

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

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

June 30, 2025

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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 statement of financial position as of June 30, 2025, and the related consolidated statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated 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, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit 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 audit. 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 consolidated 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 consolidated 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 30, 2025

University of Louisville Real Estate Foundation, Inc. and Affiliates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2025
(In thousands)

ASSETS

Cash	\$	7,438
Accounts receivable, net		1,399
Short-term investments		12,187
Prepays and other assets		8,687
Investments in joint ventures		8,416
Intangibles, net		151,824
Capital assets, net		225,302
		<hr/>
Total assets	\$	<u>415,253</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	1,504
Other liabilities		2,204
Notes payable		35,052
Due to the University of Louisville Foundation, Inc.		33,084
		<hr/>

Total liabilities 71,844

Net assets without donor restrictions 343,409

Total liabilities and net assets \$ 415,253

The accompanying notes are an integral part of this consolidated financial statement.

University of Louisville Real Estate Foundation, Inc. and Affiliates

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2025
(In thousands)

Revenues, gains, and other support	
Rental revenue	\$ 19,860
Net investment return	410
Tax incremental financing revenues	8,376
Other revenue and gains	<u>5,057</u>
Total revenues, gains, and other support	<u>33,703</u>
Expenses	
Contribution expense	2,136
Salaries	3,875
General and administrative	3,361
Lease expense	1,306
Professional services	1,856
Utilities	2,320
Repairs and maintenance	4,068
Depreciation and amortization	13,305
Interest expense	<u>1,765</u>
Total expenses	<u>33,992</u>
CHANGES IN NET ASSETS	<u>(289)</u>
Net assets, beginning of year	-
Effect of reorganization (see Note 2)	
Net asset value transferred	337,705
Common control transfers	<u>5,993</u>
Adjusted net assets, beginning of year	<u>343,698</u>
Net assets, end of year	<u><u>\$ 343,409</u></u>

The accompanying notes are an integral part of this consolidated financial statement.

University of Louisville Real Estate Foundation, Inc. and Affiliates

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2025

(In thousands)

Operating activities

Changes in net assets	\$ (289)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Contribution of capital assets to the University	950
Depreciation and amortization	13,305
Investments in joint ventures losses	257
Deferred tax assets	211
Changes in assets and liabilities:	
Accounts receivable	518
Prepays and other assets	490
Accounts payable and other liabilities	(170)
Due to the University of Louisville Foundation, Inc.	(1,202)
	14,070
Net cash provided by operating activities	14,070

Investing activities

Distributions from joint ventures	781
Purchases of investments	(20,112)
Proceeds from sales of investments	17,465
Purchase of capital assets	(8,890)
	(10,756)
Net cash used in investing activities	(10,756)

Financing activities

Payments on debt	(2,145)
	(2,145)
Net cash used in financing activities	(2,145)

NET CHANGE IN CASH

1,169

Cash, beginning of year

6,269

Cash, end of year

\$ 7,438

Supplemental cash flow information

Cash paid for interest	\$ 1,752
	1,752

Noncash investing activities

Contributions of capital assets to the University	\$ 950
	950

The accompanying notes are an integral part of this consolidated financial statement.

University of Louisville Real Estate Foundation, Inc. and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

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 (ULF or 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.

Effective July 1, 2024, ULF became the sole member of ULREF through amendments to ULREF's Articles of Incorporation and Bylaws. As sole member, ULF obtained a controlling financial interest in ULREF and, accordingly, consolidates ULREF in its financial statements beginning on the acquisition date. Refer to Note 2 for further disclosure.

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.

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.

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

June 30, 2025

208 E. Market, LLC is a limited liability company formed in January 2025 with ULREF as its sole member. Its purpose is to manage the operations of a building located at 248 E. Market Street.

UL Cardinal Center, LLC is a limited liability company formed in January 2025 with ULREF as its sole member. Its purpose is to manage the development and operations of property located at 1900 S 3rd Street and 1901 S. 4th Street.

300 E. Market, LLC (formerly TNRP, LLC) is a limited liability company formed in November 2020. Its purpose is to develop the property and improvements located at the corner of Market and Shelby Streets in Louisville, Kentucky, commonly known as the Atria Support Center Building. 300 E. Market, LLC is the successor entity to TNRP. ULREF became the sole member of 300 E. Market, LLC in December 2024.

CCG, LLC (CCG) is a limited liability company formed in December 2013. Its purpose is to acquire and operate a first-class collegiate golf practice facility located in Shelby County, Kentucky. Formally known as the Cardinal Club, CCG is managed by the University of Louisville Athletic Association (the Association). ULREF became the sole member of CCG in December 2024.

The following entities were formed in December 2024. As part of the reorganization detailed in Note 2, interests in these entities were transferred from ULF to ULREF. At June 30, 2025, ULREF was the sole member of these entities.

