The University of Memphis Foundation

Financial Statements

Years Ended June 30, 2021 and 2020
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The University of Memphis Foundation
Board of Directors and Financial/Administrative Directors

Board of Directors*

Fred Towler, President
David Tate, Vice President
John Wilfong, Treasurer
Dr. Douglas Scarboro, Secretary
Harry Smith, Immediate Past President
Sudhir Agrawal
Glynna Christian
Tyree Daniels
Tanya L. Hart
Raajkumar “Raaj” Kurapati
Daphne Large
Jason Little
Reginald Porter
John “Mickey” Robinson
Dr. M. David Rudd
Monica Wharton

Financial/Administrative Directors*

Holly Ford, Associate Vice President and Managing Director
Carolyn Stanley, Foundation Director

* As of November 2021
Independent Auditors' Report

Board of Directors
The University of Memphis Foundation
Memphis, Tennessee

Report on the Financial Statements
We have audited the accompanying financial statements of The University of Memphis Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, 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.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The listing of Board of Directors and Financial/Administrative Directors is presented for purposes of additional analysis and are not required parts of the financial statements. This other information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior Period Financial Statements
The financial statements of the Foundation as of June 30, 2020, and for the year then ended were audited by other auditors whose report dated November 17, 2020, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2021, on our consideration of the Foundation's internal control over financial reporting and 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 our 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.

Dixon Hughes Goodman LLP
Memphis, Tennessee
December 6, 2021
### The University of Memphis Foundation
### Statements of Financial Position
### June 30, 2021 and 2020

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 1,581,356</td>
<td>$ 4,666,916</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>13,103,196</td>
<td>9,161,705</td>
</tr>
<tr>
<td>Accrued interest, dividends, and other receivables</td>
<td>1,432</td>
<td>187,498</td>
</tr>
<tr>
<td>Investments, at fair value</td>
<td>160,567,903</td>
<td>128,003,339</td>
</tr>
<tr>
<td>Cash surrender value of life insurance</td>
<td>142,915</td>
<td>135,022</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 175,396,802</strong></td>
<td><strong>$ 142,154,480</strong></td>
</tr>
</tbody>
</table>

| **LIABILITIES AND NET ASSETS** |                 |                 |
| Accounts payable, primarily to The University of Memphis | $ 4,268,756 | $ 7,529,643 |
| Gift annuity obligations | 147,750        | 148,925         |
| **Total liabilities**     | **4,416,506**  | 7,678,568       |
| Net assets:               |                 |                 |
| Without donor restrictions | **4,044,010**  | 2,157,645       |
| With donor restrictions   | **166,936,286** | 132,318,267     |
| **Total net assets**      | **170,980,296** | 134,475,912     |
| **Total liabilities and net assets** | $175,396,802 | $142,154,480 |

See accompanying notes.
The University of Memphis Foundation  
Statement of Activities  
Year Ended June 30, 2021

<table>
<thead>
<tr>
<th>Support and other revenue:</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$ 212,023</td>
<td>$ 31,764,147</td>
<td>$ 31,976,170</td>
</tr>
<tr>
<td>Investment income, net of expenses</td>
<td>455,485</td>
<td>1,540,987</td>
<td>1,996,472</td>
</tr>
<tr>
<td>Net realized and unrealized gains on investments</td>
<td>868,886</td>
<td>32,563,813</td>
<td>33,432,699</td>
</tr>
<tr>
<td>Other income</td>
<td>282,463</td>
<td>1,145,983</td>
<td>1,428,446</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,818,857</td>
</tr>
<tr>
<td>Total support and other revenue</td>
<td>34,215,768</td>
<td>34,618,019</td>
<td>68,833,787</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating expenses:</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>University support and operational cost</td>
<td>25,365,531</td>
<td>-</td>
<td>25,365,531</td>
</tr>
<tr>
<td>Awards and scholarships</td>
<td>5,798,030</td>
<td>-</td>
<td>5,798,030</td>
</tr>
<tr>
<td>Management and general</td>
<td>882,782</td>
<td>-</td>
<td>882,782</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>32,046,343</td>
<td>-</td>
<td>32,046,343</td>
</tr>
</tbody>
</table>

| Nonoperating activities:   |                             |                         |       |
| Bad debt expense           | 283,060                    | -                       | 283,060 |
| Change in net assets from nonoperating activities | 283,060          | -                       | 283,060 |

| Change in net assets       |                             |                         |       |
|                           | 1,886,365                  | 34,618,019              | 36,504,384 |

| Net assets, beginning of year |   |                      |             |
|                              | 2,157,645                  | 132,318,267            | 134,475,912 |

| Net assets, end of year     |   |                      |             |
|                            | $ 4,044,010                | $ 166,936,286          | $ 170,980,296 |

