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

In Open Session

Members of the University of Louisville Foundation, Inc. Board of Directors met at 12:00 p.m. on June 22, 2017, in the ULF Boardroom at Cardinal Station, with members present and absent as follows:

Present:	Ms. Diane B. Medley, Chair
	Mr. Ronald Abrams
	Mr. Mike Bowers
	Mr. J. David Grissom
	Ms. Donna Heitzman
	Dr. Mark Lynn
	Dr. Greg Postel
	Mr. Earl Reed
	Mr. John H. Schnatter
	Mr. Vincent Tyra
Via Phone:	Mr. Paul Carrico
Absent:	Ms. Laura Douglas
	Ms. Alice Houston
	Mr. Tom Meeker
	Mr. Nitin Sahney
From the Foundation:	Mr. Keith Sherman, Interim Executive Director/COO
	Mr. Jay Barbee, Administrative System Analyst
	Mr. Mike Kramer, Director of Investment & Financial Management
	Ms. Julie Kroger, Executive Assistant
	Ms. Gina Lankswert, Project Manager
	Mr. Justin Ruhl, Director of Accounting Operations
From Legal Counsel:	Mr. Franklin Jelsma, Wyatt Tarrant & Combs
From the University:	Mr. Keith Inman, Vice President of Advancement
	Mr. John Karman, Director of Media Relations
Guests:	Ms. Katherine North, RunSwitch

I. Call to Order

Having determined a quorum present, Chair Medley called the meeting to order at 12:04 p.m.

II. Consent Agenda

Chair Medley read the consent agenda as follows:

Consent Agenda

- **Approval of Minutes, 6-14-2017**

Hearing no objection, Ms. Donna Heitzman made a motion, which Dr. Lynn seconded, to approve the Consent Agenda. The motion passed unanimously.

III. Report of the Finance Committee Chair

Mr. Vince Tyra, Chair of the ULF Finance Committee, told the Board the Finance Committee conducted a comprehensive review of the strategic asset allocation plan for the investment portfolio. After thorough and careful consultation with Cambridge Associates, LLC the Committee recommended that several changes be made to the current plan. The recommended changes – approved by the Finance Committee on May 30, 2017 - are based on current market considerations, combined with an effort to increase the pools risk-adjusted returns.

The major changes recommended were:

1. A 2% decrease in Marketable Alternatives (Hedge Funds) target from 20% to 18%;
2. A 2% increase in Private Investments (excluding Real Assets) raising the target from 14% to 16%;
3. Changing the range for Marketable Alternatives (Hedge Funds) from 15% - 30% to 10% - 25%;
4. Changing the range for Real Assets from 9% - 30% to 5% - 20%; and
5. Changing the range for Private Equity (excluding Real Assets) from 5% - 15% to 10% - 25%.

The committee believes these changes more accurately reflect ULF's current needs, strategies and market conditions. He recommended the Board approve the committee's recommendations.

IV. Action Item: Approval of Investment Objectives and Guidelines and Asset Allocation

Mr. Mike Bowers made a motion that the Board approve the recommended investment objectives and guidelines as asset allocation as stated in the **attached** resolution. Mr. David Grissom seconded the motion. It passed unanimously.

V. Report of the Audit Committee Chair

Ms. Donna Heitzman, Chair of the ULF Audit Committee, reported that on, or about, April 12, 2017 we issued an RFP to nine firms requesting proposals for auditing services for the fiscal year ending June 30, 2017 for:

1. UofL Foundation, Inc.
2. UofL Real Estate Foundation, Inc.
3. The Nucleus Real Properties, Inc., a consolidated affiliate of the UofL Foundation, Inc.
4. ULH, Inc., a consolidated affiliate of the UofL Foundation, Inc.

As outlined in the RFP, selection criteria included firm qualifications and depth of experience; knowledge, experience, and expertise in not-for-profit institutions and foundations; audit approach; overall quality of proposal; and fee considerations.

On April 20, 2017 the evaluation committee hosted an open forum for firms to ask questions. Three firms attended. Subsequently, all three firms plus one additional firm submitted proposals.

Based upon the selection criteria of the RFP, the evaluation committee met with two firms at the end of May and now recommend Ernst & Young as our financial statement auditor. The committee thinks they will do a first class job and be a great partner for us.

VI. Action Item: Approve Selection of Audit Services Firm

Mr. David Grissom made a motion that the Board engage Ernst & Young for the purpose of providing auditing services for the fiscal year ending June 30, 2017 as outlined in the **attached** resolution. Mr. Mike Bowers seconded the motion. It passed unanimously.

VII. Action Item: Repurpose School of Medicine's Quasi-Endowment Steedly Estate

Mr. Keith Sherman said the Steedly Estate Fund was initially established as a quasi-endowment in January 2012 with proceeds from the estate of Nathan Richard Steedly. The gift was unrestricted to the School of Medicine. The decision at the time was made to utilize the funds to create an endowed faculty position that focused on the history of medicine. The School of Medicine does not teach a course on the history of medicine nor does it offer any as part of the course offerings therefore they would like to repurpose the endowment to provide discretionary funding to benefit the School of Medicine.

Mr. Earl Reed made a motion, which Mr. Tyra seconded, to approve **attached** resolution. The motion passed unanimously.

VIII. Report of the UofL Real Estate Foundation, Inc. (ULREF) Chair

Mr. Earl Reed, Chair of ULREF, reported the Real Estate Foundation has had two board meetings since the last Foundation meeting. On Friday, June 16, 2017 the Real Estate Foundation met. They had the opportunity to again review why it was created, why not all properties are currently in the Real Estate Foundation, and they had a comprehensive review of TIFs and their April financials. They also had the opportunity to meet in

Executive session to discuss a new property proposal. He also reported that ULREF approved the Administrative Services Agreement that provides services to be performed by the Foundation. This is the same Agreement approved by the ULF at its March 28, 2017 meeting.

Chair Reed went on to report that URLEF had met again that morning for about two hours. Some of the highlights include approving an operating budget and capital budget for the upcoming fiscal year. He reported they also had an opportunity to review scenarios in which ULREF could pay back some of the money owed to the Foundation.

He finished his report by thanking the entire Foundation team for all of their work over the past week and also acknowledged how engaged and supportive the ULREF Board has been. He stated he knows there is a lot to do but he is encouraged.

IX. <u>Report of the Special Committee to Address the A&M Audit Chair</u>

Mr. Earl Reed, Chair of the ad hoc Special Committee to Address the A&M Audit Report, told the Board the committee had their first meeting that morning. During the meeting the discussed their goals and purpose, they outlined and summarized all of the findings and recommendations in the A&M report. They have asked Mr. Keith Sherman to put dates and timelines on each of the actions and recommendations that have been made. They will meet routinely.

X. <u>Report of the Governance and Organizational Structure Committee Chair</u>

Mr. Keith Sherman provided the committee report to the Board since Committee Chair Houston was out of town and unable to attend. Mr. Sherman reported the Memorandum of Understanding (MOU) between the Foundation and the University has been the focus of the Governance Committee. They have been working very closely with Ms. Bonita Black, Chair of the Trustees Governance Committee. Mr. Sherman reported the MOU is almost finalized. He indicated once they hear back from the University he will circulate a copy to the Foundation Board members with the goal of having both Boards approving it before July 1, 2017. He noted the MOU was one of the recommendations made in the State Auditor's report and that the Foundation has been using the Association of Governing Boards as a consultant in the process.

Chair Medley recommended the Board give Mr. Keith Sherman authority to approve the MOU on behalf of the Foundation once the Directors have a chance to review the final draft so that a special Board meeting wouldn't be necessary to approve it. Mr. Abrams made a motion, which Dr. Greg Postel seconded, to give Mr. Sherman the authority to enter into the MOU after the final draft is circulated amongst the Board members for review.

XI. <u>Information Item: May Financials Overview</u>

Mr. Justin Ruhl presented the attached May financials to the Board. He noted the three main drivers that grow the Foundation business operations positively are investment allocations and the growth of investments; giving and spending. The investments did well during the month. Giving is still down year-over-year. Spending this year is down compared to last year. Mr. David Grissom asked to see specifics on how the operating expenses have decreased year-over-year at a future Board meeting. He also asked for Mr. Keith Inman to update the Board at the next meeting on giving levels year-over-year and the definition of terms that are used when discussing gifts, pledges, and endowments established by donors. Mr. John Schnatter also asked that Mr. Inman address how his team plans to increase donor confidence.

