

University of Memphis Foundation Finance Committee Meeting

Committee Members Present:

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

Others Present:

		<u>In Attendance</u>
Holly Ford	AVP, UMF	Yes
Mark Nicell	Contractor, UMF	Yes

A quorum was present, and Mr. Little, the Finance Committee Chair, called the meeting to order at 10:02am.

I. Opening Prayer –

Mr. Little said a prayer to start the meeting.

II. Prior Meeting Minutes –

Minutes from December 2, 2021 – EXHIBIT A **MOTION TO APPROVE:** Mr. Kurapati
SECOND: Ms. Christian
MOTION CARRIED

III. UofM Financial Update –

Financial Update

Mr. Kurapati presented a University Financial Update. He presented the FY22 Revenue Budget, which overall was \$616M and while Tuition and Fees still represented the largest portion of revenue contributing to the overall number, it was down slightly. Typically, it represents about 65% of the budget. The University relies on these funds to cover the university's operations. The other major component of the revenue budget is State Appropriations. In relation to Tuition, Mr. Kurapati reminded the Committee the University has not increased tuition and most recently this was based on the Governor's directive not to do so. In relation to State Appropriations, the Governor recommended roughly \$17M. The Governor also recommended a state employee salary increase, which was covered by state funding at approximately 60%. The University will need to cover the other 40%. For Capital

Maintenance, the state has budgeted for nearly \$14M, however the maintenance expenses on campus are far greater. In addition, two Capital Projects received funding... the College of Business & Economics Renovation, as well as Mynders Hall Renovations, totaling \$55M in funding.

In regard to Tuition Revenue, in the last 8 years, the UofM has had the lowest tuition increase of any university in the state at 1.5%. Inflation during this period of time is greater. During this same period of time, the University has experienced a reduction in enrollments, mainly in undergraduate enrollment.

IV. Fiscal Year '23 Proposed Budget and –

Ms. Ford presented a proposed Administrative Fee spend rate of 1.5%, remaining flat year over year. She pointed out, the 4% Endowment spend rate, which was approved in the fall, was also flat, meaning the overall spend rate for FY23 would be 5.5%.

In addition, Ms. Ford presented the University Support Allocation Budget and the Foundation's Operating Budget, both for FY23.

The proposed University Support Allocation Budget is \$2.4M for FY23 and the proposed budget for the Foundation's operations is approximately \$775k with an additional reserve of approximately \$81k for additional staff and unforeseen expenses.

Mr. Kurapati voiced appreciation for the great work done by Ms. Ford and Mr. Nicell and stated he would abstain from voting, since he had been involved in the budget development discussions.

Chairman Little asked if there were any questions, which there were not and so he asked for a motion to approve the 5.5% spend rate.

MOTION TO APPROVE: Ms. Christian
SECOND: Mr. Bustamante
MOTION CARRIED

Chairman Little then asked for a motion to approve both the University Allocation and the Foundation Operating Budgets.

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

V. University of Memphis Foundation Action Plan for FY21 Audit Recommendations –

Ms. Ford reviewed actions taken in response to FY21 Audit Recommendations with the reminder to the Committee, the items outlined were recommendations and not material findings. For FY21, Dixon Hughes Goodman recommended a continuation of the AVP reviewing monthly bank statements and canceled checks, as a loss prevention measure.

Ms. Ford confirmed she is reviewing the monthly bank statements and has created a log where she documents the date of review and lists any questions or items necessary to note. Another recommendation had to do with the timing of the year-end recording of the Vanguard investments. Ms. Ford explained approximately 16% of the portfolio is Alternative Investments and statements from these fund managers don't come at the same time as statements for the rest of the portfolio, in fact there can be as much as a 6 week to 2-month lag time. There have been discussions with the Audit Firm, the Investment Committee and the CFO and ultimately, the Foundation will continue to manage to the information provided to them. There will likely need to be a policy or resolution developed, so the standard of operations is documented, and the audit firm is able to determine the actions taken are within the operating policy guidelines. Ms. Ford mentioned this will continue to be a challenge, since the Investment Statement Policy calls for as much as 20% of the portfolio to be in alternative investments.

Mr. Kurapati concurred this was a timing issue and if a materiality threshold is set, this should be sufficient with the audit firm and he recognized we cannot delay the closure of the audit due to the delay of the alternative investment statements, because it will delay the University's audited financial statements, which are submitted to the state. Ms. Ford added, delay in finalizing the financials, will also delay issuing scholarships in a timely manner for the following Academic Year.

Ms. Ford then moved on to discuss the two final recommendations, both regarding pledges. The first being the documentation the Foundation receives from the Advancement Services team. Ms. Ford has worked with this team to ensure all documentation is scanned-in, and moving forward, changes to how a gift is used based on a new directive from the donor, must be documented on a new form, created by Advancement Services. E-mails will no longer be accepted. The other recommendation was regarding the Excel document used to calculate the pledges. The Advancement Services team is developing automated reporting, which should eliminate the chance for a formula calculation error in an Excel file.

Ms. Ford asked if there were any questions. There were none.

Ms. Ford then referenced a copy of the UMF's 990 and 990T, which were e-mailed to the Committee and Board prior to the meeting. Ms. Ford explained, the 990 asks if the Board has received a copy of the 990 prior to filing, which is why it was e-mailed to the Board. The 990 and 990T will be filed before the deadline on the Foundation's behalf by Dixon Hughes Goodman.

- VI. Adjourn UMF Finance Committee Meeting Jason Little, Finance Committee Chair President Towler thanked, Mr. Little for leading the Finance Committee and thanked all the members for their leadership throughout this year.

Finance Committee Chair, Jason Little, for a motion to adjourn. Ms. Christian made the

motion; Mr. Bustamante seconded the motion and the meeting was adjourned at 10:53am.

MOTION TO ADJOURN: Ms. Christian
SECOND: Mr. Bustamante
MOTION CARRIED