

**THE UNIVERSITY OF MEMPHIS FOUNDATION**

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Financial Statements  
For the Years Ended June 30, 2024 and 2023

# THE UNIVERSITY OF MEMPHIS FOUNDATION

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## THE UNIVERSITY OF MEMPHIS FOUNDATION

Board of Directors and Financial/Administrative Directors  
June 30, 2024

### **Board of Directors**

David Tate, President  
John Wilfong, Vice President  
Tanya Hart, Treasurer  
Glynna Christian, Secretary  
Fred Towler, Immediate Past President  
Sudhir Agrawal  
Rene Bustamante  
Lauralan Grisoni  
Dr. Bill Hardgrave  
Daphne Large  
Dr. Reginald Porter  
John "Mickey" Robinson  
Dr. Douglas Scarboro  
Harry Smith  
Monica Wharton

### **Financial/Administrative Directors**

Holly Ford, Foundation CEO  
Mark Nicell, Foundation CBO



## Independent Auditors' Report

Board of Directors  
The University of Memphis Foundation  
Memphis, Tennessee

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of The University of Memphis Foundation (the "Foundation"), a component unit of The University of Memphis, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024, and the changes in its net assets 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 on 2024 Financial Statements*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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.

#### *Prior Period Financial Statements*

The accompanying financial statements as of and for the year ended June 30, 2023 were audited by other auditors whose report dated November 7, 2023 expressed an unmodified opinion on the statement of financial position, and the related statements of activities, functional expenses, and cash flows.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the 2024 Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

### ***Other Information***

Management is responsible for the other information. The other information comprises the Roster of Board of Directors and Financial/Administrative Directors but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2024, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

CBIZ CPAs P.C.<sup>1</sup>

Memphis, Tennessee  
November 15, 2024

<sup>1</sup> In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

# THE UNIVERSITY OF MEMPHIS FOUNDATION

## Statements of Financial Position June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash	\$ 17,215,894	\$ 11,536,780
Contributions receivable, net	33,656,953	30,379,261
Other receivables	535,812	35,159
Investments, at fair value	212,726,233	180,676,111
Cash surrender value of life insurance	171,560	142,915
Property and equipment, net	<u>27,204</u>	<u>-</u>
Total assets	<u>\$ 264,333,656</u>	<u>\$ 222,770,226</u>
Liabilities		
Accounts payable, primarily to The University of Memphis	\$ 18,958,169	\$ 15,574,284
Gift annuity obligations	<u>105,593</u>	<u>132,121</u>
Total liabilities	19,063,762	15,706,405
Net assets		
Without donor restrictions	7,596,302	4,296,431
With donor restrictions	<u>237,673,592</u>	<u>202,767,390</u>
Total net assets	<u>245,269,894</u>	<u>207,063,821</u>
Total liabilities and net assets	<u>\$ 264,333,656</u>	<u>\$ 222,770,226</u>

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

# THE UNIVERSITY OF MEMPHIS FOUNDATION

## Statement of Activities For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenues			
Contributions	\$ 218,794	\$ 28,886,420	\$ 29,105,214
Investment income, net of expenses	1,735,185	3,269,819	5,005,004
Net realized and unrealized gains on investments	983,636	20,600,966	21,584,602
Other income	<u>3,005,691</u>	<u>2,598,192</u>	<u>5,603,883</u>
	5,943,306	55,355,397	61,298,703
Net assets released from restrictions	<u>20,449,195</u>	<u>(20,449,195)</u>	<u>-</u>
Total support and other revenues	26,392,501	34,906,202	61,298,703
Operating expenses			
University support and operational cost	12,360,704	-	12,360,704
Awards and scholarships	9,474,116	-	9,474,116
Management and general	<u>1,257,810</u>	<u>-</u>	<u>1,257,810</u>
Total operating expenses	<u>23,092,630</u>	<u>-</u>	<u>23,092,630</u>
Increase in net assets	3,299,871	34,906,202	38,206,073
Net assets at beginning of year	<u>4,296,431</u>	<u>202,767,390</u>	<u>207,063,821</u>
Net assets at end of year	<u>\$ 7,596,302</u>	<u>\$ 237,673,592</u>	<u>\$ 245,269,894</u>

