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

In Open Session

Members of the Board of Directors of the University of Louisville Real Estate Foundation, Inc. met at 2:30 p.m. on October 25, 2023, in the Foundation's Board Room in Cardinal Station. Members were present and absent as follows:

Present:	Mr. Steve Gault, Chair Mr. Scott Brinkman Ms. Jessica Cole Mr. Charlie Dahlem Ms. Jill Force Ms. Mariah Gratz Mr. Mark Nickel (*via videoconference at 3:09 p.m.)* Dr. Kim Schatzel Mr. Keith Sherman Mr. Jake Smith
Absent:	Mr. Powell Spears
From the Foundation:	Mr. Jake Robertson, Senior Accountant Mr. Justin Ruhl, Controller Ms. Julie Soule, Executive Assistant
From Legal Counsel:	Mr. Franklin Jelsma, Wyatt, Tarrant & Combs (*arrived at 2:39 p.m.)*
From the University:	Ms. Meg Campbell, Asst Vice President for Planning, Design, & Construction
Guest:	Mr. Kevin Grout, RunSwitch

I. Call to Order
Having determined a quorum present, Mr. Gault called the regular meeting to order at 2:30 p.m. No conflicts of interest or appearances of conflicts were identified.

II. Consent Agenda
Ms. Cole made a motion, which Ms. Gratz seconded, to approve the Consent Agenda as listed Approval of Minutes from the July 26, 2023, and September 15, 2023 meetings. The motion passed.

III. Audit, Compliance and Risk Management Committee Report

Mr. Smith reported the Audit, Compliance & Risk Management Committee held a joint meeting with the UofL Foundation's Audit Committee on September 18. Grant Thornton presented the audited financial statements for ULREF and ULF during the meeting. Grant Thornton issued unqualified opinions on the financial statements. There were no corrected or material uncorrected misstatements identified as a result of their procedures. No material weaknesses in internal controls over financial reporting were identified and there were no matters that would impair Grant Thornton's independence with respect to management or the Foundations.

Mr. Smith reported the Committee approved the Real Estate Foundation's audited financial statements and independent auditor's report, and as a final step they recommend the full Board also approve them. The motion passed.

IV. Property Committee Report

Ms. Gratz reported the Property Committee reviewed leasing activities across the portfolio at their October 16, 2023, meeting. Overall, the Foundation's properties are performing well. She noted the Committee also discussed the potential sale of real property as well as a few specific business proposals that will be discussed during the executive session.

V. Information Item: Fiscal Year 2024 First Quarter Financial Update

Mr. Ruhl reviewed the **attached** first quarter financial presentation highlighting the consolidated income statements, cash position, debt payments, and TIF revenue.

Beginning with this presentation, the dormitory balances have been removed from the consolidated income statements. This provides a cleaner and more accurate picture of the portfolio's performance because the University covers any losses and keeps any profit. Also, the University anticipates taking over the three dormitories on July 1, 2024.

VI. Reports from the University of Louisville

Dr. Schatzel introduced Ms. Meg Campbell, UofL's Assistant Vice President for Planning, Design, & Construction. Ms. Campbell provided an overview of the campus master plan.

Nr. Nickel joined the meeting at 3:09 p.m.

Mr. Sherman provided an update on the research park work group. Next steps include developing a strategic plan for the future park. The Foundation recently joined the Association of University Research Parks and Dr. Kevin Gardner, UofL's Vice President for Research and Innovation, who is chairing the work group, attended their annual meeting to learn more about best practices.

Mr. Sherman expressed his appreciation to Ms. Campbell for reviewing the campus master plan. He stated the Board welcomes the opportunity to engage and advise on real estate and development matters.

VII. Executive Session to Discuss Potential Acquisition or Sale of Real Property and Specific Business Proposals Pursuant to KRS 61.810(1)(b) and (g)

Ms. Gratz made a motion at 3:26 p.m., which Mr. Dahlem seconded, to go into executive session to discuss the potential acquisition or sale of real property and specific business proposals pursuant to KRS 61.810(1)(b) and (g). The motion passed.

VIII. Reconvene Open Session

Open session reconvened at 3:52 p.m., Mr. Gault reported that the potential sale of real property and specific business proposals were discussed during the executive session.

Upon a motion made by Ms. Force and seconded by Mr. Dahlem, the Board approved the sale of certain real property and improvements located at 425 W. Lee Street as defined in the **attached** resolution.

IX. Other Business

The University of Louisville Foundation, Inc. and NTS Development Company were each party to a Development Partner Agreement dated October 31, 2012 that was subsequently assigned from ULF to the University of Louisville Real Estate Foundation, Inc. pursuant to the Assignment and Assumption Agreement dated as of July 1, 2016.

The Foundation and NTS desire to amend the Development Partner Agreement to include a termination date of December 31, 2026. Ms. Force made a motion, which Mr. Smith seconded, to approve the **attached** resolution regarding the approval of amendment to the Development Partner Agreement. The motion passed.

In an effort to improve efficiency and better support the University of Louisville, the Foundation and the University of Louisville Foundation, Inc. would like to effect a reorganization, effective July 1, 2024. Mr. Sherman provided a high-level overview of the **attached** resolution and governance documents. Ms. Force made a motion, which Mr. Gault seconded, to approve the **attached** resolutions regarding the reorganization. The motion passed.

X. Adjournment

Having no other business, Ms. Gratz made a motion to adjourn, which Mr. Dahlem seconded. The meeting adjourned at 4:19 p.m.

[redacted]

Powell Spears, Secretary
University of Louisville Real Estate Foundation, Inc.

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

October 25, 2023

At a duly convened meeting of the Board of Directors (the "**Board**") of the University of Louisville Real Estate Foundation, Inc., a Kentucky non-profit corporation ("**ULREF**"), held on October 25, 2023, the Board adopted the following resolution:

Approval of FY22-23 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, 2023, 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, 2023 and the Independent Auditor's Report.

RESOLVED, the Board approves the attached audited financial statements for the period ending June 30, 2023, and the Independent Auditor's Report.

BOARD ACTION:
Passed X
Did Not Pass ________
Other ______________

[redacted]

Powell Spears, Secretary
University of Louisville Real Estate Foundation, Inc.

Grant Thornton

PRESENTATION TO THOSE CHARGED WITH GOVERNANCE

2023 Annual Audit Presentation

University of Louisville Foundation

University of Louisville Real Estate Foundation

September 18, 2023

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

April-June 2023	Client continuance	• Confirm independence and perform client continuance procedures • Issue engagement letter • Conduct internal client service planning meeting
June 2023	Planning	• 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
	Preliminary risk assessment procedures	• 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
August 2023	Final fieldwork	• 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
September 2023	Deliverables	• 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.

