

University of Memphis
University of Memphis Foundation – Board of Directors Meeting
Thursday, May 26, 2022, 11:15AM
Location: University Center, Foundation View Round Room & Virtual
Minutes

UMF Board of Directors Members Present:

University of Memphis Foundation Board			<u>In Attendance</u>
President	Fred	Towler	Yes
Vice-President	David	Tate	Yes
Secretary	Dr. Douglas	Scarboro	Yes
Treasurer	John	Wilfong	Yes
Immediate Past President	Harry	Smith	Yes
Board Member	Sudhir K.	Agrawal	Yes
Board Member	Rene	Bustamante	Yes (virtually)
Board Member	Glynn	Christian	Yes (virtually)
Board Member	Tyree	Daniels	
Board Member	Tanya	Hart	Yes
Board Member	Raaj	Kurapati	No
Board Member	Daphne	Large	Yes
Board Member	Jason	Little	Yes
Board Member	Reginald	Porter	Yes
Board Member	John “Mickey”	Robinson	Yes (virtually)
Board Member	Dr. Bill	Hardgrave	Yes
Board Member	Monica	Wharton	Yes

Not Present:

Raaj Kurapati - Traveling

Others Present:

		<u>In Attendance</u>
Holly Ford	AVP, UMF	Yes
Mark Nicell	Foundation Controller (Contractor)	Yes
Joanna Curtis	VP of Advancement, University of Memphis	Yes

A quorum was present, and President Towler called the University of Memphis Foundation (Foundation) Board Meeting to order at 11:21 a.m.

I. Opening Remarks & Approval of Minutes **Fred Towler, President**

President Towler invited each member present to introduce themselves, noting 2019 was the last time the board met in person. He also acknowledged a moment of silence for the lives recently lost in mass shootings.

President Towler asked if there were any questions on the agenda. There were none. He also asked if there were any revisions to the minutes on the floor to be approved. There were no revisions. President Towler asked for a motion to approve the minutes. Vice-President Tate made the motion, Finance Committee Chairman, Jason Little, gave the second and the motion passed.

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EXHIBIT A Approval of minutes

MOTION TO APPROVE: David Tate

SECOND: Jason Little

II. Welcome Dr. Bill Hardgrave

Fred Towler, President

President Towler introduced the University's 13th president, Dr. Bill Hardgrave.

III. UofM President's Remarks

Dr. Bill Hardgrave, UofM President

Dr. Hardgrave began his remarks by stating he has spent his first seven (7) weeks as University of Memphis (University) President listening and observing and has recognized the passion and pride for the University not only within the campus community, but within the city at large. He said the University was in a good place but sees areas to work on, which will be the foundation for his comprehensive and inclusive initiative plan. As the previous plan was written in 2017, Dr. Hardgrave expressed the importance of an updated plan in order to guide the University through the next five (5) years and future decades, as higher education faces significant headwinds.

Dr. Hardgrave stated enrollment was a major area of opportunity. By 2025, in the US and local area, he expects there to be a 15% decline in the number of high school graduates throughout a three (3) year period; this is in large part due to the 2008 recession, which introduced a drop in the birth rate. He also pointed out a recent six (6) year stretch, including 2020, with a 4% decline in births; 2021 saw a 1% increase. Universities nationwide will all be affected and there are already early signs in the upcoming freshman class, as it is down relative to last year. Dr. Hardgrave stated the University would need to make decisions around enrollment. These decisions include determining the proper size for the University, which students to target, as well as the right mix of students.

Dr. Hardgrave recognized two main outcomes students use when determining their undergraduate future: what happens when they graduate, and total student experience. The former focuses on their major and its likelihood of landing them a good job or graduate opportunity. The latter focuses on a well-rounded experience (i.e., good athletics), and a beautiful campus with good facilities.

As it relates to campus facilities, Dr. Hardgrave conveyed there is work to do in buildings as the University has the oldest buildings of any public institution in the state.

In athletics, Dr. Hardgrave would like to see entry into a Power Five (P5) conference within the next several years. He stated there is a process to invest in efforts to position the University for this.

Dr. Hardgrave invited the board to be involved in the process to create and execute the plan. His goal is to have a new plan written and ready within one year from now.

Dr. Hardgrave opened for questions.

President Towler acknowledged board members who had joined virtually, by Zoom: Glynna Christian, John "Mickey" Robinson and Rene Bustamante. Ms. Christian confirmed she could hear

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but not see, as the room camera was not working.