See accompanying notes.
The University of Memphis Foundation  
Statement of Activities  
Year Ended June 30, 2020

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support and other revenue:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$159,335</td>
<td>$12,170,886</td>
</tr>
<tr>
<td>Investment income, net of expenses</td>
<td>160,164</td>
<td>1,694,216</td>
</tr>
<tr>
<td>Net realized and unrealized gains (losses) on investments</td>
<td>201,810</td>
<td>(3,040,426)</td>
</tr>
<tr>
<td>Other income</td>
<td>-</td>
<td>6,009,798</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td>21,059,957</td>
<td>(21,059,957)</td>
</tr>
<tr>
<td><strong>Total support and other revenue</strong></td>
<td>21,581,266</td>
<td>(4,225,483)</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University support and operational cost</td>
<td>18,391,258</td>
<td>-</td>
</tr>
<tr>
<td>Awards and scholarships</td>
<td>6,847,457</td>
<td>-</td>
</tr>
<tr>
<td>Management and general</td>
<td>720,415</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>25,959,130</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in net assets from operating activities</strong></td>
<td>(4,377,864)</td>
<td>(4,225,483)</td>
</tr>
<tr>
<td><strong>Nonoperating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad debt recoveries</td>
<td>(527,797)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in net assets from nonoperating activities</strong></td>
<td>(527,797)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>(3,850,067)</td>
<td>(4,225,483)</td>
</tr>
<tr>
<td><strong>Net assets, beginning of year</strong></td>
<td>6,007,712</td>
<td>136,543,750</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>$2,157,645</td>
<td>$132,318,267</td>
</tr>
</tbody>
</table>

See accompanying notes.
### The University of Memphis Foundation
**Statement of Functional Expenses**
**Year Ended June 30, 2021**

<table>
<thead>
<tr>
<th>Support Services</th>
<th>Program Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>University Support and Operational Cost</strong></td>
<td><strong>Awards and Scholarships</strong></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>$453,781</td>
</tr>
<tr>
<td>Conferences and travel</td>
<td>16,961</td>
</tr>
<tr>
<td>Supplies</td>
<td>307,481</td>
</tr>
<tr>
<td>Postage</td>
<td>24,935</td>
</tr>
<tr>
<td>Printing</td>
<td>56,003</td>
</tr>
<tr>
<td>Telephone and communications</td>
<td>12,989</td>
</tr>
<tr>
<td>Maintenance and repairs</td>
<td>1,423</td>
</tr>
<tr>
<td>Audit services</td>
<td>-</td>
</tr>
<tr>
<td>Legal services</td>
<td>-</td>
</tr>
<tr>
<td>Annuity expenses</td>
<td>18,264</td>
</tr>
<tr>
<td>Professional services</td>
<td>740,493</td>
</tr>
<tr>
<td>Publicity/public relations</td>
<td>3,610</td>
</tr>
<tr>
<td>Rental fees</td>
<td>24,491</td>
</tr>
<tr>
<td>Insurance other</td>
<td>6,954</td>
</tr>
<tr>
<td>Other expenses</td>
<td>7,546,353</td>
</tr>
<tr>
<td>Dues and membership subscriptions</td>
<td>157,864</td>
</tr>
<tr>
<td>Meals and entertainment</td>
<td>36,403</td>
</tr>
<tr>
<td>Tickets</td>
<td>206</td>
</tr>
<tr>
<td>Sponsorships and donations</td>
<td>82,150</td>
</tr>
<tr>
<td>Gifts and flowers</td>
<td>27,224</td>
</tr>
<tr>
<td>Fees</td>
<td>344,593</td>
</tr>
<tr>
<td>Honorariums</td>
<td>9,725</td>
</tr>
<tr>
<td>University support</td>
<td>12,440,509</td>
</tr>
<tr>
<td>USA grants special projects</td>
<td>2,601,653</td>
</tr>
<tr>
<td>USA chairs professorships</td>
<td>-</td>
</tr>
<tr>
<td>Awards</td>
<td>-</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>85,943</td>
</tr>
<tr>
<td>Construction and renovation</td>
<td>365,523</td>
</tr>
<tr>
<td>Fellowships</td>
<td>-</td>
</tr>
<tr>
<td>Interns and graduate assistants</td>
<td>-</td>
</tr>
</tbody>
</table>

| **Subtotal** | **$25,365,531** | **$5,798,030** | **$31,163,561** | **$882,782** | **$32,046,343** |

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See accompanying notes.
## Statement of Functional Expenses