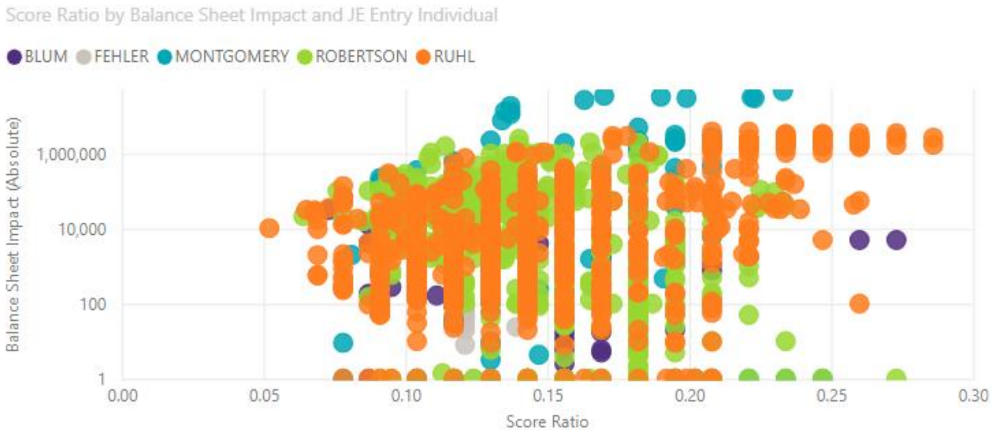
Areas of Focus	Results
Revenue Recognition – A significant portion of revenue comes from contracts with customers (rent and TIF revenue). The accounting for revenue is subject to revenue recognition determination and the existence of revenue. (ULREF)	• Evaluated the design and implemented the controls over the calculation of revenue to be recognized. • Performed analytical tests using data outside of the accounting department to create expectations of revenue and compare to actual results. • Performed tests of details, including testing individual revenue transactions. • Evaluated the revenue recognition policies for appropriateness within the GAAP framework.
Management override of 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)	• Considered the design and implemented the entity-level controls, including information technology controls, designed to prevent/detect fraud. • Assessed the ability of the Foundation to segregate duties in its financial reporting, information technology, and at the activity-level. • Conducted 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. • Performed risk assessment for journal entries 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 and identify transactions that appear 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, etc.*). We subject entries with high cumulative risk scores to further analysis and isolate a subset of these entries for testing. For entries tested, we obtained underlying support, evaluate 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.

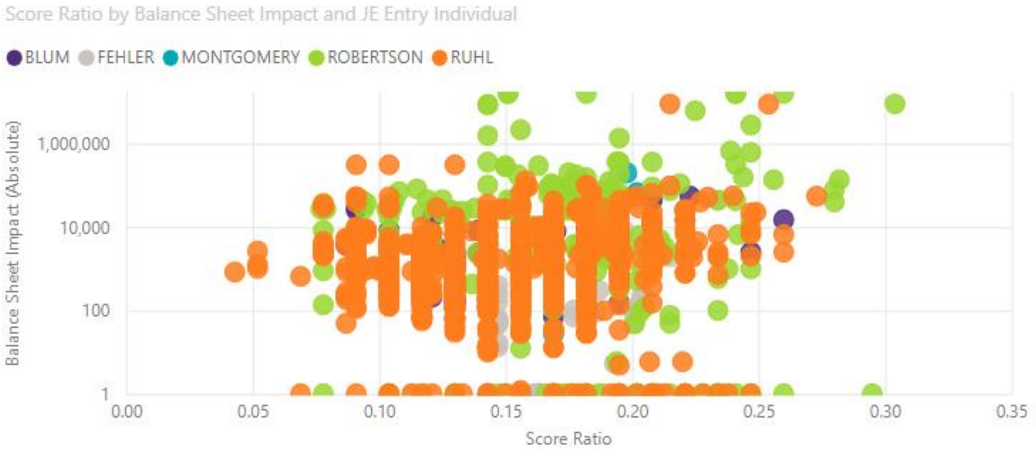


Whole ledger analytics - ULREF

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 and identify transactions that appear 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, etc.*). We subject entries with high cumulative risk scores to further analysis and isolate a subset of these entries for testing. For entries tested, we obtained underlying support, evaluate 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.

Areas of Focus	Results

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)
	• Gained an understanding of the pre- and post- investment monitoring procedures and selection process.
	• Evaluated management's process for estimating the value of investments, including those valued at net asset value.
	• For marketable securities:
	    • Confirmed existence of investment holdings directly with custodians.
	    • Developed an independent estimate of valuation.
	• For alternative investments:
	    • Confirmed a sample of investments directly with the fund manager.
	    • Tested management's process to develop an estimate of valuation, including obtaining manager statements and audited financial statements of the fund. Reviewed auditors' reports to assess quality of financial reporting and type of opinion received.
	    • Obtained fiscal roll-forwards for a sample of non-marketable alternative investment positions. Tested a sample of capital additions, withdrawals, fees and income.
	    • For investments with a fund year-end different from the Foundation, compared investment return to benchmarks and evaluated reasonableness.
	• Tested reasonableness of investment-related income, including unrealized appreciation/(depreciation) in fair values.
	• Evaluated prioritization of inputs used to determine fair value investment assets is reasonable and in accordance with Topic 820, Fair Value Measurements, 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	Results
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)	• Confirmed existence of investment holdings directly with custodians. • Reviewed 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)	• Reviewed rollforward of activity. • Reviewed 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)	• Confirmed debt with holders. • Assessed 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)	• Performed tests of details of contributions received during the year to verify that they were recorded in the proper net asset classification. • Performed 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	Results
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)	• Performed tests of details, including testing individual transactions. • Reviewed pledge agreements and payments on pledges receivables received during the year. • Evaluated 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)	• Agreed 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)	• Tested 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	Results
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. The most significant estimates relate to the valuation of alternative investments and valuation of the investment joint ventures. Our procedures included reviewing these estimates and evaluate their reasonableness.
Financial statement disclosures	Our procedures included 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

Description	Assets	Liabilities	Net assets	Change in Net Assets
	Increase (Decrease) to:			
Corrected misstatements				
None noted				
Uncorrected misstatements				
ULREF				
None noted.				
ULF				
Investments	$ 1,114	$ -	$ -	$ -
Unrealized gain on investments	-	-	-	1,114
To recognize fair value of late reporting alternative investment funds				
Net Assets - beginning of year	-	-	(14,043)	-
Unrealized loss on investments	-	-	-	14,043
Reversal of of prior year impact of fair value of late reporting alternative investment funds				
Net impact	$ 1,114	$ -	$ (14,043)	$ 15,157

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

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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. • Valuation of investments • Functional expense allocation
Disclosures	We believe that management has made the appropriate disclosures in the financial statements. • 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
Other related matters	None noted.

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Appendix

Technical updates - FASB

ASU 2016-13:
Financial Instruments – Credit Losses (Topic 326) “CECL”

Summary

- Replaces the "incurred loss" model with a "current expected credit loss" (CECL) model.
- Requires estimate of credit losses expected over contractual life based on historical experience, current conditions, and reasonable and supportable forecasts.
- Modifies the "other than temporary impairment" (OTTI model) for available-for-sale (AFS) debt securities.
- Requires enhanced disclosures of significant estimates and judgments, and of credit quality and underwriting standards.
- Transition is cumulative effect adjustment to opening net assets as of the beginning of the first reporting period in which the guidance is effective.

Effective date and transition:

- Public business entities for fiscal years beginning after December 15, 2019.
- All other entities for fiscal years beginning after December 15, 2022.
- Early adoption permitted.