President Towler asked for questions or observations for Dr. Hardgrave. Several questions and comments were received on the topics of facilities, enrollment, capacity, and the city.

Dr. Hardgrave said he has asked facilities to submit a differed maintenance overview. Although costly, he confirmed two (2) to three (3) differed maintenance HVAC issues will be handled this summer. He identified HVAC issues as a major area of concern as students had taken classes in buildings without proper air during hot months. He stated there are buildings on campus, which are unusable because of disrepair, and these buildings could be valuable real estate. Additionally, he confirmed state money for a Mynders Hall renovation.

Dr. Hardgrave explained the University's undergraduates are comprised of 62% Shelby County residents, which leaves the University vulnerable because the reach is not extensive. He would like to see the University build a national brand. He would also like the University to have more targeted recruiting in other areas in order to not lose the success over the past several years.

Dr. Hardgrave explained one advantage he brings to the table is being new to the area and seeing it with fresh eyes. He expressed he has had good conversations with the mayor about the idea of bringing more students from other places and the importance this would have on workforce development across the state. He believes the city of Memphis can help with as the University tries to expand their reach.

IV. Nominating Committee Report

David Tate, Nominating Chair & VP

David Tate announced, per board term rules, Jason Little, Finance Committee Chair, will be rolling off as his term ends. He announced first term renewals for both Monica Wharton and Tanya Hart. Continuing in their current roles are Fred Towler as President, himself as Vice President, Doug Scarboro as Secretary, John Wilfong as Treasurer and Head of Investment Committee, and Daphne Large as Development Committee Chair. One appointment has been made: Tanya Hart assumed the role of Nominating Committee Chair. Mr. Tate announced he would be in touch with a nominee for Finance Committee Chair and would notify all by email

On the topic of board membership, Mr. Tate said there are currently 21 positions with six (6) openings as of July 1, 2022. The increase in board positions was recommended and approved two (2) years ago by the executive committee. The goal is to be careful in populating membership. There were currently no new members to vote on. He stated there is a cultivated prospect list, and some will join later in 2022 once he receives willing indications, as there is no rush to fill.

Goals for 2022-2023 include ensuring strategic member acquisition remain at a full compliment of Board Members, and continued progress towards diversity and talent goals with the purpose to enlarge financial engagement in many segments of the community who have not participated in the past.

In December 2022, Mr. Tate said he will take a role on the Executive Committee and apprenticing with President Towler to be in the presidential role next year.

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He concluded his report by stating he would be reaching out for thoughts and suggestions for cultivating board members.

President Towler thanked Mr. Tate for stepping into the role. He also gave credit to past president, Harry Smith, for establishing the Nominating Committee. He also stated the importance of being an organization who reflects the demographic of the student body.

V. Finance Committee Report

**Jason Little, Finance Chair &
Holly Ford, AVP**

Finance Chair, Jason Little, began by recognizing the honor he took in completing his 2nd term on the board and offered his services should they be needed in the future.

The Finance Committee met two (2) weeks ago on May 12, 2022. Mr. Little brought recommendations for action. As a sidenote, Mr. Little stated they provided access to the Foundation's 990 & 990T to the Board, as recommendation of good governance. It has been filed with the IRS and the Finance Committee has reviewed. Additionally, the committee reviewed and approved the proposed endowment spend rate, as well as the University's support allocation and Foundation operation budget allocation. It is the Finance Committee's recommendation to approve all. Also reviewed follow-up work on the audit and action items, which resulted from the audit. Mr. Little thanked Holly Ford, Associate Vice President University of Memphis Foundation and Mr. Mark Nicell for their work.

Ms. Ford offered background on the FY23 proposed budget. She reminded everyone the proposed scholarship budget was approved this past fall, based on a spend rate voted on in the spring. The current discussion will determine the percentage for what is being proposed, which will then be discussed in the upcoming fall. Last year was the first year the board voted to reduce the spend rate - maintaining the endowment spend rate at 4%, but reducing the University allocation, including the Foundation budget - from 2% to 1.5%. The Finance Committee approved to keep the 1.5% and 4% spend rate the same.

Ms. Ford presented a breakdown of the University's allocations. In addition to the 1% the University receives in support allocation from the Foundation, Ms. Ford outlined additional sources of funding, which contribute to the University's annual allocation from the Foundation.

