

Auxiliary Services Foundation Board of Directors Meeting

Board Members Present:

Board Members		<u>In Attendance</u>
Richard A. Spell	President	Yes
John Hartney	Vice-President	Yes
Fred A. Towler	Secretary	Yes
Raajkumar Kurapati	Treasurer	Yes
Tim Argo		Yes
Dr. M. David Rudd	UofM President	
Holly Ford	AVP, UMF & ASF	Yes
Steve McDaniel	Retained Legal Counsel	Yes

A quorum was present, and President Spell called the Auxiliary Services Foundation Board Meeting to order at 3:04pm.

ASF Items

- I. **Approval of Minutes – Rick Spell, ASF President**
 President Spell asked if there were any revisions to the minutes on the floor to be approved. There were no revisions. President Spell asked for a motion to approve the minutes.
 Minutes from December 2, 2021 – EXHIBIT A **MOTION TO APPROVE:** Mr. Argo
SECOND: Mr. Hartney

- II. **Code of Ethics Rick Spell, ASF President**
 President Spell stated the Auxiliary Services Foundation Board of Directors is required to annually review the Code of Ethics Policy and sign the Acknowledge and or disclose any potential conflicts. Ms. Ford has e-mailed you the policy and the acknowledgement via DocuSign to sign and return to her.

- III. **University of Memphis Audited Financials Raaj Kurapati, UofM EVP & CFO**
 Mr. Kurapati shared the University ended the financial year in a healthy position, with assets appreciating roughly \$93M YOY and the University has assets at roughly \$1B.

Mr. Kurapati shared, the largest source of revenue for the University is Tuition and Fees, however the University experienced a dip in this area during the pandemic.

Mr. Kurapati then reported, the Herff Trust also saw an appreciation in assets as a direct result of market performance by the end of FY21. However, the current market has caused the Herff Trust assets to take a dip this fiscal year. The University has returned roughly \$1M in gift loans received from the Herff Trust several years back.

Mr. Kurapati then moved to review the University of Memphis Foundation FY21 financial results,

which again showed an appreciation in assets as a result of the market and a record year in fundraising.

Next to review was the audited financial statements for the Auxiliary Services Foundation. The increase in assets was mainly due to the \$12M loan for Athletics and liabilities are tied to the various campus projects supported by the ASF and the Loan payable back to FirstBank for Athletics. At the end of FY21, Mr. Kurapati reminded the Board, roughly \$5.4M was issued to the Athletic Department and the remaining funds of the \$12M loan remain in the ASF Bank Account and could still be called upon by the Athletic Department, as they are still recovering from the impacts of the pandemic.

Mr. Kurapati shared the consolidated audited financial statements for the UofM Research Foundation. The UMRF is a small established to accommodate non-traditional grants, which are research focused. Underneath the UMRF sits the UMRF Ventures and the financials being presented are the consolidated financials. Assets are similar YOY with minimal assets, but the revenue is up due primarily to the growth of UMRF Ventures.

Vice-President Hartney asked where the Research Funding tied to the R1 Status will be managed. Mr. Kurapati stated it is ultimately at the discretion of the President of the University, however, it seems it will make sense for it to be managed by the University of Memphis Foundation, since they have the investment structure already in place.

Mr. Kurapati then shared a recap of the Federal funding received as a result of the pandemic. Roughly \$40M was received and nearly \$30M was directly invested into the University's students. The portion of funding used directly by the institution was used to offset losses.

Mr. Kurapati reviewed the Composite Financial Index for the University showing a 5 year trend. The CFI for the University four to five years ago was 2.59 and in the next year had dipped to 1.9. He went onto explain a healthy CFI is between 2.5 and 3 and falling below 2 is cause for concern. Since the dip to 1.9, there has been a focus of putting assets to work and in FY21 posted the CFI to the best position it has been at, which is now 5.53. He does anticipate seeing a dip in FY22 due to the market and not anticipating the market growth experienced in FY21.