Potential impact

The amendments will impact all entities holding financial assets (except for operating lease receivables which are not within the scope of this guidance), including trade, loan, and student receivables.

Institutions will need to broaden the information they look at in developing their expected credit loss estimates.

The changes will reflect forward looking information in the estimate of expected credit losses, which provides more decision-useful information to users of the financial statements.

The standard will potentially impact calculations of the allowance for receivables, although the impact is not expected to be significant. In addition, CECL will impact programmatic loans and the allowance for loan losses on those portfolios, to the extent applicable.

Pledges receivable, loans and receivables between entities under common control, and loans issued under defined contribution employee benefit plans are **not** within the scope of this guidance.

Thought Leadership

Governance IQ

Addressing today's not-for-profit and higher education governance challenges to effectively advance your mission

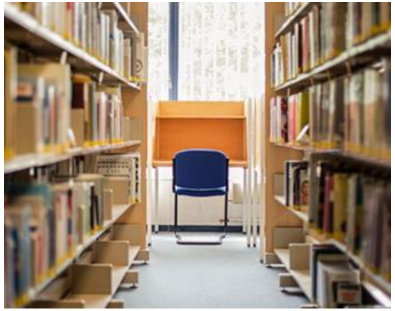
Overview:

- Monthly article series culminating in a webcast and guidebook
- Landing page/hub for the series provides the opportunity to sign-up for monthly emails and download governance materials and thought leadership from Grant Thornton

Sample of topics to be included:

- Board term limits
- Board member primer: duty of care, obedience, loyalty
- Intersection of audit committee and finance committee responsibilities
- D&O insurance: considerations and coverage
- Board training and on-boarding
- Conflicts of interest: annual disclosure and evaluation process
- The audit committee's role in overseeing ERM
- Best practices for effective board and audit committee governance

Additional resources



ARTICLE

How higher education can weather endowment declines

What if sinking markets drag down your endowments?

ARTICLE

Making ESG a reality takes focus, data and disclosure

To incorporate ESG efforts into operating models, nonprofits ar...

ARTICLE

Ensure the vitality of your higher education campus

To most effectively ensure your higher education institution's ...

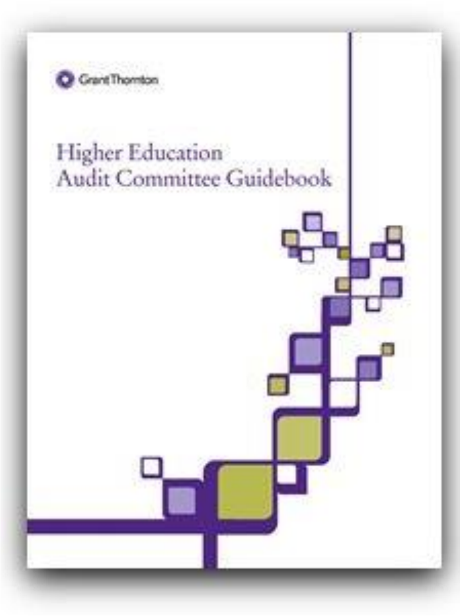
ARTICLE

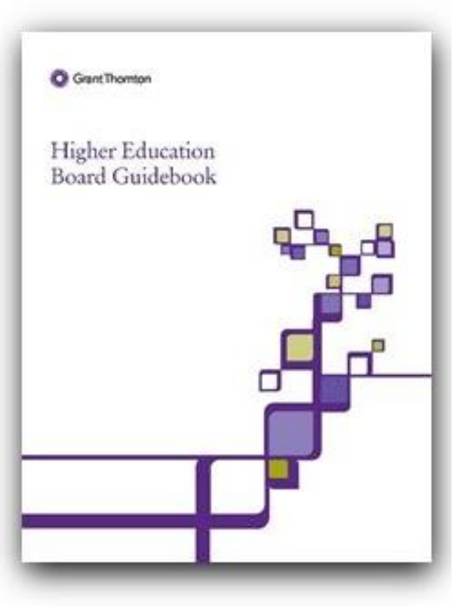
Financial reports as a guiding light for your mission

Key financial metrics can show the path to your mission.

https://grantthornton.com/nfp

Additional resources





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Board and Executive Institute

Keep on top of topics and best practices, and current and emerging accounting, regulatory, legal and operational business trends.

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2023 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.

MAY 3 — **Today's Not-for-Profit & Higher Education Landscape: Redesigning Your Strategy for Growth**

MAY 24 — **Today's Not-for-Profit & Higher Education Landscape: Aligning Your Operations with Strategy and Mission**

AUG 30 — **Not-for-Profit Accounting and Uniform Guidance Compliance Update**

OCT — **Best Practices for Effective Board & Audit Committee Governance**

All webcasts are from 1:00-2:30 p.m. CT.

Re-broadcasts available and Registrations at: https://www.grantthornton.com/events-and-webcasts/nfp

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.

Consolidated Financial Statements and Report of Independent Certified Public Accountants

University of Louisville Real Estate Foundation, Inc. and Affiliates

June 30, 2023 and 2022

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion
We have audited the consolidated financial statements of University of Louisville Real Estate Foundation, Inc. and Affiliates (the “Entity”), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the 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, 2023 and 2022, and the results of its operations and its cash flows for the years 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.

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 22, 2023

University of Louisville Real Estate Foundation, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,
(In thousands)

	2023	2022
ASSETS		
Cash	$ 8,157	$ 12,719
Accounts receivable	4,108	2,745
Short-term investments	12,085	-
Prepaids and other assets	1,610	1,519
Investments in joint ventures	2,259	3,602
Deferred tax assets, net	962	1,161
Intangibles, net	84,371	88,868
Capital assets, net	142,340	145,713
Total assets	$ 255,892	$ 256,327
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 356	$ 318
Other liabilities	1,714	2,089
Debt	42,687	52,637
Due to the University of Louisville Foundation, Inc.	5,467	10,886
Total liabilities	50,224	65,930
Net assets without donor restrictions	205,668	190,397
Total liabilities and net assets	$ 255,892	$ 256,327

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

University of Louisville Real Estate Foundation, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30,
(In thousands)

	2023	2022
Revenues, gains, and other support:		
Rental revenue	$ 14,056	$ 13,777
Contributions in-kind	65	9,000
Net investment return	372	694
Tax incremental financing revenues	21,084	8,957
Other revenue and gains	1,990	2,375
Total revenues, gains, and other support	37,567	34,803
Expenses:		
Contribution expense	780	677
Salaries	1,220	1,175
General and administrative	1,843	1,194
Lease expense	1,184	1,596
Professional services	1,361	1,178
Utilities	1,760	1,357
Repairs and maintenance	2,908	1,811
Depreciation and amortization	8,902	8,919
Interest expense	2,338	2,372
Total expenses	22,296	20,279
CHANGES IN NET ASSETS	15,271	14,524
Net assets, beginning of year	190,397	175,873
Net assets, end of year	$ 205,668	$ 190,397

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

University of Louisville Real Estate Foundation, Inc. and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,
(In thousands)

