

March 2026 Finance & Audit Committee

Schedule Wednesday, March 4, 2026 9:30 AM — 10:00 AM CST
Organizer Colton Cockrum

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1. Call to Order and Opening Remarks

Presented by David McKinney

2. Roll Call & Declaration of Quorum

For Approval

Presented by David McKinney

3. Approval of Finance & Audit Committee Meeting Minutes from December 3, 2025

For Approval

Presented by David McKinney

University of Memphis Board of Trustees

Finance & Audit Committee

December 3, 2025

Meeting Minutes

Agenda Item 1: Call to Order and Opening Remarks

Trustee McKinney called the meeting to order and made opening remarks.

Agenda Item 2: Roll Call and Declaration of Quorum

Trustee McKinney recognized Board of Secretary, Colton Cockrum to call the roll. Secretary Cockrum called the roll. The following trustees were in attendance:

Trustee Bailey
Trustee Carter
Trustee Keeney
Trustee Marchetta
Trustee McKinney
Trustee Springfield

Secretary Cockrum announced the presence of a quorum.

Agenda Item 3: Approval of Finance & Audit Committee Meeting Minutes from September 3, 2025

Trustee McKinney called for a motion to approve the meeting minutes for the September 3, 2025, meeting. The motion was made by Trustee Springfield and properly seconded. Secretary Cockrum took a roll call vote, and the meeting minutes were approved.

Agenda Item 4: Summary of Internal Audit Reports Issued

Trustee McKinney recognized Chief Internal Auditor, Angela Ross. Ms. Ross explained that since September 3, 2025, the Internal Audit team has completed three audits. She explained that for the Graduate School Financial and Compliance Audit there was one observation and five minor issues noted with six recommendations made for management and four actions were completed; the two remaining actions plans will be addressed with updates forthcoming when expiration dates come. Ms. Ross explained that there were no issues in the Audit of the President's Expenses for the period July 1, 2024- June 30, 2025. The last audit- IT Security Review for the Department of Theatre and Dance- had three minor issues verbally discussed

with management. She explained that since they were verbally discussed they were isolated issues and did not require a joint action plan.

Agenda Item 5: Summary of Internal Audit Investigations Resolved

Ms. Ross explained that Human Resources and Internal Audit completed investigations on allegations received September 2024 and June 2025. Resolutions were completed.

Agenda Items 6-7: Annual Review of University Policy

Ms. Ross explained that the annual review of University Policy GE2021-Conflict of Interest and University Code of Ethics- GE2044 takes place by the board. There have been no changes made to these policies since reviewing in 2024. She noted that proposals are being made for future changes to the Conflict of Interest Policy GE2021.

Agenda Item 8: Annual Review of Finance and Audit Committee Charter

Ms. Ross noted that the Board of Trustees has the Finance and Audit Committee Charter for review in their meeting materials.

Agenda Item 9: Review and Approval of the Internal Audit Strategic Plan

Ms. Ross explained that the Internal Audit Strategic Plan was developed in alignment with the Global Internal Audit Standards. The Office of Internal Audit and Consulting has developed a 5-year strategic plan and seeks review and approval from the Finance and Audit Committee.

Trustee Springfield commented on the Conflict of Interest and University Code of Ethics. She asked if there was a process in place for all University employees to attest to these policies annually. Ms. Ross explained that currently there is nothing in place. She agreed with Trustee Springfield that an attestation would serve as a refresher to employees of these policies and could help in the fraud, waste, and abuse reports that Internal Audit receives.

Trustee McKinney asked if this strategic plan helped address the alignment of resources as previously discussed. Ms. Ross explained that this strategic plan has four goals. One goal is to improve collaboration and getting to know partners and that alignment can be addressed through this plan.

Trustee McKinney called for a motion and second to approve the Internal Audit Strategic Plan. The motion was made by Trustee Marchetta and properly seconded. Secretary Cockrum took a roll call vote, and the motion carried. There was no further discussion.

Agenda Item 10: 2025-2026 Revised Budget Approval

Trustee McKinney recognized Rene Bustamante, Executive Vice President and Chief Operating and Financial Officer. Mr. Bustamante provided the FY26 Revised Operating Budget Update. He explained that the FY26 Budget incorporates the following changes from the June Proposed Budget: approved tuition and fee increases of 4.92%; tuition and fees adjusted based on actual Fall 2025 enrollment; changes to state appropriations; non-recurring expenditure budgets, including one-time activities (such as conferences, institute events and internships), and resources available from prior year operations; other adjustments to operating plans, organizational structure, revenue projections, or fixed costs made after the submission of the proposed budget.

Mr. Bustamante further explained that the total university revenues can be broken down by type. He noted 55% of the University revenue comes from tuition and fees and state appropriations. Under Educational and General (E&G), he explained that the Revised Budget Revenue reflects a revenue increase of \$57.2M (or 8%) from the FY26 Proposed Budget of \$646.2M broken down as follows: tuition and fees increase of \$3.5M is net of FY26 tuition and fees increase plus \$6.5M and enrollment declines of \$-3M over the proposed budget (he noted that while we saw a 4.3% increase in the freshman class and retention rates, the loss of international students for fall 2025 was 25%; an increase of \$22.6M in Grants, Contracts, and Gifts due primarily to increases in Athletic Revenue and Campus Schools; an increase of \$2.7M in sales and services from Athletic conference distributions. He explained that auxiliary revenues decreased slightly due to decline in food services and the Restricted Funds increased due to increase in grants activity of \$28.7M based on estimated grant/restricted activity.

Mr. Bustamante continued to explain the Revised Budget in expenditures by function. He noted that the Revised Expenditures Budget includes all unrestricted resources available including current year revenues as well as one-time activities and resources available from prior year operations. He pointed out that the proposed budget is base budgeted and does not include carryforward funds or one-time activities. The variance noted for Instruction and Research is largely due to carryforward balances and other one-time funding of those types of expenses.

Under Instruction and Research the \$19.8M and \$24.4M increase respectively are net of prior year carryforward funds: The central budget allocations for Instruction and Research include Faculty promotions, Faculty startup funds, establishment of Internships and Professorships usually only budgeted yearly, shifts from Instruction to Research/Public Service for Faculty Salary Splits, GA stipends/waivers, travel, operating, as well as benefit shifts due to staffing levels. For Public Service and Academic support, the revised budgets increased \$2.1M and \$10.7M respectively due to carryforward funds and current year revenue adjustments. He noted that for Public Service, FY26 central budget allocations, establishing revenue supported activities such as internships and conferences and institute events which are usually one-time activities, and benefit shifts due to staffing levels; For academic support, FY26 central budget allocations include technology investments and benefit shifts due to staffing levels as well as

campus schools revenue adjustments. For Institutional Support, the \$4.1M increase is due to prior year carryforward funds, and FY26 capital campaign operating budget, and various FY26 central budget allocations and benefit shifts due to staffing levels. The \$896 thousand increase in Scholarships and Fellowships is due to athletics and Law School scholarship increases. And the \$4.5M increase in Transfers variance is due to funds going to reserve funds.

In summary, Mr. Bustamante explained that the revenue increased \$28.7M; carryforward funds at the departments of \$60.3M (reiterating that although these funds are available, the institution does not anticipate that all resources will be spent in the current fiscal year); central carryforward funds of \$16.2M; transfer into the operating budget of \$698 thousand; and transfers out of the Operating Budget to R&R and Plant Funds of \$5.3M for a NET total impact of \$105.2M over the proposed budget.

Mr. Bustamante recommended that the FY26 revised budget is within available resources, complies with applicable policies, and guidelines and is therefore recommended for approval.

Trustee Edwards asked if student fees went up the same amount. Mr. Bustamante that it is all combined. Trustee Johnson asked if that included the student activity fees as well; Mr. Bustamante stated that it does. Trustee Edward asked if policy applied to every contiguous state to Tennessee. Mr. Bustamante stated it does not. President Hardgrave noted it is only a certain group of counties within Arkansas and Mississippi. Trustee Edwards noted that some institutions offer instate tuition to contiguous states and inquired if that is something the University could do or if it would require THEC's approval. President Hardgrave commented that he would have Ken Moody, Executive Director of Governmental and Community Affairs, to review to confirm if this is considered legislation or state policy. There will be follow up with the board. Trustee Johnson commented that THEC and General Assembly recommends and approves. Provost David Russomanno commented that the university has been more assertive in out of state scholarships as an immediate action that is in place. Trustee Marchetta asked for Mr. Bustamante's sense of the management of carryforward funds. Mr. Bustamante noted that the University is managing this well in regard to the new RCM Budget model in place. Under this model, the carryforwards now reside in the college and Mr. Bustamante noted that they are doing a great job in managing this. He also noted that there is a central policy to strategically deploy resources. Trustee McKinney gave words of support to Mr. Bustamante and his team in regard to raising the standards and their navigation of the funds and transparency.

Trustee McKinney called for a motion and a second to approve the FY2026 Revised Budget. The motion was made by Trustee Keeney and properly seconded. Secretary Cockrum took a roll call vote, and the motion carried. There was no further discussion.

Agenda Item 11: Annual Information Security Update

Trustee McKinney recognized Jeff Delaney, Chief Information Officer.

Dr. Delaney presented the Annual Information Security Program Update required per the Gramm-Leach Bliley Act. Recent accomplishments include recommendation completion of the Payment Card Industry (PCI) assessment including installing encrypted card readers to simplify the environment and reduce costs. Information Technology (IT) carried out a PCI exposure simulation tabletop exercise to analyze the response plan. IT updated the Acceptable Use policy limiting use of personally licensed software reducing risk to the institution. Annual IT Security training completed in October with a 92% completion rate. The completion went to 99% after turning off employee accounts who had not completed the training. He noted that the failure rate of simulated phishing emails has declined. Looking ahead, Dr. Delaney noted that Provost Russomanno and CIO Delaney are co-sponsoring AI task forces to look at AI from a pedagogical standpoint as well as security and support. Passkey implementation for SSO authentication is anticipated for Fall 2026. SOAR-ERP migration goes live January 5, 2026. He concluded his presentation.

Trustee Marchetta asked if the vetting process used for the downloading of personal software would be fairly quick as some faculty utilize specific software for research, etc. Dr. Delaney commented yes.

Agenda Item 12: Additional Business

Trustee McKinney asked for additional business. There was none.

Agenda Item 13: Adjournment

Trustee McKinney called for a motion and second to adjourn the meeting. The motion was made by Trustee Springfield and properly seconded. Secretary Cockrum called for a voice vote, and the meeting was adjourned.

4. Summary of Audit Issued Follow-up

Report

Presented by Angela Ross

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 4, 2026

Committee: Finance and Audit Committee

Presentation: Summary of Audit Issue Follow Up

Presented by: Angela Ross, Associate Vice President and Chief Audit Executive

Background:

Attached is a summarized list of audit issues with action plans that were evaluated for completion.

Action Plan Estimated Completion Date	Name of Audit	Date of Audit Report	Audit Engagement Opinion	Issue #	Issue Description	Issue Rating	Party Responsible for Action Plan Completion	Current Status (as of February 9, 2026)
8/30/2025	Fixed Assets Audit	4/25/2023	Effective with the Opportunity for Improvement	Fixed Assets (FY2023) 1	Lost or Stolen Property Communications	Minor = Effective with the Opportunity for Improvement	Shirley Ford, Assistant Vice President of Financial Accounting and Reporting & Crystal Givens, University Controller	Completed
8/30/2025	Fixed Assets Audit	4/25/2023	Effective with the Opportunity for Improvement	Fixed Assets (FY2023) 2	Insufficient Controls over Fixed Assets	Minor = Effective with the Opportunity for Improvement	Shirley Ford, Assistant Vice President of Financial Accounting and Reporting & Crystal Givens, University Controller	Completed
8/30/2025	School of Music Financial and Compliance Audit	10/25/2024	Effective with the Opportunity for Improvement	School of Music 3b	Opportunity to Improve Controls over Fixed Assets	Minor = Effective with Opportunity for Improvement	Shirley Ford, Assistant Vice President of Financial Accounting and Reporting & Crystal Givens, University Controller	Completed
9/30/2025	Lab Safety	5/8/2024	Effective with the Opportunity for Improvement	Lab Safety 4	Opportunity to Improve Student Lab Safety	Minor = Effective with the Opportunity for Improvement	Bobby Clark, Director, Environmental Health & Safety	Completed

5. Summary of Internal Audit Investigations

Report

Presented by Angela Ross

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 4, 2026

Committee: Finance and Audit Committee

Presentation: Summary of Investigations Closed

Presented by: Angela Ross, Associate Vice President and Chief Audit Executive

Background:

Reports were issued for three closed investigations since the last meeting. Summarized information is included in the attached table.

Allegation Received by	Date Allegation Received	Description of Allegation	Date Assigned by Complaint Triage Team	Internal Audit Investigation Number	Investigation Status	Investigation Outcome	Date of Final Action
Anonymous Fraud, Waste, or Abuse Report	9/1/2025	Employee's Child on Campus During Work Hours	9/5/2025	INV-26-003	Investigation Complete, Human Resources Memo Issued	Recommendation: HR5063, Children on Campus, policy compliance	1/8/2026
Anonymous Fraud, Waste, or Abuse Report	2/19/2025	Sponsored Award Salary Budgets	2/24/2025	INV-25-006	Investigation Complete, Internal Audit Memo, and Management Report Issued	No Evidence of Misuse of Funds Associated with Sponsored Awards	12/16/2025
Anonymous Fraud, Waste, or Abuse Report	7/31/2025	Interim Appointment Conflicts of Interest Concerns	9/3/2025	INV-26-002	Investigation Complete, Internal Audit Memo, and Management Report Issued	Recommendation: Formal Disclosure of the Relationship	1/16/2026

6. Annual External Financial Audit Reports

Report

Presented by Angela Ross

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 4, 2026
Committee: Finance and Audit Committee
Presentation: External Independent Agency Reports
Presented by: Angela Ross, Associate Vice President and Chief Audit Executive

Background:

In accordance with Internal Audit responsibilities under UofM Policy GE2016 – Notification of External Audits and Reviews, the independent financial statement audits for three University-affiliated foundations, along with the Report on the Application of Agreed-Upon Procedures (AUP) to assess compliance with National Collegiate Athletic Association (NCAA) Bylaw 20.2.4.17, is presented for the Finance and Audit Committee’s information.

Across all foundation audits, independent auditors’ opinion concluded that financial statements fairly present their financial position and results in accordance with U.S. Generally Accepted Accounting Principles. Auditors reported no instances of noncompliance or other matters required to be reported under Government Auditing Standards. As is standard, the auditors’ review of internal control was limited in scope and did not constitute an opinion on internal control effectiveness. One deficiency was identified in the Memphis Athletic Foundation audit, and management prepared a corrective action plan.