Last year's total dollar amount based on the spend rate was more than \$3M. Being proposed this year is \$3.2M; a flat \$2.4M proposed for the University's allocation and \$774k for the Foundation's operating budget. This results in 74% for the University's support and 24% for the Foundation operating budget. Ms. Ford pointed out amounts are based on projected end of year results.

Ms. Ford shared she has seen a slight increase so far, when renewing the Foundation's various insurance policies, which include coverage for members of the board. Additionally, Ms. Ford noted the operating budget created prior to her start date only covered the audit, not the tax prep; the new number now includes tax prep, as well as fees to convert the audit into the format required by the state.

Lastly, Ms. Ford pointed out during the pandemic there were minimal costs related to travel, in-

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person meetings, and conferences. These have since been added back into the budget modestly for this year.

Ms. Ford asked for questions regarding the budget recommendation. There were no questions.

Mr. Little made the motion to approve the spend rate of 5.5% and Monica Wharton seconded the motion. The motion carried.

Spend Rate & FY23 Operating Budget (Pkt pgs. 7-12) **MOTION TO APPROVE:** Jason Little
SECOND: Tanya Hart

Mr. Little then called for a motion of approval for the FY23 Foundation budget. Tanya Hart gave the second and the motion passed.

MOTION TO APPROVE: Jason Little
SECOND: Monica Wharton

President Towler expressed appreciation to Mr. Little for his leadership and engagement.

VI. Investment Committee Report

John Wilfong, Treasurer and
Investment Committee Chair

Treasurer Wilfong highlighted two main items during his presentation: performance and path forward to \$500M.

Treasurer Wilfong spoke on performance of Foundation assets at the FYTD, which are down 8.6% gross and 8.7% net, with the benchmark being 8.3%. One year ago, they were up 35%, and he fully expects the returns to moderate.

In consolidated, at the end of April there was \$133,410,181 YTD down 11%; over past year only down 2.35%. Current allocation is weighted towards equities with roughly 10% in US fixed income and 8.3% in private equity. The private equity amount will increase up to as much as 25% over time. Mr. Wilfong highlighted a 7% yearly growth in the Foundation portfolio since 1995.

The spending rate of 5.5% is made up of 4% to the University to cover scholarships endowments and 1.5% for other items to run the foundation. The goal is to get returns greater than this rate, although in the next 10 years this will be difficult to achieve; however, with private equity this can be obtained.

Mr. Wilfong spoke on comparisons with other Foundations by size, over time through June 30, 2021. Through one (1) year the Foundation was up 35.7% as of last summer. \$100-251M is the peer comparison and the one (1) year return was almost 29%. He said under David Perdue's leadership, the committee made a strategic decision to go with Vanguard in order to be less diversified and more focused on indexes and expense control.

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Mr. Wilfong said it is important to consider the size of the Foundation and how to help grow it. He said getting to half a billion is crucial because the larger the Foundations is the better its investment return. This allows more creativity, flexibility, access, and better managers. By 2030, the goal is to be at \$500M.

Mr. Wilfong said total assets are around \$280M over different places, including the \$50M from the state this summer. He invited Joanna Curtis to speak on the topic.

Ms. Curtis reference the NACUBO report. The report includes a field for other assets, which benefit the institution, but not controlled by the institution. Most significantly, these include the Chairs of Excellence funds controlled by the state. Herff Trust is another field, although it is controlled, but not through the Foundation.

President Towler made comments regarding Vanguard's report on what it would take to reach the \$500M mark. While it should reach this amount around 2032, he encouraged members to creatively think about how to grow the endowment. He invited Investment Chair Wilfong to speak on this.

Mr. Wilfong requested the Foundation join them in thinking outside the box. He stated one advantage of having a larger Foundation is taking advantage of private investment opportunities. He spoke on local business owners who may want to sell as they exit their business in the next several years, for the benefit of the University through the Foundation. He asked the committee to think about this and find opportunities.

President Towler asked for members to share any and all ideas to help formulate what should be considered as they continue to create a blueprint to reach \$500M. He thanked Investment Chairman Wilfong for his leadership and vision.

VII. Development Chair Report

**Daphne Large, Development Chair &
Joanna Curtis, VP of Advancement**

Daphne Large updated the board on the Steering Committee's upcoming meeting with Dr. Hardgrave scheduled for June 24. Areas of focus will include upcoming plans, the impact on campaign plans, and revisiting the dollar amount and areas of focus for the campaign plan. She also stated as of April 30, \$137M had been raised for the Philanthropic Fund.