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



# THE UNIVERSITY OF MEMPHIS FOUNDATION

## Statement of Activities For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenues			
Contributions	\$ 199,031	\$ 37,757,843	\$ 37,956,874
Investment income, net of expenses	724,763	2,666,842	3,391,605
Net realized and unrealized gains on investments	67,898	13,660,301	13,728,199
Other income (expense)	<u>2,920,304</u>	<u>3,255,418</u>	<u>6,175,722</u>
	3,911,996	57,340,404	61,252,400
Net assets released from restrictions	<u>28,777,101</u>	<u>(28,777,101)</u>	<u>-</u>
Total support and other revenues	32,689,097	28,563,303	61,252,400
Operating expenses			
University support and operational cost	18,863,136	-	18,863,136
Awards and scholarships	12,684,362	-	12,684,362
Management and general	<u>1,085,152</u>	-	<u>1,085,152</u>
Total operating expenses	<u>32,632,650</u>	<u>-</u>	<u>32,632,650</u>
Increase in net assets	56,447	28,563,303	28,619,750
Net assets at beginning of year	<u>4,239,984</u>	<u>174,204,087</u>	<u>178,444,071</u>
Net assets at end of year	<u>\$ 4,296,431</u>	<u>\$ 202,767,390</u>	<u>\$ 207,063,821</u>

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

## THE UNIVERSITY OF MEMPHIS FOUNDATION

### Statement of Functional Expenses For the Year Ended June 30, 2024

	Program Services			Support Services	
	University Support and Operational Cost	Awards and Scholarships	Total Program Services	Management and General	Total
Salaries and benefits	\$ 13,126	\$ -	\$ 13,126	\$ 685,714	\$ 698,840
Conferences and travel	102,301	-	102,301	12,684	114,985
Supplies	542,248	-	542,248	9,944	552,192
Postage	2,684	-	2,684	1,186	3,870
Printing	49,525	-	49,525	80	49,605
Telephone and communications	-	-	-	2,333	2,333
Maintenance and repairs	481	-	481	3,856	4,337
Audit services	-	-	-	41,872	41,872
Legal services	-	-	-	15,590	15,590
Annuity expenses	19,281	-	19,281	-	19,281
Professional services	1,098,773	-	1,098,773	123,216	1,221,989
Publicity/public relations	4,397	-	4,397	-	4,397
Rental fees	137,453	-	137,453	187	137,640
Insurance other	28,779	-	28,779	15,805	44,584
Other expenses	4,068,366	-	4,068,366	240,401	4,308,767
Dues and membership subscriptions	251,777	-	251,777	4,779	256,556
Meals and entertainment	650,059	-	650,059	4,989	655,048
Tickets	10,597	-	10,597	2,070	12,667
Sponsorships and donations	111,868	-	111,868	-	111,868
Gifts and flowers	28,636	-	28,636	170	28,806
Interest expense	137,977	-	137,977	-	137,977
Fees	137,571	-	137,571	90,290	227,861
Furniture and equipment depreciation	-	-	-	2,644	2,644
Honorariums	46,600	-	46,600	-	46,600
University support	1,754,030	-	1,754,030	-	1,754,030
USA grants special projects	2,044,958	-	2,044,958	-	2,044,958
USA chairs professorships	-	629,667	629,667	-	629,667
Awards	-	339,790	339,790	-	339,790
Bad debt expense	251,809	-	251,809	-	251,809
Furniture and equipment	845,338	-	845,338	-	845,338
Construction and renovation	22,070	-	22,070	-	22,070
Scholarships	-	8,375,859	8,375,859	-	8,375,859
Fellowships	-	59,186	59,186	-	59,186
Interns and graduate assistants	-	69,614	69,614	-	69,614
Total functional expenses	<u>\$ 12,360,704</u>	<u>\$ 9,474,116</u>	<u>\$ 21,834,820</u>	<u>\$ 1,257,810</u>	<u>\$ 23,092,630</u>