External Certified Public Accountant (CPA) Audit Reports

I. University of Memphis Foundation

- Component unit of the University and not-for-profit corporation chartered in 1964 managing private support.
- Effective July 1, 2024, The Herff Trust merged into the Foundation for oversight.
- Audit Firm: CBIZ CPAs
- Report Issued: December 3, 2025, including a separate report on internal control considerations and compliance.
- Periods Covered: Financial statements as of June 30, 2025, and 2024

II. University of Memphis Research Foundation

- Nonprofit component unit established on June 16, 2006, supporting sponsored research and related projects.
- Holds 50 patents assigned by the University as of June 30, 2025.
- UMRF Ventures, Inc. is a wholly owned subsidiary.
- Audit Firm: Watkins Uiberall CPA

- Report Issued: October 21, 2025, with a separate report on internal control considerations and compliance issued on October 14, 2025.
- Periods Covered: Financial statements as of June 30, 2025

III. Memphis Athletic Foundation

- Not-for-profit corporation operating since April 2019, formerly Auxiliary Services Foundation; managing auxiliary enterprises and accepting gifts for University benefit.
- Audit Firm: Watkins Uiberall CPA
- Report Issued: December 15, 2025, including a separate report on internal control considerations and compliance.
- Periods Covered: Financial statements as of June 30, 2025
- Notable Item: One deficiency identified; management prepared a corrective action plan.

The Tennessee Controller of Treasury's Division of State Audit performed the AUP for the year ended June 20, 2025. The report was issued on February 2, 2026. The Division did not express an audit opinion or conclusion on the Intercollegiate Athletics Program's Statement of Revenues and Expenses, and all required adjustments to the NCAA statement were completed.



JASON E. MUMPOWER
Comptroller

February 2, 2026

Dr. Bill Hardgrave, President
The University of Memphis

Dear Dr. Hardgrave:

Transmitted herewith is the report on the results of certain agreed-upon procedures applied to the statement of revenues and expenses of the intercollegiate athletics programs at The University of Memphis.

Sincerely,

A handwritten signature in blue ink that reads "Katherine J. Sticker".

Katherine J. Sticker, CPA, CGFM, Director
Division of State Audit

cc: Ms. Angela Ross
Chief Audit Executive

Mr. Mike Batson
Chief Audit Executive
System-wide Internal Audit
Tennessee Board of Regents



JASON E. MUMPOWER
Comptroller

Independent Accountants' Report on the Application of Agreed-upon Procedures

Dr. Bill Hardgrave, President
The University of Memphis

We have performed the procedures enumerated below on the accompanying statement of revenues and expenses of The University of Memphis's Intercollegiate Athletics Programs for the year ended June 30, 2025. The institution's management is responsible for the statement of revenues and expenses (statement) and the statement's compliance with those requirements.

The University of Memphis's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting you in evaluating whether the accompanying statement of revenues and expenses of The University of Memphis's Intercollegiate Athletics Program is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 20.2.4.18 for the year ended June 30, 2025. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Exceptions totaling no more than the lesser of \$25,000 or 10% of the line-item total to which an agreed-upon procedure has been applied are considered insignificant and have not been reported. The procedures that we performed and our findings are as follows:

Agreed-upon Procedures Related to the Statement of Revenues and Expenses

Procedure	Results
<ul style="list-style-type: none">Obtain the summary of revenues and expenses for or on behalf of intercollegiate athletics programs for affiliated and outside organizations prepared by the institution. Recalculate the addition of the amounts on the summary and compare the summary information with the amounts on the statement.	No exceptions noted.

- Obtain the statement of revenues and expenses of the athletic programs and related notes for the year ended June 30, 2025, as prepared by management. Compare the amounts reported on the statement with the institution's general ledger.

We found significant differences (greater than \$25,000) between the amounts in the athletic accounts in the general ledger and the amounts on the statement. These were corrected on the attached statement and are listed below.

Revenues

- Compare and agree each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 4% of the total revenues, no other procedures were performed for that specific category.

We found significant differences between the amounts in the athletic accounts in the general ledger and the amounts on the supporting schedules. These were corrected on the attached statement and are listed below.

- Compare and agree a sample of operating revenue receipts from the operating revenue supporting schedules to adequate supporting documentation.

All line items requiring testwork were tested in other steps.

- Compare each major revenue account over 10% of the total revenues to prior-period amounts and with budget estimates. Obtain and document management's explanation for any variations greater than 10%. Report the analysis as a supplement to the final Agreed-upon Procedures Report.

No exceptions noted. See the supplement to this report for this analysis.

- Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the institution in the statement and the related attendance figures, and recalculate totals.

No exceptions noted.

- Compare and agree student fees reported by the institution in the statement to student enrollments during the same reporting period and recalculate totals.

No exceptions noted.

- If the athletics department is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of the department's methodology for supporting that it is able to count each sport. Agree the calculation to supporting documents such as seat manifests, ticket sales reports, and student fee totals.

The institution does not report in this manner; therefore, this step was not performed.
- Compare direct state or other governmental support recorded by the institution during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation and recalculate totals.

As the institution does not receive direct state or other governmental support, this step was not applicable.
- Compare the direct institutional support recorded by the institution during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.

No exceptions noted.
- Compare the transfers back to institution with permanent transfers back to institution from the athletics department and recalculate totals.

No transfers back to institution were reported; therefore, this step was not performed.
- Compare the indirect institutional support recorded by the institution during the reporting period with expense payments, cost allocation details, and other corroborative supporting documentation and recalculate totals.

No exceptions noted.
- Select a sample of settlement reports for away games during the reporting period and agree each selection to the institution's general ledger and/or the statement and recalculate totals.

Revenues of this type did not exceed 4% of total revenues; therefore, this step was not performed.
- Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests (including payments

Revenues of this type did not exceed 4% of total revenues;

received due to game cancellations) during the reporting period and compare and agree each selection to the institution's general ledger and/or the statement and recalculate totals.

therefore, this step was not performed.

- Any contributions of moneys, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals (two or more) not included elsewhere (e.g., contributions by corporate sponsors) that constitutes 10% or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting period shall be disclosed in the notes to the statement of athletics department revenue and expenses. Obtain and review supporting documentation for each contribution and recalculate totals.

No exceptions noted.

- Compare the in-kind contributions recorded by the institution during the reporting period with a schedule of in-kind donations and recalculate the totals.

Revenues of this type did not exceed 4% of total revenues; therefore, this step was not performed.

- Obtain a summary of customers and test a sample of agreements for the institution's total media rights as reported in the statement. Compare and agree the media rights revenues to a summary statement of all media rights identified, if applicable, and the institution's general ledger and recalculate the totals. Ledger totals may be different for total conference distributions if media rights are not broken out separately.

The institution did not report any revenues from media rights; therefore, this step was not applicable.

- Compare the amounts recorded in the revenue and expense reporting to general ledger details for NCAA distributions and other corroborative supporting documents and recalculate totals.

The amounts originally reported included amounts received in a prior year but utilized during the reporting year. This has been corrected on the attached statement.

- Obtain and inspect agreements related to the institution's conference distributions and participation in revenues from tournaments during the reporting period. Compare and agree the related revenues to the institution's general ledger and/or statement and recalculate totals.

No exceptions noted.
- Compare the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales, and parking as well as any other corroborative supporting documents and recalculate totals.

Revenues of this type did not exceed 4% of total revenues; therefore, this step was not performed.
- Obtain a summary of customers for total revenue and select a sample of agreements related to the institution's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period. Compare and agree the related revenues to the institution's general ledger and/or the statement and recalculate totals.

No exceptions noted.
- Inspect sports camp contract(s) between the institution and person(s) conducting institution sports camps or clinics during the reporting period. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports camp participants. Agree each selection with the institution's general ledger and/or the statement and recalculate totals.

The institution did not report any revenues for this line item; therefore, this step was not applicable.
- Obtain and inspect the institution's endowment agreements. Compare the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreement and recalculate totals.

Revenues of this type did not exceed 4% of total revenues; therefore, this step was not performed.

- Obtain and inspect agreements related to the institution's revenues from post-season football bowl participation during the reporting period. Compare and agree the related revenues to the institution's general ledger and/or the statement and recalculate totals.

Revenues of this type did not exceed 4% of total revenues; therefore, this step was not performed.

Expenses

- Compare and agree each operating expense category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 4% of the total expenses, no other procedures were performed for that specific category.
- Compare and agree a sample of expenses from the operating expense supporting schedules to adequate supporting documentation.
- Compare each major expense account over 10% of the total expense to prior-period amounts and with budget estimates. Obtain and document management's explanation for any variations greater than 10%. Report the analysis as a supplement to the final Agreed-upon Procedures Report.
- Select a sample of students from the list of institutional student aid recipients during the reporting period. Data should be captured by the institution through the creation of a squad/eligibility list for each sponsored sport. Obtain individual student-account details for each selection and reconcile the total athletic aid reported by the institution to the student-athlete's account detail in Compliance Assistance (CA) or the institution report that ties directly to the NCAA Membership Financial Reporting System. Confirm the information for each student selected was

We found significant differences between the amounts in the athletic accounts in the general ledger and the amounts on the statement. These were corrected on the attached statement.

No exceptions noted.

No exceptions noted. See the supplement to this report for this analysis.

No exceptions noted.

reported accurately in either the NCAA's CA software or entered directly into the NCAA Membership Financial Reporting System using the appropriate criteria. Recalculate totals.

- Obtain and inspect visiting institutions' away-game settlement reports received by the institution during the reporting period and agree related expenses to the institution's general ledger and/or the statement. Recalculate totals. Obtain and inspect contractual agreements pertaining to expenses recorded by the institution from guaranteed contests (including payments made due to game cancellations) during the reporting period. Compare and agree related amounts expensed by the institution during the reporting period to the institution's general ledger and/or statement. Recalculate totals.

Expenses of this type did not exceed 4% of total expenses; therefore, this step was not performed.

- Obtain and inspect a list of coaches employed by the institution and related entities during the reporting period. Select a sample of coaches' contracts that must include football and men's and women's basketball from the list. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the institution and related entities in the statement during the reporting period. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits, and bonuses paid by the institution and related entities expense recorded by the institution in the statement during the reporting period. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.

No exceptions noted.

- Obtain and inspect a list of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football and men's and women's basketball from the list. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the institution in the statement during the reporting period. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by a third party recorded by the institution in the statement during the reporting period. Recalculate totals.

No coaches were employed by third parties during the reporting period; therefore, this step was not applicable.

- Select a sample of support staff/administrative personnel employed by the institution and related entities during the reporting period. Obtain and inspect reporting period summary payroll registers for each selection. Compare and agree related summary payroll registers to the related support staff/administrative salaries, benefits, and bonuses paid by the institution and related entities expense recorded by the institution in the statement during the reporting period. Recalculate totals.

No exceptions noted.

- Select a sample of support staff/administrative personnel employed by third parties during the reporting period. Obtain and inspect reporting period payroll summary registers to the related support staff/administrative other compensation and benefits expense recorded by the institution in the statement during the reporting period. Recalculate totals.

No support staff/administrative personnel were employed by third parties during the reporting period; therefore, this step was not applicable.

- Select a sample of employees receiving severance payments by the institution

No employees received severance payments during the

during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.

reporting period; therefore, this step was not applicable.

- Compare and agree the institution's recruiting policies to existing institutional- and NCAA-related policies. Obtain general ledger details and compare to the total expenses reported and recalculate totals.
- Compare and agree the institution's team travel policies to existing institutional- and NCAA-related policies. Obtain general ledger details and compare to the total expenses reported and recalculate totals.
- Obtain a list of debt service schedules, lease payments, and rental fees for athletics facilities for the reporting year. Compare a sample of facility payments, including the top two highest facility payments, to additional supporting documentation (e.g., debt financing agreements, leases, and rental agreements). Compare amounts recorded to amounts listed in the general ledger details and recalculate totals.
- Obtain general ledger details related to Name, Image, and Likeness revenue share and compare to the total settlement-related cash benefit expenses reported for student-athletes and/or student-athletes' families. Select a sample of transactions to validate the existence of the transaction and accuracy of recording and recalculate the totals.

Expenses of this type did not exceed 4% of total expenses; therefore, this step was not performed.

No exceptions noted..

No exceptions noted.

The institution did not report any expenses for this line item; therefore, this step was not applicable.

Additional agreed-upon procedures

- Compare and agree the sports sponsored as reported in the NCAA Membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from Compliance Assistance or other report that

No exceptions noted.

Football had several athletes who were fall-only or were replaced on the roster. An athlete decommitted in the prior year for men's track.

supports the equivalency calculations from the institution. Compare current year Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies per the Membership Financial Report submission. If there is a discrepancy in the sports sponsored between the NCAA Membership Financial Reporting System and the CRDE or other report that supports the equivalency calculations, inquire about the discrepancy and report the justification in the report.

- Obtain the institution's Sports Sponsorship and Demographics Form submitted to the NCAA Research for the reporting year. Validate that the countable NCAA sports reported by the institution met the minimum requirement as set forth in the bylaws. Once the countable sports have been validated, ensure that the institution has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System. Compare the current-year number of Sponsored Sports to the prior-year reported total. Inquire and document an explanation for any variance and include the explanation in the report.
- For Pell grants, agree the total number of Division I student-athletes who, during the academic year, received a Pell grant award and the total value of these Pell grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the institution's financial aid records, of all student-athlete Pell grants. Compare the current-year Pell grants total to the prior-year reported total per the Membership Financial Report submission. Inquire and document an explanation for variances greater than +/- 20 grants. Include the explanation in the report.

Women's golf added a scholarship, while women's soccer reduced scholarships by one. Softball hired a new coach who used all allowed scholarships. Volleyball and women's tennis each had a spring-only athlete. Two women's track athletes decommitted late in the prior year, with six additional scholarships in the current reporting period.

No exceptions noted.

No exceptions noted.

Other reporting items

- Obtain general ledger details and compare to the total expenses reported as excess transfers to institution or conference realignment expenses. Select a sample of transactions to validate the existence of the transaction and accuracy of recording. Recalculate totals.

The institution did not report any excess transfers to the institution or conference realignment expenses; therefore, this step was not applicable.
- Obtain repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. Recalculate annual maturities (consisting of principal and interest) provided in the schedules obtained. Agree the total annual maturities and total outstanding athletic debt to supporting documentation and the institution's general ledger, as applicable.

The amount on the statement, as originally reported, was not correct. However, management corrected the statement.
- Agree the total outstanding institutional debt to supporting documentation and the institution's audited financial statements (if available), or the institution's general ledger.

The amount on the statement, as originally reported, was not correct. However, management corrected the statement.
- Obtain a schedule of all athletics-dedicated endowments maintained by athletics, the institution, and affiliated organizations. Agree the fair value in the schedules to supporting documentation, the general ledger, and audited financial statements, if available.