	2023	2022
Operating activities		
Changes in net assets	$ 15,271	$ 14,524
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contribution of capital assets	(65)	(9,000)
Depreciation and amortization	8,902	8,919
Investments in joint ventures (gains) losses	257	(191)
Deferred tax assets	199	(1,161)
Gain on disposal of capital assets	(723)	–
Changes in assets and liabilities:		
Accounts receivable	(1,363)	(2,084)
Prepaids and other assets	(118)	(489)
Accounts payable and other liabilities	(337)	1,087
Due to the University of Louisville Foundation, Inc.	81	6
Net cash provided by operating activities	22,104	11,611
Investing activities		
Distributions from joint ventures	1,086	1,000
Purchases of investments	(19,585)	–
Proceeds from sales of investments	7,500	–
Purchase of capital assets	(1,633)	(437)
Disposal of capital assets	1,460	–
Net cash provided by (used in) investing activities	(11,172)	563
Financing activities		
Payments on debt	(9,994)	(5,923)
Repayments to the University of Louisville Foundation, Inc.	(5,500)	(4,000)
Net cash used in financing activities	(15,494)	(9,923)
NET CHANGE IN CASH	(4,562)	2,251
Cash, beginning of year	12,719	10,468
Cash, end of year	$ 8,157	$ 12,719
Supplemental cash flow information		
Cash paid for interest	$ 2,371	$ 2,362
Noncash investing and financing activities		
Contributions of capital assets	$ (65)	$ (9,000)

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

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of Louisville Real Estate Foundation, Inc. (ULREF) was formed in November 2014. ULREF's mission is to acquire, maintain, improve, leverage, manage, lease, and convey real and personal property for the benefit of the University of Louisville (the University). ULREF has been designated by the University and the University of Louisville Foundation, Inc. and Affiliates (the Foundation) to receive funds derived from gifts and other sources. As directed by its Board of Directors (the Board), ULREF transfers a portion of its unrestricted resources to support a variety of activities of the University.

The Foundation is an unconsolidated affiliate of the University. ULREF is a discretely presented component in the financial statements of the University.

The accompanying consolidated financial statements include the balances and transactions of ULREF and its affiliates, including the following:

220 South Preston, LLC (Preston) is a limited liability company formed in October 2014 with a 70-year term, whose original members were ULREF and NTS Realty Holdings Limited Partnership (NTS), an unrelated entity. Its purpose is to develop, construct, and manage a parking garage near the health sciences campus of the University. In March 2020, NTS executed its put option to sell its interest in Preston to ULREF. ULREF is now the sole member of Preston.

Louisville Medical Center Development Corporation (LMCDC) is a nonstock, nonprofit corporation whose membership interest was assigned by the Foundation to ULREF in August 2015. LMCDC was originally acquired by the Foundation in October 2008. Its purpose is to hold and administer tax increment financing (TIF) for the Louisville Life and Health Sciences Signature TIF project and the University of Louisville Research Park Project. ULREF is the sole member of LMCDC.

Nucleus: Kentucky Life Sciences and Innovation Center, LLC (Nucleus) was formed in February 2008 and subsequently named Nucleus: Kentucky's Life Sciences and Innovation Center, LLC. Nucleus is a limited liability company whose membership interest was assigned by the Foundation to ULREF in September 2015. Its purpose is to integrate University resources, including life sciences, with those of the region, specifically as it relates to building and maintaining a research park in downtown Louisville. ULREF is the sole member of Nucleus. Nucleus was dissolved in July 2022.

Cardinal Station, LLC (Cardinal Station) is a limited liability company formed in February 2008, whose membership interest was assigned by the Foundation to ULREF in September 2015. Its purpose is to develop and manage the real estate operations of Cardinal Station. ULREF is the sole member of Cardinal Station.

KYT - Louisville, LLC (KYT) is a limited liability company formed in November 2008, whose membership interest was assigned by the Foundation to ULREF in June 2016. Its purpose is to develop and manage the real estate purchase and development of property adjacent to the University. ULREF is the sole member of KYT.

Johnson Hall, LLC is a limited liability company formed in October 2016 with ULREF as its sole member. Its purpose is to manage the operations of Bettie Johnson Hall, a dormitory located on the University's Belknap Campus.

Kurz Hall, LLC is a limited liability company formed in October 2016 with ULREF as its sole member. Its purpose is to manage the operations of Kurz Hall, a dormitory located on the University's Belknap Campus.

Community Park, LLC is a limited liability company formed in October 2016 with ULREF as its sole member. Its purpose is to manage the operations of Community Park, a dormitory located on the University's Belknap Campus.

515 Building, LLC is a limited liability company formed in June 2022 with ULREF as its sole member. Its purpose is to manage the operations of a building located at 515 W. Market Street.

248 E. Market, LLC is a limited liability company formed in October 2022 with ULREF as its sole member. Its purpose is to manage the operations of a building located at 248 E. Market Street.

All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash

At June 30, 2023 and 2022, ULREF's cash accounts exceeded federally insured limits. ULREF has not experienced any losses in such accounts. Management believes that ULREF is not exposed to any significant credit risk on cash.

Short-Term Investments

Short-term investments include a money market fund that is valued at cost which approximates fair value.

Investments in Joint Ventures

In December 2014, ULREF became a 51% owner of Campus Three, LLC (Campus Three). In March 2016, ULREF received a 51% ownership interest in Campus Two, LLC (Campus Two) from the Foundation. These joint ventures build and manage commercial real estate property on the University's Shelby Campus.

The Foundation entered into ground leases to develop a portion of the University's Shelby Campus property. On or about the date of each respective lease, ULREF and NTS entered into a Development Agreement, an Operating Agreement, and a Management Agreement, which state that NTS Development Company (NTS DevCo) will be the developer and NTS Management Company (NTS Mgt Co) will be the manager, and which provide for management, leasing, and development fees to be paid by ULREF to NTS DevCo and NTS Mgt Co. The initial term of the Operating Agreement is 10 years. Campus Two and Campus Three may terminate the Management Agreement for cause upon 60 days' written notice at any time. NTS 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 ULREF to purchase NTS's interest in Campus Three and/or in Campus Two.

ULREF has evaluated these investments as variable interest entities (VIEs) in accordance with Accounting Standards Codification 810, *Consolidation*. A legal entity is referred to as a VIE if any of the following conditions exist: (1) the total equity investment at risk is insufficient to permit the legal entity to finance its activities without additional subordinated financial support from other parties, or (2) the entity has equity investors who cannot make significant decisions about the entity's operations or who do not absorb their proportionate share of the expected losses or receive the expected returns of the entity.

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

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

ULREF monitors the consolidated and unconsolidated VIEs to determine whether any reconsideration events have occurred that could cause any of them to no longer be a VIE. ULREF reconsiders whether it is the primary beneficiary of a VIE on an ongoing basis. A previously unconsolidated VIE is consolidated when ULREF becomes the primary beneficiary. A previously consolidated VIE is deconsolidated when ULREF ceases to be the primary beneficiary or the entity is no longer a VIE.

ULREF has concluded that it is not the primary beneficiary in any of these investments, and, therefore, these investments are accounted for using the equity method of accounting.

