

UMF Board of Directors Members Present:

<u>University of Memphis Foundation Board</u>			<u>In Attendance</u>
President	Fred	Towler	Yes
Vice-President	David	Tate	Yes
Secretary	Dr. Douglas	Scarboro	
Treasurer	John	Wilfong	Yes
Immediate Past President	Harry	Smith	Yes
Board Member	Sudhir K.	Agrawal	Yes
Board Member	Glynnna	Christian	Yes
Board Member	Tyree	Daniels	Yes
Board Member	Tanya	Hart	
Board Member	Raaj	Kurapati	Yes
Board Member	Daphne	Large	Yes
Board Member	Jason	Little	Yes
Board Member	Reginald	Porter	
Board Member	John "Mickey"	Robinson	Yes
Board Member	Dr. M. David	Rudd	
Board Member	Monica	Wharton	

Not Present:

Dr. Douglas Scarboro – traveling
Tanya Hart – traveling
Reginal Porter
Dr. M. David Rudd
Monica Wharton – MLH Board Mtg at the same time

Others Present:

		<u>In Attendance</u>
Holly Ford	AVP, UMF	Yes
Bill Burns	Out-Sourced Chief Investment Officer (OCIO)	Yes
Matt Ruhl		Yes
Mike Petraglia		Yes
Mark Nicolas	Dixon Hughes Goodman (Audit Firm)	Yes
Joanna Curtis	VP of Advancement, University of Memphis	Yes

A quorum was present, and President Towler called the University of Memphis Foundation Board Meeting to order at 11:17am.

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

President Towler 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.

EXHIBIT A – Minutes from May 27, 2021

MOTION TO APPROVE: Mr. Kurapati
SECOND: Mr. Tate

II. Nominating Committee Report

David Tate, Vice-President

EXHIBIT B – Nomination of New Board Member

[BOARD VOTE]

Vice-President Tate presented Rene Bustamante as a possible new Board Member for the Board of Directors to consider. VP Tate referenced Mr. Bustamante’s CV in the meetings Board Packet and shared a little about Mr. Bustamante. He is the Staff VP and Assistant Treasurer for FedEx Corp. He has served in the FedEx Corp. Treasury since 2010 and he oversees the global cash management. Mr. Tate further stated Mr. Bustamante is a UofM graduate and former faculty member and is heavily involved in civic and charitable organizations in the Mid-South. Mr. Tate then asked for President Towler and the Board of Directors to consider Mr. Bustamante for a seat on the Board asking for a motion. Mr. Agrawal gave the motion and the second came from Ms. Large, the motion carried and Mr. Bustamante will officially be contacted by President Towler, VP Tate and Ms. Ford to extend a formal invitation and orient him on Board responsibilities.

EXHIBIT C – Nominating Process

VP Tate then explained the new Nominating Process he developed with the new Foundation AVP, Ms. Ford. VP Tate and Ms. Ford have outlined a formal process for nominating a potential Board Member, specifically focusing recruitment efforts on a strategic approach to membership, looking for a diverse area of expertise, as well as monitoring term dates, a review process of potential members by the President, VP, VP of Advancement and the AVP of the Foundation, as well as ensuring a proper onboarding. Lastly, the intent is for all Board Members to be active participants in the recruiting process. If a new member is identified well before the next Board meeting is scheduled, the Executive Committee is able to conduct a vote by e-mail to add new Board Members.

VP Tate finished his report by stating, as he has transitioned into the VP role, there will be a need to identify a new Nominating Committee Chair by the end of the fiscal year.

III. Finance Committee Report

Jason Little, Finance Chair

EXHIBIT D – FY21 Audit

Chairman Little stated the UMF Audit conducted by Dixon Hughes was complete. The auditors saw no material weaknesses or internal controls and they had presented an unmodified opinion to the Finance Committee, which is also known as a clean opinion. The Finance Committee had reviewed recommendations from the auditors and Ms. Ford had agreed to report back at the next Finance Committee with what steps had been taken on recommendations the Finance Committee had considered actionable. The Finance Committee’s responsibility is to receive the report from the auditors and oversee any material weaknesses and / or recommendations. Mr. Little confirmed the audited FY21 financial statements had been submitted to the state.

Mr. Little continued his report noting there were some delays with finalizing the Academic Year 2023 Endowment Scholarship Budget for the Board to review. The Budget will be e-mailed to the Finance Committee to review first and then upon approval, it will be sent to the Board of Directors for approval before being released to the respective departments at the University.

IV. Investment Committee Report

John Wilfong, Investment Chair

Treasurer Wilfong began his report by sharing updates on the Foundation's assets with Vanguard. Through uncertainty, performance of the portfolio was good. He shared the opinion of our outsourced Chief Investment Officer with Vanguard, stating they do not expect above trend growth globally in 2022 with the continued uncertainty of the pandemic and inflation. Treasurer Wilfong stated interest rates are causing bond markets to be under pressure, especially as rates elevate and so the Investment Committee passed a change on the Bond Portfolio to go from total bond market funds to a core bond market fund, which has active management allowing the Foundation to be more particular about where we have our fixed income assets. He also shared the Vanguard team maintains the belief the private equity markets will add Alpha and return to our portfolio and they remain confident in the allocation there. Treasurer Wilfong then referenced pg. 10 of the Vanguard report (Total Portfolio Performance & Asset Allocation), which shows the asset allocation being 77% Equities and 10% Fixed Income and about 15% in real assets and private equity. Treasurer Wilfong also informed the Board of discussion around what the asset allocation should be for the Current Expendable Pool. The Investment Committee asked Vanguard to be prepared to present some modeling at the next meeting for the Investment Committee to consider stating currently the allocation is 90% fixed income and 10% equities and the question is could it be sustained if a little more equity exposure was taken, for example 80-fixed, 20-equity. The reason behind considering this is because the fixed income interest rates are so low, if rates go up our fixed income mark could be compromised. And we want to add some yield to the portfolio, this cannot be achieved through dividend paying stocks. Lastly, Treasurer Wilfong discussed endowment growth modeling provided by Vanguard. The goal would be to outline how we could grow the Endowment to \$500M within the next 10 years. In referencing the modeling on pg. 31 of Vanguard's report, Treasurer Wilfong stated there is still a need to identify the actual projected spend from the Endowment and he committed to continuing to keep this on the Investment Committee agendas, as well as present it to the Board.