No exceptions noted.
- Agree the total fair value of institutional endowments to supporting documentation, the institution's general ledger, and/or audited financial statements, if available.

The amount on the statement, as originally reported, was not correct. However, management corrected the statement.
- Obtain a schedule of athletics-related capital expenses made by athletics, the institution, and affiliated organizations during the reporting period. Obtain general ledger details and compare to the total expenses reported. Select a sample of transactions to validate the existence of

the transaction and accuracy of recording.
Recalculate the totals.

We were engaged by The University of Memphis management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying statement of revenues and expenses of The University of Memphis's Intercollegiate Athletics Programs for the year ended June 30, 2025. Accordingly, we do not express such an opinion or draw such a conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of The University of Memphis and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the institution's management and is not intended to be and should not be used by anyone other than the institution's management.

Sincerely,



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
February 2, 2026

The University of Memphis
 Department of Intercollegiate Athletics
 Statement of Revenues and Expenses
 For the Year Ended June 30, 2025

	Football	Men's Basketball	Women's Basketball	Olympic Sports	Non-Program Specific	Total
Revenues						
Ticket sales	\$ 3,492,911.13	\$ 4,939,329.01	\$ 70,890.50	\$ 84,011.99	\$ 124,392.52	\$ 8,711,535.15
Student fees	-	-	-	-	6,516,474.80	6,516,474.80
Direct institutional support	-	-	-	-	18,774,175.81	18,774,175.81
Indirect institutional support	-	-	-	-	4,110,909.91	4,110,909.91
Indirect institutional support - athletic facilities debt service, lease, and rental fees	-	-	-	-	277,847.48	277,847.48
Guarantees	1,300,000.00	50,000.00	-	-	-	1,350,000.00
Contributions	595,347.61	356,734.02	35,843.84	2,375,231.73	8,495,344.78	11,858,501.98
In-kind contributions	148,017.62	29,814.45	17,279.09	56,418.97	198,290.48	449,820.61
NCAA distributions						
NCAA distributions	-	-	-	-	2,403,111.50	2,403,111.50
Post-season non-football NCAA expense reimbursements	-	70,875.00	-	-	-	70,875.00
Conference distributions	-	-	-	-	8,934,368.03	8,934,368.03
Conference distributions of post-season generated revenues	650,000.00	-	-	7,313.85	-	657,313.85
Program, novelty, parking, and concession sales	1,116,495.36	470,569.22	3,319.49	-	-	1,590,384.07
Royalties, licensing, advertisements, and sponsorships	662,206.36	386,305.24	170,357.70	1,032,768.10	4,486,543.28	6,738,180.68
Athletics restricted endowment and investment income	9,616.00	77,814.90	-	42,855.16	1,296.88	131,582.94
Other operating revenues	14,070.00	78,078.14	-	94.19	39,045.00	131,287.33
Post-season football expense reimbursements	13,979.70	-	-	-	-	13,979.70
Subtotal operating revenues	8,002,643.78	6,459,519.98	297,690.62	3,598,693.99	54,361,800.47	72,720,348.84

**The University of Memphis
Department of Intercollegiate Athletics
Statement of Revenues and Expenses
For the Year Ended June 30, 2025**

	Football	Men's Basketball	Women's Basketball	Olympic Sports	Non-Program Specific	Total
Expenses						
Athletic student aid	3,645,820.75	494,633.27	564,429.68	4,728,145.33	489,435.00	9,922,464.03
Guarantees	525,000.00	225,000.00	32,274.00	57,423.00	-	839,697.00
Coaching salaries, benefits, and bonuses paid by the university and related entities	6,313,597.85	3,747,917.28	994,894.03	3,738,845.33	-	14,795,254.49
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	2,747,326.03	849,075.28	180,641.57	277,534.99	7,862,376.74	11,916,954.61
Recruiting	783,754.71	138,788.82	168,432.38	329,177.35	-	1,420,153.26
Team travel	1,347,696.58	2,026,062.53	1,097,312.99	2,016,457.16	-	6,487,529.26
Sports equipment, uniforms, and supplies	1,101,599.37	546,990.32	182,667.37	1,333,916.35	3,988.84	3,169,162.25
Game expenses	2,128,094.13	821,563.64	54,704.55	503,280.93	-	3,507,643.25
Fundraising, marketing, and promotion	102,431.26	153,890.64	3,197.90	1,535.75	786,899.28	1,047,954.83
Spirit groups	-	-	-	-	209,847.40	209,847.40
Athletic facilities debt service, leases, and rental fees	1,163,439.68	27,500.04	40,007.00	525,000.00	434,347.48	2,190,294.20
Direct overhead and administrative expenses	317,100.95	28,767.52	17,268.68	145,049.29	231,257.18	739,443.62
Facilities maintenance and operations	132,691.89	5,485.72	7,395.46	128,279.81	370,953.52	644,806.40
Indirect institutional support	-	-	-	-	4,110,909.91	4,110,909.91
Medical expenses and insurance	27,303.94	5,440.00	-	3,266.76	1,000,604.54	1,036,615.24
Membership and dues	9,850.00	2,110.00	5,875.00	17,226.94	33,506.57	68,568.51
Student-athlete meals (non-travel)	1,793,400.61	239,452.47	128,946.66	243,147.70	76,295.72	2,481,243.16
Other operating expenses	1,557,839.94	1,225,933.53	71,832.15	1,843,152.70	2,433,970.74	7,132,729.06
Post-season football expenses	635,088.97	-	-	-	-	635,088.97
Post-season football expenses - coaching compensation/bonuses	544,620.84	-	-	-	-	544,620.84
NCAA post-season non-football expenses	-	131,489.10	-	48,570.38	-	180,059.48
NCAA post-season non-football expenses - coaching compensation/bonuses	-	110,000.00	-	21,157.33	-	131,157.33
Subtotal operating expenses	24,876,657.50	10,780,100.16	3,549,879.42	15,961,167.10	18,044,392.92	73,212,197.10
Excess (deficiency) of revenues over (under) expenses	\$ (16,874,013.72)	\$ (4,320,580.18)	\$ (3,252,188.80)	\$ (12,362,473.11)	\$ 36,317,407.55	\$ (491,848.26)

The accompanying notes are an integral part of this statement.

Other Reporting Items:

Total athletics-related debt	\$ 4,651,179.38
Total institutional debt	\$ 146,717,810.37
Value of athletics-dedicated endowments	\$ 4,178,391.01
Value of institutional endowments	\$ 251,397,341.00
Total athletics-related capital expenses	\$ 918,953.94

THE UNIVERSITY OF MEMPHIS
Department of Intercollegiate Athletics
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2025

Note 1. Contributions

The University of Memphis Foundation (UMF) reviewed donor contribution records to determine whether any single donor provided 10% or more of the total contributions to athletics. During the fiscal year ended June 30, 2025, Nike, Inc. contributed \$2,352,186 in apparel and through advertising, sponsorships, and royalties, as reported in the NCAA Statement of Revenues and Expenses. No donor, including Nike, Inc., met the 10% disclosure threshold.

Note 2. Foundation Revenues and Expenses

Foundation funds are reported on the statement only to the extent these contributions were utilized by the athletic department in the current reporting period. For the year ended June 30, 2025, the University of Memphis Foundation (UMF) and the Memphis Athletic Foundation (MAF) transferred, disbursed, and/or recorded expense accruals for \$5,612,224 and \$2,473,301 (for a total of \$8,085,525), respectively, of athletic donations to the University of Memphis, various other vendors, and various athletic department employees to cover scholarships and other athletic department expenses.

The UMF and the MAF also recorded revenues and expenses in athletic accounts controlled by the foundations.

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-program specific	Totals
Expenses						
Athletics student aid	\$ 3,645,821	\$ 494,633	\$ 564,430	\$ 3,499,637	\$ -	\$ 8,204,521
Other operating expenses	-	-	-	-	3,196,485	3,196,485
Capital expenses	-	-	-	293,349	95,503	388,852
Total expenses	\$ 3,645,821	\$ 494,633	\$ 564,430	\$ 3,792,986	\$ 3,291,988	\$ 11,789,858

Of the \$11,789,858 transferred by the UMF and the MAF, \$388,852 was for in-kind capital expenditures recorded in the university's unexpended plant funds and is, therefore, not included in the Statement of Revenues and Expenses; however, this amount is included in the Total Athletics-related Capital Expenses under the Other Reporting Items section of the report.

Notes to the Statement of Revenues and Expenses (Continued)

Note 3. Indirect Facilities and Administrative Support

The statement of revenues and expenses includes an allocation for indirect facilities and administrative support for the year ended June 30, 2025. These allocations were not recorded on the university's records and are only estimates of the institutional costs. The calculations are based on criteria used by the university for allocating costs to auxiliary service units. They have been included only as required for NCAA reporting purposes.

Indirect facilities charges of \$1,818,318 were allocated to intercollegiate athletics for the period. The facilities support allocation is based on a comprehensive analysis of services for maintenance, trash pickup, grounds, motor pool, custodial, and utilities. The calculation included a service cost estimate and an overhead cost estimate as if the expenses would be billed to an auxiliary service unit. Direct labor cost and materials were included in the total allocation amounts for grounds, maintenance, motor pool, and custodial services. Utilities, trash pickup, and overhead costs were estimated based on square footage of buildings to total expenses.

The indirect administrative support estimated and attributed to intercollegiate athletics for the year was \$2,292,592. The indirect administrative support allocation is based on the following formula:

Total unrestricted salaries before allocation
Less: net institutional support salaries not benefiting auxiliaries
Net salary base

Allocation percentage: auxiliary salaries/net salary base

The percentage is then applied to the total expenses of the departments benefiting auxiliary units to determine the total allocation. Each auxiliary unit then shares in the allocation based on their salaries as a percentage of total auxiliary unit salaries.

Note 4. Capital Assets

Intercollegiate athletics is required to follow all of The University of Memphis policies and procedures for acquiring, approving, and disposing of capital assets. A university purchase order must be issued for purchases of \$5,000 or more for all equipment purchases. These purchases shall be based upon the principle of competitive bidding. Requisitioning and approving of purchases will begin in the athletic department and will then be forwarded to purchasing for the bidding and issuance of the purchase order. Consistent with university policy, the University Physical Plant Department is notified when any capital asset is no longer useful to the athletic department. The Physical Plant Department picks up the capital asset and places it in campus storage as surplus equipment. If the item cannot be used by another department on campus, the item is placed on a governmental website for sale to the general public.

Notes to the Statement of Revenues and Expenses (Continued)

Athletics capital assets, which include property, plant, equipment, and Subscription-based Information Technology Arrangements (SBITA) assets are reported in the statement of net position at historical cost or at acquisition value at date of donation or the present value of SBITA payments plus other SBITA costs, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

A capitalization threshold of \$100,000 is used for buildings, and \$50,000 is used for infrastructure. Equipment is capitalized when the acquisition cost is \$5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at \$50,000. The capitalization threshold for software is set at \$100,000. The capitalization threshold for SBITAs is \$60,000.

These assets are depreciated using the straight-line method over the estimated useful lives, which range from 1+ to 60 years.

The University of Memphis has determined that only a portion of the Physical Education Building and Field House is directly assigned to athletics and has prorated the value of the building accordingly.

Note 5. Debt

The University of Memphis has debt service requirements to the Tennessee State School Bond Authority for the Physical Education Building and the Indoor Football Practice Facility. The university determined that only a portion of the Physical Education Building is directly assigned to Athletics and has prorated the debt for the building accordingly. Additionally, the debt service requirements for three SBITAs attributed to athletics are included in the below table.

Debt service requirements to maturity at June 30, 2025, for athletic-related debt are as follows:

Year Ending June 30	Principal	Interest	Total
2026	1,364,800.38	166,783.99	1,531,584.37
2027	1,395,009.04	104,602.17	1,499,611.21
2028	1,309,730.26	44,843.20	1,354,573.46
2029	283,672.40	9,111.91	292,784.31
2030	297,967.30	2,029.16	299,996.46
Total	\$ 4,651,179.38	\$ 327,370.43	\$ 4,978,549.81

Supplemental Schedule: Revenues and Expenses Analytical Review

	2025	2024	2025	Prior-Year Comparison		Budget vs. Actual Comparison	
	Actual	Actual	Budget	\$ Difference	% Difference	\$ Difference	% Difference
Operating revenues:							
Ticket sales	\$ 8,711,535.15	\$ 9,705,845.32	\$ 8,870,000.00	\$ (994,310.17)	-10.24% FN 1	\$ (158,464.85)	-1.79%
Direct institutional support	18,774,175.81	17,580,486.72	18,143,800.00	1,193,689.09	6.79%	630,375.81	3.47%
Contributions	11,858,501.98	6,476,557.56	13,375,000.00	5,381,944.42	83.10% FN 2	(1,516,498.02)	-11.34% FN 5
Conference distributions	8,934,368.03	6,762,960.84	8,780,000.00	2,171,407.19	32.11% FN 3	154,368.03	1.76%
10% of Revenues	\$ 7,272,034.88						
Operating expenses:							
Athletic student aid	\$ 9,922,464.03	\$ 9,414,864.47	\$ 9,040,000.00	\$ 507,599.56	5.39%	\$ 882,464.03	9.76%
Coaching salaries, benefits, and bonuses paid by the university and related entities	14,795,254.49	13,604,147.32	7,742,564.00	1,191,107.17	8.76%	7,052,690.49	91.09% FN 6
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	11,916,954.61	10,457,236.15	17,840,336.00	1,459,718.46	13.96% FN 4	<u>(5,923,381.39)</u> 1,129,309.10	-33.20% FN 6 4.41%
10% of Expenses	\$ 7,321,219.71						

Footnotes:

FN 1 - The football team went to the Liberty Bowl game in fiscal year 2024, a local bowl with large fan participation and a more lucrative game agreement. In fiscal year 2025, the team went to a travel bowl game with less fan participation and a less lucrative game agreement. In addition, football ticket sales decreased due to fewer marquee home games.

FN 2 - The Memphis Athletic Foundation and the University of Memphis Foundation transferred more funds in fiscal year 2025 to balance the athletic budget than was necessary in the past. In addition, the Memphis Athletic Foundation spent more directly on behalf of the athletics program than in the prior year.

FN 3 - The American Conference Reserve Payout for fiscal year 2025 was \$2.5 million. In fiscal year 2024, it was \$1.55 million. In addition, the conference experienced an increase in its profits and shared with its member institutions.

FN 4 - A new athletic director was hired at the beginning of fiscal year 2025 which then changed a large portion of the athletics leadership team, including adding three or four positions. In addition the new leadership team received a higher salary than the previous team.