The University of Memphis Foundation

**Year Ended June 30, 2020**

### Program Services

<table>
<thead>
<tr>
<th>University Support and Operational Cost</th>
<th>Awards and Scholarships</th>
<th>Total</th>
<th>Management and General</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>$1,142,043</td>
<td>$1,142,043</td>
<td>$573,941</td>
<td>$1,715,984</td>
</tr>
<tr>
<td>Moving expenses</td>
<td>7,705</td>
<td>7,705</td>
<td>-</td>
<td>7,705</td>
</tr>
<tr>
<td>Conferences and travel</td>
<td>140,210</td>
<td>140,210</td>
<td>252</td>
<td>140,462</td>
</tr>
<tr>
<td>Supplies</td>
<td>540,607</td>
<td>540,607</td>
<td>5,262</td>
<td>545,869</td>
</tr>
<tr>
<td>Postage</td>
<td>15,441</td>
<td>15,441</td>
<td>864</td>
<td>16,305</td>
</tr>
<tr>
<td>Printing</td>
<td>160,529</td>
<td>160,529</td>
<td>122</td>
<td>160,651</td>
</tr>
<tr>
<td>Telephone and communications</td>
<td>5,956</td>
<td>5,956</td>
<td>1,879</td>
<td>7,835</td>
</tr>
<tr>
<td>Maintenance and repairs</td>
<td>959</td>
<td>959</td>
<td>-</td>
<td>959</td>
</tr>
<tr>
<td>Audit services</td>
<td>-</td>
<td>-</td>
<td>29,664</td>
<td>29,664</td>
</tr>
<tr>
<td>Legal services</td>
<td>-</td>
<td>-</td>
<td>4,240</td>
<td>4,240</td>
</tr>
<tr>
<td>Annuity expenses</td>
<td>17,425</td>
<td>17,425</td>
<td>-</td>
<td>17,425</td>
</tr>
<tr>
<td>Professional services</td>
<td>1,347,064</td>
<td>1,347,064</td>
<td>6,909</td>
<td>1,353,973</td>
</tr>
<tr>
<td>Publicity/public relations</td>
<td>2,278,164</td>
<td>2,278,164</td>
<td>-</td>
<td>2,278,164</td>
</tr>
<tr>
<td>Rental fees</td>
<td>124,544</td>
<td>124,544</td>
<td>-</td>
<td>124,544</td>
</tr>
<tr>
<td>Insurance other</td>
<td>16,013</td>
<td>16,013</td>
<td>25,371</td>
<td>41,384</td>
</tr>
<tr>
<td>Other expenses</td>
<td>3,517,498</td>
<td>3,517,498</td>
<td>100</td>
<td>3,517,598</td>
</tr>
<tr>
<td>Dues and membership subscriptions</td>
<td>275,833</td>
<td>275,833</td>
<td>-</td>
<td>275,833</td>
</tr>
<tr>
<td>Meals and entertainment</td>
<td>654,026</td>
<td>654,026</td>
<td>1,169</td>
<td>655,195</td>
</tr>
<tr>
<td>Tickets</td>
<td>14,283</td>
<td>14,283</td>
<td>-</td>
<td>14,283</td>
</tr>
<tr>
<td>Sponsorships and donations</td>
<td>76,916</td>
<td>76,916</td>
<td>-</td>
<td>76,916</td>
</tr>
<tr>
<td>Gifts and flowers</td>
<td>53,301</td>
<td>53,301</td>
<td>175</td>
<td>53,476</td>
</tr>
<tr>
<td>Fees</td>
<td>592,029</td>
<td>592,029</td>
<td>70,467</td>
<td>662,496</td>
</tr>
<tr>
<td>Honorariums</td>
<td>14,000</td>
<td>14,000</td>
<td>-</td>
<td>14,000</td>
</tr>
<tr>
<td>University support</td>
<td>2,086,121</td>
<td>2,086,121</td>
<td>-</td>
<td>2,086,121</td>
</tr>
<tr>
<td>USA grants special projects</td>
<td>3,677,737</td>
<td>3,677,737</td>
<td>-</td>
<td>3,677,737</td>
</tr>
<tr>
<td>USA chairs professorships</td>
<td>- 500,523</td>
<td>500,523</td>
<td>-</td>
<td>500,523</td>
</tr>
<tr>
<td>Awards</td>
<td>- 198,502</td>
<td>198,502</td>
<td>-</td>
<td>198,502</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>643,908</td>
<td>643,908</td>
<td>-</td>
<td>643,908</td>
</tr>
<tr>
<td>Construction and renovation</td>
<td>667,669</td>
<td>667,669</td>
<td>-</td>
<td>667,669</td>
</tr>
<tr>
<td>USA capital improvements</td>
<td>321,277</td>
<td>321,277</td>
<td>-</td>
<td>321,277</td>
</tr>
<tr>
<td>Scholarships</td>
<td>- 6,017,859</td>
<td>6,017,859</td>
<td>-</td>
<td>6,017,859</td>
</tr>
<tr>
<td>Fellowships</td>
<td>- 46,334</td>
<td>46,334</td>
<td>-</td>
<td>46,334</td>
</tr>
<tr>
<td>Interns and graduate assistants</td>
<td>- 84,239</td>
<td>84,239</td>
<td>-</td>
<td>84,239</td>
</tr>
</tbody>
</table>