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

# THE UNIVERSITY OF MEMPHIS FOUNDATION

## Statement of Functional Expenses For the Year Ended June 30, 2023

	Program Services			Support Services	
	University Support and Operational Cost	Awards and Scholarships	Total Program Services	Management and General	Total
Salaries and benefits	\$ 167,609	\$ -	\$ 167,609	\$ 317,947	\$ 485,556
Conferences and travel	251,813	-	251,813	9,135	260,948
Supplies	435,541	-	435,541	9,005	444,546
Postage	8,543	-	8,543	1,203	9,746
Printing	112,061	-	112,061	117	112,178
Telephone and communications	1,950	-	1,950	77,077	79,027
Maintenance and repairs	-	-	-	376	376
Audit services	-	-	-	40,560	40,560
Legal services	3,200	-	3,200	9,755	12,955
Annuity expenses	19,281	-	19,281	-	19,281
Professional services	1,155,918	-	1,155,918	207,398	1,363,316
Publicity/public relations	1,970	-	1,970	-	1,970
Rental fees	281,789	-	281,789	-	281,789
Insurance other	27,824	-	27,824	30,762	58,586
Other expenses	10,992,596	-	10,992,596	249,554	11,242,150
Dues and membership subscriptions	209,224	-	209,224	3,627	212,851
Meals and entertainment	785,048	-	785,048	2,723	787,771
Tickets	10,712	-	10,712	-	10,712
Sponsorships and donations	96,804	-	96,804	-	96,804
Gifts and flowers	36,110	-	36,110	-	36,110
Fees	95,167	-	95,167	109,812	204,979
Honorariums	28,700	-	28,700	-	28,700
University support	2,538,606	-	2,538,606	-	2,538,606
USA grants special projects	1,416,210	-	1,416,210	-	1,416,210
USA chairs professorships	-	414,712	414,712	-	414,712
Awards	-	285,131	285,131	-	285,131
Bad debt expense	67,295	-	67,295	-	67,295
Furniture and equipment	17,772	-	17,772	16,101	33,873
Construction and renovation	101,393	-	101,393	-	101,393
Scholarships	-	11,850,436	11,850,436	-	11,850,436
Fellowships	-	116,509	116,509	-	116,509
Interns and graduate assistants	-	17,574	17,574	-	17,574
Total functional expenses	<u>\$ 18,863,136</u>	<u>\$ 12,684,362</u>	<u>\$ 31,547,498</u>	<u>\$ 1,085,152</u>	<u>\$ 32,632,650</u>

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

# THE UNIVERSITY OF MEMPHIS FOUNDATION

## Statements of Cash Flows For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Increase in net assets	\$ 38,206,073	\$ 28,619,750
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	2,644	-
Net realized and unrealized investment (gain) loss	(21,584,602)	(13,728,199)
Reinvested interest and dividends	(4,961,014)	-
Bad debt expense	251,809	67,295
Restricted contributions	(28,914,716)	(13,513,175)
Changes in operating assets and liabilities		
Contributions receivable	(3,529,501)	(1,246,364)
Accrued interest, dividends, and other receivables	(529,298)	-
Accounts payable, primarily to The University of Memphis	3,383,885	9,427,419
Gift annuity obligations	<u>(26,528)</u>	<u>(9,254)</u>
Net cash provided by (used in) operating activities	(17,701,248)	9,617,472
Cash flows from investing activities:		
Purchases of property and equipment	(29,848)	-
Proceeds from sale of investments	2,497,511	7,595,045
Purchases of investments	<u>(8,002,017)</u>	<u>(22,717,778)</u>
Net cash used in investing activities	(5,534,354)	(15,122,733)
Cash flows from financing activities:		
Proceeds from contributions restricted for:		
Endowment	5,389,023	13,513,175
Term or performance	<u>23,525,693</u>	<u>-</u>
Net cash provided by financing activities	<u>28,914,716</u>	<u>13,513,175</u>
Net increase in cash	5,679,114	8,007,914
Cash at beginning of year	<u>11,536,780</u>	<u>3,528,866</u>
Cash at end of year	<u>\$ 17,215,894</u>	<u>\$ 11,536,780</u>

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

## THE UNIVERSITY OF MEMPHIS FOUNDATION

### Notes to Financial Statements June 30, 2024 and 2023

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#### Note 1 - Summary of significant accounting policies

##### Organization and activities

The University of Memphis Foundation (the "Foundation") is a not-for-profit, tax-exempt corporation chartered in 1964 in the State of Tennessee. The Foundation accepts and manages private support to the University of Memphis (the "University"). Leading citizens of the Mid-South area comprise an independent Board of Directors.

##### Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), which requires the Foundation to report information about its financial position and operations according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to any donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Foundation or by the passage of time. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (i.e., the donor-imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

##### Support and revenue

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets. During the years ended June 30, 2024 and 2023, the Foundation released net assets with donor restrictions for scholarships, academic enrichment, capital improvements, and various other projects. See note 6 for releases by purpose.

##### Cash

The Foundation recognizes all demand deposit accounts as cash. All money market funds are considered to be investments and no amounts are classified as cash equivalents.

## THE UNIVERSITY OF MEMPHIS FOUNDATION

### Notes to Financial Statements (Continued) June 30, 2024 and 2023

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#### Note 1 - Summary of significant accounting policies (continued)

##### Contributions receivable

Contributions receivable consist of unconditional promises to give and are recorded when the pledge is received. Contributions receivable that are expected to be collected within the next year are recorded at their net realizable value. Contributions receivable expected to be collected in subsequent years have been discounted to the present value of their net realizable value.

Receivables are stated at the amount management expects to collect from outstanding balances. Management monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon its assessments of the current status of individual accounts. Balances that are still outstanding after a reasonable period of time has elapsed are generally written off through a charge to the valuation allowance and a credit to the appropriate contribution receivable.

Conditional promises to give are not included as revenue until the conditions are substantially met. The Foundation had received conditional promises to give of \$9,306,564 at June 30, 2024. These potential contributions, if received, would generally be restricted for specific purposes stipulated by the donors.

##### Investment valuation and income recognition

The Foundation's investments are stated at fair value. Fair value is the price that would be received to sell an asset in an ordinary transaction between market participants at the measurement date. See note 5 for a discussion of fair value measurements.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded when earned and dividends are recorded on the ex-dividend date. Net realized and unrealized gains (losses) on investments include the Foundation's gains and losses on investments bought and sold as well as held during the year and are included in support and other revenues on the statement of activities. Investment expenses incurred on investments are included in investment income on the statement of activities.

##### Administrative fee

In order to cover expenses of the Foundation's operations and provide unrestricted funds for University support, an administrative fee of 1.50% was assessed on the carrying value of accounts invested in the endowment pool for the years ended June 30, 2024 and 2023. The fee covers the cost of business office operations, provides support for University fundraising activities, and assists with other University needs. Administrative fees earned were approximately \$2,236,000 and \$1,856,000 for the years ended June 30, 2024 and 2023, respectively.

##### Income taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly exempt from Tennessee state income taxes under applicable

## THE UNIVERSITY OF MEMPHIS FOUNDATION

### Notes to Financial Statements (Continued) June 30, 2024 and 2023

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#### Note 1 - Summary of significant accounting policies (continued)

##### Income taxes (continued)

provisions of the Tennessee tax regulations. The Foundation's limited partnership investments generate unrelated business income or loss activity which is subject to federal income taxes. There was no unrelated business income tax expense (UBIT) for the years ended June 30, 2024 and 2023.

The Foundation has determined that it does not have any material uncertain tax positions as of June 30, 2024.

##### Endowment funds

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which governs the state of Tennessee, the provisions of which apply to its endowment funds. Based on its interpretation of UPMIFA, the Foundation is required to act prudently when making decisions to spend or accumulate donor-restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor-restricted endowment funds. Interest and dividend income from the endowment funds are recorded as income on net assets with or without restrictions depending on the donor stipulations. See note 7 for required disclosures of endowment funds.

##### Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Such estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenue and expenses. Significant financial statement estimates include those used in the valuation of certain investments, the allowance for uncollectible contributions, and the present value discount applied to contributions receivable. Management determines the estimate of the allowance for uncollectible contributions considering a number of factors, including historical experience and aging of accounts. Actual results could differ from those estimates.

##### Concentration of credit risk

Due to the nature of its business and the volume of revenue activity, the Foundation can accumulate, from time to time, bank balances in excess of the insurance provided by federal deposit insurance authorities. The risk of maintaining deposits in excess of amounts insured by federal deposit authorities is managed by maintaining such deposits in high quality financial institutions.

##### Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and support services benefited. The method of allocation for salaries and

## THE UNIVERSITY OF MEMPHIS FOUNDATION

### Notes to Financial Statements (Continued) June 30, 2024 and 2023

#### Note 1 - Summary of significant accounting policies (continued)

##### Functional allocation of expenses (continued)

benefits was time and effort. All other expenses were allocated based on a full-time equivalent since they are incurred through invoices submitted by the University.

##### New accounting pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses on investments available for sale and purchased financial assets with credit deterioration. The Foundation adopted this accounting standard effective July 1, 2023. The adoption of this new accounting standard has no impact on the Foundation's financial statements, as it does not extend credit to customers or others.

##### Subsequent events

The Foundation has evaluated events and transactions that have occurred between June 30, 2024 and November 15, 2024, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

##### Reclassifications

Certain reclassifications have been made to the 2023 financial statements in order to conform with the 2024 financial statement presentation.

#### Note 2 - Contributions receivable

Contributions receivable are summarized as follows as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Within one year	\$ 16,951,321	\$ 14,058,802
One to five years	20,367,417	19,850,498
Greater than five years	<u>1,296,896</u>	<u>209,753</u>
Total contributions receivable	38,615,634	34,119,053
Less allowances for uncollectible pledges	(2,162,476)	(1,829,125)
Less unamortized present value discount	<u>(2,796,205)</u>	<u>(1,910,667)</u>
Contributions receivable, net	<u>\$ 33,656,953</u>	<u>\$ 30,379,261</u>

Contributions receivable have been discounted to their net present value using an annual rate of 4.47% in 2024 and 4.18% in 2023.



## THE UNIVERSITY OF MEMPHIS FOUNDATION

### Notes to Financial Statements (Continued) June 30, 2024 and 2023

#### Note 3 - Liquidity and availability

All assets of the Foundation are restricted for University support and expended for specific uses within the University. The budget allocation for Foundation operations for the years ended June 30, 2024 and 2023 was \$1,049,984 and \$1,064,823, respectively. Foundation operations are funded by the annual endowment administrative fee.

#### Note 4 - Investments

The fair value of investments as of June 30, 2024 and 2023 is summarized as follows:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Limited partnerships and LLCs	\$ 15,210,104	\$ 29,013,360	\$ 11,134,962	\$ 22,564,353
Mutual funds	152,629,585	183,503,626	141,394,259	157,915,595
U.S. government securities	<u>207,452</u>	<u>209,247</u>	<u>192,553</u>	<u>196,163</u>
Total	<u>\$168,047,141</u>	<u>\$212,726,233</u>	<u>\$152,721,774</u>	<u>\$180,676,111</u>

#### Note 5 - Fair value measurements

FASB Accounting Standard Codification (ASC) 820, *Fair Value Measurements*, provides a common definition of fair value and establishes a framework for measuring fair value. ASC 820 defines fair value as the exchange price that would be received for an asset or liability in an orderly transaction between market participants on the measurement date. This framework also provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below.

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

**Level 2:** Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

# THE UNIVERSITY OF MEMPHIS FOUNDATION

Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

## Note 5 - Fair value measurements (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2024 and 2023.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

*U.S. government securities:* Valued at quoted prices from less active markets and/or quoted prices of securities with similar characteristics.

*Limited partnerships:* Valued using NAV or capital balances provided by the general partner or investment manager as a practical expedient to fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Foundation's investments at fair value on a recurring basis as of June 30, 2024 and 2023.

<b>Investments at Fair Value as of June 30, 2024</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income	\$ 36,412,937	\$ -	\$ -	\$ 36,412,937
International equity	56,162,960	-	-	56,162,960
U.S. equity	<u>90,927,729</u>	<u>-</u>	<u>-</u>	<u>90,927,729</u>
Total mutual funds	183,503,626	-	-	183,503,626
U.S. government securities	<u>-</u>	<u>209,247</u>	<u>-</u>	<u>209,247</u>
Total investments in the fair value hierarchy	<u>\$ 183,503,626</u>	<u>\$ 209,247</u>	<u>\$ -</u>	183,712,873
Limited partnerships measured at NAV			*	<u>29,013,360</u>
Total				<u>\$ 212,726,233</u>