MedCenter Parking, LLC

MedCenter Parking, LLC (MedCenter), located at 501 E. Broadway, is a limited liability company formed in June 2001 whose members are ULREF (50%) and Big A, LLC (50%), an unrelated party. Its purpose is to operate and manage parking space near the MedCenter One building on E. Broadway. The following is a summary of the investments in joint ventures as of June 30 (in thousands):

	2023	2022
Campus Two	$ 1,984	$ 2,406
Campus Three	(79)	842
MedCenter	354	354
	$ 2,259	$ 3,602

The following is a summary of ULREF's share of joint venture gains (losses) for the years ended June 30 (in thousands):

	2023	2022
Campus Two	$ 129	$ (13)
Campus Three	(386)	204
	$ (257)	$ 191

Investments in joint ventures are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable. No impairment was recognized for the years ended June 30, 2023 or 2022.

Amortized Intangible Assets and Liabilities

Intangible assets and liabilities for in-place and above-market leases are being amortized over the related lease terms.

TIF intangibles were recorded in connection with the transfer of LMCDC membership interest from the Foundation. The value of the intangible was derived by discounting projected future increment payments over the remaining life of the Louisville Life and Health Sciences and University of Louisville Research Park Project TIF agreements.

The TIF intangible assets are being amortized over the remaining 19 to 21 years. Such assets are periodically evaluated as to the recoverability of their carrying values.

Capital Assets

Capital assets are stated at cost, if purchased, and at fair value at the date of the gift, if acquired by contribution. 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
Building improvements	40 years
Tenant finish	Life of lease
Furniture, fixtures and equipment	3 years

Long-Lived Asset Impairment

ULREF 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 flows expected to result from the use and eventual disposition of the asset are 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.

No asset impairment was recognized during the years ended June 30, 2023 and 2022.

Rental Revenue and Deferred Rent

Rental revenue is recognized over the terms of each tenant’s lease agreement. Certain of ULREF’s lease agreements are structured to include scheduled and specific rent increases over the lease term. For financial reporting purposes, deferred rent consists of rents receivable from these leases recognized on a straight-line basis over the initial lease term. Accrued income from these leases reflected as deferred rent, which is included in accounts receivable on the consolidated statements of financial position, was approximately $387,000 and $555,000 for the years ended June 30, 2023 and 2022, respectively.

Tax Incremental Financing Revenues

TIF revenues are reimbursements from certain agreements between ULREF, the Commonwealth of Kentucky, and the Louisville/Jefferson County Metro Government. Revenues from these agreements are based on allocations of property taxes, sales and use tax, and income taxes, which vary based on the terms stated in each respective agreement and the amount of taxes collected throughout the year adjusted for inflation. Revenues are recognized when the agencies provide written notice they have completed the increment calculations. The TIF districts are located in downtown Louisville and the University's Belknap Campus area.

For the years ended June 30, 2023 and 2022, ULREF recorded approximately $21.1 million and $9.0 million, respectively, of TIF revenues.

In-Kind Contributions

In addition to receiving cash contributions, ULREF receives in-kind contributions of buildings and other items 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. ULREF received approximately $65,000 and $9.0 million of in-kind gifts for the years ended June 30, 2023 and 2022, respectively.

Contributed real estate is recorded at fair value at the date of donation as support and revenue without donor restrictions unless the use of such contributed assets is restricted by a donor-imposed restriction. In valuing contributed real estate, 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 real estate market. Contributed real estate is capitalized and used for rental activities.

Contributions Expense

ULREF provides University tenants with free or discounted rents. For the years ended June 30, 2023 and 2022, the amounts of free or discounted rents recognized as contributions to University tenants were approximately $677,000. These amounts are included in contribution expense and rental revenue on the consolidated statements of activities and changes in net assets.

Tax Status

ULREF and LMCDC are recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(a) of the Internal Revenue Code (IRC) as charitable organizations qualifying under IRC 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.

The remainder of ULREF's affiliates are single-member limited liability companies, which are considered disregarded entities for tax purposes.

Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a natural classification basis on the consolidated statements of activities and changes in net assets.

Expenses by functional classification were as follows (in thousands):

	2023		2022	
	Program Services	Management and General	Program Services	Management and General
Contribution expense	$ 780	$ -	$ 677	$ -
Salaries	1,220	-	1,175	-
General and administrative	-	1,843	-	1,194
Lease expense	-	523	-	1,596
Professional services	-	1,361	-	1,178
Utilities	1,760	-	1,357	-
Repairs and maintenance	2,908	-	1,811	-
Depreciation and amortization	8,894	-	8,919	-
Interest expense	2,338	-	2,372	-
Total expenses	$ 17,900	$ 3,727	$ 16,311	$ 3,968

Reclassifications

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

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 at June 30, 2023 and 2022 (in thousands), are as follows:

	2023	2022
Financial assets at year-end:		
Cash	$ 8,157	$ 12,719
Accounts receivable	4,108	2,745
Short-term investments	12,085	-
Total financial assets	$ 24,350	$ 15,464

As part of its liquidity plan, ULREF invests excess cash in short-term investments, such as money market accounts.

NOTE 3 - CAPITAL ASSETS, NET

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

	2023	2022
Land and land improvements	$ 52,473	$ 52,442
Buildings	106,771	106,852
Building improvements	2,414	2,171
Tenant finish	3,775	3,669
Furniture, fixtures, and equipment	2,510	1,750
	167,943	166,884
Accumulated depreciation	(26,578)	(22,293)
Construction-in-progress	975	1,122
Total capital assets, net	$ 142,340	$ 145,713

Depreciation expense for the years ended June 30, 2023 and 2022, was approximately $4.3 million.

NOTE 4 - INTANGIBLE ASSETS

The approximate carrying basis and accumulated amortization of recognized intangible assets at June 30 were as follows (in thousands):

	2023		2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets and liabilities:				
In-place leases	$ 354	$ (332)	$ 354	$ (321)
Above-market leases	2,917	(1,020)	2,917	(897)
Tax incremental financing	116,600	(34,148)	116,600	(29,785)

Amortization expense for the years ended June 30, 2023 and 2022, was approximately $4.5 million and $4.5 million, respectively.

At June 30, 2023, the amortization for acquired TIF intangibles, in-place leases, and above-market leases, net during the next five years and thereafter, assuming no early lease terminations, is as follows (in thousands):

	In-Place Leases	Above-Market Leases	Tax Incremental Financing
2024	$ 11	$ 123	$ 4,364
2025	9	123	4,364
2026	2	123	4,364
2027	-	123	4,364
2028	-	123	4,364
Thereafter	-	1,282	60,632
Total	$ 22	$ 1,897	$ 82,452

NOTE 5 - INCOME TAXES

Deferred income taxes reflect the net tax effect of temporary differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted marginal tax rates and laws currently in effect. As of June 30, 2023 and 2022, ULREF's deferred income tax assets, net of valuation allowances of approximately $500,000 and $400,000, were $960,000 and $1.2 million, respectively. Net operating loss carryforwards were approximately $6.9 million at June 30, 2023; these begin to expire in 2036. No income tax expense was recorded in the years ended June 30, 2023 and 2022.

NOTE 6 - DEBT

Debt on the consolidated statements of financial position consists of the following at June 30 (in thousands).

