$6 million less than the prior year for the first half of the fiscal year. Total expenditures through the first two quarters are greater than budget. The primary reason is the increase in funding requests from the University. This likely is the result of a focused effort by the University and Foundation to directly work with each college on accessing philanthropic support and because of an increase in endowment spending policy available to the academic units for the current fiscal year.

Ms. Cole stated the Finance Committee approved two recommendations for the Board's consideration:

The first pertains to Campus One and the funding they'll need to cover leasing commissions and tenant improvement allowances. The Board approved the motion (resolution **attached**).

The second recommendation is regarding the FY2023-2024 spending policy. The Committee recommends a 4.75% spending policy distribution (4% to the academic units and .75% for an administrative fee). The Board approved the motion (resolution **attached**).

*Investment Subcommittee Report*

Referencing his report to the Finance Committee, Mr. Nickel noted that the Main Endowment Pool is doing what is expected over the long-term, and even with the down year it is still outperforming more passively invested funds. Prime Buchholz reviewed the asset allocations at the January 25, 2023, Subcommittee meeting and no changes are recommended.

VI. ULREF Update

Ms. Force shared the following highlights from the UofL Real Estate Foundation Board meeting on January 25, 2023:

- Received the 2019 TIF check from Louisville Metro.
- Rental revenues continue to outperform budget.
- Expenses are also greater than budget, caused by the 515 W. Market building that wasn't budgeted, and the dorms it owns which are managed by the University.
- Paid down debt principal by \$8M - \$2.5M was paid to ULF and \$5.5M was paid on the research park's outstanding note.
- Purchased a building at 248 E. Market Street, near the Atria building.

Ms. Force noted that overall, the UofL Real Estate Foundation is performing very well.

VII. Reports from the University of Louisville

Ms. Force expressed her appreciation to Dr. Gonzalez for her service as Interim President of the University. Dr. Gonzalez provided an update highlighting open leadership position searches, including the Vice President for University Advancement, student retention efforts, and recent gifts to the University. She expressed her appreciation to the Board.

Mr. Durbin provided a brief report on the University's financials. He stated the University is actively addressing deferred maintenance on its three campuses.

VIII. Report of the Executive Director

Mr. Sherman provided a high-level overview of activities at the Foundation and the Real Estate Foundation. He expressed his appreciation to Dr. Gonzalez for her leadership while serving as Interim President.

IX. Executive Session to Discuss a Specific Business Proposal Pursuant to KRS 61.810 (1)(g)

Ms. Force asked for a motion to go into executive session to discuss a specific business proposal pursuant to KRS 61.810(1) (g). Ms. Nixon made the motion, which Mr. Cornish seconded, to go into executive session at 12:52 p.m. The motion passed.

Mr. Nickel left the meeting.

X. Reconvene Open Session

When open session reconvened at 1:17 p.m., Ms. Force reported that a specific business proposal was discussed during the executive session.

Mr. Sherman summarized the **attached** resolution:

*Based upon a donor representatives' request, and due to unique and special circumstances, the Board approves a one-time special distribution of earnings from the endowment account to help support the University Club, in an amount not to exceed \$567,500 over the next two years, subject to approval of the same by the University of Louisville Board of Trustees.*

The Board approved the resolution.

XI. Report of the Chair

Ms. Force stated that she and Mr. Sherman will be attending the Association of Governing Boards annual Foundation Leadership Conference in San Antonio on January 29-31, 2023, during which they will make a presentation on governance. The conference will be a good opportunity to learn more about best practices concerning development, real estate, and board assessments.

The role of the Foundation in supporting the Advancement process has not been an area of focus the last few years, notwithstanding the significant financial support that the Foundation provides to the Advancement office. In the coming months, the Foundation will be exploring ways it can partner with the University to support and strengthen its fundraising efforts and ensure that our investment in the Advancement process is prudent and appropriate.