Discussion was raised around the spend rate on the portfolio and President Towler asked if Treasurer Wilfong would provide the Board with an update on the recent conversation around the spend rate. In order to not eat into the corpus, Treasurer Wilfong made a recommendation for the Finance Committee to consider reducing the spend rate from 4% to 3.5% for the next fiscal year. President Towler suggested a future conversation with Chairman Little, Treasurer Wilfong, Mr. Kurapati, Ms. Curtis and Ms. Ford regarding the spend rate.

V. Development Chair Report

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

Chairwoman Large reported the Capital Campaign Steering Committee, Chaired by Michael Cook, held their first meeting on November 8, 2021. The next meeting is slated on January 20, 2022. Progress thus far is exciting with the Philanthropic side of the campaign having raised \$112,479,385 thus far against a goal of \$300,000,000 by December 26, 2026. The Research side has achieved \$130,531,787 pacing on track to achieve their goal of \$300,000,000. The grand total raised towards the \$600,000,000 goal is \$343,011,122. Chairwoman Large encouraged the Board to consider the impact the Board members can make towards this campaign and be at 100% giving by the end of the fiscal year. Currently, our Board stands at 57% participation and she invited the Board Members to participate in the campaign in support of the UofM.

Mr. Towler thanked the Board Members for making the UofM one of their top philanthropic gifts annually, recognizing there are many worthy organizations locally and also noting the great impact the UofM makes in our community and the future of the city. He asked for those Board Members who are still working through consideration of a gift to the UofM to work with Ms. Curtis to determine the most meaningful way to support the UofM.

Ms. Curtis drew attention to the fact in past fiscal years, the University would end on average with approximately five gifts at \$1M or greater and at the midpoint of this year, we are already at ten gifts of \$1M or greater, which speaks to the momentum growing around the capital campaign. She also noted, Dr. Hardgrave, the incoming President, is very focused on growing the Endowment, as well and currently there are several of these gifts greater than \$1M, which are Endowment gifts.

Ms. Curtis showed a comparison of fiscal year end results for fundraising noting FY21 was a record year for Academic fundraising (\$26.5M). She then shared some benchmarking from NACUBO (National Association of College and University Business Officers). The report ranks Colleges and Universities based on the size of their Endowment and the UofM ranks at 306 out of approximately 700 Colleges and Universities listed in the ranking. President Towler asked how we rank against Universities to which we compare ourselves. Ms. Curtis referenced the next slide in the presentation, which ranked the UofM Endowment to 12 other Universities and UofM ranked 8th. President Towler reiterated the importance of us continuing to grow the Endowment and staying focused on the \$500M growth strategy mentioned during the Investment Committee Meeting. Ms. Curtis shared insight stating her team has added staff for gifts of \$1k - \$5k as an area of opportunity and then for the Capital Campaign her team will also continue to focus on \$5M+ gifts, as the Advancement team does well for the giving ranges in between these two giving

levels.

VI. UofM Report

Raaj Kurapati, EVP and CFO

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 presented this to the Board of Trustees on December 8th. The bulk of the increase is from funds received from federal stimulus packages.

There was a tuition increase, but didn't realize any revenue from it, because it was used to offset a reduction in fees for students taking online classes vs. in-person classes.

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.

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. Daniels asked about budget impact regarding construction projects and new buildings around campus. Mr. Kurapati stated, there has been a 7% uptick in construction costs. Inflation and supply chain issues have also caused problems. Costs are being monitored, while also wanting to see through to completion those projects, which will positively impact students.

Mr. Kurapati shared the anticipation for us to know if the UofM will receive R1 Carnegie status and this news should be public in January.

President Towler asked if additional expected costs tied to maintaining R1 status, should we receive it, are these expectations built into the budget or not? Mr. Kurapati stated the TN Governor has allocated a \$50M endowed match, with the University being responsible for raising an additional \$50M. Ms. Curtis added she and her team have had active discussions seeking interest in possible match gifts should the Governor's funding allocation pass.

President Towler then asked if there was a benchmark or an anticipated spend for maintaining R1

status. Ms. Curtis said there is a document in the works currently and it can be shared once available. Mr. Kurapati gave an example stating as a rule of thumb if there is a \$100M restricted research enterprise, base institutional support of roughly 20-25% would be needed to sustain moving forward.

As the last item of Mr. Kurapati's report, he provided an update on the transition of Dr. Rudd back to faculty and Dr. Hardgrave to begin as the new President of the UofM.

VII. Other Business
None

Fred Towler, President

VIII. Adjourn

Fred Towler, President

Being there was no additional business, President Towler called for a motion to adjourn the meeting. Mr. Kurapati made the motion, Ms. Large seconded the motion, the motion carried and the meeting was adjourned at 12:59pm