	2023	2022
Permanent financing - Preston	$ 7,472	$ 7,940
Note payable - KYT	-	8,000
Northwestern mutual loan - housing	35,564	37,090
Total notes payable	43,036	53,030
Less debt issuance costs	(349)	(393)
Notes payable, net	$ 42,687	$ 52,637

In June 2019, Preston entered into a note with a financial institution having a fixed rate of 3.65%, five-year maturity with a 20-year amortization with principal and interest payments due quarterly and all outstanding principal and accrued interest due in full at the maturity date of June 1, 2024. Preston is required to maintain a debt service coverage ratio of 1.00 to 1.00. At June 30, 2023, Preston was in compliance with this debt requirement.

In June 2016, KYT entered into a note payable with a financial institution to refinance $19.5 million borrowed in relation to the purchase of property adjacent to the University in 2008. The note was paid in full in May 2023 and the obligation was discharged.

In November 2018, ULREF signed a promissory note with a financial institution to refinance three dorms, Bettie Johnson Hall, Kurz Hall, and Community Park. The promissory note has a fixed interest rate of 4.77%, 20-year amortization, with monthly principal and interest payments until maturity date of December 1, 2038.

A summary of scheduled principal payments on the above obligations is as follows (in thousands):

Year Ending June 30:		
2024	$	8,937
2025		1,672
2026		1,754
2027		1,839
2028		1,929
Thereafter		26,905
	$	43,036

NOTE 7 - RELATED-PARTY TRANSACTIONS

ULREF entered into a service agreement with the Foundation to provide certain administrative support. For the years ended June 30, 2023 and 2022, ULREF recorded expense approximating $660,000 and $644,000, respectively, which is included in professional services on the consolidated statements of activities and changes in net assets.

ULREF leases certain of its properties to University-related affiliates under operating lease agreements that expire in various years through 2026. Rental income recognized from these tenants was approximately $2.1 million and $2.3 million in 2023 and 2022, respectively.

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, 2023 and 2022, the net payable due to the Foundation was approximately $5.5 million and $10.9 million, respectively.

NOTE 8 - LEASING ACTIVITIES

ULREF leases space to tenants under noncancelable operating leases. As of June 30, 2023, ULREF had various leases expiring monthly to 83 years, through 2106. These leases generally require ULREF to pay all executory costs (property taxes, maintenance, and insurance).

Rental revenue for the years ended June 30 was as follows (in thousands):

	2023	2022
Base minimum rents	$ 13,898	$ 13,635
Common area maintenance	158	142
	$ 14,056	$ 13,777

Future leasing rent payments due to ULREF on noncancelable leases are as follows (in thousands):

Year Ending June 30:	
2024	$ 3,395
2025	2,337
2026	2,043
2027	1,522
2028	1,053
Thereafter	21,789
	$ 32,139

Included in the amounts above is a certain subleased property that requires ULREF to pay approximately $450,000 annually in rent for 10 years, with escalating provisions during the lease term. The basic provisions of ULREF's sublease for this property are equal to its lease commitment.

NOTE 9 - SUBSEQUENT EVENTS

ULREF has evaluated and disclosed subsequent events through September 22, 2023, which is the date the accompanying consolidated financial statements were issued. No events were identified that required recognition and/or disclosure in the consolidated financial statements.

UNIVERSITY OF LOUISVILLE
REAL ESTATE
FOUNDATION

Financial Update
October 2023

Executive Summary

LMCDC received a $1.6 million check from Louisville Metro for tax year 2020 increment generated by the HSC TIF. A $2.1 million receivable was recorded for the tax year 2021 HSC TIF increment, which was collected in early October. This is not reflected in the attached financials.

ULREF completed the FY23 audit and received a clean, unmodified opinion.

ULREF signed a letter of intent to sell the 425 W. Lee Street property.

ULREF Consolidated Income Statements

A. Includes $74,000 bad debt expense for Prescient Medical space at One Innovation Center.

B. Adjustment to deferred tax asset and accrued property taxes for the 515 Building.

Financial information for the Dorm LLCs is included in Net Assets.

	For the Three Months Ended September 30,				
	2023	2022	Variance	Budget	Variance
			(in thousands)		
Revenues					
Rental revenue	$ 1,114	$ 1,081	$ 33	$ 1,119	$ (5)
Parking revenue	227	217	10	215	12
Tax increment financing revenue	-	8,680	(8,680)	-	-
Gift revenue	-	65	(65)	-	-
Other revenues	141	233	(92)	182	(41)
Total revenues	1,482	10,276	(8,794)	1,516	(34)
Expenses					
Salaries	53	43	10	49	4
General and administrative (A)	293	205	88	195	98
Professional services	260	252	8	270	(10)
Utilities	224	222	2	220	4
Repairs and maintenance	322	217	105	300	22
Total operating expenses	1,152	939	213	1,034	118
Net operating income	330	9,337	(9,007)	482	(152)
Other expenses after NOI					
Tax expense (B)	274	2	272	42	232
Depreciation and amortization	1,592	1,571	21	1,566	26
Interest expense	69	160	(91)	70	(1)
Total other expenses after NOI	1,935	1,733	202	1,678	257
Change in net assets	$ (1,605)	$ 7,604	$ (9,209)	$ (1,196)	$ (409)

See Appendix A for financial statements

ULREF Consolidated Statements of Position

A. Includes a $2.1M receivable from Louisville Metro for tax year 2021 increment from the HSC TIF. This was collected in October 2023. Also includes $74,000 allowance for doubtful accounts for Prescient Medical space at One Innovation Center.

B. TIF proceeds held in money market account currently earning 5.24%. The funds are being held pending potential future projects on campus.

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.

Financial information for the Dorm LLCs is included in Net Assets.

	September	
	2023	**2022**
	(in thousands)	
Assets		
Cash	$ 1,578	$ 1,221
Accounts receivable, net (A)	2,515	1,953
Short-term investments (B)	15,921	15,473
Prepaids and other assets	723	671
Deferred tax asset (C)	729	1,161
Investments in joint ventures	1,813	3,406
Intangibles, net	83,246	87,777
Capital assets, net	92,302	94,068
Total assets	**$ 198,827**	**$ 205,730**

See Appendix A for financial statements

ULREF Consolidated Statements of Position (cont'd)

A. ULREF paid off the KYT note in FY23.

B. ULREF made payments totaling $5.5 million to ULF in FY23.

Financial information for the Dorm LLCs is included in Net Assets.

	September	
	2023	**2022**
	(in thousands)	
Liabilities and net assets		
Liabilities:		
Accounts payable	$ 161	$ 144
Other liabilities	487	406
Debt (A)	7,356	15,823
Due to ULF (B)	5,468	10,889
Total liabilities	13,472	27,262
Net assets	185,355	178,468
Total liabilities and net assets	**$ 198,827**	**$ 205,730**

See Appendix A for financial statements

ULREF Debt

Loan	Terms	Maturity Date	Outstanding Principal September 30, 2023 *(in thousands)*
220 S. Preston - Permanent Financing $9.3 million	• Fixed 3.65% rate • 5-year maturity and a 20-year amortization, balloon payment at maturity • Quarterly principal and interest payments	June 2024	$ 7,356
Dorm, LLCs - Northwestern Mutual Loan $42 million	• Fixed 4.77% rate • 20-year amortization • Monthly principal and interest payments	December 2038	$ 35,171

Schedule of Cumulative Remaining Payments	
(in thousands)	
Year ending June 30,	
2024	8,427
2025	1,672
2026	1,754
2027	1,839
2028	1,929
Thereafter	26,905
	$ 42,526

Debt without Payment Schedule	
Outstanding Principal at September 30, 2023	
(in thousands)	
Due to ULF	$ 5,468

Real Estate Performance

- Joint Ventures:
  - Campus Two and Campus Three are non-consolidated joint ventures. ULREF is a 51% partner in each joint venture.
  - Infrastructure investments at ShelbyHurst are included in the cash investment for the joint ventures.

