

University of Memphis Foundation Finance Committee Meeting

Committee Members Present:

Committee Members		In Attendance
Jason Little	Chair Finance Committee	Yes
Fred Towler	Board President	Yes
Rene Bustamante	Committee Member - Finance	
Daphne Large	Chair Development Committee & Finance	Yes
Tyree Daniels	Committee Member - Finance	Yes
Glynnna Christian	Committee Member - Finance	Yes
Reginald Porter	Committee Member - Finance	Yes
Monica Wharton	Committee Member - Finance	Yes
Raaj Kurapati	Committee Member – Finance & University EVP & CFO	Yes

A quorum was present, and Finance Committee Chairman Little, called the meeting to order at 10:01am.

I. Opening Prayer –

Committee Chairman Little said a prayer to start the meeting.

II. Prior Meeting Minutes –

Minutes from May 27, 2021 – EXHIBIT A

MOTION TO APPROVE: Ms. Wharton

SECOND: Mr. Kurapati

MOTION CARRIED

Mr. Kurapati wanted to add a note upon approving the minutes from the previous meeting. He referenced the action taken at the May meeting to reduce the Development Fee from 2% to 1.5% beginning in FY21. This fee historically provides budget for the Development Office the following year. Based on feedback from some board members who had concern about the 2% spend rate, the Board voted to reduce the spend rate to 1.5%. Mr. Kurapati wanted to be sure the Board understands this will mean less funds to support the Development Office for the current fiscal year. He shared the University has taken steps to provide some additional funds to the Development Office to offset the reduced Development Fee Spend rate, which ultimately reduced the budget for Development. President Towler added, it is important for the Board to monitor the spend rate to ensure the endowment continues to grow, while also keeping in mind, reduction in one area should not hinder the Development Office from raising funds, by limiting resources and keeping in mind the Development Office's efforts fuel the Endowment. Finding the right balance is key. Motion was carried to approve the minutes after this discussion.

III. UofM Financial Update – Financial Update

Mr. Kurapati presented a University Financial Update. He explained the University produces a few iterations of the budget annually. The proposed budget is presented at the beginning of the financial year, then there is a revised budget in the middle of the financial year, which is presented to the Board of Trustees, taking the proposed budget and adjusting it to show actual tuition from the Fall semester, taking into account any tuition increases, including state appropriations, as well as reserve funds.

The initial proposed unrestricted and restricted revenue budget was \$571.3M for FY22 and the University is revising this budget increasing it to \$616M in the form of revenue and presenting this to the Board of Trustees on December 8th. The bulk of the increase is from funds received from federal stimulus packages.

There was also an increase in funds raised in FY21, as well due to the work of Joanna Curtis and the Development Office.

Mr. Kurapati shared tuition and fees were slightly down and also down in resident and undergrad side due to COVID-19 compared to 2019, but the University made up for this with international and out-of-state enrollment. The University is also focusing on recruitment domestically.

Ms. Wharton asked about tuition increases and decreases, specifically if increases in tuition were impacting the decline in enrollment. Mr. Kurapati explained the University has had the lowest tuition increase in the state in the past seven years. In this last cycle, the tuition was increased by 1.7% to offset the fee structure adjustments for online students, since a shift was seen in students wanting to take online classes versus in person due to COVID-19. Speaking on behalf of the University, Mr. Kurapati stated, the decline in enrollment is believed to be attributed to students evaluating how they will approach higher education navigating through a pandemic. He stated it is encouraging to see the University has seen an increase in applications across all areas recently, so expectation is for enrollment to increase.

Mr. Kurapati went on to explain the difference between the revised anticipated revenue of \$616M compared to the estimated \$642M in expenses for FY22. Additional funds will come from reserves and compared it to a spending of retained earnings.

Mr. Kurapati expects the University to end the fiscal year on a balanced budget.

Ms. Christian, asked if there was a separate budget for the Foundation. Mr. Kurapati affirmed there is a separate budget and stated it would be presented to the Finance Committee at the next meeting in April.