FN 5 - Contributions were budgeted based on the expected needs of the athletics program at the beginning of the fiscal year. As revenues were higher and a few types of expenses were less than anticipated, the affiliated foundations did not have to contribute as much as originally planned.

FN 6 - Certain positions in the budget were not classified correctly between coaching and support salaries. When the hire of the new leadership team as explained in **FN 4** is taken into consideration and coaching and support salaries are combined for comparison, the remaining variance is low and will not be investigated further.

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION
FINANCIAL STATEMENTS

June 30, 2025



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THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

BOARD OF DIRECTORS AND MANAGEMENT OFFICIALS

JUNE 30, 2025

BOARD OF DIRECTORS

Bill Hardgrave	Chairman
Brad Phillips	Secretary/Treasurer
Cody Behles	Director
Richard Bloomer	Director
Jan Bouten	Director
Lakita Cavin	Director
Erika Dillard	Director
Gary Emmert	Director
Tom Kadien	Director
Firouzeh Sabri	Director
Ido Sarig	Director
Tim Whitehorn	Director
Anthony Young	Director

MANAGEMENT OFFICIALS

Jasbir Dhaliwal	Executive Director
Angela Bunch	Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The University of Memphis Research Foundation
Memphis, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The University of Memphis Research Foundation, a component unit of The University of Memphis, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise The University of Memphis Research Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of The University of Memphis Research Foundation, as of June 30, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The University of Memphis Research Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The University of Memphis Research Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 University of Memphis Research Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The University of Memphis Research Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The University of Memphis Research Foundation's basic financial statements. The schedules of changes in long-term debt by individual issue; long-term debt, principal, and interest requirements by fiscal year; and changes in lease obligations; are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedules of changes in long-term debt by individual issue; long-term debt, principal, and interest requirements by fiscal year; and changes in lease obligations are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises a listing of the Board of Directors and Management Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2025 on our consideration of The University of Memphis Research Foundation's internal control over financial reporting and on 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 University of Memphis Research 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 University of Memphis Research Foundation's internal control over financial reporting and compliance.

Watkins Mikusall, PLLC

Memphis, Tennessee
October 21, 2025

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS PRIMARY GOVERNMENT

JUNE 30, 2025

The following Management's Discussion and Analysis ("MD&A") provides an overview of the financial position and the results of operations of The University of Memphis Research Foundation (the "Foundation") for the year ended June 30, 2025. We encourage you to read this MD&A section in conjunction with the accompanying audited financial statements and notes to the financial statements.

About the Financial Statements

As an affiliate unit of The University of Memphis (the "University"), the Foundation has implemented the governmental accounting standards for state and local governments and for public colleges and universities. Because the Foundation is not supported by governmental tax revenues, the Foundation presents its financial statements in a single column "business-type activity" format appropriate for college and university enterprise funds. Governmental accounting standards define business-type activities as those financed in whole or in part by fees charged to external parties for goods and services.

The financial statements incorporate the activities of the Foundation's wholly owned subsidiary, UMRF Ventures, Inc., as a component unit.

In addition to this MD&A section, the financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, and notes to the financial statements.

The statement of net position is the Foundation's balance sheet. It reflects the total assets, liabilities, and net position of the Foundation as of June 30, 2025. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as noncurrent. Net position is grouped in the following categories:

- Net investment in capital assets
- Restricted for research
- Unrestricted

The statement of revenues, expenses, and changes in net position details how net position has increased or decreased during the fiscal year ended June 30, 2025.

The statement of cash flows details how cash has increased or decreased during the fiscal year ended June 30, 2025. It classifies the sources and uses of Foundation cash into the following categories:

- Operating activities
- Investing activities
- Capital financing activities
- Noncapital financing activities

Cash flows associated with the Foundation's unrestricted net assets primarily result from operating activities and investment income.

The notes to the financial statements provide additional details on the amounts reported in the financial statements.

General

The Foundation is a nonprofit corporation established on June 16, 2006, to develop and administer sponsored research and other sponsored projects conducted by the faculty and staff of the University. In addition, the Foundation may seek and hold patents and copyrights, negotiate and administer licenses, and collect and distribute royalties on behalf of the University. As of June 30, 2025, the Foundation held fifty patents assigned by the University. The Foundation's Board of Directors approves the annual operating budget for the Foundation's administrative expenses. Budgets for sponsored projects are administered by the University. The Foundation utilizes University facilities and personnel to perform sponsored projects and for operating the Foundation. The Foundation reimburses the University quarterly for expenses incurred on behalf of the Foundation.

Financial Highlights and Key Trends

During fiscal year 2025, the Foundation continued to manage sponsored projects processed through the Foundation and to operate the UMRF Research Park. The Foundation awarded \$30,000 each to two UMRF Professorship recipients.

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS
PRIMARY GOVERNMENT (CONTINUED)**

JUNE 30, 2025

Statement of Net Position

Current assets include cash, investments, and receivables expected to be collected in the coming year. Capital assets include patents, leasehold improvements, equipment, and right of use asset related to leases. Other assets include notes receivable, rent receivable under leases, and equity interest in UMRF Ventures, Inc. Current liabilities include payables, current portion of lease liabilities, unearned revenue expected to be recognized in the next fiscal year, and security deposits from UMRF Research Park residents. Long term liabilities are for lease obligations.

Net position is divided into three categories. The first category, net investment in capital assets, represents the Foundation's investment in capital assets, net of accumulated depreciation or amortization, and net of any outstanding debt or lease obligations related to those capital assets. The next category is restricted for research. This amount is available for expenditure by the Foundation but must be spent in accordance with restrictions imposed by external third parties. The last category is unrestricted, which is comprised of reserved and unreserved funds. Reserved funds are designated for specific purposes; unreserved funds may be used to meet expenses for any lawful purpose. On June 30, 2025, reserved funds totaled \$746,942 and unreserved funds totaled \$2,615,871.

Funds held on June 30, 2025, by an investment broker on behalf of the Foundation totaled \$2,202,995. Of this amount, \$2,171,175 represents investments at fair value and \$31,820 represents deposits with banks affiliated with the broker.

A summary of the major components of the net position of the Foundation as of June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Assets		
Current assets	\$ 2,736,667	\$ 2,886,586
Capital Assets	669,248	731,192
Other assets	<u>1,564,452</u>	<u>1,417,716</u>
Total assets	<u>\$ 4,970,367</u>	<u>\$ 5,035,494</u>
Liabilities		
Current liabilities	\$ 639,389	\$ 1,137,684
Long-term liabilities	<u>23,604</u>	<u>30,272</u>
Total liabilities	<u>\$ 662,993</u>	<u>\$ 1,167,956</u>
Deferred inflows	<u>\$ 89,150</u>	<u>\$ 205,078</u>
Net position		
Net investment in capital assets	\$ 638,976	\$ 687,684
Restricted, expendable for research	216,435	285,089
Unrestricted	<u>3,362,813</u>	<u>2,689,687</u>
Total net position	<u>\$ 4,218,224</u>	<u>\$ 3,662,460</u>

The decrease in current liabilities is due to the payment of a prior year \$500,000 liability.

The increase in other assets resulted from the increase in equity interest in subsidiary, partially offset by reclassification to current assets of portions of notes and leases receivable.

The decrease in deferred inflows is due to amortization of lease receivables that existed at the beginning of the year. No new lease capitalizations were recorded during the current fiscal year.

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

**MANAGEMENT'S DISCUSSION AND ANALYSIS
PRIMARY GOVERNMENT (CONTINUED)**

JUNE 30, 2025

Statement of Revenues, Expenses, and Changes in Net Position

A summary of the statement of revenues, expenses, and changes in net position for the years ended June 30, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Operating revenues	\$ 1,111,236	\$ 2,354,226
Operating expenses	<u>(1,087,447)</u>	<u>(2,371,425)</u>
Operating income (loss)	23,789	(17,199)
Other income (expense)		
Royalty income	41,591	33,382
Net investment income	133,413	112,742
Decrease in equity interest in subsidiary	<u>356,971</u>	<u>(81,425)</u>
Change in net position	<u>\$ 555,764</u>	<u>\$ 47,500</u>

The Foundation recognizes sponsored project revenue and expenses for contracts when projects are completed. For grants and contributions, the Foundation recognizes revenue upon receipt of cash or a pledge with no contingencies and recognizes expenses as incurred.

Operating revenues and expenses decreased due to a smaller number of projects being completed during the fiscal year.

Statement of Cash Flows

In fiscal 2025, cash inflows came from sponsored project revenue, UMRF Research Park revenue, and interest and royalty income. Cash outflows were primarily for sponsored project expenses. All sponsored project expenses are incurred by the University and reimbursed by the Foundation.

Future

The Foundation will continue to explore opportunities to support the advancement of research excellence and the expansion of research infrastructure at the University. The strategic focus will be on technology licensing and equity holdings in subsidiary ventures as the primary means for generating funds.

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS COMPONENT UNIT

JUNE 30, 2025

UMRF Ventures, Inc. (the "Company") is a wholly owned subsidiary of The University of Memphis Research Foundation (the "Foundation"). The following MD&A provides an overview of the financial position and the results of operations of the Company for the year ended June 30, 2025. We encourage you to read this MD&A section in conjunction with the accompanying audited financial statements and notes to the financial statements.

General

The Company was incorporated in 2017 and began operating on July 1, 2017, with the mission to create good-paying, part-time jobs for University of Memphis' (the "University") students, in a professional, on-campus environment, that provides the students with financial resources, relevant job experience, and potential pathways to future full-time employment.

Financial Highlights and Key Trends

UMRF Ventures, Inc. is eight years old. What started with a partnership with FedEx that employed 23 students, has become a company that employs over 115 University of Memphis students working additionally with Raymond James, Sedgwick, and Methodist LeBonheur Health Care, to name a few. Our goals are to provide good-paying jobs and professional development that fill a talent pipeline for companies in our region, especially our partners; provide a high-quality service to our customers; and benefit the research efforts of the University, which supports its R1 status today and into the future.

With one exception (MLGW agreement) we renewed all other contracts and signed new ones, including First Horizon Bank, to end the fiscal year with a positive net income. In addition, the Board of Directors approved a resolution to issue a dividend payment of \$80,000 to the Foundation.

We anticipate growth with businesses in healthcare and banking as well as new contracts with existing customers. For the fiscal year ending 2026, we are projecting modest revenue growth and an increase in profitability.

Statement of Net Position

Current assets include cash, receivables expected to be collected in the coming year and prepaid expenses. Other assets consist of capital assets. Current liabilities include payables, accrued payroll and the current portion of loan and lease liabilities. Long-term liabilities include lease obligations and loan received from the Foundation.

A summary of the major components of the net position of the Company as of June 30, 2025 and 2024, is as follows:

	2025	2024
Assets		
Current assets	\$ 2,052,302	\$ 1,963,505
Capital assets	947,649	1,226,923
Income tax benefit	-	-
Total assets	<u>\$ 2,999,951</u>	<u>\$ 3,190,428</u>
Liabilities		
Current liabilities	\$ 567,633	\$ 756,152
Long-term liabilities	981,648	1,260,577
Total liabilities	<u>\$ 1,549,281</u>	<u>\$ 2,016,729</u>
Net position		
Net investment in capital assets	\$ (42,350)	\$ (14,103)
Unrestricted	1,493,020	1,187,802
Total net position	<u>\$ 1,450,670</u>	<u>\$ 1,173,699</u>

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS COMPONENT UNIT (CONTINUED)

JUNE 30, 2025

The decrease in capital assets is due to amortization of right of use asset. Current liabilities decreased due to decrease in taxes payable.

Statement of Revenues, Expenses, and Changes in Net Position

A summary of the statement of revenues, expenses and changes in net position for the years ended June 30, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Operating revenues	\$ 4,784,709	\$ 4,862,489
Operating expenses	<u>(4,486,071)</u>	<u>(4,668,828)</u>
Operating income (loss)	298,638	193,661
Nonoperating income (expense)		
Income tax benefit (expense)	45,000	(279,526)
Charity	-	(500)
Other Income	1,122	
Net investment income	<u>12,211</u>	<u>4,940</u>
Change in net position	<u>\$ 356,971</u>	<u>\$ (81,425)</u>
Dividend	<u>(80,000)</u>	<u>(80,000)</u>
Change in net position after dividend	<u>\$ 276,971</u>	<u>\$ (161,425)</u>

The decrease in operating revenues and expenses is primarily due to contract cutbacks by FedEx. The increase in income tax benefit (expense) is due to the tax refund received during the year.

Statement of Cash Flows

Cash inflows came from contract revenue. Cash outflows were for operating expenses, purchase of equipment and repayment toward loans and to reduce lease liabilities.