	Cash Flows (Deficit)	Total Cash Investment *(in thousands)*	Cash Return (Loss) %
Properties			
Cardinal Station	733	12,752	6%
JD Nichols Garage	249	9,476	3%
UofL Research Park (LRP)	(50)	19,500	0%
One Innovation Center	(178)	7,579	(2%)
Bed Bath & Beyond	140	7,000	2%
Solae	252	3,600	7%
UofL Optimal Aging	68	3,567	2%
K-I Lumber	194	3,441	6%
South Preston Lot	63	2,885	2%
301 Lot Surface Parking	52	2,826	2%
Joint Ventures			
Campus Two	574	3,575	16%
Campus Three	333	5,226	6%

Historical TIF Increment Receipts

- LMCDC received a check for tax year 2021 HSC TIF increment in October.
- We are gathering employment data for tax year 2022 and plan to make an increment request in the coming months.

Tax Year	Health Science Campus TIF		Belknap Campus TIF		Total
	State	Metro	State	Metro	
	(in thousands)				
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	62	36	3,907
2015	2,648	1,653	62	86	4,449
2016	5,191	2,281	62	376	7,910
2017	6,794	2,298	-	360	9,452
2018	7,198	1,911	-	355	9,464
2019	6,837	1,788	-	433	9,058
2020	8,680	1,557	-	TBD	10,237
2021	8,580	2,166	-	TBD	10,746
Total	**$ 61,010**	**$ 18,677**	**$ 186**	**$ 1,646**	**$ 81,519**

Appendix A

University of Louisville Real Estate Foundation, Inc.
Consolidated Statements of Financial Position
(in thousands)

	September 2023	September 2022	Variance
Assets			
Cash	$ 1,578	$ 1,221	$ 357
Accounts receivable, net	2,515	1,953	562
Short-term investments	15,921	15,473	448
Prepaids and other assets	723	671	52
Deferred tax asset	729	1,161	(432)
Investments in joint ventures	1,813	3,406	(1,593)
Intangibles, net	83,246	87,777	(4,531)
Capital assets, net	92,302	94,068	(1,766)
Total assets	**$ 198,827**	**$ 205,730**	**$ (6,903)**
Liabilities and net assets			
Liabilities:			
Accounts payable	$ 161	$ 144	$ 17
Other liabilities	487	406	81
Debt	7,356	15,823	(8,467)
Due to ULF	5,468	10,889	(5,421)
Total liabilities	**13,472**	**27,262**	**(13,790)**
Net assets	185,355	178,468	6,887
Total liabilities and net assets	**$ 198,827**	**$ 205,730**	**$ (6,903)**

University of Louisville Real Estate Foundation, Inc.
Consolidated Income Statements and Budget Comparison
For the Three Months Ended September 30,

	2023	2022	Variance	Budget	Variance
Revenues					
Net rental revenue	$ 1,114	$ 1,081	$ 33	$ 1,119	$ (5)
Parking revenue	227	217	10	215	12
Tax increment financing revenue	-	8,680	(8,680)	-	-
Gift revenue	-	65	(65)	-	-
Other revenues	141	233	(92)	182	(41)
Total revenues	**1,482**	**10,276**	**(8,794)**	**1,516**	**(34)**
Operating Expenses					
Salaries	53	43	10	49	4
General and administrative	293	205	88	195	98
Professional services	260	252	8	270	(10)
Utilities	224	222	2	220	4
Repairs and maintenance	322	217	105	300	22
Total operating expenses	**1,152**	**939**	**213**	**1,034**	**118**
Net operating income (NOI)	**330**	**9,337**	**(9,007)**	**482**	**(152)**
Other expenses after NOI					
Tax expense	274	2	272	42	232
Depreciation and amortization	1,592	1,571	21	1,566	26
Interest expense	69	160	(91)	70	(1)
Total other expenses after NOI	**1,935**	**1,733**	**202**	**1,678**	**257**
Consolidated net (loss) income	**$ (1,605)**	**$ 7,604**	**$ (9,209)**	**$ (1,196)**	**$ (409)**

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

October 25, 2023

At a duly convened meeting of the Board of Directors (the "**Board**") of the University of Louisville Real Estate Foundation, Inc., a Kentucky non-profit corporation ("**ULREF**"), held on October 25, 2023, the Board adopted the following resolutions:

Sale of 425 W. Lee Street

WHEREAS, the ULREF owns certain real property and improvements located at 425 W. Lee Street, which previously housed University of Louisville's Audit Services;

WHEREAS, the property has been unoccupied since May 2022 and the University of Louisville ("**University**") notified ULREF that the University has no strategic use for the property;

WHEREAS, the property has been listed for lease as of approximately May 2, 2022;

WHEREAS, the property listing was amended to also include for sale as of approximately January 25, 2023;

WHEREAS, the Property Committee has determined it is in the best interest of the ULREF to sell the Property and to take all actions commercially reasonable, necessary, and desirable to consummate the sale.

NOW, THEREFORE, LET IT BE:

RESOLVED, upon the recommendation of the Property Committee the Board hereby approves the sale of the Property pursuant to the terms and conditions set forth in the letter of intent by and between the ULREF and the Louisville Firefighters Union Local 54 (the "**Buyer**") substantially in the form shown on Exhibit "A" attached hereto and made a part hereof;

RESOLVED, the Board hereby authorizes and directs the Executive Director of ULREF, Keith Sherman, to negotiate and finalize such sale, including execution of definitive documentation on the terms and conditions set forth in the Purchase Agreement and such other terms as he, in consultation with legal counsel, believes to be commercially reasonable, including, without limitation, execution of a Special Warranty Deed, Bill of Sale, Closing Statement, Seller's Affidavit, and any other documents as the Executive Director deems necessary or desirable in order to consummate the sale (the "**Sale Documents**"), and to deliver the Sale Documents to the Buyer;

RESOLVED, the Board hereby authorizes the Executive Director to execute such further documents and to take such further action as may be necessary or desirable to consummate the sale of the Property and carry out the obligations and transactions contemplated by the Purchase Agreement.

BOARD ACTION:
Passed __X__________
Did Not Pass ________
Other ______________

[redacted]

Powell Spears, Secretary
University of Louisville Real Estate Foundation, Inc.