# THE UNIVERSITY OF MEMPHIS FOUNDATION

Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

## Note 5 - Fair value measurements (continued)

<b>Investments at Fair Value as of June 30, 2023</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income	\$ 39,556,876	\$ -	\$ -	\$ 39,556,876
International equity	45,036,160	-	-	45,036,160
U.S. equity	<u>73,322,559</u>	<u>-</u>	<u>-</u>	<u>73,322,559</u>
Total mutual funds	157,915,595	-	-	157,915,595
U.S. government securities	<u>-</u>	<u>196,163</u>	<u>-</u>	<u>196,163</u>
Total investments in the fair value hierarchy	<u>\$ 157,915,595</u>	<u>\$ 196,163</u>	<u>\$ -</u>	158,111,758
Limited partnerships measured at NAV			*	<u>22,564,353</u>
Total				<u>\$ 180,676,111</u>

\* In accordance with ASC 820, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

The following tables provide information related to the investments that are valued based on NAV:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>June 30, 2024</b>				
Hedged strategies-				
hedged equity (a)	\$ 162,900	\$ -	Annually	90 Days
Private equity (b)	19,676,600	35,662,877	At manager's discretion	N/A
Real assets (c)	<u>9,173,860</u>	1,733,867	At manager's discretion	N/A
	<u>\$ 29,013,360</u>			

# THE UNIVERSITY OF MEMPHIS FOUNDATION

Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

## Note 5 - Fair value measurements (continued)

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>June 30, 2023</b>				
Hedged strategies-hedged equity (a)	\$ 182,246	\$ -	Annually	90 Days
Private equity (b)	12,994,695	29,642,504	At manager's discretion	N/A
Real assets (c)	<u>9,387,412</u>	2,337,386	At manager's discretion	N/A
	<u>\$ 22,564,353</u>			

- Hedge strategies-hedged equity* - This category consists of funds of funds that make long and short position equity investments.
- Private equity* - This category consists of partnership that invest primarily in U.S. based private companies. These investments cannot be voluntarily redeemed and are subject to sale based on market demand.
- Real assets* - This category consists of investment partnerships and funds that invest primarily in U.S. and foreign commercial real estate and natural resources. Some investments in this category allow quarterly redemption, but distributions during periods of illiquidity are restricted by gate constraints.

## Note 6 - Nature and amounts of net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for a specified purpose:		
Alumni relations	\$ 441,213	\$ 429,235
Awards	433,500	423,544
Capital improvements (1)	2,601,958	(1,081,424)
Centers, institutes and labs	3,823,234	2,801,681
Contributions receivable, net	28,444,365	21,045,095
Departmental/academic enrichment	10,544,356	9,985,745
Gift annuities	31,030	15,252
Operations	391,733	330,194
Professorships/chairs/visiting scholars	370,885	1,153,872
Scholarships/fellowships	6,191,001	5,776,809
Special projects/lecture series/workshops	<u>10,770,056</u>	<u>10,802,065</u>
	64,043,331	51,682,068

# THE UNIVERSITY OF MEMPHIS FOUNDATION

Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

## Note 6 - Nature and amounts of net assets with donor restrictions (continued)

- (1) The negative capital improvement balance is the result of the interfund advance discussed in note 8.

	<u>2024</u>	<u>2023</u>
Endowments:		
Subject to expenditure for a specified purpose:		
Alumni relations	\$ 515,259	\$ 351,269
Awards	1,747,258	1,206,633
Capital improvements	27,049	-
Centers, institutes and labs	2,645,159	1,661,234
Departmental/academic enrichment	6,175,964	4,095,229
Operations	(44,511)	(58,108)
Professorships/chairs/visiting scholars	11,000,324	7,236,452
Scholarships/fellowships	20,114,393	12,994,833
Special projects/lecture series/workshops	<u>7,071,753</u>	<u>4,386,668</u>
	49,252,648	31,874,210
Perpetual in nature:		
Alumni relations	997,267	985,515
Awards	2,998,259	2,877,001
Capital improvements	106,985	-
Centers, institutes and labs	6,839,437	6,161,943
Contributions receivable, net	5,212,589	9,334,166
Departmental/academic enrichment	14,334,439	13,012,336
Operations	749,616	669,618
Professorships/chairs/visiting scholars	23,872,656	21,971,966
Scholarships/fellowships	51,803,944	47,470,334
Special projects/lecture series/workshops	<u>17,462,421</u>	<u>16,728,233</u>
	<u>124,377,613</u>	<u>119,211,112</u>
Total endowment	<u>173,630,261</u>	<u>151,085,322</u>
Total net assets with donor restrictions	<u>\$ 237,673,592</u>	<u>\$ 202,767,390</u>

Net assets with donor restrictions that are perpetual in nature originated with contributions received to establish perpetual endowments. The endowment gift is to be held in perpetuity with the capital appreciation and earnings thereon to be used to provide financial assistance to deserving scholars, salary supplements and awards to attract and retain outstanding faculty members, visiting artists, and lecturers and to provide for various departmental and University needs.