XII. Executive Session to Discuss Personnel Matters and Potential Litigation Pursuant to KRS 61.810(l)(f) and KRS 61.810(l)(c)

Chair Medley asked for a motion to go into executive session to discuss personnel matters and potential litigation pursuant to KRS 61.810(l)(f) and KRS 61.810(l)(c).

Dr. Mark Lynn made the motion, which Mr. Earl Reed seconded, to go into executive session at 12:35 p.m. The motion passed.

XIII. Reconvene Open Session

After open session was reconvened at 1:47 p.m., Chair Medley reported that personnel matters and potential litigation were discussed during the executive session but no action was taken.

XIV. Adjournment

Having no other business before the Board, Chair Medley asked for a motion to adjourn. Mr. Reed made a motion to adjourn, which Mr. Abrams seconded. The motion passed. Meeting adjourned at 1:48 p.m.

Appr[redacted]

Secretary

RESOLUTION OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC. REGARDING INVESTMENT OBJECTIVES AND GUIDELINES AND ASSET ALLOCATION PLAN

JUNE 22, 2017

RECOMMENDATION:

The Finance Committee recommends that the Board of Directors:
Approve updating the Foundations Investment Objectives and Guidelines to reflect the revised asset allocation plan detailed below.

BACKGROUND:

The Finance Committee conducted a comprehensive review of the strategic asset allocation plan for the investment portfolio. After thorough and careful consultation with Cambridge Associates, LLC the Committee recommends that several changes be made to the current plan. The recommended changes are based on current market considerations, combined with an effort to increase the pools risk-adjusted returns.

The major changes recommended are:

1. A 2% decrease in Marketable Alternatives (Hedge Funds) target from 20% to 18%;

2. A 2% increase in Private Investments (excluding Real Assets) raising the target from 14% to 16%;

3. Changing the range for Marketable Alternatives (Hedge Funds) from 15% - 30% to 10% - 25%;

4. Changing the range for Real Assets from 9% - 30% to 5% - 20%; and

5. Changing the range for Private Equity (excluding Real Assets) from 5% - 15% to 10% - 25%.

The UofL Foundation, Inc. Policy Asset Allocation Targets, Ranges, and Benchmarks Schedule I provides specific details.

Board Action:
Passed: ✓
Did not Pass: ____
Other: __________

[redacted]

Laura Douglas, Secretary

CONFORMED

SCHEDULE I
UNIVERSITY OF LOUISVILLE FOUNDATION, INC.
POLICY ASSET ALLOCATION TARGETS, RANGES, and BENCHMARKS

Asset Class:	**Target**	**Range**	**Specified Benchmark**
U.S. Equity	**14%**	**10%-30%**	**Russell 3000 Index**
Developed Non-U.S. Equity	**14%**	**10%-25%**	**MSCI EAFE Index (Net)**
Emerging Non-U.S. Equity	**14%**	**5%-20%**	**MSCI Emerging Markets Index (Net)**
Marketable Alternatives (Hedge Funds	**18%**	**10%-25%**	**HFRI Fund of Funds Diversified Index**
Real Assets	**14%**	**5%-20%**	
Public	**6%**		**Real Assets Benchmark**[1]
Private	**8%**		**CPI – U + 4%**
Private Equity (NMAA ex. Real Assets)	**16%**	**10%-25%**	**MSCI ACWI + 4%**
Fixed Income	**10%**	**5%-25%**	**65% BC Aggregate Bond Index/ 35% Citigroup WGBI**

[1] Real Assets Benchmark: 25.0% MSCI World Natural Resources Index, 25.0% FTSE EPRA/NAREIT Developed Real Estate Index, 25.0% Bloomberg Commodity Index Total Return, 25.0% BBG Barc U.S. TIPS Index

The Fund's Custom benchmark shall be calculated by applying the Long Term Target Asset Allocation percentages defined above to the relevant Specified Benchmark.

University of Louisville Endowment Fund Statement of Investment Objectives and Guidelines

Approved June 15, 2006
Increase Percentage Rate for Advancement Activities September 4, 2008
Allocation Table Amended December 1, 2009
Revised Asset Allocation Targets and Ranges June 9, 2017

I. INTRODUCTION

The mission of the University of Louisville Foundation (the "Foundation") is to provide financial support to the University of Louisville, a public institution of higher learning located in Louisville, Kentucky. The primary purpose of this document is to identify and present a formal set of investment objectives and performance standards in order that the Board of Directors of the Foundation and its Finance Committee can be assured that the assets of the Foundation, including those of the Endowment Fund (the "Fund"), are managed in accordance with generally accepted standards and in a manner consistent with the financial needs of the University.

Specifically, this document will address the following:

1. The responsibilities of the various parties involved in the management of the Foundation.
2. Overall investment objectives and performance standards.
3. Overall fund guidelines and asset allocation.
4. Fund component guidelines.
5. Relationship with the investment managers.

This Statement of Investment Objectives and Guidelines will be communicated to each of the Fund's investment managers for their use in developing appropriate investment programs. This statement may be supplemented or changed when the Finance Committee or the Board of Directors deems it appropriate. The investment advisors are expected to propose revisions to the policy any time the existing guidelines would impede meeting the Foundation's investment objectives.

II. DELEGATION OF RESPONSIBILITIES

A. BOARD OF DIRECTORS

Ultimate responsibility for the governance of the University of Louisville Foundation is vested in its Board of Directors. The Board has assigned responsibility for oversight of the Fund to the Finance Committee, which is charged with managing Foundation assets according to current generally accepted standards and in the interest of the Foundation and University.

The Finance Committee's responsibilities are to:

- Monitor compliance with all relevant legal requirements, based upon advice of Foundation Counsel.
- Recommend to the Board of Directors investment goals, objectives, performance measurement standards and portfolio guidelines that are consistent with the Foundation's needs.
- Recommend to the Board of Directors an asset allocation strategy and investment manager structure designed to meet the Foundation's investment objectives and control risk.
- Recommend to the Board of Directors the hiring, retention, dismissal of outside professionals (custodians and consultants).
- Communicate investment goals, objectives, performance measurement standards and portfolio guidelines to the investment managers.
- Review and evaluate investment results relative to predetermined performance standards.
- Ascertain that investment managers are in compliance with all portfolio guidelines and restrictions.
- Report periodically to the Board on the asset allocation and performance of the Fund, as well as any other substantive matters.
- Recommend to the Board of Directors corrective action when investment managers fail to achieve expected results.
- Recommend to the Board of Directors a custodian bank to provide safekeeping of Foundation assets, timely collection of income and accurate reporting.
- Recommend to the Board when appropriate the granting of necessary waivers from this Statement of Investment Objectives and Guidelines.

B. INVESTMENT MANAGERS

The investment managers of the University of Louisville Foundation's assets assume the following responsibilities:

- Invest the assets under their management in accordance with the guidelines set forth in this Statement of Investment Objectives and Guidelines.
- Subject to these guidelines, exercise full discretionary authority as to all buy, sell and hold decisions for each security under management or entrusted to them.
- Notify the Foundation of: (1) any guideline which impairs or prevents the achievement of performance objectives; or, (2) new developments or circumstances which warrant a change in the guidelines; (3) discovery of material malfeasance by any portfolio manager or senior rank employee associated with the Foundation relationship; (4) any material disciplinary action by any regulatory

authority or material noncompliance with any AIMR, SEC or other professional standards; (5) any significant change in investment strategy and/or portfolio structure; (6) a material change in portfolio managers, analysts, or ownership control of the manager; and (7) any material improvements to the system of internal controls that may be suggested by the manager's auditors or regulatory authorities.

- Provide written documentation of portfolio activity, portfolio valuations, performance data, and related material as requested by the Foundation.
- Attend meetings with representatives of the Foundation as requested.
- Establish and maintain an effective relationship with the Foundation's custodian.
- Act in the best interest of the beneficiaries of the Foundation.
- Monitor the activities of the Foundation's custodian to ensure the manager's activity and performance are reported accurately.

C. CUSTODIAN

The Foundation's custodian's responsibilities are to:

- Establish and maintain direct account relationships with each investment manager.
- Perform all normal custodial functions including, but not limited to, security safekeeping, collection of income, settlement of trades, collection of proceeds of maturing securities, distribution of income, and daily investment of uninvested cash.
- Follow accounting practices as specified by the Foundation and its auditors.
- Prepare accounting reports as requested by the Treasurer and the Foundation's auditors.
- Perform rate of return calculations and analysis as requested.
- Provide electronic access to records.