Future

The long-range vision of the Company is to increase its brand awareness, grow annual revenue to \$10 million, provide jobs and financial resources to more than 500 students per year, and to dividend profits back to the Foundation

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

STATEMENT OF NET POSITION

JUNE 30, 2025

	<u>Primary Government</u>	<u>Component Unit</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 430,121	\$ 1,270,212
Investment securities	2,171,175	216,461
Accounts receivable	3,750	542,224
Notes receivable - current	75,000	-
Leases receivable - current	56,621	-
Prepaid expenses	-	23,405
Total current assets	<u>2,736,667</u>	<u>2,052,302</u>
Capital Assets, net		
Property and equipment, net	125,834	54,719
Right of use asset, net	31,004	892,930
Patents, net of amortization	512,410	-
Total capital assets	<u>669,248</u>	<u>947,649</u>
Other Assets		
Notes receivable - long term	75,000	-
Leases receivable - long term	38,785	-
Equity interest in subsidiary	1,450,667	-
Total other assets	<u>1,564,452</u>	<u>-</u>
Total Assets	<u>\$ 4,970,367</u>	<u>\$ 2,999,951</u>
LIABILITIES , DEFERRED INFLOWS AND NET POSITION		
Current Liabilities		
Current portion of related party debt	\$ -	\$ 75,000
Current portion of lease liabilities	6,668	203,929
Payable to The University of Memphis	349,596	19,172
Accounts payable	920	21,174
Unearned revenue	274,689	-
Accrued payroll and other liabilities	7,516	248,358
Total current liabilities	<u>639,389</u>	<u>567,633</u>
Long-term Liabilities		
Related party debt - long term	-	75,000
Lease liabilities, - long term	23,604	786,070
Deferred income taxes	-	120,578
Total long-term liabilities	<u>23,604</u>	<u>981,648</u>
Deferred inflows under lease agreements	89,150	-
Net Position		
Net investment in capital assets	638,976	(42,350)
Restricted for research	216,435	-
Unrestricted	3,362,813	1,493,020
Total net position	<u>4,218,224</u>	<u>1,450,670</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 4,970,367</u>	<u>\$ 2,999,951</u>

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

	Primary Government	Component Unit
Operating Revenue		
Contract revenue	\$ 835,000	\$ 4,784,709
Grants and contributions	98,510	-
Patent contributions	19,789	-
Income from Research Park	157,937	-
Total operating revenues	<u>1,111,236</u>	<u>4,784,709</u>
Operating Expenses		
Depreciation and amortization	81,733	279,274
General and administrative	-	95,139
Insurance	7,386	88,225
Interest	1,549	48,085
Network services	23,947	52,463
Other	1,050	(13,016)
Payroll taxes	-	311,455
Professional fees	19,600	103,452
Rent	-	338
Repairs and maintenance	-	5,967
Research park expenses	5,917	-
Research projects	930,204	-
Royalty distributions	16,061	-
Salaries	-	3,514,689
Total operating expenses	<u>1,087,447</u>	<u>4,486,071</u>
Operating Income	<u>23,789</u>	<u>298,638</u>
Other Income		
Royalty income	41,591	-
Net investment income	133,413	12,211
Other Income	-	1,122
Increase in equity interest in subsidiary	356,971	-
Total other income	<u>531,975</u>	<u>13,333</u>
Income Before Income Taxes	555,764	311,971
Income Tax Benefit		
Current	-	45,000
Total income tax benefit	<u>-</u>	<u>45,000</u>
Change in Net Position	555,764	356,971
Net Position, Beginning of Year	3,662,460	1,173,699
Less: Dividends paid	<u>-</u>	<u>(80,000)</u>
Net Position, End of Year	<u>\$ 4,218,224</u>	<u>\$ 1,450,670</u>

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Primary Government</u>	<u>Component Unit</u>
Cash flows from operating activities		
Cash received from sponsors	\$ 700,000	-
Cash received from contracts	-	4,798,060
Cash received from Research Park	108,764	-
Cash received from Component Unit	48,609	-
Income tax refund		48,313
Cash payments to The University of Memphis	(654,128)	(25,720)
Cash payments to The University of Memphis Foundation	(500,000)	-
Cash payments to suppliers	(30,954)	(343,551)
Cash payments to employees	-	(3,905,039)
Cash payments for state franchise taxes	-	(66,568)
Net cash provided by (used for) operating activities	<u>(327,709)</u>	<u>505,495</u>
Cash flows from capital and related financing activities		
Purchases of property and equipment	(72,226)	-
Payments to reduce lease liability	(18,478)	(230,169)
Repayment of long-term debt	-	(18,938)
Net cash used for capital and related financing activities	<u>(90,704)</u>	<u>(249,107)</u>
Cash flows from noncapital financing activities		
Dividends paid to Primary Government	-	(80,000)
Repayment of related party debt	-	(75,000)
Cash payments for interest	-	(54,566)
Net cash used for noncapital financing activities	<u>-</u>	<u>(209,566)</u>
Cash flows from investing activities		
Purchases of investments	(1,073,342)	-
Investment maturities	874,000	-
Proceeds from the sale of investments	-	-
Income from royalties	41,591	-
Dividends received from Component Unit	80,000	-
Cash received on related party loan	75,000	-
Income from investments	58,740	-
Net cash provided by investing activities	<u>55,989</u>	<u>-</u>
Change in cash and cash equivalents	(362,424)	46,822
Cash and cash equivalents at beginning of year	<u>792,545</u>	<u>1,223,390</u>
Cash and cash equivalents at end of year	<u>\$ 430,121</u>	<u>\$ 1,270,212</u>

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED JUNE 30, 2025

**Reconciliation of operating income to net cash
provided by operating activities**

Operating income	\$	23,789	\$	298,638
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization		81,733		279,274
Patent contributions		(19,789)		-
Interest expense		2,036		48,085
Reduction in equity of subsidiary due to dividends paid		80,000		-
Changes in operating assets and liabilities				
(Increase) decrease in operating assets:				
Accounts receivable		(3,750)		(24,448)
Prepaid expenses		-		(5,734)
Increase (decrease) in operating liabilities				
Accounts payable		(1,823)		(500)
Income tax payable		-		(72,703)
Payable to the University of Memphis		59,973		(4,992)
Payable to the University of Memphis Foundation		(500,000)		-
Accrued payroll and other liabilities		(450)		(12,125)
Unearned revenue		(49,428)		-
		<u>(49,428)</u>		<u>-</u>
Net cash provided by (used for) operating activities	\$	<u>(327,709)</u>	\$	<u>505,495</u>

See accompanying notes to the financial statements.

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

PRIMARY GOVERNMENT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities

The University of Memphis Research Foundation (the "Foundation") is a not-for-profit corporation created in June 2006 as an agent to promote the development, implementation, and coordination of sponsored research solely for the benefit of The University of Memphis (the "University") in the furtherance of The University's research objectives. Operations for the Foundation commenced on July 1, 2007.

Financial Reporting Entity

In determining the financial reporting entity, the Foundation complies with the provisions of GASB No. 14, *The Financial Reporting Entity*. Based on this standard, the Foundation's wholly owned for-profit entity was determined to be a component unit. UMR Ventures, Inc. is a legally separate entity for which the Foundation is considered to be financially accountable.

Basis of Presentation

The University is a public institution governed by an independent board of trustees under the FOCUS Act, which is a component unit of the State of Tennessee. Therefore, as a component unit of, and created solely for the benefit of, The University, the financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America for public colleges and universities, as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting

For financial statement purposes, the Foundation is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments purchased with initial maturities of three months or less are considered to be cash equivalents.

Accounts Receivable

Accounts receivable represent amounts due from services rendered on contracts and for certain rents as of June 30, 2025. The Foundation records accounts receivable at their estimated net realizable value. An allowance for doubtful accounts is recorded based upon management's estimate of uncollectible accounts, determined by analysis of specific customer accounts. Past due balances and delinquent receivables are charged against the allowance when they are determined to be uncollectible by management. Management did not consider an allowance for doubtful accounts to be necessary as of June 30, 2025.

Investment Securities

The Foundation carries investments at fair value in the statement of net position. Investments are recorded on the trade-date basis. Realized and unrealized gains and losses are included in the net investment income in the statement of revenues, expenses, and changes in net position.

Patents

Certain patents related to research projects have been donated to the Foundation by The University. Donated patents are recorded as contributions at the cost incurred by The University, which approximates the estimated fair value on the date of donation.

Patents are amortized over their useful lives, estimated at twenty years, using the straight-line method and are stated net of accumulated amortization.

It is the goal of the Foundation to license patents to companies with the expertise and capability to commercialize inventions covered by the patents. At least annually, or if a determination is made that there is no accessible market for a patent, an impairment assessment is performed and the carrying value of the patent may be adjusted. Any impairment loss determined by management is included in the statement of revenues, expenses, and changes in net position in the year in which impairment is determined. There was no impairment loss for the year ended June 30, 2025.

Deferred Inflows of Resources

Deferred inflows of resources represents acquisitions of assets that apply to a future period which will not be recognized as inflows of resources (revenue) until that future period.

Equity Interest in Subsidiary

In accordance with accounting principles issued by GASB, the Foundation's ownership of its wholly owned for-profit subsidiary is accounted for using the equity method; whereby the recorded amount includes the purchase price of the stock plus the Foundation's share (100% in this case) of the subsidiary's profit or loss.

Net Position

The Foundation's net position is classified as follows:

Net investment in capital assets - This represents the total investment in capital assets, net of accumulated depreciation or amortization, and net of any outstanding debt or lease obligations related to those capital assets.

Restricted, expendable for research - includes resources which the Foundation is legally or contractually obligated to spend on research in accordance with restrictions imposed by external third parties.

Unrestricted - Unrestricted net position represents resources that do not meet the definition of restricted net position and may be used by the Foundation to meet expenses for any purpose. The policies of The University require that certain amounts be held in reserve for specified uses. Additional amounts are reserved due to Foundation policy.

When both restricted and unrestricted resources are available, it is the Foundation's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue Recognition

The Foundation's revenues are derived from grants, research contracts, contributions, and Research Park rent which provide support for the Foundation. The Foundation recognizes revenue from research contracts once the project has been completed. The Foundation maintains records of any amounts that are remaining at the conclusion of a project by transferring the funds to a residual balance account in the name of the project's principal investigator and holds these funds for future projects to be approved by the Foundation. Unearned revenue consists of amounts billed on research contracts net of expenditures incurred to date.

Grants and contribution revenue are recognized when written documentation is received and all conditions have been satisfied for the Foundation to be eligible to receive the grant or contribution.

Revenues derived from grants, research contracts, contributions, and rent are reported as operating revenues. Transactions that are investment-related are reported as non-operating income. Interest and royalties are recorded when earned and are reported as non-operating income.

Income Taxes

The Internal Revenue Service has classified the Foundation as other than a private foundation, which is exempt from federal income taxes on its related purpose under Section 501(c)(3) of the United States Internal Revenue Code and is similarly exempt from state income taxes. Consequently, no federal or state income taxes have been provided for the primary government in these financial statements.

Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establish the framework for a fair value hierarchy. The fair value hierarchy gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data (Level 2), and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. 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. Accordingly, actual results could differ from estimates.

Leases

The Foundation follows the provisions of Governmental Accounting Standards Board (GASB) Statement 87, *Leases*, which requires, lessees to recognize substantially all leases on the balance sheet as both right of use assets and lease liabilities. Right of use assets are amortized over the shorter of the term of the lease or the useful life of the underlying asset. Payments made under lease agreements are reported as reductions in the lease liability and outflows of resources in the form of interest expense.

The Foundation also holds several subleases and functions as a lessor. Lease related amounts are recognized at the inception of leases in which the Foundation is the lessor. The Foundation records corresponding lease receivables plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. Deferred inflow of resources is recorded in an amount equal to that of the lease receivable at the inception of the lease, and inflow of resources (rental income) is recognized in a systematic and rational manner over the term of the lease.

Date of Management's Review

The Foundation evaluated its June 30, 2025 financial statements for subsequent events through October 21, 2025, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS WITH BANKING INSTITUTIONS

Deposits with financial institutions consist of demand deposits with local banks or with banks affiliated with the Foundation's investment broker.

Custodial credit risk is the risk that, in the event of bank failure, the Foundation's deposits may not be returned. The Foundation has implemented an investment policy to minimize custodial credit risk from banking institutions. As of June 30, 2025, the Foundation had deposits which exceeded federally insured limits by \$148,301.

Although the Foundation qualifies for reporting as a governmental entity under the GASB framework, management has determined that the Foundation does not meet the definition of a "public depositor." Accordingly, management does not believe that the Foundation's deposits are available to be collateralized by its banking institutions; therefore, the Foundation is exempt from Tennessee Code Annotated Section 9 requirements that all public deposits in excess of federally insured limits, if any, must be collateralized.

NOTE 3 - INVESTMENT SECURITIES

The objective of the Foundation's investment policy is to preserve capital with a secondary objective of earning the highest possible total return (capital appreciation and income return) consistent with prudent levels of risk. At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of these assets plus a modest gain to help offset the expense of running the Foundation. The portfolio should be constructed using a total return approach with the majority of the funds invested to seek protection of principal over time. The assets are to be invested for the long term but with significant liquidity.

The Chair and Treasurer jointly, with active assistance and recommendations from the Foundation's Investment Consultant, shall have responsibility for establishing overall financial objectives, setting investment policy, and setting parameters for asset allocation. Domestic and international equities both large and small capitalization, fixed income, cash equivalent securities and alternative investments in the form of diversified fund of funds hedge funds have been determined to be acceptable vehicles for investment.

As of June 30, 2025, investment securities consisted of brokered certificates of deposit and publicly traded mutual funds with fair values totaling \$2,171,175.

Custodial credit risk is the risk that the Foundation's investments may not be returned. The Foundation does not have a policy for custodial credit risk for its investments; however, all investments are held in third-party safekeeping at an institution that is a member of the Securities Investor Protection Corporation (SIPC). SIPC covers custodial risk up to \$500,000 per investor.

Interest rate risk is the risk that changes in the interest rates may adversely affect an investment's fair value. As a means of maximizing interest income while minimizing fair value losses and maintaining adequate liquidity, the Foundation has adopted an investment policy to invest excess operating cash in brokered certificates of deposit.

NOTE 4 - FAIR VALUE MEASUREMENTS

As of June 30, 2025, the following table presents the Foundation's financial assets measured at fair value on a recurring basis:

	Fair Value	Level 1	Level 2
Brokered Certificates of Deposit	\$ 1,150,419	\$ -	\$ 1,150,419
Mutual Funds	1,020,756	1,020,756	-
	<u>\$ 2,171,175</u>	<u>\$ 1,020,756</u>	<u>\$ 1,150,419</u>

Brokered certificates of deposit are traded on a secondary market, which generally values these instruments by discounting the related cash flows based on current yields of similar instruments with comparable durations, as reported by the custodian.

Fair values for mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

The methods described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair value. While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in a different fair value measurement at the reporting date.

NOTE 5 – CAPITAL ASSETS

As of June 30, 2025, capital assets consisted of the following:

	Balance June 30, 2024	Additions	Impairment	Balance June 30, 2025
Leasehold improvements	\$ 142,275	\$ -	\$ -	\$ 142,275
Equipment	30,900	-	-	30,900
Right of use assets	70,096	-	-	70,096
Patents	759,114	19,789	-	778,903
	<u>1,002,385</u>	<u>19,789</u>	<u>-</u>	<u>1,022,174</u>
Less depreciation and amortization	(271,193)	(81,733)	-	(352,926)
	<u>\$ 731,192</u>	<u>\$ (61,944)</u>	<u>\$ -</u>	<u>\$ 669,248</u>

NOTE 6 - EQUITY HELD IN LICENSEES

The Foundation holds minor equity interests in research companies licensed to use the Foundation's patents ranging from 0.6% to 9%. No value has been assigned to these shares, as there is no readily determinable market value, and the shares were acquired without any cost to the Foundation.

NOTE 7 – LEASES

Lease Receivable

Sublease receivable from UMRF Ventures, Inc. for office space, computed using the subtenant's incremental borrowing rate of 4.0 percent with monthly lease payments of \$4,167 through maturity at August 2025. \$ 8,292

Subleases receivable from unrelated third parties for office space, computed using the incremental borrowing rate of 4.0 percent with monthly lease payments totaling \$6,728 with the largest sublease expiring April 2027. 87,114

Less: Current portion (56,621)

\$ 38,785

Deferred Inflows under Lease Agreements \$ 89,150

Lease Liabilities

Lease payable to The University of Memphis for office space, computed using the incremental borrowing rate of 4.0 percent with quarterly lease payments of \$1,750 from September 2022 through maturity at August 2025. The office space is simultaneously subleased to UMRF Ventures, Inc..