IV. Academic Year '23 Endowment Budget –

Ms. Ford explained this mid-year meeting is typically when the Endowment Scholarship Budget for the next Academic Year would be presented for approval; however, there have been a few delays due to the diligent and thorough work of a committee, which was formed earlier in 2021 to improve upon the budget and usage process of scholarships. Ms. Ford stated, the budget would be submitted via e-mail to the Finance Committee to review and approve, before being shared with the Board to review and approve, as well.

ACTION:

Ms. Ford to send proposed Endowment Scholarship Budget to the Finance Committee and upon their approval, to the Board for review and approval, as well.

***Update to said action:**

The Endowment Scholarship Budget for Academic Year '23, was submitted via e-mail to the Finance Committee on 12/16/2021 by Committee Chairman, Jason Little. Votes were tallied and approval was received by 12/20/2021 and Board President, Fred Towler, sent the proposed budget, approved by the Finance Committee, to the Board for approval via e-mail on 1/04/2022. Votes from the board were received via e-mail from 1/04/2022 – 1/05/2022. The Foundation Board approved the proposed budget and Ms. Ford sent confirmation of this to the Board on 1/13/2022.

Mr. Porter asked if the Finance Committee or the Board receives report on forecasting progress from the Development Office moving forward. It was noted for Joanna Curtis, who attends the Board Meetings, to be invited to provide this type of content.

V. University of Memphis Foundation Audit Results –

Dixon Hughes Goodman (DHG) – Mark Nicholas and Kristina Jennings

Audit Draft submitted on November 1st and then discussed with the Finance Chair, Jason Little, the UMF Board President – Fred Towler and the Foundation leader, Holly Ford. A revised Audit Draft was re-submitted on November 16th and there have been no changes since.

Mr. Nicholas stated DHG is ready to issue the audit upon the Finance Committee and the Board's approval.

DHG acknowledged the Foundation was helpful during the audit process, there were no disagreements between the auditors and the Foundation team and there were no material weaknesses and internal controls to report. In addition, Mr. Nickolas stated they are presenting an unmodified opinion, also known as a clean opinion and the financial statements are fairly stated. Since the foundation is part of the University of Memphis' financial statements, the independent auditors are also required to conduct an audit based on government auditing standards. And so a separate report is also issued, which for this past fiscal year states there are no findings according to governmental auditing standards. The auditors reviewed the process and the audit with the committee.

Ms. Wharton asked if any of the recommendations mentioned in the audit had been previously

been made or if this was the first time they were being recommended. The auditors stated, while they were returning after not conducting the Foundation's audit for the past three years, they did not believe any of the current recommendations were carried over from previous years. Ms. Christian, also asked if there could be follow-up at the next meeting to show steps towards addressing any audit recommendations.

President Towler and Mr. Kurapati, both spoke separately, mentioning another independent audit, currently underway, which will make recommendations outlining responsibilities and made a commitment to share the audit results with the Board. In addition, Ms. Ford confirmed making note of recommendations and committed to sharing progress to address said recommendations at the next Finance Committee Meeting.

Mr. Little called for discussion directly with the Auditors without Foundation Management present, which is customary during the audit review session. Ms. Ford excused herself from the Zoom meeting for this discussion to take place without her present. Upon her return, Mr. Little called for a vote to accept the FY21 Audit for submission to the Foundation Board. Ms. Wharton made the motion to approve and Ms. Large gave the second, all were in favor and the FY21 Audit was approved for submission to the Board at the full board meeting scheduled for December 9th.

FY21 UMF Audit – EXHIBIT B

MOTION TO APPROVE: Ms. Wharton
SECOND: Ms. Large
MOTION CARRIED

VI. Adjourn UMF Finance Committee Meeting

Finance Committee Chair, Jason Little, for a motion to adjourn. Mr. Porter made the motion, President Towler seconded the motion and the meeting was adjourned at 11:14am.

MOTION TO ADJOURN: Mr. Porter
SECOND: Mr. Towler
MOTION CARRIED