IV. ASF Financials and Project Snapshot

Rick Spell, ASF President

Holly Ford, ASF AVP

President Spell thanked Mr. Kurapati for his report and applauded him for the work he has done. He then explained, Ms. Ford, had taken it upon herself to create an accounting of all projects being financially managed by the Foundation, so at any time, she is able to convey this information to the Board and it can help them have an understanding for commitments, as the Board considers additional projects. He commended Ms. Ford on the work she had done to proactively put this together and what a great resource it will be for the Board.

Ms. Ford reviewed bank account balances for both the Money Market Account and the Checking Account calling out specific larger expenditures for an Athletic Loan Deficit payment to the Athletic Department, a Natatorium payment and a payment to the Porter Leath UofM (PLUM Academy). Speaking to the PLUM Academy project, Ms. Ford reminded the Board, this is a project in collaboration with the UofM, Porter Leath and the Urban Child Institute (UCI). UCI has committed to a grant to the UofM, to repay the funding paid-out by the ASF. Currently, there are 4 additional payments expected from the UCI, which will be paid quarterly and paid in full as of December 31st of this calendar year.

Ms. Ford also showed a system she has created within the Check Register where all required documentation is saved in a designated folder and then hyperlinked to the specific line item on the Check Register, to allow for quick access to the detail and to help with the ease of providing information to the Auditors at year-end.

Ms. Ford then explained how she has created individual project trackers, as well as an overall snapshot of all committed funds. Currently, the ASF has a total of \$26M projects on the roster. For a large monetary portion of these, Advancement and Athletics are actively fundraising towards these projects. And as a reminder, the ASF has a policy not to pay invoices until the funding is in place in the ASF, unless voted upon and approved by the Board. So this means, expenses would not be paid for a project unless the funding is in place with the ASF.

President Spell requested to have the project snapshot at each meeting for the Boards knowledge. Mr. Argo requested detail of the dollar amounts for each project, which rolls-up into the overall committed Funds. Ms. Ford showed a document outlining the detail and Mr. Argo stated, this is exactly what he was requesting.

Ms. Ford informed the Board, she has collaborated with the Athletic Dept CFO and the Chief Planning Officer for the UofM and they meet regularly to discuss current projects, upcoming projects, key dates, document reviews, etc... so there is a cohesive workflow between their respective areas. She stated this has helped a lot in creating approval processes and ensuring proper tracking. She also stated she has learned about how projects start at the University and one of the first steps is issuing a Certification of Funds to the State's Building Commission, in order for this certification to be issued, the signer of the letter is verifying the funds are available for the full scope of the project. Ms. Ford stated the reason she is explaining this, because it is applicable to the project she is proposing to the Board for consideration, which is for 11th Floor Renovations for the Benjamin Hooks Institute of Social Change. Ms. Ford shared the financial scope of the project, as well as how much has currently been raised and is being managed by the UMF. In addition to these funds there is an additional anticipated gift, which will provide enough funding to fully fund the project. However, since all of the funds aren't technically in place yet, if the Board approves this project, the ASF Board would be committing the ASF to the difference between the financial scope of the project and the funds currently available, until the additional gift is received to officially make this project fully funded. She also noted, the contractor is A2H in Lakeland. Mr. Kurapati moved to approve the project, Mr. Hartney gave the second, all were in favor and the

motion carried.

Benjamin Hooks Inst. 11th Flr Reno. – EXHIBIT D **MOTION TO APPROVE:** Mr. Kurapati
SECOND: Mr. Hartney

President Spell stated the critical point for the Board to have a level of comfort with, is knowing Ms. Ford is tracking the funding, ear-marking funds for the respective projects and is able to provide detail upon request.

V. ASF Board Updates

Holly Ford, ASF AVP

Ms. Ford shared a visual image of a token of appreciation to the ASF's Immediate Past President, Tom Kadien. Once the gift arrives, a dinner or meeting will be organized to present it to him and share our appreciation for his leadership.

VI. Adjourn

Rick Spell, ASF President

Being there was no additional business, President Spell called for a motion to adjourn the meeting. Mr. Argo made the motion, Mr. Kurapati seconded the motion, the motion carried and the meeting was adjourned at 3:42pm