Lease payable to The University of Memphis for office space, computed using the incremental borrowing rate of 4.0 percent with quarterly lease payments of \$1,946 from July 2022 through maturity at November 2029. Portions of this office space is subleased to unrelated third parties; some subtenants are under long-term subleases and others under month-to-month arrangements.

Total Lease Liabilities \$ 30,272

Less: Current portion (6,668)

Long-term lease liabilities \$ 23,604

Principal and interest payments due on related party leases for the next six years ending June 30 are as follows:

Year ending June 30,	Interest	Principal
2026	\$ 1,115	\$ 6,668
2027	844	6,939
2028	561	7,222
2029	267	7,516
2030	19	1,927
	<u>\$ 2,806</u>	<u>\$ 30,272</u>

The following lists the changes in lease obligations for the year ended June 30, 2025:

Description of Indebtedness	Outstanding July 01, 2024	Additions	Reductions	Outstanding June 30, 2025	Due Within One year
Lease liabilities - University of Memphis - Highland Library/Defense Audit Building	<u>\$ 43,507</u>	<u>\$ -</u>	<u>\$ (13,235)</u>	<u>\$ 30,272</u>	<u>\$ 6,668</u>

NOTE 8 - CONCENTRATIONS

The Foundation received all contract billings from two funding sources during the year ended June 30, 2025.

NOTE 9 – NET POSITION

The unrestricted net position balance consists of two components, reserved and unreserved funds.

Reserved – amounts intended to be used by the Foundation for specific purposes but are not restricted by external parties or enabling legislation. In accordance with policies of the University and the Foundation, the balances for the following items are considered reserved for the purposes specified below and are not available for general use:

1. Royalty income designated as:
 - a. Recovery of patent legal fees,
 - b. Distribution to The University of Memphis Office of Technology Transfer, or
 - c. Distribution to the FedEx Institute of Technology.
2. Project residuals that are no longer restricted but have been designated for future research expenditures for approved projects led by the original principal investigator.
3. Unexpended net cash flows from the Research Park which are intended for further development of the Research Park.

Available – represents the residual balance available for the general use of the Foundation.

As of June 30, 2025, the unrestricted net position is composed of the following balances:

Unrestricted net position	
Reserved	
Accumulated royalty income	\$ 191,823
Project residuals	407,291
Research park unexpended net cash flow	147,828
	<hr/>
	746,942
Available	2,615,871
	<hr/>
Total unrestricted net position	<u>\$ 3,362,813</u>

NOTE 10 – OTHER RELATED PARTY TRANSACTIONS

Expenditures to The University represent amounts paid by the Foundation to reimburse The University for certain expenses including project management, business office operations and personnel support, incurred by The University on behalf of the Foundation.

Residual balance payments are paid annually to The University for costs incurred on projects that utilize excess funds from previously completed projects that are now available to be used in funding current projects. Such amounts are included in expenditures to The University in the accompanying statement of revenues, expenses, and changes in net position.

During the year ended June 30, 2025, the Foundation made cash transfers to The University in the amount of \$654,128. As of June 30, 2025, the Foundation had payables to The University totaling \$349,596.

During the year ended June 30, 2025, The Foundation remitted a payment of \$500,000 made erroneously in fiscal year 2024, which should have been paid directly to the University of Memphis Foundation.

In September 2018, the Foundation loaned UMRF Ventures, Inc. \$225,000 for working capital support to expand its services. This loan bears interest at 5 percent per annum and is payable in three annual installments of \$75,000 beginning in 2025. The Foundation received principal and interest relating to this loan totaling \$75,000 and \$4,963, respectively, during the year ended June 30, 2025. The Foundation received rent payments of \$50,000 from UMRF Ventures, Inc. during the year ended June 30, 2025.

The Foundation received rent payments of \$29,136 from a company owned by a board member of the UMRF Ventures, Inc. during the year ended June 30, 2025.

NOTE 11 - COMPONENT UNIT

The Foundation has one component unit, its wholly owned for-profit subsidiary, UMRF Ventures, Inc. (the "Company"). The Company is managed by its own board of directors and management. The Foundation has determined that the Company meets the requirements of a discretely presented component unit under GASB 14. Significant disclosures related to the Company are included on pages 19 - 22.

COMPONENT UNIT

Where applicable, UMRF Ventures, Inc. (the "Company") has adopted the same or substantially similar accounting policies as the Foundation. Accordingly, the disclosures presented herein represent only the policies and disclosures that are unique to the Company's operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF COMPONENT UNIT

Organization and Activities

The Company is a for-profit entity, which is wholly owned by the Foundation, that began operations on July 1, 2017, as part of an economic development initiative to provide real and transferable opportunities to students in the Memphis community through student-operated call centers. The Company believes that its call center model serves as a template for future opportunities that benefit students of The University.

Accounts Receivable

Accounts receivable represent amounts due for services rendered as of June 30, 2025. The Company records accounts receivable at their estimated net realizable value. An allowance for doubtful accounts is recorded based upon management's estimate of uncollectible accounts, determined by analysis of specific customer accounts. Past due balances and delinquent receivables are charged against the allowance when they are determined to be uncollectible by management. No allowance for doubtful accounts was considered necessary at June 30, 2025.

Investment Securities

The Foundation carries investments at fair value in the statement of net position. Investments are recorded on the trade-date basis. Realized and unrealized gains and losses are included in the net investment income in the statement of revenues, expenses, and changes in net position.

Property and Equipment

Property, equipment, major renewals, and betterments are recorded at cost for individual items \$5,000 or greater and a useful life greater than one year. Expenditures for normal repair and maintenance are expensed to operations as they occur. Depreciation is provided through the straight-line method over the lease contract period of three years.

Income Taxes

The Company follows the asset and liability approach to financial accounting and reporting for income taxes. The Company's federal and state tax returns are prepared on the cash basis of accounting, and the difference between the financial statements and tax bases of assets and liabilities is determined annually. Income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the period in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the federal and state income tax benefit to the amount that will more likely than not be realized.

Implementation of New Accounting Standard

During the year ended June 30, 2025, the Company implemented GASB Statement No. 101, *Compensated Absences*. This Statement establishes recognition and measurement requirements for compensated absences that are attributable to services already rendered, accumulate, and are not contingent on a future event. The Statement requires retroactive application.

As part of the implementation, the Company evaluated its vacation and sick leave policies and applied the "more-likely-than-not" recognition threshold to accumulated leave. The Company determined that employees generally use sick leave on a last-in, first-out (LIFO) basis, meaning the most recently earned leave is used first and older balances are seldom drawn down. Because prior-year sick leave balances are not expected to be used, no separate compensated absences liability for unused sick leave was recorded.

Implementation of GASB Statement No. 101 did not result in a restatement of beginning net position because the effect of applying the new standard was determined to be immaterial to the financial statements, nor was an accrual reported for the year ended June 30, 2025 because such an adjustment would not be material.

Date of Management's Review

The Foundation evaluated its June 30, 2025 financial statements for subsequent events through October 21, 2025, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS WITH BANKING INSTITUTIONS

Deposits with financial institutions consist of demand deposits with local banks.

Custodial credit risk is the risk that, in the event of bank failure, the Company's deposits may not be returned. The Company has implemented a cash management policy to minimize custodial credit risk from banking institutions. As of June 30, 2025, the Company had deposits in excess of federally insured limits in the amount of \$756,594.

NOTE 3 - FAIR VALUE MEASUREMENTS

As of June 30, 2025, the following table presents the Foundation's financial assets measured at fair value on a recurring basis:

	Fair Value	Level 2
US Treasury Notes	\$ 105,969	\$ 105,969
Brokered Certificates of Deposit	110,492	110,492
	<u>\$ 216,461</u>	<u>\$ 216,461</u>

Fair values for treasury notes valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market.

Brokered certificates of deposit are traded on a secondary market, which generally values these instruments by discounting the related cash flows based on current yields of similar instruments with comparable durations, as reported by the custodian.

The methods described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair value. While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions could result in a different fair value measurement at the reporting date.

NOTE 4 – CAPITAL ASSETS

As of June 30, 2025, capital assets consisted of the following:

	Balance June 30, 2024	Additions	Dispositions	Balance June 30, 2025
Leasehold improvements	\$ 183,396	\$ -	\$ -	\$ 183,396
Furniture & fixtures	393,624	-	-	393,624
Right of use assets	<u>1,597,646</u>	<u>-</u>	<u>-</u>	<u>1,597,646</u>
	2,174,666	-	-	2,174,666
Less depreciation and amortization	<u>(947,743)</u>	<u>(279,274)</u>	<u>-</u>	<u>(1,227,017)</u>
Total Capital Assets	<u>\$ 1,226,923</u>	<u>\$ (279,274)</u>	<u>\$ -</u>	<u>\$ 947,649</u>

NOTE 5 - LONG-TERM DEBT

Related Party Debt

Note payable to The University of Memphis Research Foundation for working capital support, bearing interest at 5.0 percent. Interest only payments are due semiannually, with the principal payable in annual installments of \$75,000 through 2027.

	\$	150,000
Less: Current portion		<u>(75,000)</u>
Related party debt - long term	\$	<u><u>75,000</u></u>

Principal and interest payments due on related party debt for the next three years ending June 30 are as follows:

Year ending June 30,	Interest	Principal
2026	\$ 4,688	\$ 75,000
2027	937	75,000
	<u>\$ 5,625</u>	<u>\$ 150,000</u>

Interest expense related to the above related party notes for the year ended June 30, 2025 amounted to \$4,963 for The University of Memphis Research Foundation.

The following lists the changes in long-term debt for the year ended June 30, 2025:

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 01, 2024	Issued During Period	Paid and/or Matured During Period	Outstanding June 30, 2025	Due Within One year
Loan - University of Memphis Research Foundation	\$ 225,000	5.00%	09/20/18	09/20/26	\$ 225,000	\$ -	\$ 75,000	\$ 150,000	\$ 75,000
Loan - Finance Company	76,664	1.00%	04/01/22	04/01/25	21,034	-	21,034	-	-
Total Loans					<u>\$ 246,034</u>	<u>\$ -</u>	<u>\$ 96,034</u>	<u>\$ 150,000</u>	<u>\$ 75,000</u>

There are no significant events of default, termination events or subjective acceleration clauses included in the agreements for any of the loans listed above.

NOTE 6 - LEASES WITH RELATED PARTIES

The Company subleases office space from The University of Memphis Research Foundation under a sublease executed in May 2023. The lease liabilities and related right of use asset arising from this lease are recorded on the books of the Company. The Company paid rent in the amount of \$50,000 to The University of Memphis Research Foundation for this space during the year ended June 30, 2025.

The Company leases other facilities from The University of Memphis, a related party. The lease liabilities and related right of use assets arising from these leases are also recorded on the books of the Company.

Information regarding these lease liabilities are as follows:

Lease payable to The University of Memphis for office space, computed using the incremental borrowing rate of 4.0 percent with monthly lease payments of \$18,337 July 2024 through November 2024; with annual use fee escalator of 3% through November 30, 2029.	\$ 981,707
Lease payable to The University of Memphis Research Foundation for office space, computed using the incremental borrowing rate of 4.0 percent with monthly lease payments of \$4,167 through maturity at August 2025.	<u>8,292</u>
	989,999
Less: Current portion	(203,929)
Long-term lease liabilities	<u>\$ 786,070</u>

Principal and interest payments due on related party leases for the next six years ending June 30 are as follows:

	<u>Interest</u>	<u>Principal</u>
2026	\$ 35,013	\$ 203,929
2027	26,851	210,676
2028	18,112	226,541
2029	8,723	243,270
2030	704	105,583
	<u>\$ 89,403</u>	<u>\$ 989,999</u>

NOTE 7 - OTHER RELATED PARTY TRANSACTIONS

In addition to rent, the Company pays The University of Memphis for other operating expenses. During the year ended June 30, 2025, the Company incurred immaterial expenses from The University for data usage fees, parking and other office expenses. As of June 30, 2025, the Company had \$19,172 due to The University for various expenses and fees.

NOTE 8- INCOME TAXES

The Company has filed returns with the Internal Revenue Service and the Tennessee Department of Revenue and considers these to be its major tax jurisdictions. Currently, the 2023, 2024 and 2025 tax years are open and subject to examination. However, the Company is not currently under audit nor has the Company been contacted by these jurisdictions.

As of June 30, 2025, the deferred income tax is attributable to the following:

Difference between book and tax (cash) bases of accounting	\$ 541,191
Excess tax depreciation	<u>(102,724)</u>
Future taxable income	438,467
Statutory rate	27.5%
Deferred tax liability	<u>\$ 120,578</u>

The income tax provision shown on the statement of revenues, expenses, and changes in net position differs from the amount that would result from applying statutory tax rates to income before provision for income taxes because the Company reports its contractual income on the cash basis for tax purposes. The provision is also affected by the utilization of certain federal tax credit carryforwards.

Based on the evaluation of the Company's tax positions, management believes all positions taken would more likely than not be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2025.

NOTE 9 – CONCENTRATIONS

The Company provides services to four major customers who account for almost all of the revenue and related accounts receivable. One customer accounts for 43 percent and 57 percent of revenues and accounts receivable, respectively.

SUPPLEMENTAL INFORMATION

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

For the Year ended June 30, 2025

COMPONENT UNIT

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 01, 2024	Issued During Period	Paid and/or Matured During Period	Outstanding June 30, 2025	Due Within One year
Loan - University of Memphis Research Foundation	\$ 225,000	5.00%	09/20/18	09/20/26	\$ 225,000	\$ -	\$ 75,000	\$ 150,000	\$ 75,000
Loan - Finance Company	76,664	1.00%	04/01/22	04/01/25	21,034	-	21,034	-	-
Total Loans					<u>\$ 246,034</u>	<u>\$ -</u>	<u>\$ 96,034</u>	<u>\$ 150,000</u>	<u>\$ 75,000</u>

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION
SCHEDULE OF LONG-TERM DEBT, PRINCIPAL, AND INTEREST REQUIREMENTS
BY FISCAL YEAR

June 30, 2025

COMPONENT UNIT

The note payable to the Primary Government will be repaid as follows:

Year ending June 30,	Interest	Principal
2026	\$ 4,688	\$ 75,000
2027	937	75,000
	\$ 5,625	\$ 150,000

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS

For the Year Ended June 30, 2025

PRIMARY GOVERNMENT

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 01, 2024	Issued During Period	Paid and/or Matured During Period	Outstanding June 30, 2025	Due Within One year
Lease liabilities - University of Memphis - Highland Library/Defense Audit Building	\$ 70,096	4.00%	07/01/22	11/30/29	\$ 43,507	\$ -	\$ (13,235)	\$ 30,272	\$ 6,668

COMPONENT UNIT

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 01, 2024	Issued During Period	Paid and/or Matured During Period	Outstanding June 30, 2025	Due Within One year
Lease Liabilities- University of Memphis Research Foundation	\$ 107,415	4.00%	05/01/23	08/31/25	\$ 56,901	\$ -	\$ (48,609)	\$ 8,292	\$ 8,292
Lease liabilities - University of Memphis - South Campus	\$ 1,486,064	4.00%	07/01/22	11/30/29	1,163,091	-	(181,384)	981,707	195,637
Total Lease Liabilities					\$ 1,219,992	\$ -	\$ (229,993)	\$ 989,999	\$ 203,929

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors
The University of Memphis Research Foundation
Memphis, Tennessee

We have audited, 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, the financial statements of the business-type activities and discretely presented component unit of The University of Memphis Research Foundation, a component unit of The University of Memphis, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise of The University of Memphis Research Foundation's basic financial statements, and have issued our report thereon dated October 21, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The University of Memphis Research Foundation's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The University of Memphis Research Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of The University of Memphis Research 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The University of Memphis Research 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins Uiberall, PLLC

Memphis, Tennessee
October 21, 2025

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2025

No matters were reported as findings for the year ended June 30, 2025.

THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

JUNE 30, 2025

No matters were reported as findings for the year ended June 30, 2024.

MEMPHIS ATHLETIC FOUNDATION
FINANCIAL STATEMENTS

June 30, 2025



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MEMPHIS ATHLETIC FOUNDATION

ROSTER OF OFFICIALS

For the Year Ended June 30, 2025

Board of Directors

Richard A. Spell, President
John Hartney, Vice President
Fred A. Towler, Secretary/Treasurer
Rene Bustamante, Executive Vice President and Chief Operating and Financial Officer
Dr. Bill Hardgrave University of Memphis President

Management Officials

Haley Roane Prewett, Senior Associate Athletic Director/Chief Financial Officer
Cooper Jones, Chief Executive Officer
Steve McDaniel, Retained Legal Counsel

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Memphis Athletic Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Memphis Athletic Foundation (a component unit of the University of Memphis), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Memphis Athletic Foundation as of June 30, 2025, and the changes in its net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Memphis Athletic Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Memphis Athletic Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Memphis Athletic Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Memphis Athletic Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of changes in long-term debt and debt service requirements are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of changes in long-term debt and debt service requirements are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the roster of officials and management's corrective action plan but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025 and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Memphis Athletic 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 Memphis Athletic Foundation's internal control over financial reporting and compliance.



Memphis, Tennessee
December 15, 2025

MEMPHIS ATHLETIC FOUNDATION
STATEMENT OF FINANCIAL POSITION

June 30, 2025

<u>Assets</u>	
Current Assets	
Cash	\$ 6,227,977
Due from affiliate	2,318,739
Other Receivable	87,565
Total current assets	8,634,281
Fixed Assets	
Land	6,790,000
Real estate assets	4,754,582
Stadium	117,980,000
Stadium - Furniture & Equipment	1,701,530
Construction in Process	62,915,353
Accumulated Depreciation	(1,320,469)
Total fixed assets	192,820,996
Other Assets	
Restricted cash	67,544,058
Cash value of life insurance	418,447
Historical Document	750,000
Fair value of derivative financial instrument	199,692
Total other assets	68,912,197
Total assets	\$ 270,367,474
<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable	\$ 9,185,313
Interest Payable	17,830
Current portion of long-term debt	1,913,491
Total current liabilities	11,116,634
Long-term liabilities	
Long-term debt, net of current position	3,031,149
Total liabilities	14,147,783
Net Assets	
Without donor restrictions	194,384,314
With Donor Restrictions	
Restricted for capital projects	61,085,377
Restricted in perpetuity	750,000
Total net assets with donor restrictions	61,835,377
Total net assets	256,219,691
Total liabilities and net assets	\$ 270,367,474

The accompanying notes are an integral part of the financial statements.

MEMPHIS ATHLETIC FOUNDATION

STATEMENT OF ACTIVITIES

For the year ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Transfers from affiliate organizations	\$ 2,032,638	\$ 4,310,172	\$ 6,342,810
Contributions	-	83,536,043	83,536,043
Contribution of nonfinancial assets	165,984,174	-	165,984,174
Other revenue	61,019	-	61,019
Change in cash surrender value	16,300	-	16,300
Interest Income	267,437	866,191	1,133,628
Total support and revenues	<u>168,361,568</u>	<u>88,712,406</u>	<u>257,073,974</u>
Net assets released from restrictions	<u>27,840,660</u>	<u>(27,840,660)</u>	<u>-</u>
Total support and revenue and net assets released from restrictions	<u>196,202,228</u>	<u>60,871,746</u>	<u>257,073,974</u>
Expenses			
Program - University Support			
Athletics Comm Software Contract	79,194	-	79,194
Athletics	2,473,301	-	2,473,301
Benjamin Hooks Institute	12,051	-	12,051
Leftwich Tennis Center	1,620,091	-	1,620,091
Olympic Training Pool	300,000	-	300,000
University School Lab	149,655	-	149,655
Liza Wellford Fletcher Stadium	186,176	-	186,176
Softball Field Renovation	45,027	-	45,027
Altius NIL Contract	255,620	-	255,620
Paradigm Four Contract	72,000	-	72,000
University support-interest	165,469	-	165,469
Total program	<u>5,358,584</u>	<u>-</u>	<u>5,358,584</u>
Management and General			
Depreciation expense	1,320,468	-	1,320,468
Insurance Expense	73,076	-	73,076
Office/General	27,263	-	27,263
Legal/Professional fees	119,112	-	119,112
Audit & Tax Fees	35,000	-	35,000
Bank Fees	2,310	-	2,310
Professional Services	45,930	-	45,930
Other Expenses	34,085	-	34,085
Total M&G	<u>1,657,244</u>	<u>-</u>	<u>1,657,244</u>
Total expenses	<u>7,015,828</u>	<u>-</u>	<u>7,015,828</u>
Change in fair value of derivative financial instrument	<u>(274,372)</u>	<u>-</u>	<u>(274,372)</u>
Change in net assets	188,912,028	60,871,746	249,783,774
Net assets at June 30, 2024	<u>5,472,286</u>	<u>963,631</u>	<u>6,435,917</u>
Net assets at June 30, 2025	<u>\$ 194,384,314</u>	<u>\$ 61,835,377</u>	<u>\$ 256,219,691</u>

The accompanying notes are an integral part of the financial statements.

MEMPHIS ATHLETIC FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended June 30, 2025

Cash Flows From Operating Activities:	
Change in net assets	\$ 249,783,774
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Contribution of nonfinancial assets	(165,984,174)
Depreciation expense	1,320,468
Change in fair value of derivative financial instrument	274,372
Changes in assets and liabilities:	
Due from affiliates	(244,734)
Other Receivable	(87,410)
Cash value of life insurance	(16,300)
Accounts payable	9,102,395
Interest payable	(10,022)
Net cash provided by operating activities	<u>94,138,369</u>
Cash Flows From Investing Activities:	
Purchase of property and equipment	(25,260,144)
Cash Flows From Financing Activities:	
Payments on long-term debt	<u>(1,857,147)</u>
Net change in cash	67,021,078
Cash at beginning of year	<u>6,750,957</u>
Cash at end of year	<u><u>\$ 73,772,035</u></u>
Cash as presented on statement of financial position:	
Cash	\$ 6,227,977
Restricted cash	<u>67,544,058</u>
	<u><u>\$ 73,772,035</u></u>
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for interest	<u>\$ 402,374</u>
Noncash Contribution of Assets	<u><u>\$ 165,984,174</u></u>

The accompanying notes are an integral part of the financial statements.

MEMPHIS ATHLETIC FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1 – Summary of Significant Accounting Policies

A. Organization of Activities

The Memphis Athletic Foundation, formerly Auxiliary Services Foundation, is a not-for-profit corporation that commenced operations in April 2019 as an agent to operate auxiliary enterprises which directly benefit The University of Memphis (“University”); and accept, administer, apply, and use property acquired by gift, grant, devise, bequest, or otherwise solely for the benefit of the University. Because the Foundation’s resources can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University. In February 2025, the City of Memphis transferred the Simmons Bank Liberty Stadium to the Foundation, giving them ownership and oversight of the Stadium and its ongoing renovation project.

B. Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments purchased with initial maturities of three months or less are considered to be cash equivalents. The Foundation did not have any cash equivalents at June 30, 2025.

D. Net Asset Classification

Net assets, revenues and support, gains, and losses are classified based on the existence or absence of donor or donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets available for use in general operations and not subject to donor restrictions. The board of directors may designate net assets for certain purposes from net assets without donor restrictions, depending on future needs in accordance with the strategic plans for the University.

Net assets with donor restrictions – net assets subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

Restricted for capital projects – includes resources received by the Foundation for specified capital expenditures which have been restricted by the donors when contributed to the original recipient organization.

Restricted in perpetuity – includes resources received by the Foundation to be used to support the needs of the University to be held and maintained in perpetuity.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

E. Support and Revenues

Transfers from affiliate organizations are recorded as without donor restrictions or with donor restrictions depending upon existence and/or nature of restrictions from the transferring affiliate organization. Transfers from affiliate organizations are recognized as contributions when the determination to transfer the assets is made by the transferring organization.

Contributions of real property are recorded at their estimated fair values on the date of transfer.

F. Income Taxes

The Internal Revenue Service has classified the Foundation as other than a private foundation, which is exempt from federal income taxes on its related purpose under Section 501 ©(3) of the United States Internal Revenue Code and is similarly exempt from state income taxes. Consequently, no federal or state income taxes have been provided in these financial statements.

G. Other Assets

The Foundation owns a construction trust account at a financial institution which is restricted for the renovations to the Simmons Bank Liberty Stadium.

Cash surrender value of the life insurance policy is measured at fair value. Changes in fair value are recorded in other income and are included in support and revenue on the statement of activities.

The historical document is presented at fair value based on an appraisal prepared by an independent third party.

During fiscal year 2021, the Foundation entered an interest rate swap agreement to manage its interest rate risk. The Foundation accounts for this derivative financial instrument at its fair value.

H. 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 and reported revenue and expenses. Accordingly, actual results could differ from those estimates.

I. Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and support services benefitted. All expenses were allocated based on a full-time equivalent since they are incurred through invoices submitted by the Foundation.

J. Date of Management's Review

Management has evaluated subsequent events through December 15, 2025, the date the financial statements were available to be issued. Management has determined there are no events, other than those described in Note 11, which require adjustment or disclosure to the financial statements.

NOTE 2 – Deposits with Financial Institutions

Deposits with financial institutions consist of demand deposits with local banks or with banks affiliated with the Foundation's investment broker.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits. The Foundation does not have a formal policy regarding custodial risk.

The Foundation also holds deposits in a construction trust account at a financial institution. These funds are restricted for expenditure in connection with the renovation of the Simmons Bank Liberty Stadium.

The Foundation had deposits held in financial institutions which were in excess of FDIC coverage by \$73,411,196 at June 30, 2025. The Foundation maintains its cash with high quality financial institutions which management believes limits risk.

NOTE 3 – Related Party Transactions

Administrative functions of the Foundation are provided by The University of Memphis and include general management, contract processing, accounting, and data processing. Additionally, all property and equipment used by the Foundation is owned and recorded by The University of Memphis. Accordingly, the accompanying financial statements may not be indicative of the conditions that would have existed if the Foundation operated as an unaffiliated organization.

The Foundation received transfers from the University of Memphis Foundation, an organization affiliated with the University, of \$6,342,810 during the year ended June 30, 2025.

Expenditures made by the Foundation are in support of the University and are presented by activity on the statement of activities.

At June 30, 2025, receivables include \$2,318,739 due from the University of Memphis Foundation.

The Foundation also owed the University of Memphis \$2,473,301 as of June 30, 2025.

NOTE 4 – Historical Document

During the year ended June 30, 2020, the Foundation received a contribution of the entire speech of Dr. Martin Luther King, Jr, delivered on July 6, 1965, at the fifth General Synod of the United Church of Christ in Chicago. This is for the benefit of the University and is to remain the property of the Foundation in perpetuity. It is on display at the University of Memphis. The document was valued at fair value determined by an independent appraiser at the time of donation.

NOTE 5 – Capital Assets

Effective October 30, 2024, the City of Memphis and the Foundation entered into an agreement providing for the transfer of ownership of the Simmons Bank Liberty Stadium ("Stadium") from the City of Memphis to the Foundation. A significant stadium renovation project had begun by the City of Memphis which was to be financed in part by a \$120 million contribution from the State of Tennessee. The project is expected to be completed by the fall of 2026. The City had expended approximately \$40 million of State funding on renovations prior to the transfer of the stadium to the Foundation, and the City transferred the unexpended

funds of approximately \$80 million to the Foundation as a contribution to be applied toward the remaining renovation costs. Additional renovation costs of approximately \$105 million will come through fundraising conducted by an affiliated Foundation.

The Stadium will be an operating asset to be held and managed by the Foundation. Activities at the Stadium will include, but will not be limited to, its operation as a facility for football.

As of June 30, 2025, capital assets consisted of the following:

	Balance June 30, 2024	Additions	Disposals	Balance June 30, 2025
Fixed Assets, not being depreciated:				
Land	\$ -	\$ 6,790,000	\$ -	\$ 6,790,000
Construction in progress	-	62,915,353	-	62,915,353
Total fixed assets, not being depreciated	-	69,705,353	-	69,705,353
Fixed Asset, being depreciated				
Real estate assets	2,897,147	1,857,435	-	4,754,582
Stadium	-	117,980,000	-	117,980,000
Stadium - Furniture & Equipment	-	1,701,530	-	1,701,530
Total fixed assets, being depreciated	2,897,147	121,538,965	-	124,436,112
Less accumulated depreciation for:				
Real estate assets	-	(164,206)	-	(164,206)
Stadium	-	(983,167)	-	(983,167)
Stadium - Furniture & Equipment	-	(173,096)	-	(173,096)
Total accumulated depreciation	-	(1,320,469)	-	(1,320,469)
Total fixed assets, being depreciated, net	2,897,147	120,218,496	-	123,115,643
	<u>\$ 2,897,147</u>	<u>\$ 189,923,849</u>	<u>\$ -</u>	<u>\$ 192,820,996</u>

NOTE 6 – Net Assets with Donor Restrictions

Net assets are donor restricted for the following activities at June 30, 2025:

	Capital Projects	Restricted in Perpetuity	Total Net Assets with Donor Restrictions
Simmons Bank Liberty Stadium Project	\$ 60,999,525	\$ -	\$ 60,999,525
Miscellaneous small projects	85,852	-	85,852
Historical Document - MLK Speech	-	750,000	750,000
	<u>\$ 61,085,377</u>	<u>\$ 750,000</u>	<u>\$ 61,835,377</u>

During the year ended June 30, 2025, the Foundation released \$27,840,660 of restrictions by incurring expenditures related to the restricted capital projects.