XII. Adjournment

Having no other business, a motion to adjourn the meeting, made by Ms. Nixon and seconded by Mr. McDonald, passed. The meeting adjourned at 1:22 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.**

**January 26, 2023**

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 January 26, 2023, the Board adopted the following resolutions:

**Resolution Regarding the Jan Marie Violette Schlater Fanfare Fund**

WHEREAS, Ms. Jane Schlater signed a Charitable Gift Agreement (the “**Gift Agreement**”), dated February 25, 2022, with ULF for the benefit of the University of Louisville (“**University**”).

WHEREAS, as part of the transactions contemplated by the Gift Agreement, Ms. Schlater provided funding (the “**Fund**”). The Fund was to be used for, among other things, the completion of the “**Fanfare**” sculpture developed in conjunction with artist David Caudill and its installation, as well as other artistic enhancements around the sculpture, in the traffic circle in front of the University Club (the “**Gift**”).

WHEREAS, the University informed Ms. Schlater that it cannot accomplish the intended Gift. Subsequently, all parties agree the Charitable Gift Agreement is terminated. Due to the unique circumstances surrounding this situation, the Foundation, at the University’s request, agreed to return the balance of the Fund, less incurred expenses, totaling \$463,332.42 to Ms. Schlater.

WHEREAS, all parties have agreed this was the appropriate amount and have acknowledged this in writing.

WHEREAS, officers of ULF executing expenditures for amounts in excess of \$400,000 are to obtain prior written approval of the Board.


RESOLVED, the Board hereby confirms, ratifies, and approves the return of the Fund to Ms. Schlater.

**BOARD ACTION:**

Passed   X  

Did Not Pass           

Other

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

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

**January 26, 2023**

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 January 26, 2023, the Board adopted the following resolutions:

**Approval of ULDC Payment to Campus One**

WHEREAS, University of Louisville Development Company, LLC (“**ULDC**”) is wholly owned by ULF. ULDC owns 51% of Campus One, LLC (“**Campus One**”) and NTS Realty owns the remaining 49%.

WHEREAS, Campus One executed a new lease with Churchill Downs Incorporated on August 15, 2022 (the “**Lease**”). The Lease allows Churchill Downs, Inc., to lease Suites 105, 110, 200, 300, and 400 as they become available. Pursuant to the tenant improvements allowance included in the Lease, Campus One must fund, over time, \$2,640,774 in tenant improvements. In addition to the tenant improvements allowance, Campus One, LLC also is obligated to pay leasing commissions of \$502,056 associated with the expansion (commissions of \$233,203 owed on renewal of the Lease have already been paid by Campus One, LLC out of its operating account).

WHEREAS, Campus One requires capital contributions from its owners to fund the expenses described above.

WHEREAS, ULDC, as the 51% member of Campus One, owes 51% of the \$2,640,774 tenant improvements allowance plus 51% of the \$502,056 in unpaid leasing commissions, which totals \$1,602,843.

WHEREAS, ULF plans to provide the required \$1,602,843 capital contribution to ULDC (for contribution to Campus One) by drawing upon the ULF Operating Reserve Fund.

WHEREAS, AIG holds Campus One’s mortgage and a \$1,200,000 letter of credit which is expected to be released to Campus One (and distributed to ULDC and NTS Realty) upon commencement of rent payments under the Lease, and any amounts received by ULDC will be contributed back to ULF.

RESOLVED, upon the recommendation of the Finance Committee, the Board hereby authorizes and directs ULF’s Executive Director to transfer \$1,602,843.30 from the ULF Operating Reserve Fund to ULDC and then from ULDC to Campus One for purpose of funding the expenses described above.

BOARD ACTION:

Passed   X  

Did Not Pass           

Other           

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

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

**January 26, 2023**

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 January 26, 2023, the Board adopted the following resolutions:

**Approval of Endowment Spending Policy**


RESOLVED, upon the recommendation of the Finance Committee, the Board approves the **attached** Endowment Spending Policy which includes, among other things, a distribution rate of 4% to the academic units based upon a rolling twelve-quarter average value as of December 31, 2022, and a .75% administrative fee.