D. INVESTMENT CONSULTANT

The Foundation's Investment Consultant's responsibilities are to:

- Perform periodic review of investment policies and objectives.
- Measure and evaluate Fund and investment manager performance.
- Provide ongoing monitoring of investment managers currently employed.
- Report on developments that have had or may have a material impact on Fund performance.
- Advise the Foundation with respect to asset allocation, asset classes, and managers.
- Advise the Foundation with respect to the hiring, retention or termination of investment managers.

E. STAFF OF THE FOUNDATION

The Foundation's staff's responsibilities are to:

- In consultation with the Foundations investment consultant, and within the guidelines established in the asset allocation plan (as amended from time to time), to identify and select suitable investments, execute the appropriate investment documents and reallocate funds from existing managers as required to fund the new investments.
- Oversee day-to-day activities of the Fund and the implementation of any changes approved by the Finance Committee.
- Provide periodic reporting to the Finance Committee and/or Board.

III. INVESTMENT OBJECTIVES

A. The Finance Committee has formulated, and the Foundation has adopted, specific performance standards for the Fund as well as its ancillary funds. Underlying these standards is the belief that the management of the Fund should be directed toward achieving the following investment objectives:

1. The Fund must provide average annual real investment returns (cash investment income plus net realized and unrealized capital gains) to the University, sufficient to meet the University's reasonable and judicious needs. This distribution from the Fund to the University should keep pace with inflation over time.

2. The corpus of the Fund, without regard to the receipt of future gifts, should keep pace with inflation. This objective of maintaining the real value of the Fund will provide future generations with the same relative level of support currently enjoyed by the Fund's beneficiaries.

B. ABSOLUTE RATE OF RETURN OBJECTIVES

1. Based on the philosophy expressed above, the overall objective of the Fund is to achieve a minimum net total return which is equal to the University's spending rate plus the inflation rate. The Foundation believes that a rolling three- to five-year period is appropriate for measuring progress toward achieving this objective.

C. RELATIVE RATE OF RETURN OBJECTIVES

In addition to the Absolute Rate of Return Objectives outlined above, the Finance Committee will also monitor the progress of the Fund toward meeting the following Relative Rate of Return Objectives:

1. Attain a total return on the Fund, net of fees, which exceeds the return on a composite of unmanaged market indexes weighted in proportion to the actual asset allocation of the Fund. In other words, the Fund should benefit from active management.
2. Outperform the median return of a pool of similar sized peer college and university endowment funds with broadly similar investment objectives and policies. The Foundation shall identify the appropriate benchmark pool to be used consistent with the Fund's characteristics.
3. Attain a gross total return on the Fund that falls within the top half (or better) of the second quartile (37th percentile or better) of a universe of similar tax-exempt funds, currently identified as the Cambridge Associates' College and Universities universe. Attain a return on each asset class utilized (i.e. stocks, bonds, cash equivalents) that exceeds the appropriate benchmark index as set forth herein.

D. INVESTMENT RISK

The Absolute Rate of Return Objectives and the Relative Rate of Return Objectives should be attained without the assumption of excessive investment risk.

E. PERFORMANCE MEASUREMENT

In measuring and evaluating the performance of the Fund and of the individual investment managers, the following definitions and benchmarks will apply. The Finance Committee may from time to time establish other benchmarks for new asset classes or customized benchmarks to better fit a specific manager's investment universe.

1. Unless a different benchmark is agreed to by the Finance Committee, managers should exceed the respective benchmarks, net of fees, set forth on Schedule I hereto, as the same may be amended or supplemented from time-to-time.

2. The minimum net total return on the entire Fund should at least beat the total spending rate plus the rate of inflation. Inflation will be defined as the weighted three-year moving average of the Gross Domestic Product (GDP) Deflator.

3. Cash equivalents, when purchased by equity or fixed income managers as a temporary repository of funds, will be part of the total return realized by such managers and included in the measurements against the appropriate benchmarks.

4. The net total return for individual investment managers should fall within the top half of a universe of respective equity or fixed income investment managers with similar styles (recognizing survivorship bias inherent in such universes). The failure to achieve this goal, however, shall not be the sole criterion in the decision to retain or terminate an investment manager's services.

While the Finance Committee will focus primarily on the achievement of its objectives over a three- to five-year time horizon, it will also monitor investment results for the following periods:

- Annually
- Latest quarter
- Fiscal year-to-date
- Calendar year-to-date
- Since manager's retention

Notwithstanding the above provisions relating to performance measurement, the Foundation may terminate a manager upon proper notice if circumstances dictate that it is not in the best interests of the Foundation to continue the relationship. This determination may be based solely on the need to redirect asset allocations or to achieve other Foundation objectives.

IV. ENDOWMENT ASSET ALLOCATION AND OVERALL FUND GUIDELINES

A. ASSET ALLOCATION

The Finance Committee has the responsibility of recommending to the Board of Directors an asset allocation for the Fund that offers a high probability of achieving the investment objectives. The asset allocation may be revised and updated as the financial needs of the University and/or the outlook for the capital markets change. The target asset allocation to be pursued by the Fund is set forth on Schedule I hereto, as the same may be amended or supplemented from time-to-time.

The actual asset allocation of the Fund at any time may differ from the target due to:

- A recent divergence in the performance of different classes of securities.
- The Finance Committee's assessment of the intermediate outlook for different types of securities.
- The allocation of cash flow.
- A shift in the Foundation's investment objectives.

B. REBALANCING

1. The primary goal for rebalancing is to preserve the general risk profile of the total portfolio across all asset classes to ensure that the portfolio does not take more or less risk than the Finance Committee initially intended in the creation of the Fund's asset allocation policy (including subcategories within each asset class). As a general rule, the Foundation will use cash receipts, withdrawals and periodic spending draws to maintain the Fund's long-term policy targets.

2. The Finance Committee typically will review asset allocation weightings at its quarterly meetings. The Vice President of Administration and Finance will work with the Fund's external advisors to implement such rebalancing moves as appropriate. Any rebalancing transactions that occur will be reported to the Finance Committee.

3. Any required rebalancing toward asset allocation targets should consider the liquidity of each asset class, entry and exit restrictions of the Fund's investment vehicles (marketable and non-marketable alternative assets), and the costs required to implement each transaction.

C. ALLOCATION OF FUNDS TO INVESTMENT MANAGERS AND LIMITATION THEREON

1. Unless otherwise directed by the Finance Committee, new funds received or funds withdrawn for operational or other purposes are to be allocated so as to move the overall asset allocation toward the targets outlined in section A. above.

2. The maximum allowable funds (at market) to be managed by one investment manager will be 20 percent.

V. FUND COMPONENT GUIDELINES

A. MARKETABLE EQUITY HOLDINGS

A substantial portion of the Fund's equity assets will be placed with equity managers who are expected to invest in domestic and international stocks, American Depository Receipts (ADRs), and to a lesser extent, convertible securities. This portion of the portfolio is expected to outperform the various indexes specified in Schedule I.

1. <u>Permissible Securities</u> - Equity managers may invest in common stocks, preferred stocks or fixed income instruments convertible into common stocks, and ADRs of domestic and foreign corporations. All common stocks and common stocks into which convertible securities may be converted must be listed on the New York Stock Exchange (NYSE), the American Stock Exchange

(AMEX), or the National Association of Securities Dealers Automated Quote System (NASDAQ), or, for foreign securities, equivalent exchanges in their country of domicile. Any other securities or investment vehicles must be approved by the Finance Committee prior to their use by the manager.

Equity managers may purchase fixed income securities as cash equivalents for the temporary investment of funds. Cash equivalent investments are defined as U.S. dollar-denominated fixed income instruments with maturities of one year or less. Cash equivalent investments notwithstanding, managers shall still be evaluated against their Specified Benchmark. Equity managers may raise or lower cash equivalent holdings as appropriate. While there is no minimum equity requirement, it is the intention of the Foundation for its managers to be fully invested at all times.

2. <u>Diversification</u> - No equity manager shall invest or have invested more than 10 percent (at market), of the fund assets entrusted to the manager's product, in the stock of one company. No equity manager shall invest or have invested more than 25 percent (at market), of the fund assets entrusted thereto, in any single industry. Should the overall equity portfolio exhibit excessive concentration, the Foundation reserves the right to provide managers with further diversification instructions.