**Total**

$18,391,258  $6,847,457  $25,238,715  $720,415  $25,959,130

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See accompanying notes.
The University of Memphis Foundation
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in net assets</td>
<td>$36,504,384</td>
<td>(8,075,550)</td>
</tr>
<tr>
<td>Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net realized and unrealized loss (gain) on investments</td>
<td>(33,432,699)</td>
<td>2,838,616</td>
</tr>
<tr>
<td>Bad debt expense (recovery)</td>
<td>283,060</td>
<td>(527,797)</td>
</tr>
<tr>
<td>Contributions restricted for endowment</td>
<td>(10,860,668)</td>
<td>(2,523,525)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>(4,224,551)</td>
<td>9,870,323</td>
</tr>
<tr>
<td>Accrued interest, dividends, and other receivables</td>
<td>186,066</td>
<td>45,802</td>
</tr>
<tr>
<td>Accounts payable, primarily to The University of Memphis</td>
<td>(3,260,887)</td>
<td>(2,330,768)</td>
</tr>
<tr>
<td>Gift annuity obligations</td>
<td>(1,175)</td>
<td>438</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(14,806,470)</td>
<td>(702,461)</td>
</tr>
</tbody>
</table>

Cash flows from investing activities:

| Change in cash surrender value of life insurance | (7,893) | (7,812) |
| Proceeds from sale of investments              | 35,614,548 | 221,221,629 |
| Purchases of investments                        | (34,746,413) | (218,959,766) |

| Net cash provided by investing activities       | 860,242      | 2,254,051    |

Cash flows from financing activities:

| Contributions restricted for endowment         | 10,860,668   | 2,523,525    |

| Net cash provided by financing activities       | 10,860,668   | 2,523,525    |

| Net increase (decrease) in cash                | (3,085,560)  | 4,075,115    |

Cash, beginning of year                          | 4,666,916     | 591,801      |

Cash, end of year                                | $1,581,356    | $4,666,916   |

See accompanying notes.
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 ("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 organization. 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, where by 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. Expenses are reported as decreases in net assets without donor 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, 2021 and 2020, 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.

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 $7,111,182 and $12,557,111 at June 30, 2021 and 2020, respectively. 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 revenues, gains and other support 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 2.0% was assessed on the carrying value of accounts invested in the endowment pool for the years ended June 30, 2021 and 2020. Effective May 2021, the fee assessed on the carrying value of accounts invested in the endowment pool was reduced from 2.00% to 1.50%. The fee covers the cost of business office operations, provides support for University of Memphis fundraising activities, and assists with other University of Memphis needs. Administrative fees earned were approximately $1,614,000 and $1,775,000 for the years ended June 30, 2021 and 2020, 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 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, 2021 and 2020.

The Foundation has determined that it does not have any material uncertain tax positions as of June 30, 2021.

**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 endowments 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.

Concentrations 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 provided 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 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.

Adoption of accounting principle

Effective July 1, 2020, the Foundation adopted Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) using the modified retrospective approach. The adoption of this standard resulted in no change to net assets as of July 1, 2020, and no changes in the way the Foundation recognizes revenue.

Reclassifications

Certain 2020 balances have been reclassified to conform to the 2021 presentation.

Recent accounting pronouncements

In June 2016, the FASB issued 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 new guidance is effective for reporting periods beginning after December 15, 2022. Early adoption of ASU No. 2016-13 is permitted. The effects of adopting ASU No. 2016-13 have not been determined.

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. It is intended to improve transparency of contributed nonfinancial assets through additional presentation and disclosures. The amendments of this ASU require that a not-for-profit entity present contributed nonfinancial assets as a separate line item in the statements of activities, as well as enhanced disclosures regarding each type of contributed nonfinancial asset. The disclosures must discuss qualitative information about whether the assets were monetized or utilized, the entity’s policy regarding monetizing rather than utilizing the nonfinancial assets, information regarding if there were any donor-imposed restrictions, how the entity arrived at the fair values of the nonfinancial assets and the principal market used to arrive at the fair value measurements. The new guidance is effective for reporting periods beginning after June 15, 2021. Early adoption is permitted. The effects of adopting ASU No. 2020-07 have not been determined.
Subsequent events

The Foundation has evaluated the effect subsequent events would have on the financial statements through December 6, 2021, which is the date the financial statements were available to be issued.