BOARD ACTION:

Passed   X  

Did Not Pass       

Other       

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

<b>Subject: Endowment Spending Policy</b>	Author: Keith Sherman
Effective Date: July 1, 2020	Last Review Date: January 19, 2023
Last Revision: January 19, 2023	Revised By: Gina Lankswert
Contact Name: Gina Lankswert	Contact Email: <a href="mailto:gina.lankswert@louisville.edu">gina.lankswert@louisville.edu</a>
Approved By: BoD January 26, 2023	Page 1 of 4

I. **General:** The annual spending policy that follows is meant to be an instructional guide for the prudent management of endowment distributions made available by the University of Louisville Foundation Inc. (“Foundation”), to the respective academic and support units of the University of Louisville (“University”). The policy is viewed as a living document, which can change as needed by action of the Foundation’s Board of Directors.

II. **Unitized Endowment Pool:**

- a. The **unitized endowment pool** is housed within the University of Louisville Foundation, Inc., managed by its outsourced chief investment office (OCIO) and primarily comprised of externally managed investments. The unitized endowment pool functions much like a mutual fund. Each endowment account participates in the pool’s investment return based on its percentage ownership which is determined by the dollar amount invested and number of shares owned.
- b. The principal or corpus (book value/historical gift value), of an endowment account is defined as the original donation + subsequent donations + reinvestment to principal – liquidations.
- c. The market value of an endowment account is defined at the current value of the endowment account as of the specified date.

III. **Spending Policy and Administrative Fees**

- a. The Foundation’s **spending policy**, determined annually by the Foundation’s Board of Directors, governs the rate at which funds are made available to the academic and support units benefiting from each endowment account.
  - i. The dollar amount made available for each account is calculated by multiplying the approved spending policy by the rolling twelve-quarter average of the market value of the account as of the prior December 31.
    - 1. Endowments invested for less than 1 calendar year receive the lesser of the spending policy or the fund’s actual return.
  - ii. The total spending policy allocation for each endowment account is distributed to its related spendable account and made available to the academic and support units on July 1.



- iii. Once calculated, reviewed, and approved by management and the Foundation Board of Directors, the spending policy allocations, along with other pertinent data elements, are conveyed to the University's designated recipient(s).
- iv. For FY24, the Foundation's Board of Directors approved an annual spending policy of **4.0%**.
- v. **Exceptions:** Only selected endowment programs qualify to receive annual spending policy allocations. The endowments that typically do not qualify are flagged in the endowment database and excluded from the annual spending policy calculation. These accounts include:
  - a. UofL Athletic Association endowments
  - b. Endowments created prior to April 1, 2020 with a market value less than the \$10,000 minimal threshold from donations. For endowments created after April 1, 2020, the minimal threshold is \$25,000.
- b. The **administrative fee** is an additional amount withdrawn from the unitized endowment pool used support the administration of the endowment and Foundation operations. This fee is determined annually by the Board of Directors.
  - i. The total annual administrative fee will not exceed 1.5% of the rolling twelve-quarter average of the market value of the unitized endowment pool as of the prior December 31.
  - ii. Each month, 1/12 of the annual administrative fee is allocated to each endowment account based on its percent ownership in the unitized pool.
  - iii. For FY24, the Foundation's Board of Directors approved an annual administrative fee of 0.75% .

#### IV. Underwater Endowments:

- a. **Underwater endowments** are defined as those individual endowment accounts that as of the most recent December 31<sup>st</sup>, the market value (MV) is less than the book value (BV).
- b. In the absence of any donor restrictions or directives to the contrary, when an endowment account is determined to be underwater, the account's spending policy shall be prorated based on its Underwater Percentage.
  - i. The Underwater Percentage will be determined using the following calculation:  $(BV - MV) / BV * 100$
  - ii. No new spending policy distribution shall be authorized for any endowment account with an Underwater Percentage of more than 10%.
  - iii. For endowments with an Underwater Percentage between 1% and 10%, the spending policy will be pro-rated based on the following rate table:

<b>UNDERWATER PERCENTAGE</b>	<b>PRO-RATED PERCENTAGE</b>
1	95
2	90
3	85
4	80
5	75
6	70
7	65
8	60
9	55
10	50

- c. **Exception:** Any state matching endowment account funded through the Research Challenge Trust Fund (“B4B”) that is underwater, regardless of amount, is ineligible for spending policy.