   The market value of ADRs of foreign companies held by a domestic equity investment manager may not exceed 5 percent of the market value of all funds entrusted to such manager. No other diversification limit shall apply to such investments.

3. <u>Quality</u> - There are no qualitative guidelines (e.g. equity ratings, rankings, or size of company) except that prudent standards should be developed and maintained by the managers.

4. <u>Income</u> - There are no minimum yield requirements.

5. <u>Pooling</u> - Managers may place funds in commingled investment vehicles, but the guidelines discussed herein will continue to apply.

B. MARKETABLE FIXED INCOME HOLDINGS

The fixed income portion of the Fund is designed to provide protection against deflation and to dampen the volatility of the entire Fund. While every attempt will be made to retain investment managers with different but complementary approaches, the same basic guidelines will apply in each case.

1. Permissible Securities - Managers may invest in the following types of debt securities:

   - Government and agency bonds, notes, bills, and similar obligations.
   - Any evidence of indebtedness, the principal and interest of which is absolutely and unconditionally guaranteed by the United States Government.
   - Bonds, debentures, notes and other evidences of indebtedness issued by United States domestic corporations.
   - Other dollar denominated securities (e.g. Yankees and Eurodollars)
   - Preferred stocks.
   - Convertible bonds (when considered a debt issue).
   - Mortgage and other asset-backed securities.
   - Tax-exempt bonds and taxable municipal bonds.
   - Foreign fixed income securities equivalent in quality to permitted domestic securities. All currency hedging decisions shall be left to the discretion of the investment manager.

2. Diversification - There is no limit on the amount of holdings of United States Government bonds, notes, bills, agency obligations or obligations, the interest and principal of which are fully, absolutely and unconditionally guaranteed by the full faith and credit of the United States Government. Otherwise, no fixed income manager shall have invested, at any point in time, more than 10 percent of the fund assets entrusted thereto, in the fixed income obligations of a single issuer and no more than 60 percent in mortgage-backed securities. Should the overall fixed income portfolio exhibit excessive concentration, the Foundation reserves the right to provide managers with further diversification instructions.

3. Quality - No fixed income manager may purchase any fixed income obligation rated less than BBB (or its equivalent) by Moody's, Standard & Poor's or Duff & Phelps. No fixed income manager shall have invested, at any point in time, more than 10 percent of the fund assets entrusted thereto, in fixed income obligations rated BBB (or its equivalent) by Moody's, Standard & Poor's or Duff & Phelps. Should an issue have a split rating, the lower rating will apply. These quality restrictions shall not apply to the purchase of shares of mutual funds specializing in the purchase of fixed income securities or to multi-manager funds. The quality of the Foreign bond portfolio shall be of similar quality to the Fund's U.S. fixed income managers, and shall be

limited to investments in sovereign debt or high quality corporate debt.

4. Marketability - Fixed income managers may not purchase private (direct) placements without the approval of the Finance Committee.

5. Pooling -Fixed income managers may use commingled vehicles, but the guidelines discussed herein will continue to apply.

6. Duration - There is no maximum duration limit.

7. Coupon - No minimum coupon. Zero coupon issues are permissible.

C. CASH EQUIVALENT HOLDINGS

Permissible Securities - Equity and fixed income managers may invest in cash equivalent vehicles as a means for the temporary (less than one year) deployment of funds. Cash equivalent investments are defined as U.S. dollar-denominated fixed income instruments with maturities of one year or less.

D. DIVERSIFICATION STRATEGIES

1. The Foundation may from time to time employ investment managers to pursue investments for the purpose of diversifying the market exposure of the Fund, to reduce Fund volatility, and to enhance potential returns. These might include, without limitation, managers or partnerships investing in marketable alternative strategies (e.g., event arbitrage, long/short equity, and distressed securities), private equity, venture capital, natural resources, commodities, or other asset classes with a low correlation to traditional equity and fixed income securities. These investments will not generally fall within the guidelines established for the more traditional asset classes that make up the majority of the Fund's investments.

2. The objective of the Diversification Strategies Portfolio is to invest in asset classes with reduced correlations to the Equity and Fixed Income Portfolios, to provide different sources of return, and to reduce the overall volatility of the Fund. Performance will be monitored on a regular basis and evaluated over rolling three- to five-year periods.

3. The investment objective for the Diversification Strategies Portfolio and managers is to outperform (net of fees) the

appropriate index for each asset class. The performance of each Diversification Strategies manager or partnership will be measured also against an appropriate asset class manager peer group. Each active manager is expected to outperform its specified index and achieve median performance against its peer managers.

VI. INVESTMENT MANAGER RELATIONS

1. If, at any time, an investment manager believes that any guideline inhibits its investment performance, it is the manager's responsibility to clearly communicate this view to the Finance Committee.

2. Investment managers retained by the Fund are expected to employ the usual standards of fiduciary prudence. Managers will be monitored on a continual basis for consistency of investment philosophy, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. The Finance Committee will review portfolio results on a quarterly basis. However, greater weight will be placed on results over rolling three- to five-year periods. In addition, the Finance Committee will regularly review managers in order to confirm that the factors underlying performance expectations remain in place.

3. Each investment manager will report the following information at least quarterly: total return net of all commissions and fees and additions and withdrawals from the account. Separate accounts will also provide current holdings at cost and at market value, and purchases and sales for the quarter. Managers will be required to reconcile records of holdings, transactions, and dividend/interest income with the Fund's custodian on a regular basis. Regular communication concerning investment strategy and outlook is expected.

4. Managers may be required to meet with Foundation staff annually to review their portfolios and performance, and to affirm that they have read and adhered to this policy statement (and the specific guidelines attached thereto). Additionally, managers are required to inform the Finance Committee as soon as practicable of any significant change in firm ownership, acquisitions of other investment managers, changes to organizational structure, subpoenas received from the SEC or any other regulatory or law enforcement agency or official, notice of any disciplinary proceedings against the manager instituted by any regulatory agency, departures of key professional personnel, changes of account structure (e.g., number, asset size and account

minimums), or changes in the manager's fundamental investment philosophy**.**

5. Annually, each manager should provide the Foundation with a copy of its form ADV, Part I and Part II.

VII. MISCELLANEOUS PROVISIONS

A. BROKERAGE TRANSACTIONS

All securities transactions should be entered into on the basis of best execution, which is interpreted normally to mean best-realized price.

B. PROXY VOTING

All proxies are to be voted in the best interest of the Foundation in a manner consistent with the objectives contained herein. Proxies should be voted for proposals which enhance shareholder economic value, maintain or improve shareholder rights, are not dilutive, and provide reasonable accountability for management, subject to applicable legal requirements. The Foundation assents to the proxy voting guidelines adopted by managers of pooled or commingled funds.

C. CONFLICT OF INTEREST POLICY

Finance Committee members and staff shall adhere to the following procedures in order to resolve any questions of conflict of interest, whether real or apparent:

1. Members of the Finance Committee and staff shall disclose to the Finance Committee as soon as practicable any relevant facts or circumstances that might give rise to a conflict of interest, or perception of a conflict of interest, with respect to matters that come before the Finance Committee. Such facts and circumstances include, but are not limited to, instances where the Finance Committee and/or staff member, and/or his, or her, immediate family (i) serves as director of, is employed by, or is an equity investor or partner in, a firm managing assets of the Foundation, or a firm which has an ownership interest in a firm managing assets of the Foundation, or (ii) has invested personal or family assets with a firm managing assets of the Foundation.

2. Individuals affected by either of the above provisions shall abstain from Finance Committee discussions of, and any decisions relating to, any such matters. Abstentions shall be recorded in the Minutes of the meeting.

3. Under normal circumstances, members of the Finance Committee or staff may not be a director of, or be employed by, firms managing investments of the Foundation.

D. INVESTMENT MANAGEMENT STRUCTURE

Investment managers will have complete discretion to manage the assets in each particular portfolio in order to best achieve the investment objectives and requirements, within the guidelines as set forth in this policy statement, and subject to the accepted standards of fiduciary prudence.

E. No more than 5 percent of either the equity portion (at market) or the fixed income portion (at market) of the Fund will be invested in the securities of one company.

F. Unless otherwise approved by the Finance Committee, all securities will be marketable, exchange-traded instruments. This limitation does not apply to investments made by the Foundation's approved marketable alternative asset and non-marketable alternative asset managers.