2. 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, 2021 and 2020, was $658,258 and $642,159, respectively. Foundation operations are funded by the annual endowment administrative fee.

3. Contributions Receivable

As of June 30, 2021 and 2020, contributors to the Foundation have unconditionally promised to give as follows:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>$ 4,453,590</td>
<td>$ 4,672,060</td>
</tr>
<tr>
<td>One to five years</td>
<td>9,727,003</td>
<td>5,008,960</td>
</tr>
<tr>
<td>More than five</td>
<td>-</td>
<td>154,250</td>
</tr>
<tr>
<td>Total unconditional promises to give</td>
<td>$14,180,593</td>
<td>$9,835,270</td>
</tr>
<tr>
<td>Less allowances for uncollectible pledges</td>
<td>(808,835)</td>
<td>(550,775)</td>
</tr>
<tr>
<td>Less unamortized present value discount</td>
<td>(268,562)</td>
<td>(122,790)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,103,196</strong></td>
<td><strong>$9,161,705</strong></td>
</tr>
</tbody>
</table>

Contributions receivable beyond one year have been discounted to their net present value using interest rates of 0.28% to 2.67% as of June 30, 2021 and 2020, respectively.

4. Investments

Investments as of June 30, 2021 and 2020, are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Money market funds</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Limited partnerships and LLCs</td>
<td>12,236,034</td>
<td>19,523,924</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>115,277,907</td>
<td>140,851,952</td>
</tr>
<tr>
<td>U.S. government securities</td>
<td>191,487</td>
<td>192,027</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$127,705,428</strong></td>
<td><strong>$160,567,903</strong></td>
</tr>
</tbody>
</table>
5. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, 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 paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. These inputs are summarized in three broad levels for financial statement purposes.

**Level 1:** Quoted prices for identical securities in active markets.

**Level 2:** Other significant observable inputs other than Level 1 prices, such as quoted prices for similar securities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Unobservable inputs about which little or no market data exists, therefore, requiring an entity to develop its own assumptions.

The availability of observable inputs varies from product to product and is affected by a variety of factors, including the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for instruments categorized in Level 3.

Financial assets and liabilities measured at fair value on a recurring basis include the following:

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

- **Mutual funds:** Valued at the daily closing price reported on the active market on which securities are traded.

- **U.S. government securities and corporate bonds:** 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.

Valuations provided by the general partners and investment managers are evaluated by management through accounting and financial reporting processes to review and monitor existence and valuation assertions. Management has instituted processes in the areas of initial due diligence, ongoing monitoring and financial reporting. Management also reviews interim financial information and reviews details of investment holdings to obtain an understanding of the underlying investments. Monitoring also includes obtaining and reviewing audited financial statements noting the type of opinion, basis of accounting, procedures pertaining to the valuation of alternative investments and comparison of audited valuation with the fund's valuation.
The following tables set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of June 30, 2021 and 2020.

### Assets at Fair Value as of June 30, 2021

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>$38,030,027</td>
<td>$</td>
<td>$</td>
<td>$38,030,027</td>
</tr>
<tr>
<td>International Equity</td>
<td>35,212,988</td>
<td>$</td>
<td>$</td>
<td>35,212,988</td>
</tr>
<tr>
<td>U.S. equity</td>
<td>67,608,937</td>
<td>$</td>
<td>$</td>
<td>67,608,937</td>
</tr>
<tr>
<td>Total mutual funds</td>
<td>140,851,952</td>
<td>$</td>
<td>$</td>
<td>140,851,952</td>
</tr>
<tr>
<td>U.S. government securities</td>
<td></td>
<td>$192,027</td>
<td></td>
<td>$192,027</td>
</tr>
<tr>
<td>Total investments in the fair value hierarchy</td>
<td>$140,851,952</td>
<td>$192,027</td>
<td>$</td>
<td>$141,043,979</td>
</tr>
<tr>
<td>Limited partnerships measured at NAV</td>
<td></td>
<td></td>
<td></td>
<td>19,523,924</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>$160,567,903</td>
</tr>
</tbody>
</table>

### Assets at Fair Value as of June 30, 2020

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$619,568</td>
<td>$</td>
<td>$</td>
<td>$619,568</td>
</tr>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. equity</td>
<td>69,452,242</td>
<td>$</td>
<td>$</td>
<td>69,452,242</td>
</tr>
<tr>
<td>Fixed income</td>
<td>35,115,736</td>
<td>$</td>
<td>$</td>
<td>35,115,736</td>
</tr>
<tr>
<td>Total mutual funds</td>
<td>104,567,978</td>
<td>$</td>
<td>$</td>
<td>104,567,978</td>
</tr>
<tr>
<td>U.S. government securities</td>
<td></td>
<td>181,484</td>
<td></td>
<td>181,484</td>
</tr>
<tr>
<td>Total investments in the fair value hierarchy</td>
<td>$105,187,546</td>
<td>$184,484</td>
<td>$</td>
<td>$105,372,030</td>
</tr>
<tr>
<td>Limited partnerships measured at NAV</td>
<td></td>
<td></td>
<td></td>
<td>22,634,309</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>$128,003,339</td>
</tr>
</tbody>
</table>
The following table provides information related to investments that are valued based on NAV:

<table>
<thead>
<tr>
<th>Fair Value</th>
<th>Unfunded Commitments</th>
<th>Redemption Frequency</th>
<th>Redemption Notice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 30, 2021</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedged strategies-</td>
<td>$295,498</td>
<td>$-</td>
<td>Annually</td>
</tr>
<tr>
<td>hedged equity(a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private equity(b)</td>
<td>9,621,123</td>
<td>13,990,963</td>
<td>At Manager’s discretion</td>
</tr>
<tr>
<td>Real assets(c)</td>
<td>7,767,531</td>
<td>3,101,543</td>
<td>At Manager’s discretion</td>
</tr>
<tr>
<td>U.S. equity(d)</td>
<td>1,839,772</td>
<td>-</td>
<td>Multi-year</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$19,523,924</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fair Value</th>
<th>Unfunded Commitments</th>
<th>Redemption Frequency</th>
<th>Redemption Notice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 30, 2020</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedged strategies-</td>
<td>$1,893,212</td>
<td>$-</td>
<td>Monthly/Quarterly/Annually</td>
</tr>
<tr>
<td>hedged equity(a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private equity(b)</td>
<td>7,691,582</td>
<td>4,877,187</td>
<td>Upon liquidation</td>
</tr>
<tr>
<td>Real assets(c)</td>
<td>6,523,733</td>
<td>4,024,093</td>
<td>Upon liquidation</td>
</tr>
<tr>
<td>U.S. equity(d)</td>
<td>4,781,925</td>
<td>-</td>
<td>Quarterly</td>
</tr>
<tr>
<td>International equity(e)</td>
<td>1,743,857</td>
<td>-</td>
<td>Monthly/Quarterly</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$22,634,309</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a) Hedged Strategies-Hedged Equity - This category consists of funds of funds that make long and short position equity investments.

b) Private Equity - This category consists of partnerships that invest primarily in U.S. based private companies. These investments cannot be voluntarily redeemed and are subject to sale based on market demand.

c) 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.

d) U.S. Equity - This category generally consists of managers that invest primarily in equity securities of U.S. corporations. U.S. equity may include multiple styles (growth, value) and market capitalizations (small, mid, large). These investments will primarily be long-only.

e) International Equity - This category will generally consist of managers that invest primarily in equity securities of corporations domiciled in foreign countries. International equity may include multiple styles (growth, value) and market capitalizations (small, mid, large). These investments will primarily be long-only.
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:

<table>
<thead>
<tr>
<th>Subject to expenditure for a specified purpose:</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alumni relations</td>
<td>$504,963</td>
<td>$491,509</td>
</tr>
<tr>
<td>Awards</td>
<td>370,357</td>
<td>349,995</td>
</tr>
<tr>
<td>Capital improvements (1)</td>
<td>(3,979,573)</td>
<td>5,501,087</td>
</tr>
<tr>
<td>Centers, institutes and labs</td>
<td>2,263,311</td>
<td>2,329,479</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>7,220,657</td>
<td>7,270,712</td>
</tr>
<tr>
<td>Departmental/academic enrichment</td>
<td>7,146,626</td>
<td>6,356,937</td>
</tr>
<tr>
<td>Gift annuities</td>
<td>31,826</td>
<td>23,876</td>
</tr>
<tr>
<td>Operations</td>
<td>86,905</td>
<td>291,887</td>
</tr>
<tr>
<td>Professorships/chairs/visiting scholars</td>
<td>391,059</td>
<td>255,809</td>
</tr>
<tr>
<td>Scholarships/fellowships</td>
<td>5,067,007</td>
<td>4,395,400</td>
</tr>
<tr>
<td>Special projects/lecture series/workshops</td>
<td>11,164,923</td>
<td>8,563,370</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30,268,061</strong></td>
<td><strong>35,830,061</strong></td>
</tr>
</tbody>
</table>