North Quad, LLC is a limited liability formed to operate and manage an actively leased commercial office and light manufacturing facility located at Brandeis Avenue and Floyd Street.

1820 Arthur Street, LLC is a limited liability company formed to operate and manage an actively leased warehouse facility.

Field Hockey, LLC is a limited liability company formed to hold the land on which the Cardinal Park Field Hockey stadium is located, which is owned and operated by University of Louisville Athletics.

Rock Lots, LLC is a limited liability company formed to hold land located on Second 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, 2025, 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.

Accounts Receivable, Net

Accounts receivable, net consists primarily of rental income receivables, along with other receivable balances. ULREF regularly evaluates the collectability of these amounts and maintains an allowance for credit losses to cover estimated losses from customers who may be unable to meet their payment

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

June 30, 2025

obligations under existing agreements. As of June 30, 2025, the allowance for credit losses was approximately \$390,000.

Short-Term Investments

ULREF categorizes its short-term investments as Level 1 fair value assets, and observes quoted prices for similar assets or liabilities in active markets that it has the ability to access.

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.

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

June 30, 2025

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):

	2025
Campus Two	\$ 5,345
Campus Three	2,718
MedCenter	353
	\$ 8,416

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

	2025
Campus Two	\$ 150
Campus Three	(407)
	\$ (257)

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 year ended June 30, 2025.

Amortized Intangible Assets

TIF intangibles were revalued in connection with the ULF-ULREF reorganization, as described in Note 2. The value of the intangibles 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 16 to 19 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. Depreciation on capital assets is charged to expense using the straight-line method based on their estimated useful lives.

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

June 30, 2025

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

Asset Category	Useful Life	Capitalization Threshold
Buildings and land improvements	40 years	\$ 50,000
Tenant improvements	Life of lease	\$ 50,000
Furniture, fixtures and equipment	3 years	\$ 5,000

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 year ended June 30, 2025.

Rental Revenue

Rental revenue is recognized on a straight-line basis over the term of each tenant's lease agreement. Certain of ULREF's leases include scheduled rent increases during the lease term. For financial reporting purposes, the cumulative differences between rental revenue recognized on a straight-line basis and amounts contractually due under the lease are recorded as straight-line rent receivables. This balance, included in prepaids and other assets on the consolidated statements of financial position, was approximately \$3.2 million as of June 30, 2025.

Tax Incremental Financing (TIF) 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 year ended June 30, 2025, ULREF recorded approximately \$8.4 million of TIF revenues.

Contributions Expense

ULREF provides University tenants with free or discounted rents. For the year ended June 30, 2025, the amounts of free or discounted rents recognized as contributions to University tenants were approximately \$1.4 million. ULREF also contributed a property located at 615 S. Preston Street to the University. This property was valued at \$950,000. These amounts are included in contribution expense and rental revenue on the consolidated statement of activities and changes in net assets.

Tax Status

ULREF is 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

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

June 30, 2025

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 statement of activities and changes in net assets.

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

	2025	
	Program Services	Management and General
Contribution expense	\$ 2,136	\$ -
Salaries	3,875	-
General and administrative	-	3,361
Lease expense	-	1,306
Professional services	-	1,856
Utilities	2,320	-
Repairs and maintenance	4,068	-
Depreciation and amortization	13,305	-
Interest expense	1,765	-
	\$ 27,469	\$ 6,523
Total expenses		

NOTE 2 - REORGANIZATION

In accordance with Accounting Standards Codification (ASC) 805, *Business Combinations*, and ASC 958-805, *Not-for-Profit Business Combinations*, the ULREF assets acquired and liabilities assumed by ULF were recorded at their acquisition-date fair values. As a result of the reorganization, ULREF elected to apply pushdown accounting as of July 1, 2024. Accordingly, the financial statements reflect the fair value of assets and liabilities as determined by ULF as of the date of the reorganization. ULF engaged independent third parties to assist in the valuation of real estate and certain intangible assets, while other assets and liabilities were recorded at carrying amounts that approximate fair value.

Total assets of approximately \$377.1 million and total liabilities of approximately \$39.4 million were transferred as of July 1, 2024. No consideration was exchanged as a part of the reorganization and accordingly, ULF recognized inherent contribution revenue of approximately \$337.7 million, equal to the fair value of net assets acquired. ULREF recognized the impact of the reorganization and related pushdown accounting within the consolidated statement of changes in net assets.