G. There are no current income guidelines. The Fund is governed by total return objectives.

H. Turnover will not be an evaluative factor if other objectives are met.

I. All executions will be evaluated on the basis of net realized price (best execution) which considers both commission cost and market impact.

J. Leveraged or speculative use of derivatives is prohibited without the express written consent of the Finance Committee. Derivatives may be used by authorized alternative asset managers to hedge the Fund's investment risks or to replicate investment positions at a lower cost than would otherwise be created in the cash markets. Managers using derivatives must have in place systems to rigorously analyze and monitor duration, liquidity and counter party credit risk in order to minimize the risks associated with the use of derivatives.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC. REGARDING THE FINANCIAL STATEMENT AUDITS FOR FISCAL YEAR ENDING JUNE 30, 2017

JUNE 22, 2017

RECOMMENDATION:

The Audit Committee recommends engaging Ernst & Young for the purpose of providing auditing services for the fiscal year ending June 30, 2017, with the option for four one-year renewals, to:

1. University of Louisville Foundation, Inc.
2. University of Louisville Real Estate Foundation, Inc.
3. The Nucleus Real Properties, Inc., a consolidated affiliate of the University of Louisville Foundation, Inc.
4. ULH, Inc., a consolidated affiliate of the University of Louisville Foundation, Inc.

BACKGROUND:

The University of Louisville Foundation, Inc. distributed a Request for Proposal (RFP) to conduct the independent audits of the financial statements for the fiscal year ending June 30, 2017 for the above referenced entities.

Upon evaluation of the submitted proposals the evaluation committee recommends Ernst & Young be awarded the engagements. The evaluation committee was comprised of certain ULF Audit Committee members, the ULF Chief Financial Officer and the ULF Director of Foundation Accounting Operations. As outlined in the RFP, selection criteria included firm qualifications and depth of experience; knowledge, experience, and expertise in not-for-profit institutions and foundations; audit approach; overall quality of proposal; and fee considerations.

Board Action:
Passed: ✓
Did not Pass: ____
[redacted]

UNIVERSITY of LOUISVILLE FOUNDATION

UNIVERSITY OF LOUISVILLE FOUNDATION, INC.
Consolidated Statements of Financial Position
Wednesday, May 31, 2017

	2017	2016	$ Variance	% Variance	
ASSETS:					
Cash	21,295,102	8,066,485	13,228,617	164%	1
Accounts and notes receivable, net	4,704,902	4,601,674	103,228	2%	2
Loans receivable	15,719,539	16,319,539	(600,000)	-4%	3
Contributions receivable, net	25,036,576	41,564,750	(16,528,174)	-40%	4
Due from (to) the University of Louisville					
Real Estate Foundation	28,776,363	(22,685,699)	51,462,062	-227%	5
Investments	662,980,739	680,613,881	(17,633,142)	-3%	6
Funds held in trust by others	54,215,862	50,768,164	3,447,697	7%	6
Restricted investments	5,967,371	4,639,613	1,327,758	29%	6
Prepaid expenses and other assets	9,038,081	8,641,452	396,629	5%	7
Capital assets, net	94,408,051	106,213,684	(11,805,633)	-11%	8
Total assets	922,142,586	898,743,543	23,399,043		
LIABILITIES AND NET ASSETS:					
Liabilities:					
Accounts payable	1,237,445	545,524	525,254	96%	9
Funds held in trust for others	37,029,786	35,546,906	1,482,880	4%	10
Other liabilities	13,560,242	21,155,513	(7,595,271)	-36%	11
Bonds and notes payable	82,846,157	107,871,389	(25,025,232)	-23%	12
Due to the University	12,212,797	19,870,581	(7,639,089)	-38%	13
Total liabilities	146,886,428	184,989,913	(38,103,485)		
Net Assets:					
Unrestricted	7,126,941	11,843,354	(4,716,413)	-40%	
Temporarily restricted	312,451,821	249,162,009	63,289,812	25%	
Permanently restricted	455,677,397	452,748,267	2,929,130	1%	
Total net assets	775,256,158	713,753,630	61,502,529		
Total liabilities and net assets	922,142,586	898,743,543	23,399,043		

1. Cash in bank with FDIC insured financial institutions. No cash equivalents. See Cash Leadsheet for account breakout. $17M investment cash pending placement.
2. Trade AR, student housing AR, step rents, long term convertible notes. TNRP step rent totals $3.3M.
3. Nucleus Innovation Fund, LLC - $14.4M & ULAA $1.3M. $600k executive loan repaid in fiscal year 2017.
4. Unconditional promises to give net of allowance for doubtful accounts and NPV discount for future payments. May activity not yet included in balances shown above. Adjustment will be included in June.
5. $28.8 million due from ULREF is attributable to the memorandum of agreement signed by the ULF & ULREF boards in October 2016 effective June 2016. No stated interest rate or maturity term.
6. Refer to Investment Fair Market report for investment details.
7. Bond (i.e. debt) issuance costs, leasing commissions (TNRP $1.7M), and TNRP special tenant allowance ($5.6M).
8. Refer to Fixed Assets Leadsheet for account detail by entity and asset category.
9. Trade accounts payable and ULH ground lease liability to the University. ULF SA, TNRP, & ULH AP each greater than $200k. Mainly timing differences, no significant non-recurring AP at end of month May.
10. Custodian of funds for ULAA, Jewish, and Louisville Orchestra.
11. ACC deferred ground lease revenue, Unitrust & Annuitant PV payment liabilities, PGxL contingent liability.
12. ULF 2013 series bonds, ULH 2009 & 2010 bonds, and TNRP notes payable.
13. Salary increase commitment, spending policy reimbursement, University employee allocation of post-employment (OPEB) liabilities.

UNIVERSITY of LOUISVILLE FOUNDATION

UNIVERSITY OF LOUISVILLE FOUNDATION, INC.
Consolidating Statement of Financial Position
Wednesday, May 31, 2017

Description	ULF SA	ULH	TNRP	UHI	LMCDC	DCPA	CCG	KYT	Nucleus	ULDC	Metacyte	PPL	Cardinal Station	Eliminations	ULF Consolidated
ASSETS:															
Cash	18,607,948	2,168,327	576,959	-	-	4,793	(62,924)	-	-	-	-	-	-	-	21,295,102
Accounts and notes receivable, net	955,852	174,042	3,326,134	-	-	-	248,873	-	-	-	-	-	-	-	4,704,902
Loans receivable	15,719,539	-	-	-	-	-	-	-	-	-	-	-	-	-	15,719,539
Contributions receivable, net	25,036,576	-	-	-	-	-	-	-	-	-	-	-	-	-	25,036,576
Due from (to) the University of Louisville															
Real Estate Foundation	28,849,404	-	-	-	-	-	-	-	-	(73,040)	-	-	-	-	28,776,363
Investments	662,775,663	-	-	-	-	-	-	-	-	(52,684)	257,760	-	-	-	662,980,739
Funds held in trust by others	54,215,862	-	-	-	-	-	-	-	-	-	-	-	-	-	54,215,862
Restricted investments	-	5,967,371	-	-	-	-	-	-	-	-	-	-	-	-	5,967,371
Prepaid expenses and other assets	458,977	539,222	7,857,413	-	-	-	182,470	-	-	-	-	-	-	-	9,038,081
Capital assets, net	15,758,654	34,895,285	24,598,880	-	-	-	9,629,245	-	-	9,525,987	-	-	-	-	94,408,051
Total assets	822,378,474	43,744,247	36,359,386	-	-	4,793	9,997,664	-	-	9,400,263	257,760	-	-	-	922,142,586
LIABILITIES AND NET ASSETS:															
Liabilities:															
Accounts payable	273,858	724,652	235,229	-	-	-	-	-	-	3,706	-	-	-	-	1,237,445
Funds held in trust for others	37,029,786	-	-	-	-	-	-	-	-	-	-	-	-	-	37,029,786
Other liabilities	11,720,362	536,824	233,953	-	-	388,255	680,848	-	-	-	-	-	-	-	13,560,242
Bonds and notes payable	35,715,000	27,281,157	19,850,000	-	-	-	-	-	-	-	-	-	-	-	82,846,157
Due to the University	12,212,797	-	-	-	-	-	-	-	-	-	-	-	-	-	12,212,797
Investment (in) return from subisdiaries	(85,320,516)	14,123,609	16,421,492	13,143,863	(347,775)	(913,799)	4,033,851	2,720,122	885,720	26,900,504	8,420,278	628	(67,977)	-	(0)
Total liabilities	11,631,288	42,666,242	36,740,673	13,143,863	(347,775)	(525,543)	4,714,698	2,720,122	885,720	26,904,210	8,420,278	628	(67,977)	-	146,886,428
Net Assets:															
Unrestricted	42,617,968	1,078,005	(381,287)	(13,143,863)	347,775	530,336	5,282,966	(2,720,122)	(885,720)	(17,503,947)	(8,162,519)	(628)	67,977	-	7,126,941
Temporarily restricted	312,451,821	-	-	-	-	-	-	-	-	-	-	-	-	-	312,451,821
Permanently restricted	455,677,397	-	-	-	-	-	-	-	-	-	-	-	-	-	455,677,397
Total net assets	810,747,185	1,078,005	(381,287)	(13,143,863)	347,775	530,336	5,282,966	(2,720,122)	(885,720)	(17,503,947)	(8,162,519)	(628)	67,977	-	775,256,158
Total liabilities and net assets	822,378,474	43,744,247	36,359,386	-	-	4,793	9,997,664	-	-	9,400,263	257,760	-	-	-	922,142,586