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

**Endowments:**

<table>
<thead>
<tr>
<th>Subject to expenditure for a specified purpose:</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alumni relations</td>
<td>392,187</td>
<td>114,131</td>
</tr>
<tr>
<td>Awards</td>
<td>1,567,460</td>
<td>489,905</td>
</tr>
<tr>
<td>Centers, institutes and labs</td>
<td>2,081,959</td>
<td>1,013,289</td>
</tr>
<tr>
<td>Departmental/academic enrichment</td>
<td>5,442,622</td>
<td>1,671,990</td>
</tr>
<tr>
<td>Professorships/chairs/visiting scholars</td>
<td>8,479,624</td>
<td>3,129,927</td>
</tr>
<tr>
<td>Scholarships/fellowships</td>
<td>19,071,858</td>
<td>5,466,503</td>
</tr>
<tr>
<td>Special projects/lecture series/workshops</td>
<td>6,256,763</td>
<td>1,383,373</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43,292,473</strong></td>
<td><strong>13,269,118</strong></td>
</tr>
</tbody>
</table>

**Perpetual in nature:**

<table>
<thead>
<tr>
<th>Subject to expenditure for a specified purpose:</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alumni relations</td>
<td>783,208</td>
<td>760,880</td>
</tr>
<tr>
<td>Awards</td>
<td>2,835,519</td>
<td>2,816,095</td>
</tr>
<tr>
<td>Centers, institutes and labs</td>
<td>2,783,933</td>
<td>2,256,227</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>5,882,539</td>
<td>1,890,982</td>
</tr>
<tr>
<td>Departmental/academic enrichment</td>
<td>10,191,966</td>
<td>10,177,570</td>
</tr>
<tr>
<td>Professorships/chairs/visiting scholars</td>
<td>15,613,447</td>
<td>15,482,388</td>
</tr>
<tr>
<td>Scholarships/fellowships</td>
<td>41,093,516</td>
<td>37,052,157</td>
</tr>
<tr>
<td>Special projects/lecture series/workshops</td>
<td>14,191,624</td>
<td>12,782,789</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>93,375,752</strong></td>
<td><strong>83,219,088</strong></td>
</tr>
</tbody>
</table>

**Total endowment**

| Total** | **136,668,225** | **96,488,206** |

**Total net assets with donor restrictions**

| **Total net assets with donor restrictions** | **$166,936,286** | **$132,318,267** |
Notes to Financial Statements

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.

Releases from donor restrictions for the years ended June 30, 2021 and 2020, are as follows:

<table>
<thead>
<tr>
<th>Subject to expenditure for a specified purpose:</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alumni relations</td>
<td>$ 64,292</td>
<td>$ 457,669</td>
</tr>
<tr>
<td>Awards</td>
<td>111,973</td>
<td>32,545</td>
</tr>
<tr>
<td>Capital improvements</td>
<td>17,574,275</td>
<td>2,080,899</td>
</tr>
<tr>
<td>Centers, institutes and labs</td>
<td>619,548</td>
<td>1,304,984</td>
</tr>
<tr>
<td>Departmental/academic enrichment</td>
<td>1,574,819</td>
<td>2,537,147</td>
</tr>
<tr>
<td>Contributions receivable, net</td>
<td>283,296</td>
<td>-</td>
</tr>
<tr>
<td>Gift annuities</td>
<td>18,795</td>
<td>17,950</td>
</tr>
<tr>
<td>Operations</td>
<td>270,587</td>
<td>-</td>
</tr>
<tr>
<td>Professorships/chairs/visiting scholars</td>
<td>342,229</td>
<td>49,250</td>
</tr>
<tr>
<td>Scholarships/fellowships</td>
<td>4,596,761</td>
<td>7,262,445</td>
</tr>
<tr>
<td>Special projects/lecture series/workshops</td>
<td>3,328,845</td>
<td>1,974,090</td>
</tr>
<tr>
<td></td>
<td>28,785,420</td>
<td>15,716,979</td>
</tr>
</tbody>
</table>

Endowments:

<table>
<thead>
<tr>
<th>Subject to expenditure for a specified purpose:</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alumni relations</td>
<td>26,460</td>
<td>24,431</td>
</tr>
<tr>
<td>Awards</td>
<td>71,240</td>
<td>46,692</td>
</tr>
<tr>
<td>Capital improvements</td>
<td>-</td>
<td>2,062</td>
</tr>
<tr>
<td>Centers, institutes and labs</td>
<td>77,728</td>
<td>85,094</td>
</tr>
<tr>
<td>Departmental/academic enrichment</td>
<td>1,123,268</td>
<td>3,176,094</td>
</tr>
<tr>
<td>Professorships/chairs/visiting scholars</td>
<td>800,462</td>
<td>463,716</td>
</tr>
<tr>
<td>Scholarships/fellowships</td>
<td>1,219,444</td>
<td>1,436,238</td>
</tr>
<tr>
<td>Special projects/lecture series/workshops</td>
<td>292,889</td>
<td>108,651</td>
</tr>
<tr>
<td></td>
<td>3,611,491</td>
<td>5,342,978</td>
</tr>
<tr>
<td></td>
<td>$ 32,396,911</td>
<td>$ 21,059,957</td>
</tr>
</tbody>
</table>