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

October 25, 2023

At a duly convened meeting of the Board of Directors (the "**Board**") of the University of Louisville Real Estate Foundation, Inc., a Kentucky nonprofit corporation (the "**Foundation**"), held on October 25, 2023, the Board adopted the following resolutions:

Approval of Amendment to Development Partner Agreement

WHEREAS, the University of Louisville Foundation, Inc. ("**ULF**") and NTS Development Company ("**NTS**") were each parties to that certain Development Partner Agreement dated October 31, 2012, as subsequently assigned from ULF to the Foundation pursuant to the Assignment and Assumption Agreement dated as of July 1, 2016 (collectively, the "**Agreement**");

WHEREAS, the Foundation and NTS desire to amend the Agreement in accordance with the terms and conditions set forth in the attached Amendment to Development Partner Agreement (the "**Amendment**");

WHEREAS, the Property Committee of the Foundation believes it is in the best interest of the Foundation to approve the Amendment and to take all actions reasonable, necessary, and desirable to effectuate the Amendment;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes and approves and declares advisable the Amendment;

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

BOARD ACTION:

Passed X

Did Not Pass ______

Other ______

[redacted]

Powell Spears, Secretary
University of Louisville Real Estate Foundation, Inc.

101303502.1

AMENDMENT TO DEVELOPMENT PARTNER AGREEMENT

THIS AMENDMENT TO DEVELOPMENT PARTNER AGREEMENT (this "Amendment") is entered into as of October 25 2023 by and between (i) University of Louisville Real Estate Foundation, Inc., a Kentucky non-profit corporation (the "Foundation") and (ii) NTS Development Company, a Kentucky corporation (the "Developer").

RECITALS

WHEREAS, the University of Louisville Foundation, Inc. ("ULF") and the Developer were each parties to that certain Development Partner Agreement dated October 31, 2012, as subsequently assigned from ULF to the Foundation pursuant to the Assignment and Assumption Agreement dated as of July 1, 2016 (collectively, the "Agreement"); and

WHEREAS, the Foundation and Developer desire to amend the Agreement in accordance with the terms and conditions set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants, promises and conditions set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Recitals. The above recitals are true and correct and are incorporated herein by this reference.

2. Definitions. Unless otherwise defined herein, all defined terms used herein have the same meanings assigned to them in the Agreement.

3. Amendment. The first sentence of Section 6 of the Agreement shall be amended and restated in its entirety as follows:

   "**Term of Agreement**. This Agreement shall commence on the date hereof, and, subject to the termination rights set forth in this Section 6, this Agreement shall terminate on December 31, 2026 (the "***Term***"). Further, as to a Project, this Agreement shall terminate on the date of Physical Completion of such Project."

4. Reaffirmation. Except as expressly modified by this Amendment, the Agreement is hereby ratified and confirmed by the parties and shall remain in full force and effect. From and after the date hereof, any reference to the "Agreement" in the Agreement shall be deemed to refer to the Agreement as expressly modified by this Amendment.

5. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky.

6. Counterparts. This Amendment may be executed in counterparts, all of which shall be considered an original and one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

[End of Text; Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed and delivered as of the date first written above.

FOUNDATION:

UNIVERSITY OF LOUISVILLE REAL ESTATE FOUNDATION, INC.

By: [redacted]

Name: Keith M Sherman

Title: Executive Director & COO

DEVELOPER:

NTS DEVELOPMENT COMPANY

By: ______________________

Name: ______________________

Title: ______________________

101262085.1

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed and delivered as of the date first written above.

FOUNDATION:

UNIVERSITY OF LOUISVILLE REAL ESTATE FOUNDATION, INC.

By: ______________________________

Name: ______________________________

Title: ______________________________

DEVELOPER:

NTS DEVELOPMENT COMPANY

By: [redacted]

Name: Brian F. Lavin

Title: CEO/Pres

101262085.1

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

October 25, 2023

At a duly convened meeting of the Board of Directors (the "**Board**") of the University of Louisville Real Estate Foundation, Inc., a Kentucky nonprofit corporation ("**ULREF**"), held on October 25, 2023, the Board adopted the following resolutions:

Approval of Second Amended and Restated Articles of Incorporation

WHEREAS, in an effort to improve efficiency and better support the University of Louisville, ULREF and the University of Louisville Foundation, Inc., a Kentucky non-profit corporation ("**ULF**"), would like to effect a reorganization, effective July 1, 2024 ("the "**Effective Date**");

WHEREAS, legal counsel to ULF worked with ULF and ULREF to identify (i) the steps necessary in order to effect a reorganization of the foundations such that ULREF would become a subsidiary of ULF with ULF as ULREF's sole member (the "**Reorganization**") and (ii) the consents, approvals and notices which will be required to effectuate the Reorganization (the "**Consents**");

WHEREAS, assuming ULREF has obtained the Consents required to effect the Reorganization prior to the Effective Date, then upon the Effective Date, the Board of ULREF desires to amend and restate the Amended and Restated Articles of Incorporation of ULREF to admit ULF as its sole member, pursuant to those certain Second Amended and Restated Articles of Incorporation of ULREF, substantially in the form presented to the Board (the "**Second Amended and Restated Articles of Incorporation**"); and

WHEREAS, upon the Effective Date, the Board desires to effect the Second Amended and Restated Articles of Incorporation, pursuant to those certain Articles of Amendment of the Articles of Incorporation, substantially in the form presented to the Board (the "**Articles of Amendment**").

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes and approves and declares advisable the Second Amended and Restated Articles of Incorporation and Articles of Amendment; and

FURTHER RESOLVED, that, upon the Effective Date (if the Consents have been obtained), the officers of ULREF are authorized, empowered and directed, both individually and collectively, for and on behalf of ULREF and in its name, to execute, file, deliver and record such instruments, certificates, documents and agreements (including, without limitation, filing Articles of Amendment with the Office of the Kentucky Secretary of State) and to take or cause to be taken such other and further action as they, or any of them, shall, in their reasonable discretion, deem necessary or appropriate in furtherance of the resolutions set forth herein.

Adoption of Third Amended and Restated Bylaws

RESOLVED, that the Board hereby approves and adopts, to be effective as of the Effective Date (if the Consents have been obtained), the Third Amended and Restated Bylaws of ULREF, in the form presented to the Board (the "**Amended Bylaws**"), and, upon the Effective Date, such Amended Bylaws shall serve as the bylaws of the Foundation and shall be inserted into the minute book of ULREF.

Approval of Termination of Standing Committees of the Board

WHEREAS, upon the adoption of the Amended Bylaws, the Standing Committees of the Board will cease to be authorized;

WHEREAS, upon the adoption of the Amended Bylaws, the Board desires that the responsibilities previously delegated to the Standing Committees of the Board shall revert back to the Board, to the extent not otherwise assumed by ULF in its role as sole member of ULREF;

RESOLVED, that upon the adoption of the Amended Bylaws, the Board hereby approves the termination of the Standing Committees of the Board (being (i) the Property Committee, (ii) the Audit, Compliance and Risk Management Committee, and (iii) the Governance and Nominating Committee) with the authority previously delegated to such Standing Committees to revert to the Board, to the extent not otherwise assumed by ULF in its role as sole member of ULREF.

General Resolutions

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

BOARD ACTION:

Passed __X__________

Did Not Pass __________

Other _______________

[redacted]__________

Powell Spears, Secretary
University of Louisville Real Estate Foundation, Inc.