UNIVERSITY of LOUISVILLE FOUNDATION

UNIVERSITY OF LOUISVILLE FOUNDATION, INC.
Consolidated Statements of Activities
For the Eleven Months Ending Wednesday, May 31, 2017

	Unrestricted		Temporarily Restricted		Permanently Restricted		Totals				
	2017	2016	2017	2016	2017	2016	2017	2016	$ Variance	% Variance	
REVENUES, GAINS, AND OTHER SUPPORT:											
Gifts	16,923,958	38,584,130	3,556,522	7,675,892	2,760,888	8,421,790	23,241,368	54,681,812	(31,310,146)	-57%	1
Net investment return (loss)	10,159,229	897,635	56,390,133	(4,012,485)	4,569,004	(1,269,597)	71,118,367	(4,384,448)	75,502,814	1722%	2
Net rental revenues	11,820,830	9,562,232	-	-	-	-	11,820,830	9,562,232	2,258,598	24%	3
Other revenues	4,617,794	4,559,037	-	-	-	-	4,617,794	4,559,037	58,757	1%	4
Tax incremental financing revenues	-	17,125	-	-	-	-	-	17,125	(17,125)	-100%	5
Net assets released from restrictions:											
Reclassifications	-	-	-	(489)	-	489	-	-	-		6
Satisfaction of program restrictions	21,686,956	41,156,843	(21,741,850)	(42,799,488)	54,894	1,642,645	-	(0)	0		6
Total revenues, gains, and other support	65,208,767	94,777,002	38,204,805	(39,136,569)	7,384,787	8,795,326	110,798,359	64,435,759	46,492,898		
EXPENSES:											
Contributions to University of Louisville departments	34,081,852	93,169,880	-	-	-	-	34,081,852	93,169,880	(59,088,028)	507%	7
Contributions to ULREF and related organizations	1,173,240	67,127,446	-	-	-	-	1,173,240	67,127,446	(65,954,206)	298%	8
General and administrative	11,816,882	12,292,239	3,164,519	-	1,225,528	-	16,206,929	12,292,239	3,914,690	-72%	9
Professional services	3,138,065	3,041,041	-	-	-	-	3,138,065	3,041,041	97,024	-3%	10
Repairs and maintenance	2,663,883	2,234,744	-	-	-	-	2,663,883	2,234,744	429,139	-19%	11
Depreciation and amortization	5,318,511	5,667,200	-	-	-	-	5,318,511	5,667,200	(348,688)	6%	12
Interest expense	3,306,017	3,987,825	-	-	-	-	3,306,017	3,987,825	(681,808)	17%	13
Other (income) expenses	(119,364)	850,621	-	-	-	-	(119,364)	850,621	(969,986)	114%	14
Total expenses	61,379,087	188,370,996	3,164,519	-	1,225,528	-	65,769,135	188,370,996	(122,601,862)		
Net change in assets	3,829,680	(93,593,994)	35,040,286	(39,136,569)	6,159,258	8,795,326	45,029,225	(123,935,237)	169,094,760		
Net assets, beginning of year	3,297,261	105,437,348	277,411,534	288,298,578	449,518,139	443,952,941	730,226,934	837,688,867	(107,461,933)		
Net assets, end of the period	7,126,941	11,843,354	312,451,821	249,162,009	455,677,397	452,748,267	775,256,158	713,753,630	61,632,827		

1. Decrease primarily from reduction in newly generated unconditional pledges and receipts of current use cash gifts vs. prior year.
2. Overall improvement in market conditions. Return is presented net of fees & includes realized, unrealized, dividends and interest, & other income.
3. Revenues primarily from ULH dorms and TNRP. The Foundation still holds property at Brandeis & Arthur Streets and receives tenant lease revenues. Ground rents for C1, CII, and CIII are also included in this line item. Increase from prior year is mainly from TNRP revenue increases.
4. Services revenue agreement (ULREF salary allocations). TNRP and ULH step rents and miscellaneous income, CCG membership dues, food service and merchandise sales.
5. LMCDC acquired by ULREF in FYE16. TIF revenues are attributed to ULREF consolidated reporting.
6. Release of restriction from spending policy reimbursements to the University of permanent and quasi-donor endowments.
7. Support provided to the University - both cash contributions and accrued expenditures. Decrease is in part to timing (100% of FYE16 spending policy was received by the University). All current use cash was retained by the University in FYE16. In FYE17, current use cash is remitted on a reimbursement basis. At 6.30.16 the University held about $20M in Foundation carryover cash not yet spent. Rather than remitting the cash back to the Foundation, the University took credit for this carryover as funds were spent throughout FYE17.
8. Transfers/acquisitions to ULREF are non-recurring charges in FYE16. Current year contribution is salary and operations funding for IPR.
9. G&A includes salaries, utilities, and other administrative expenses. Increase in current year is due from pledges bad debt expenses and write offs and property tax assessments (TNRP represents the most significant assessment).
10. Legal, audit, property manager, architectural and engineering, and investment management. Increase in audit fees paid and legal expenses account for the majority of the increase vs. prior year.
11. Captures non-capitalized disbursements categorized as land improvements, building & leasehold improvements, machinery & equipment, leased equipment, furniture & fixtures, motor vehicles, HVAC, snow removal, landscaping, etc. The most significant expenses in the current year relate to the disassembly and move of the confederate monument.
12. Plant, property & equipment is depreciated on a straight-line basis over the life of the asset. Amortization relates to prepaid bond issuance costs that are amortized straight line over the life of the respective debt agreement. Decrease is mainly attributable to the acquisition of various LLC-owned capital assets by ULREF.
13. Captures the interest payments and accrued expenses for ULF 2013 Series bonds, ULH 2009 & 2010 bonds, and TNRP NMTC interest charges. Decrease is a result of ULREF's acquisition & refinancing of KYT debt.
14. Unitrust and annuitant payments are the most significant recurring transactions in the grouping. In the current year, ULF recorded a $257k gain (credit balance - contra expense) on extinguishment of debt related to the Unwind Agreement for the Sapulpa

UNIVERSITY of LOUISVILLE FOUNDATION

UNIVERSITY OF LOUISVILLE FOUNDATION, INC.
Consolidating Statement of Activities
For the Eleven Months Ending Wednesday, May 31, 2017