# THE UNIVERSITY OF MEMPHIS FOUNDATION

Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

## Note 6 - Nature and amounts of net assets with donor restrictions (continued)

Releases from donor restrictions for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Subject to expenditure for a specified purpose:		
Alumni relations	\$ 301,410	\$ 394,134
Awards	142,807	77,442
Capital improvements	1,810,770	6,392,334
Centers, institutes and labs	905,080	414,251
Contributions receivable, net	212,573	50,471
Departmental/academic enrichment	8,960,596	11,032,299
Gift annuities	19,281	19,281
Operations	72,292	(265,783)
Professorships/chairs/visiting scholars	722,735	140,687
Scholarships/fellowships	3,424,897	1,563,920
Special projects/lecture series/workshops	3,880,489	6,158,477
	<u>20,452,930</u>	<u>25,977,513</u>
Endowments:		
Subject to expenditure for a specified purpose:		
Alumni relations	375	29,387
Awards	-	65,303
Centers, institutes and labs	-	130,974
Contributions receivable, net	37,230	16,824
Departmental/academic enrichment	-	246,679
Professorships/chairs/visiting scholars	-	505,372
Scholarships/fellowships	(41,340)	1,372,309
Special projects/lecture series/workshops	-	432,740
	<u>(3,735)</u>	<u>2,799,588</u>
	<u>\$ 20,449,195</u>	<u>\$ 28,777,101</u>

## Note 7 - Endowment funds

The Foundation's endowment accounts consist of donor-restricted endowment funds and include approximately 700 individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

## THE UNIVERSITY OF MEMPHIS FOUNDATION

Notes to Financial Statements (Continued)  
June 30, 2024 and 2023

### Note 7 - Endowment funds (continued)

#### Interpretation of relevant law

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment funds and (b) the original value of subsequent gifts to the permanent endowment funds. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Changes in endowment net assets for the fiscal year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ -	\$ 151,085,321	\$ 151,085,321
Investment return:			
Investment income	-	369,265	369,265
Net depreciation (realized and unrealized)	-	20,513,066	20,513,066
Total investment return	-	20,882,331	20,882,331
Contributions	-	5,389,023	5,389,023
Appropriation of endowment assets for expenditure	-	(3,726,414)	(3,726,414)
End of year	\$ -	\$ 173,630,261	\$ 173,630,261

## THE UNIVERSITY OF MEMPHIS FOUNDATION

### Notes to Financial Statements (Continued) June 30, 2024 and 2023

#### Note 7 - Endowment funds (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ -	\$ 125,876,850	\$ 125,876,850
Investment return:			
Investment income	-	833,439	833,439
Net depreciation (realized and unrealized)	-	<u>13,661,445</u>	<u>13,661,445</u>
Total investment return	-	14,494,884	14,494,884
Contributions	-	13,513,175	13,513,175
Appropriation of endowment assets for expenditure	-	<u>(2,799,588)</u>	<u>(2,799,588)</u>
End of year	<u>\$ -</u>	<u>\$ 151,085,321</u>	<u>\$ 151,085,321</u>

#### Funds with deficiencies

Fair value of assets associated with individual donor-restricted endowment funds may, at times, fall below the level that the donor requires the Foundation to retain in a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in assets without donor restrictions. These deficiencies result from unfavorable market fluctuations that occurred after the investment of net assets with donor restricted contributions and/or continued appropriation for fees expenditures. At June 30, 2024, deficiencies of this nature existed in 12 donor-restricted endowment funds, which together have an original gift value of \$4,834,554, a current fair value of \$4,215,541, and a deficiency of \$619,013. At June 30, 2023, deficiencies of this nature existed in 55 donor-restricted endowment funds, which together have an original gift value of \$13,090,464, a current fair value of \$12,032,112, and a deficiency of \$1,058,352.

#### Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce consistent long-term growth of capital without undue exposure to risk.



## THE UNIVERSITY OF MEMPHIS FOUNDATION

### Notes to Financial Statements (Continued) June 30, 2024 and 2023

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#### Note 7 - Endowment funds (continued)

##### Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a significant emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

##### Spending policy and relationship to investment objectives

The Foundation has a policy of budgeting for expenditure each year a percentage of its endowment funds' average fair value over the prior three calendar years preceding the fiscal year in which the expenditure is planned. For fiscal years 2024 and 2023, this percentage was four percent (4%). In establishing this policy, the Foundation considered the long-term expected return on its endowment funds. Accordingly, over the long-term, the Foundation expects the current spending policy to allow for endowment growth. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Foundation has a policy that permits spending underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The Board of Directors appropriated for expenditures \$151,353 and \$44,103 from underwater endowment funds during the years ended June 30, 2024 and 2023, respectively, which represents 2% of the 12-quarter moving average, not the 4% it generally draws from its endowment.

#### Note 8 - Related party transactions

The Foundation provided direct support to the University for general departmental expenditures, scholarships, and awards which totaled \$23,092,630 and \$32,632,650 for the years ended June 30, 2024 and 2023, respectively. The Foundation had accounts payable to the University in the amount of \$16,624,545 and \$13,563,123 as of June 30, 2024 and 2023, respectively.

During fiscal year 2021, the Foundation entered an agreement with the Auxiliary Services Foundation (ASF), an affiliate within the University, to transfer future donated funds designated for University Athletics to ASF. ASF then obtained an unsecured bank loan in the amount of \$12,000,000 for the purpose of providing financial support to University Athletics due to short-term financial shortfalls within the University Athletics due to the impact of COVID-19 on University Athletics revenue. The Foundation is not a party to the loan agreement with the bank but has agreed to transfer future donations designated for University Athletics to the ASF to cover the debts service based on direction and approval from the University.

## THE UNIVERSITY OF MEMPHIS FOUNDATION

### Notes to Financial Statements (Continued) June 30, 2024 and 2023

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#### Note 8 - Related party transactions (continued)

The Foundation also had accounts payable due to ASF in the amount of \$2,010,283 and \$1,517,136 as of June 30, 2024 and 2023, respectively.

#### Interfund advance

The Foundation has agreed to advance up to \$10,976,899 to an internal Foundation fund as an interfund advance benefiting the athletic department of the University at a 4.00% annual interest rate for the purpose of providing financial support to allow the athletic department to undertake construction of a football practice facility in advance of receiving payment of donor funding commitments. The advance is to be repaid in full not later than June 30, 2025, and is secured by certain future collections of receivables and other collections related to certain Foundation funds benefiting the athletic department. Interfund advances totaling \$2,013,437 and \$3,949,433 were outstanding as of June 30, 2024 and 2023, respectively.

#### Contributed services

Based upon an operating agreement between the University and Foundation, the University provides office space and donation collection and processing services for the Foundation. The University provided contributed services under the terms of the operating agreement in the amount of \$239,775 and \$249,509 for the years ended June 30, 2024 and 2023, respectively.

#### Note 9 - Concentrations of risks

Although the Foundation has a policy to maintain a diversified investment portfolio, its investments are subject to market and credit risks which may be affected by economic developments in a geographic region or industry.

Approximately 32% and 36% of the Foundation's contributions receivable was due from four and six donors at June 30, 2024 and 2023, respectively.

#### Note 10 - Subsequent event

Effective July 1, 2024, The Herff Trust (the "Trust") was transitioned into the Foundation for oversight. The assets of the Trust remain with Raymond James. In August 2024, this update was communicated with Raymond James to reflect the accurate Board of Directors overseeing the asset. For accounting purposes internally, the Trust is in a separate and clearly identifiable fund within the Foundation.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with *Government  
Auditing Standards***

**Independent Auditors' Report**

To the Board of Directors  
The University of Memphis Foundation  
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The University of Memphis Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2024 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**CBIZ CPAs P.C.**  
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Memphis, TN 38137

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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.<sup>1</sup>

Memphis, Tennessee  
November 15, 2024

<sup>1</sup> In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.