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

June 30, 2025

The following table summarizes the carrying value and fair value of assets acquired and liabilities assumed as of the date of the reorganization:

<u>July 1, 2024</u>	<u>Carrying Value</u>	<u>Fair Market Value</u>
Investments in joint ventures	\$ 1,001	\$ 9,453
Intangibles	79,873	160,489
Capital assets, net	140,109	187,533
Other assets	<u>19,642</u>	<u>19,642</u>
Total assets	240,625	377,117
Less: total liabilities	<u>(39,412)</u>	<u>(39,412)</u>
Total net assets	<u>\$ 201,213</u>	<u>\$ 337,705</u>

During FY25, ULF transferred 100% of its membership interests in several real estate-related LLCs to ULREF. The transfers included interests in 300 E. Market Street, LLC, CCG-Louisville, LLC North Quad, LLC, 1820 Arthur Street, LLC, Field Hockey, LLC, and Rock Lots, LLC. Each entity operates or holds real estate assets that contribute to ULREF's operations.

These transfers qualify as common control transactions under ASC 805-50, as ULF maintained continuous control of both the transferring and receiving entities before and after the transfers. The addition of these properties materially increased the scale of ULREF's operations and changed the composition of its financial statements. Accordingly, the transfers are accounted for as a change in reporting entity, with retrospective presentation applied to all periods under common control.

The following table summarizes the carrying value of assets and liabilities transferred under common control as of the date of the reorganization:

<u>July 1, 2024</u>	<u>Carrying Value</u>
Capital assets, net	\$ 33,854
Other assets	<u>8,050</u>
Total assets	41,904
Less: total liabilities	<u>(35,911)</u>
Total net assets	<u>\$ 5,993</u>

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

June 30, 2025

NOTE 3 - 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, are as follows (in thousands):

	2025
Financial assets at year-end:	
Cash	\$ 7,438
Accounts receivable	1,399
Short-term investments	12,187
Total financial assets	\$ 21,024

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

NOTE 4 - CAPITAL ASSETS, NET

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

	2025
Land and land improvements	\$ 82,595
Buildings	149,653
Building improvements	4,133
Tenant finish	10
Furniture, fixtures, and equipment	2,233
	238,624
Accumulated depreciation	(19,407)
Construction-in-progress	6,085
Total capital assets, net	\$ 225,302

Depreciation expense for the year ended June 30, 2025, was approximately \$4.0 million.

NOTE 5 - INTANGIBLE ASSETS

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

	2025	
	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets and liabilities:		
Tax incremental financing	\$ 160,489	\$ (8,665)

Amortization expense for the year ended June 30, 2025, was approximately \$8.7 million.

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

June 30, 2025

At June 30, 2025, the amortization for acquired TIF intangibles, net during the next five years and thereafter, is as follows (in thousands):

2026	\$	8,665
2027		8,665
2028		8,665
2029		8,665
2030		8,665
Thereafter		108,499
Total	\$	151,824

NOTE 6 - 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, 2025, ULREF's deferred income tax assets, net of valuation allowances of approximately \$599,000, were \$536,000. Net operating loss carryforwards were approximately \$5.4 million at June 30, 2025; these begin to expire in 2036. No income tax expense was recorded in the year ended June 30, 2025.

NOTE 7 - NOTES PAYABLE

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

		2025
Permanent financing - Preston	\$	3,038
Northwestern mutual loan - housing		32,285
Total debt		35,323
Less: debt issuance costs		(271)
Debt	\$	35,052

In August 2024, 220 South Preston, LLC refinanced its note with a financial institution at a rate equal to the daily SOFR plus 125 basis points (1.25%). Principal is payable in equal quarterly installments beginning September 1, 2024, with final maturity on June 1, 2029. The agreement requires Preston to maintain a minimum debt service coverage ratio of 1.00 to 1.00. As of June 30, 2025, Preston was in compliance with this covenant.

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.

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

June 30, 2025

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

2026	\$	2,078
2027		2,306
2028		2,396
2029		3,660
2030		2,121
Thereafter		<u>22,762</u>
	<u>\$</u>	<u>35,323</u>

NOTE 8 - RELATED-PARTY TRANSACTIONS

ULREF entered into a service agreement with the Foundation to provide certain administrative support. For the year ended June 30, 2025, ULREF recorded expense approximating \$696,000, which is included in professional services on the consolidated statement 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 \$5.4 million in 2025.

NOTE 9 - LEASING ACTIVITIES

ULREF leases space to tenants under noncancelable operating leases. As of June 30, 2025, ULREF had various leases expiring monthly to 81 years, through 2106. These leases generally require ULREF to pay all executory costs (property taxes, maintenance, and insurance).

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

		<u>2025</u>
Base minimum rents	\$	19,514
Common area maintenance		<u>346</u>
	<u>\$</u>	<u>19,860</u>

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

Year Ending June 30:

2026	\$	7,814
2027		6,797
2028		5,931
2029		4,921
2030		3,267
Thereafter		<u>30,291</u>
Total	<u>\$</u>	<u>59,021</u>

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

June 30, 2025

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 10 - SUBSEQUENT EVENTS

ULREF has evaluated and disclosed subsequent events through September 30, 2025, 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.