Description	ULF SA	ULH	TNRP	UHI	LMCDC	DCPA	CCG	KYT	Nucleus	ULDC	Metacyte	PPL	Cardinal Station	ULF Consolidated
REVENUES, GAINS, AND OTHER SUPPORT:														
Gifts	23,241,368	-	-	-	-	-	-	-	-	-	-	-	-	23,241,368
Net investment return (loss)	70,972,461	100,802	-	-	-	-	-	-	-	(176,256)	221,359	-	-	71,118,367
Net rental revenues	1,050,917	8,277,491	2,492,421	-	-	-	-	-	-	-	-	-	-	11,820,830
Other revenues	1,279,355	455,482	697,096	-	-	-	2,185,860	-	-	-	-	-	-	4,617,794
Total revenues, gains, and other support	96,544,102	8,833,776	3,189,518	-	-	-	2,185,860	-	-	(176,256)	221,359	-	-	110,798,359
EXPENSES:														
Contributions to University of Louisville departments	34,825,732	442	-	-	-	-	(744,322)	-	-	-	-	-	-	34,081,852
Contributions to ULREF and related organizations	1,173,240	-	-	-	-	-	-	0	-	-	-	-	-	1,173,240
General and administrative	9,396,701	2,408,536	1,253,573	34,567	-	688,032	2,363,495	-	-	61,675	350	-	-	16,206,929
Professional services	2,367,407	406,605	143,278	26,059	-	128,600	4,790	-	-	61,158	168	-	-	3,138,065
Repairs and maintenance	672,180	886,444	400,369	-	-	-	482,421	-	-	222,469	-	-	-	2,663,883
Depreciation and amortization	1,811,321	1,539,169	1,502,083	-	-	-	312,199	-	-	153,739	-	-	-	5,318,511
Interest expense	2,127,816	1,037,238	132,050	-	-	-	8,914	-	-	-	-	-	-	3,306,017
Other (income) expenses	(120,797)	2,333	-	-	-	-	(900)	-	-	-	-	-	-	(119,364)
Total expenses	52,253,601	6,280,767	3,431,353	60,626	-	816,632	2,426,597	0	-	499,041	518	-	-	65,769,135
Net change in assets	44,290,502	2,553,009	(241,836)	(60,626)	-	(816,632)	(240,737)	(0)	-	(675,297)	220,841	-	-	45,029,225
Intercompany revenues (expenses)	1,924,093	(508,669)	(148,133)	(385,628)	-	-	175,260	-	-	(785,572)	(271,351)	-	-	-
Net assets, beginning of year	764,532,590	(966,336)	8,682	(12,697,609)	347,775	1,346,968	5,348,443	(2,720,122)	(885,720)	(16,043,078)	(8,112,008)	(628)	67,977	730,226,934
Net assets, end of the period	810,747,185	1,078,005	(381,287)	(13,143,863)	347,775	530,336	5,282,966	(2,720,122)	(885,720)	(17,503,947)	(8,162,519)	(628)	67,977	775,256,158

UNIVERSITY of LOUISVILLE FOUNDATION

University of Louisville Foundation, Inc.
Consolidated Statements of Cash Flows
For the Fiscal Periods Ending

	May 2017	April 2017	March 2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Change in net assets	45,029,225	37,251,192	37,432,189
Items not requiring (providing) operating activities cash flows:			
Depreciation, amortization and impairment	5,318,511	4,901,389	4,474,805
Realized and unrealized gains and losses	(71,118,367)	(61,556,831)	(61,777,867) [3]
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Accounts and straight-line rents receivable	(666,745)	(641,455)	(629,426)
Contributions receivable	14,167,635	14,418,099	14,494,969
Prepaids and other assets	(418,376)	(503,718)	(636,331)
Accounts payable and accrued liabilities	(9,415,772)	(9,257,495)	(7,143,409)
Funds held in trust for others	2,842,548	2,335,137	(1,418,584)
Due to (from) related parties and supported organizations	7,795,388	7,914,056	(3,330,167) [1]
Net cash provided by (used in) operating activities	(6,465,953)	(5,139,626)	(18,533,822)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net purchases of investments	(130,269,772)	(131,315,025)	(99,718,734) [3]
Disposition of investments	156,849,089	162,565,106	138,022,919 [3]
Payments on loans receivable	600,000	600,000	600,000 [4]
Purchase of capital assets	(2,485,699)	(2,364,527)	(2,290,635) [5]
Net cash provided by (used in) investing activities	24,693,618	29,485,554	36,613,551
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on bonds payable	(5,573,124)	(5,572,471)	(5,213,031) [6]
Net cash used in financing activities	(5,573,124)	(5,572,471)	(5,213,031)
Net increase (decrease) in cash	12,654,541	18,773,457	12,866,698
Cash at beginning period	8,595,459	8,595,459	8,595,459 [7]
Cash at end of period	21,250,000	27,368,916	21,462,157 [8]
	21,295,103	*27,368,916*	*21,240,798*

FFA notes:

Only entities included in AFS report presented above.
Investment activity for P10 is preliminary, only about 60% of money mangers reported.
CCG did not report figures in advance to be included in period reporting.

[1] Reflects the change since end of prior fiscal year. Accounts included in the line are due to/from ULREF and due to UL. Refer to SOP and Glossary of Terms for further discussion of transactions. Also, see UL Contribution Analysis Leadsheet. Note that May spending reimbursement has not been provided by the University and is therefore excluded.

[2] Included in this line item are investments in Campus One, Sapulpa, etc. No activity in current year. Line item not suppressed to illustrate no activity.

[3] Investment activity derived from investment rollforward details. Sales and purchases are presented gross on the SCF. Gain agrees to statement of activities.

[4] Blakely loan paid in full during FYE17.

[5] Refer to Fixed Asset Leadsheet for account details by entity & asset type. TNRP costs mainly are associated with ULP 5th floor tenant finish.

[6] Includes principal payments on 2013 series bonds ($745k), ULH 2009 ($475k), ULH 2010 ($875k), and reduction in Sapulpa note payable ($3.5M).

[7] Book balance (i.e. cash per bank statement, less outstanding checks, plus DIT) as of 6.30.16.

[8] Agrees to Cash per Statement of Financial Position. Also, refer to Cash Leadsheet for details of balances per account.

UNIVERSITY OF LOUISVILLE FOUNDATION, INC.
Investments Market Value Report
For the Eleven Months Ending Wednesday, May 31, 2017