7. Endowment Funds

The University of Memphis Foundation’s endowment accounts consist of donor-restricted endowment funds and include approximately 600 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 Board of Directors of The University of Memphis 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 classifies as permanently restricted net assets (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. The remaining portion of the donor-restricted
endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated 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

Endowment net asset composition by type of fund are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2021</td>
<td>$-</td>
<td>$136,668,225</td>
<td>$136,668,225</td>
</tr>
<tr>
<td>June 30, 2020</td>
<td>$-</td>
<td>$96,488,206</td>
<td>$96,488,206</td>
</tr>
</tbody>
</table>

Changes in endowment net assets for the period of July 1, 2019 through June 30, 2021, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2019</td>
<td>$2,977,905</td>
<td>$98,850,700</td>
<td>$102,828,605</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment loss</td>
<td>-</td>
<td>(480,520)</td>
<td>(480,520)</td>
</tr>
<tr>
<td>Net change (realized and unrealized)</td>
<td>-</td>
<td>(3,040,426)</td>
<td>(3,040,426)</td>
</tr>
<tr>
<td>Total investment return</td>
<td>-</td>
<td>(3,520,946)</td>
<td>(3,520,946)</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>2,523,525</td>
<td>2,523,525</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>(2,977,905)</td>
<td>(2,365,073)</td>
<td>(5,342,978)</td>
</tr>
<tr>
<td>June 30, 2020</td>
<td>-</td>
<td>96,488,206</td>
<td>96,488,206</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>-</td>
<td>366,040</td>
<td>366,040</td>
</tr>
<tr>
<td>Net appreciation (realized and unrealized)</td>
<td>-</td>
<td>32,564,802</td>
<td>32,564,802</td>
</tr>
<tr>
<td>Total investment return</td>
<td>-</td>
<td>32,930,842</td>
<td>32,930,842</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>10,860,668</td>
<td>10,860,668</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>-</td>
<td>(3,611,491)</td>
<td>(3,611,491)</td>
</tr>
<tr>
<td>June 30, 2021</td>
<td>$-</td>
<td>$136,668,225</td>
<td>$136,668,225</td>
</tr>
</tbody>
</table>
Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the Foundation is required to retain in a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of net assets with donor restrictions contributions and/or continued appropriation for fees and expenditures. At June 30, 2021, deficiencies of this nature existed in 3 donor-restricted endowment funds, which together have an original gift value of $2,739,953, a current fair value of $2,375,583, and a deficiency of $364,370. At June 30, 2020, deficiencies of this nature existed in 168 donor-restricted endowment funds, which together have an original gift value of $35,226,728, a current fair value of $32,957,557, and a deficiency of $2,269,171.

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 as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce consistent long-term growth of capital without undue exposure to risk.

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 an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Foundation has a policy of budgeting for expenditure each year a percentage of its endowment funds’ average fair value over the prior twelve quarters through the fiscal year-end one year preceding the fiscal year in which the expenditure is planned. For fiscal years 2021 and 2020, this percentage was 4.00%. 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 $64,250 and $69,038 from underwater endowment funds during the years ended June 30, 2021 and 2020, respectively, which represents 3% of the 12 quarter moving average, not the 4% it generally draws from its endowment.

8. Related Party Transactions

The Foundation provided direct support to the University for general departmental expenditures, scholarships, and awards which totaled $32,156,407 and $25,959,130 for the years ended June 30, 2021 and 2020, respectively. The Foundation had accounts payable to the University in the amount of $3,717,694 and $5,083,330 as of June 30, 2021 and 2020, 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 purposes of providing financial support to University Athletics due to short term financial shortfalls within 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.

**Interfund advance**

The Foundation has agreed to advance up to $10,976,899 to a 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 $7,600,907 and $8,067,510 were outstanding as of June 30, 2021 and 2020, 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 $282,463 and $216,819 for the years ended June 30, 2021 and 2020, respectively.

9. **Concentrations of Risk**

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 specific geographic region or industry.

Approximately 57% and 28% of the Foundation’s contributions receivable balance at June 30, 2021 and 2020 was due from four and one donors, respectively.
Independent Auditors' 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

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, 2021, and the related statements of activities, and cash flows and the related notes to the financial statements for the year then ended, and have issued our report thereon dated December 6, 2021.

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") to determine the auditing 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 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 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 the 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.
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.

There were no prior year findings reported.

We noted certain other matters that we have reported to management of the Foundation in a separate
letter dated December 6, 2021.

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.

Memphis, Tennessee
December 6, 2021