**V. Annual Spending Policy Use and Re-investment**

- a. The Foundation expects that academic and support units managing endowment funds will expend the spending policy in the fiscal year that it is allocated. That is, the managing units have delegated authority to use the allocated funds approved for the fiscal year for the use and purposes specifically identified in the gift agreement.
  - i. At the election of the Foundation’s Board of Directors, any unexpended annual spending policy allocations (“carryover”) may be released back into the related endowment account’s market value or retained separately in the endowment’s related spendable account for future use.
  - ii. Any unspent FY24 annual allocation will be released from the spendable account to the related endowment’s market value effective July 1, 2024. It will not be retained in the spendable account (i.e., no new carryover will be created).
  - iii. The Foundation compliance staff oversees account balances.

**VI. Endowment Funds Held Outside of the Unitized Pool and Managed by the University of Louisville Foundation, Inc.:**

- a. Due to terms of the related gift agreements, the Foundation holds and manages six (6) endowment funds outside of the unitized pool (“**Internally Managed Funds**”).
- b. The spending policy for the Internally Managed Funds is determined based on the terms of the related gift agreement and is made available to the University on July 1.

IV. **Endowment Funds Not Managed by the University of Louisville Foundation Inc.:**

a. **The University of Louisville Trust:**

- i. The University of Louisville Trust is a separate investment pool held at PNC Bank consisting of nine (9) individually identified endowment accounts, designated for separate and distinct investment strategies as stipulated by the donors.
- ii. The Foundation calculates the market value of the endowments accounts that participate as part of the combined UofL Trust investment pool on a unitized basis.
- iii. The annual amount available for spending by the endowment accounts in the UofL Trust is based on the total annual distribution from the UofL Trust which is defined as between 2%-5% of the rolling twelve quarter average of the market value of the UofL Trust assets as of the prior December 31.
  1. The specific distribution percentage is chosen by the Foundation upon the advice and consent of PNC Bank.
  2. The distribution is made annually to the Foundation after July 1.
  3. The Foundation allocates the annual distribution to the (9) individually identified endowment accounts on a pro-rata basis of each account's twelve-quarter rolling average market value as of the prior December 31.
  4. The distributed funds are added to each endowment account's related spendable account and made available to the designated academic and support units at the time of receipt.
  5. For FY24 the expected distribution percentage is 4.5%.

b. **Other Funds Held in Trust by Others (FHITBO)**

- i. Other separately held trusts and endowments are managed by outside financial institutions. The trustees determine the distribution from these trusts and endowments. The distributions may be paid to the Foundation on a monthly, quarterly, semi-annual, or annual basis. The Foundation adds the distributions to each endowment's related spendable account and makes the funds available to the designated academic and support units at the time of receipt.

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

**January 26, 2023**

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 January 26, 2023, the Board adopted the following resolutions:

**Resolution Regarding the University Club**

WHEREAS, the University Club was created from a \$2M gift intended to build and operate a club to benefit the university alumni, faculty, and staff. The current endowment balance is approximately \$3.5M, and the university passes the annual ULF-provided spending distribution through to the University Club to help fund their operations.

WHEREAS, the University Club’s Board of Directors would like to retain the services of a new firm (Creating Dining Services) as the operator of the University Club. To do so, the University Club has requested a special one-time distribution of earnings from the account (not to exceed \$567,500) over the next 2 years to cover existing debt and restart costs (the University Club has operated at a loss for years and was closed throughout the COVID-19 pandemic, compounding losses). The University Club has written permission from the donor’s representatives to liquidate a portion of the earnings. These funds are in addition to the fund’s annual spending distributions.


RESOLVED, based upon the donor representatives’ request, and due to unique and special circumstances, the Board approves a one-time special distribution of earnings from the endowment account to help support the University Club, in an amount not to exceed \$567,500 over the next two years, subject to approval of the same by the University of Louisville Board of Trustees.

**BOARD ACTION:**

Passed   X  

Did Not Pass \_\_\_\_\_

Other \_\_\_\_\_

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