Composite (Inception Date)	May 2017	March 2016	December 2016	September 2016	June 2016	March 2016	December 2015	September 2015
ULF Pool - Cambridge Advised Assets (12/31/89)								
U.S. Equity (12/31/89)	98,122,388	94,304,083	86,580,020	94,316,522	95,968,252	105,490,561	113,597,047	110,577,851
Developed Global ex U.S. Equity (04/28/95)	83,484,188	85,012,148	79,276,450	78,309,998	78,606,453	80,907,974	81,062,586	78,623,579
Emerging Markets Equity - Regional (07/31/02)	91,630,279	88,083,101	82,973,419	84,879,545	85,968,202	83,970,598	77,888,660	77,114,158
Global Equity (12/31/89)	273,236,855	267,399,332	248,829,889	257,506,065	260,542,907	270,369,133	272,548,293	266,315,588
MALT Program (05/01/97)	107,637,416	109,624,957	106,064,432	116,271,543	109,860,792	113,756,272	122,841,406	122,067,496
Marketable Real Assets (10/31/96)	41,284,431	44,472,191	44,461,685	43,709,926	42,234,375	38,788,819	34,866,436	42,270,313
Fixed Income (12/31/89)	30,189,163	32,342,209	31,618,863	35,092,222	34,792,013	39,460,438	46,468,183	47,692,167
Cash Pending Placement (03/30/09)	17,935,578	16,774,828	21,267,932	11,805,726	1,350,169	1,885,305	15,194,728	12,231,605
Total Marketable Assets (12/31/89)	470,283,443	470,613,517	452,242,801	464,385,482	448,780,256	464,259,967	491,919,046	490,577,169
Total Private Investments Real Assets - Real Estate (11/15/94)	7,603,784	7,549,408	8,362,444	9,333,171	9,680,016	26,414,089	27,542,240	28,751,771
Total Private Investments Real Assets - Natural Resources (11/1!	21,937,319	24,357,761	23,220,531	21,000,546	19,032,152	16,501,634	16,050,985	14,064,176
Total Private Real Assets (11/15/94)	29,541,103	31,907,169	31,582,975	30,333,717	28,712,168	42,915,723	43,593,225	42,815,947
Private Investments - U.S. Venture Capital (03/01/96)	37,778,768	35,423,613	33,587,582	32,094,656	31,034,759	30,047,654	27,865,336	26,551,115
Private Investments - U.S. Private Equity (01/01/00)	11,286,368	10,509,581	9,987,734	9,643,736	9,651,191	9,910,373	9,164,238	9,663,719
Private Investments - Non-U.S. Private Equity (03/01/05)	20,983,956	20,238,894	19,644,389	17,897,670	16,857,746	16,496,921	15,985,507	17,087,926
Private Investments - Opportunistic (04/01/00)	26,383,126	25,960,902	27,146,921	26,561,890	26,607,136	25,922,226	24,715,832	24,173,161
Total Private Investments ex Real Assets (11/15/96)	96,432,218	92,132,990	90,366,626	86,197,952	84,150,832	82,377,174	77,730,913	77,475,921
Total ULF Focused Investments (02/14/02)	6,897,279	7,108,987	8,438,475	8,781,225	9,746,915	9,346,041	9,556,563	10,222,565
Total ULF Pool - Cambridge Advised Assets (12/31/89)	603,154,043	601,762,663	582,630,877	589,698,376	571,390,171	598,898,905	622,799,747	621,091,602
Other ULF Endowment Assets (12/31/89)								
Unitrust - Barclay iShares (05/23/05)	6,802,733	7,254,993	6,929,510	6,914,507	6,731,138	6,645,480	6,643,707	6,531,947
Community Park Investment (07/14/15)	13,498,343	12,989,674	12,989,674	12,989,674	13,539,674	-	-	-
Individual Investments (08/15/05)	2,142,978	1,992,573	2,734,059	3,334,584	6,722,148	9,213,109	11,789,094	11,749,713
Louisville Trust Equity (12/31/89)	19,107,389	18,492,254	17,427,454	17,020,777	17,122,435	16,869,608	16,856,142	15,914,996
Louisville Trust Fixed Income (12/31/89)	4,353,182	4,297,000	4,259,347	4,321,380	4,508,674	4,439,431	4,366,239	4,377,581
Mohr Endowment (06/30/09)	203,613	201,169	195,222	191,922	198,505	195,249	193,126	187,984
PNC Shoen (01/01/08)	2,483,786	2,446,929	2,345,712	2,256,792	2,283,392	2,220,921	2,216,616	2,116,940
UHI Line of Credit (01/22/08)	44,321,547	44,027,541	42,878,996	42,878,996	42,878,996	41,439,654	41,088,415	40,748,118
ULREF (01/31/16)	28,878,821	28,878,821	28,878,821	28,878,821	-	-	-	-
KYT CD	-	-	-	8,169,222	8,169,222	8,164,089	8,159,015	8,148,794
Osher Fund (06/30/15)	1,083,171	1,053,985	997,857	979,738	989,917	968,539	901,322	-
Jean Frazier Fund (11/01/15)	2,292,022	2,220,006	2,093,496	2,076,509	2,003,929	1,971,215	1,946,867	-
Funds Held In Trust By Others (06/30/15)	30,755,291	30,755,291	29,694,719	30,119,738	29,166,687	29,061,606	29,206,888	28,933,725
Total Endowment Assets (12/31/89)	759,076,919	756,372,899	734,055,744	749,831,036	705,704,888	720,087,806	746,167,178	739,801,400
Other ULF Assets (06/30/15)								
Frazier Gift Fund (06/30/15)	11,320,172	10,974,091	18,360,553	21,978,365	21,559,396	21,154,169	20,796,048	19,985,214
ULF Fund (06/30/15)	23,574,028	22,697,556	21,469,839	21,530,199	20,871,458	20,701,274	20,476,980	19,545,335
Annuity Investment Account (01/01/17)	634,699	618,879	395,025	-	-	-	-	-
Total Other ULF Assets (12/31/89)	35,528,899	34,290,526	40,225,417	43,508,564	42,430,854	41,855,443	41,273,028	39,530,549
Total Assets (Per Cambridge Report)	794,605,818	790,663,425	774,281,161	793,339,600	748,135,742	761,943,249	787,440,206	779,331,949
Investments not included in Cambridge Reporting								
Stern Agee Equity Securities (1)	61,657	61,657	61,657	61,657	61,657	54,936	54,936	54,936
Denny Crum Commonfund Mutual Funds (2)	559,487	686,040	812,892	977,255	1,105,817	1,213,598	1,311,295	1,447,540
Gifts' PNC Money Market (3)	16,606,601	23,774,658	18,094,774	6,295,465	-	-	-	-
Vanguard Current Use Gift Fund (7)	10,000,000	-	-	-	-	-	-	-
ULF Fund Administrative Money Market (PNC) (4)	150,290	400,065	-	-	-	-	-	-
Cardinal Venture Fund (5)	328,906	328,906	346,873	346,873	346,873	488,600	488,600	488,600
PNC Stock Gifts (6)	47,019	66,897	58,265	25,292	27,242	29,966	183,728	25,036
Total Investments not included in Cambridge Reporting	27,753,960	25,318,223	19,374,461	7,706,542	1,541,589	1,787,100	2,038,559	2,016,112
Total Investments + UHI LOC + Investment Cash	822,359,778	815,981,648	793,655,622	801,046,142	749,677,331	763,730,349	789,478,765	781,348,061

UNIVERSITY of LOUISVILLE FOUNDATION

UNIVERSITY OF LOUISVILLE FOUNDATION, INC.
Investments Market Value Report
For the Eleven Months Ending Wednesday, May 31, 2017

Reconcilement to Statement of Financial Position	May 2017	March 2016	December 2016	September 2016	June 2016	March 2016	December 2015	September 2015
Total Investments + UHI LOC + Investment Cash	822,359,778	815,981,648	793,655,622	801,046,142	749,677,331	763,730,349	789,478,765	781,348,061
Less: Community Park Investment (07/14/15)	(13,498,343)	(12,989,674)	(12,989,674)	(12,989,674)	(13,539,674)	-	-	-
Less: UHI Line of Credit (01/22/08)	(44,321,547)	(44,027,541)	(42,878,996)	(42,878,996)	(42,878,996)	(41,439,654)	(41,088,415)	(40,748,118)
Less: Cash Pending Placement (03/30/09)	(17,935,578)	(16,774,828)	(21,267,932)	(11,805,726)	(1,350,169)	(1,885,305)	(15,194,728)	(12,231,605)
Less: Funds Held In Trust By Others	(30,755,291)	(30,755,291)	(29,694,719)	(30,119,738)	(29,166,687)	(29,061,606)	(29,206,888)	(28,933,725)
Less: Louisville Trust Equity (12/31/89)	(19,107,389)	(18,492,254)	(17,427,454)	(17,020,777)	(17,122,435)	(16,869,608)	(16,856,142)	(15,914,996)
Less: Louisville Trust Fixed Income (12/31/89)	(4,353,182)	(4,297,000)	(4,259,347)	(4,321,380)	(4,508,674)	(4,439,431)	(4,366,239)	(4,377,581)
Less: ULREF (01/31/16)	(28,878,821)	(28,878,821)	(28,878,821)	(28,878,821)	-	-	-	-
Less: Convertible Notes	(528,888)	(523,833)	(802,740)	(795,157)	(635,281)	(1,519,424)	(1,549,026)	(1,464,426)
Total Investments per Statement of Financial Position	662,980,739	659,242,406	635,455,939	652,235,873	640,475,415	668,515,321	681,217,327	677,677,610

(1) Stern Agee (4/30/2004) - Gift to the Business School for use by the Finance Capstone students. Student managed investment account.
(2) Denny Crum (12/31/2000) - Retirement agreement account created for Denny Crum. Held in a separate account at CommonFund. Last payment is due 4/1/2018.
(3) Gifts PNC Money Market (7/1/2016) - Short-term investment account that holds current use gift funds received.
(4) ULF Fund Admin (7/1/2016) - Short-term investment account that holds administrative funds until they are needed.
(5) Cardinal Venture Fund (1/1/2000) - Gift to the Business School for use by the MBA Entrepreneur students. Currently invested in the Yearling Fund II.
(6) PNC Stock Gift (12/19/2001) - Clearing account for gifts of stock by donors. Funds become current use gifts or endowments.
(7) Vanguard Current Use Gifts Fund (4/1/2017) - Short-term investment account that holds current use gift funds received.

UNIVERSITY OF LOUISVILLE FOUNDATION, INC. BOARD OF DIRECTORS
RESOLUTION TO REPURPOSE THE USE OF ENDOWMENT – E1936

RECOMMENDATION:

The School of Medicine would like to repurpose the use of E1936 to provide discretionary funding to benefit the School of Medicine.

BACKGROUND:

E1936 – Steedly Estate Fund was initially established as a quasi-endowment in January 2012 with proceeds from the estate of Nathan Richard Steedly. The gift was unrestricted to the School of Medicine. The decision at the time was made to utilize the funds to create an endowed faculty position that focused on the history of medicine. The School of Medicine does not teach a course on the history of medicine nor does it offer any as part of the course offerings.

Current Market Value (as of 3/31/17) - $577,569.72

Board Action:
Passed: ✓
Did not Pass: ____
Other:
[redacted]
Laura Douglas, Secretary