Ms. Curtis then spoke on the fundraising performance for the fiscal year. As of April 30, the endowment was at \$14.7M in commitments compared to \$14.4M the previous year. Since April 30, the amount was more than \$16M compared to \$15.4 ending last year.

Ms. Curtis presented several comparisons with cohorts. Fundraising production over time, compared to institutions similar in size and nature, showing many ups & downs, but a great trajectory since 2018. Also, ROI and dollars raised for 43-45 full-time equivalent employees show increases. The endowment market value comparison includes 750-800 institutions, and the most recent report has the Foundation ranked at #308; last year was #306.

President Towler asked if UT had one or two significant items, which make-up their endowment.

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Ms. Curtis explained having multiple campuses is one of the main reasons, but also them being a flagship institution.

Continuing with comparison groups, Ms. Curtis showed slides on fundraising productions. The first slide showed the past three-year average of gifts in dollars. There was a significant increase in dollars raised from gifts in the \$100k - \$1M range and the \$1M + and held constant in the under \$25K and \$25k - \$99.9k range. The biggest difference in cohorts is in gifts raised of \$100K or more. The next slide showed gifts in terms of numbers. By fiscal year 2026 the goal is growth in the biggest group, \$1-1000K, which correlates with alumni donors. Ms. Curtis would also like to increase the \$100k - \$999K range from the 50 to 70 gifts. In the \$1M range, the goal is to bring in 12+ gifts.

In the coming years, Ms. Curtis said it will be a priority to fundraise for four (4) initiatives: students, enrollment, infrastructure, and R1 sustainability. Additionally, increasing gifts in the top gift bands to get towards \$50M for the next fiscal year. She said they are also looking to increase the donor retention rate as there was a decline during the pandemic, as well as increase the total range for course endowment while maintaining the high ROI.

Dr. Hardgrave addressed the size of the development staff and would like to see the number of employees doubled. He sees it as a big, but worthwhile investment on a budget, which is incredibly tight.

Ms. Curtis addressed questions about investments in technology and staff. She confirmed they recently hired two Donor Experience Officers. They also have technology called ThankView, which allows for more meaningful connections and at a higher volume versus direct mail or phone call. They are also trying to do a better job of sustaining connections and focusing on development officers dedicated to the \$10k-25k range, as well as staff who can focus on principal level gifts. She confirmed there are resources through the campaign budget to do some hiring. Additionally, she said they are focused on hiring people who want to work in Memphis and offering an opportunity for career growth along with an improved bonus structure.

President Towler thanked Ms. Curtis for her leadership and offered support.

VIII. UofM Financial Update

**Raaj Kurapati, UofM EVP for Business &
Finance and Chief Financial Officer**

President Towler referred the group to Mr. Kurapati's materials within the packets, as Mr. Kurapati was not present due to travel. He invited Dr. Hardgrave to add any other information.

Dr. Hardgrave spoke on the Governor's budget and the expectation of a 0% tuition increase. While this is great for providing access to students financially, there are growing costs, inflation, and declining enrollment to contend with.

IX. Other Business

Fred Towler, President

President Towler invited Ms. Ford to present the Code of Ethics disclosure.

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Ms. Ford addressed Vice-President David Tate’s disclosure by way of his company Signet. His company does business with the University through both gift-in-kind and purchases. None of the decisions as it relates to the business partnership happen at the Foundation, nor does the Foundation make purchases.

Mr. Tate reported numbers independently for the Alumni webpage and football suite gifts. He said the business his company gets is about equal to what they donate.

Ms. Ford asked Mr. Tate to step out of the room in order for President Towler to make a motion and address any concerns. There was a question about what the policy states. The board is governed by the Code of Ethics, but there is no policy around gift-in-kind versus dollar amounts, as the Foundation only processes expenditures.

President Towler called for a motion of approval seeing no conflict or breach of Code of Ethics in respect to Vice-President Tate’s relationship with the University and the Foundation.

Code of Ethics Disclosure made by David Tate up for discussion

MOTION: Monica Wharton

SECOND: Tanya Hart

X. Adjourn

Fred Towler, President

MOTION TO APPROVE: Dr. Bill
Hardgrave

SECOND: Tanya Hart