NOTE 7 – Commitments

The Foundation is currently managing capital projects for the University and is under obligation for the following contracts related to the projects listed below:

	Contract Amount	Expended through 6/30/25	Commitment Remaining 6/30/25
Olympic Weight Room	\$ 291,759	\$ 276,177	\$ 15,582
Liberty Bowl Strategic Consulting	30,000	-	30,000
Elma Roane Locker Room	91,456	90,874	582
Altius Contract	1,913,573	541,196	1,372,377
Paradigm Contract	202,500	184,500	18,000
University School Lab	155,459	149,655	5,804
Houston Street Properties	1,895,000	1,895,000	-
Leftwich Fundraising	13,596,798	13,596,574	224
LWFS	11,900,000	204,452	11,695,548
Simmons Bank Liberty Stadium	84,852,312	46,895,890	37,956,422
Lambuth Madison High School	908,000	454,000	454,000
	<u>\$ 115,836,857</u>	<u>\$ 64,288,318</u>	<u>\$ 51,548,539</u>

NOTE 8 – Liquidity

The Foundation has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. All the assets of the Foundation are intended for the support of The University. The following table reflects the Foundation’s financial assets (cash and cash equivalents and investments) as of June 30, 2025, reduced by amounts not available for general expenditures within one year.

Financial assets to meet cash needs for general expenditures within one year:

Cash	\$ 6,227,977
Due from affiliate	2,318,739
Other receivables	<u>87,565</u>
Total financial assets available to meet cash needs for general expenditures in one year	<u>\$ 8,634,281</u>

NOTE 9 – Long-Term Debt

Long-term debt on June 30, 2025, consisted of the following:

Promissory note with a bank, in quarterly principal installments, accrues interest at a variable rate per annum equal to the thirty-day SOFR rate plus 2.20% (7.53% at June 30, 2024). Note matures on December 10, 2027	\$ 4,944,640
Less: Current portion	(1,913,491)
Debt, long-term	<u>\$ 3,031,149</u>

Future maturities of long-term debt are as follows:

2026	\$ 1,913,491
2027	1,971,547
2028	1,059,602
	<u>\$ 4,944,640</u>

For the year ended June 30, 2025, interest expense charged to operations and included as athletics debt interest in program expenses amounted to \$186,509, net of interest rate swap interest received of \$376,055, and interest payable as of June 30, 2025, amounted to \$17,830.

NOTE 10 – Derivative Financial Instrument

The Foundation entered into an interest rate swap contract under which the Foundation agreed to pay a fixed rate of interest times a notional principal amount, and to receive in return an amount equal to a specified variable rate of interest times a notional principal amount. The interest rate swap under which the Foundation agreed to pay a fixed rate of interest was considered to be a hedge against the change in the amount of future cash flows associated with the Foundation’s note payable interest payments.

At June 30, 2025, the Foundation’s interest rate swap contract was structured to pay fixed rates of interest (2.8% per annum) and receive variable rates of interest (based on percentage of SOFR) on a \$6,750,276 notional amount. The fair value of the contract at June 30, 2025 was \$199,692. The contract terminates on December 10, 2027.

NOTE 11 – Subsequent Events

This summer, a significant corporate partnership, valued at several million dollars annually, was entered into by the Foundation to support the University of Memphis' student athletes and the Athletic Department. The first installment of this partnership was received in July 2025.

As part of the ongoing renovation project for the Simmons Bank Liberty Stadium, the Foundation has expended \$28.9 million following the end of the fiscal year through the issuance date.

On November 24, 2025, The Tennessee State School Bond Authority approved the Foundation to enter into a non-revolving construction line of credit for an amount up to \$70 million. The funding will allow construction related draws to be covered until completion of the project, as current gifts to an affiliated foundation will not be realized until another five to seven years after project completion. The term of the loan is ten years from the date of closing with interest only payments during the first five years and payments of principal between \$10 and \$20 million beginning in year six. While the financing provides for interest only payments during the first five years, the Foundation intends to make principal payments as the flow of donor funding allows.

MEMPHIS ATHLETIC FOUNDATION
SCHEDULE OF CHANGES IN LONG-TERM DEBT

For the Year Ended June 30, 2025

Description of Indebtness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2024	Issued During Period	Matured During Period	Outstanding June 30, 2025
Long-term debt	\$ 12,000,000	30 days SOFA 2.20%	12/10/2020	12/10/2027	\$ 6,801,788	-	\$ (1,857,148)	\$ 4,944,640

MEMPHIS ATHLETIC FOUNDATION
SCHEDULE OF DEBT SERVICE REQUIREMENTS

June 30, 2025

<u>Fiscal Year</u>	<u>Long-Term Debt</u>
2026	\$ 1,913,491
2027	1,971,546
2028	<u>1,059,603</u>
	<u>\$ 4,944,640</u>

See independent auditor's report.

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors
Memphis Athletic Foundation

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 Memphis Athletic Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2025.

Report on 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) as a basis for designing audit 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a 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 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, and therefore material weaknesses and significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of finding and recommendation as item 2025-001 that we consider to be a material weakness.

Report on 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*.

Memphis Athletic Foundation's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Memphis Athletic Foundation's response to the internal control over financial reporting finding identified in our audit and described in the accompanying management's corrective action plan. Memphis Athletic Foundation's response and management's corrective action plan were not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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.

Watkins Mikusall, PLLC

Memphis, Tennessee
December 15, 2025

MEMPHIS ATHLETIC FOUNDATION
SCHEDULE OF FINDING AND RECOMMENDATION

For the Year Ended June 30, 2025

Financial Statement Finding

The following represents a material weakness in internal control over financial reporting:

2025-001 – Lack of accrual of construction expenditures and other expenses

Condition: Amounts billed by contractors for construction and other services received in May and June 2025 were not included in accounts payable at June 30, 2025.

Criteria: Expenses and additions to construction in progress should be reported in the year in which the services are rendered and included as liabilities if not paid prior to year end.

Cause: Management failed to ascertain that all billings from contractors and other vendors that related to services received prior to the end of the year were paid or accrued as of June 30, 2025.

Effect: Construction in progress was understated by approximately \$6.5 million and expenses were understated by approximately \$160,000

Recommendation: Management should review contractor statements and ensure that progress billings for months prior to year end are either paid or accrued.

Views of Responsible Officials: Management concurs with the recommendation as proposed. See Management's Corrective Action Plan.

MEMPHIS ATHLETIC FOUNDATION
SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2025

<u>Prior Year Finding Number</u>	<u>Finding Title</u>	<u>Status/Current Year Finding Number</u>
2024-01	Net asset classifications	Corrected
2024-02	Lack of bank reconciliations	Corrected

MEMPHIS

ATHLETIC FOUNDATION

Date: December 16, 2025

From: Haley Prewett, Executive Associate Athletic Director/CFO

Subject: Management's Response to Finding and Corrective Action Plan

2025-001 – Lack of accrual of construction expenditures and other expenses

Process Improvements

- **Standardized Checklist:** Implement a monthly accrual checklist for construction projects, including vendor invoices, purchase orders, and work-in-progress reports.
- **Cut-off Procedures:** Establish clear cut-off dates for expense recognition to ensure expenditures are captured in the correct reporting period.
- **Require facilities and project managers to provide monthly status reports of construction progress and outstanding commitments.**

Preventive Controls

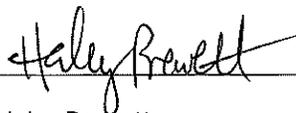
- **Variance Analysis:** Compare budget-to-actual expenditures monthly to identify missing accruals.
- **Audit Trail:** Maintain documentation of accrual entries, supporting schedules, and approvals for transparency.

Timeline

- **Short-Term:** Implement monthly accrual checklist.
- **Ongoing (monthly):** Perform reconciliations, variance analysis, and accrual reviews.
- **Annual:** Review effectiveness of accrual process during year-end close and adjust procedures as needed.

Accountability & Ownership

- **MAF Finance Department:** Prepare and record monthly and year-end accruals.
- **Facilities/Project Managers:** Provide timely expenditure estimates



Haley Prewett

Executive Senior Associate AD/CFO



Cooper Jones

Executive Director, MAF

7. Internal Audit Client Survey Results Report

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 4, 2026

Committee: Finance and Audit Committee

Presentation: Office of Internal Audit and Consulting Client Satisfaction Survey 2025

Presented by: Angela Ross, Associate Vice President and Chief Audit Executive

Background:

According to our University of Memphis (UofM) Internal Audit Charter, all UofM internal audit activities are conducted in accordance with state statutes relative to audit committees and internal audit, which requires adherence to The Institute of Internal Auditor's standards and guidance. The guidance includes an established Quality Assurance and Improvement Program that includes ongoing internal monitoring. Annually, Internal Audit Client Survey is used for ongoing monitoring of the efficiency and effectiveness of the internal audit activities by seeking input from clients and other stakeholders. The clients survey results are presented in the Committee materials to show that internal audit activities and responsibilities are being carried out.

During February 2026, feedback was solicited via our annual Client Satisfaction Survey that was distributed to 103 faculty and staff – audit clients, employees involved in investigations, and others who worked with Internal Audit or received Internal Audit communications during 2025. The participation rate for the anonymous survey was 25%. About 97% of the responses indicated that the audit clients were satisfied with the University's internal audit services. Survey results, including suggestions and concerns, will be considered for improving internal audit operations.

8. Capital Budget Request

For Approval

Presented by Rene Bustamante

Capital Budget Request Fiscal Year 2027-2028

Finance & Audit

Rene Bustamante
Executive Vice President, COO and CFO

March 4, 2026

Maxine A. Smith University Center Bluff Room



THE UNIVERSITY OF
MEMPHIS

March 2026 Finance & Audit Committee

Board of Trustees

8. Capital Budget Request

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Contents

- Capital Outlay Request FY 2028
- Capital Maintenance Request FY 2028
- Disclosure Projects FY 2028



Capital Outlay Requests for FY2028

	Total Cost	Campus Match	State Request
Business and Economics Addition * Construct a new addition to the Fogelman College of Business and Economics for enrollment growth, outreach, and student success.	\$ 60,000,000	\$ 30,000,000	\$30,000,000
Academic Building Replacement Demolish Mitchell and Clement Hall and replace with one modern academic instructional facility.	\$102,000,000	\$ 17,340,000	\$ 84,660,000

* Included in FY 2027 Governor's Budget for Legislative approval.

Fogelman College of Business and Economics

PHASE II \$60 MILLION EXPANSION

The \$60 million Fogelman College of Business and Economics (FCBE) expansion will serve all departments of the college, including Accounting, Economics, Finance and Insurance, Real Estate Management, Management Information Systems, Marketing and Supply Chain Management.



44%



39%

DEMAND FOR GRADUATES OF THE FCBE IS EXPECTED TO INCREASE BY 44% IN TENNESSEE AND BY 39% IN THE GREATER MEMPHIS AREA BY 2032.

The FCBE offers bachelor's and master's degrees that provide a pathway towards these high demand occupations and is the largest provider of such undergraduate education in the area.





Fogelman College of Business and Economics

CAPITAL OUTLAY

The construction of an addition to the FCBE classroom and administrative buildings will provide critical building space, increase student engagement, improve active learning, facilitate collaborations and enhance research capabilities.

It will serve all graduate and undergraduate programs at the FCBE, and it will have a strategic impact on the educational experience, job placement and will prepare the UofM for future enrollment growth.

The construction is for 58,000 square-foot and will address current building deficiencies, align business services, active learning, collaboration spaces, labs and offices in a way that makes the FCBE a destination for not only academic achievement but campus life.

\$60,000,000

\$30,000,000
state funds

\$30,000,000
match funds
(50% must be gifts)





Academic Building Replacement

The \$102 million Academic Building Replacement will replace two aging and degraded buildings (Mitchell and Clement Halls) with a modern facility with flexible classroom spaces serving nearly every student on campus.



1963



1966

Mitchell Hall (1963) and Clement Hall (1966) are beyond economical repair, and their demolition will clear significant deferred maintenance and alleviate faculty, staff and student concerns related to environmental, health and safety of present buildings.





Academic Building Replacement

Capital Outlay

These buildings have experienced significant water and sewage leaks, pest infiltration, mold growth, asbestos abatement and general deterioration issues in the past decade. Classroom spaces are outdated, fixed/inflexible and inappropriate for students educational needs and faculty instructional styles.

The existing building will house numerous classrooms and several academic units in the heart of campus. The new 116,000-square-foot facility for academic instruction in History, Philosophy, Political Science, Sociology and core general education. No net increase in square footage.

\$102,000,000

\$84,600,000
state funds

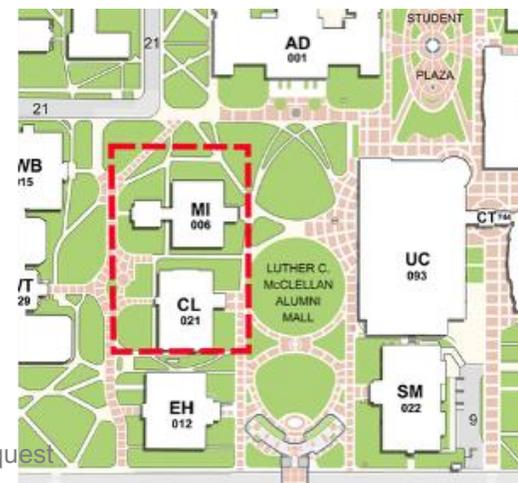
\$17,340,000
match funds
(50% must be gifts)



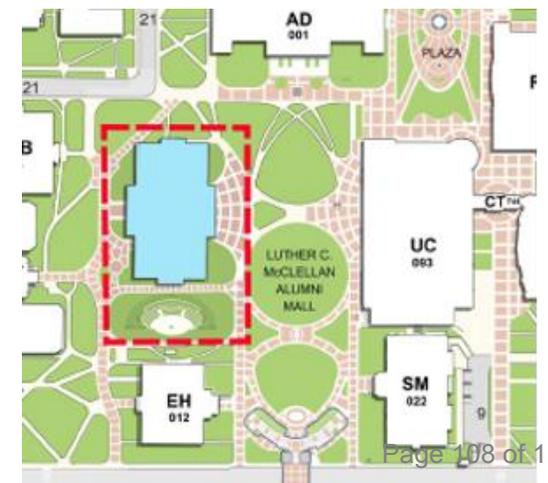
MITCHELL HALL



CLEMENT HALL



CURRENT



PROPOSED



Capital Maintenance Request FY 2027 / 2028

(Reduce Deferred Maintenance to Facilities)



Capital Maintenance Request FY2027-2028

1. Roof Replacement Five Buildings (in Gov. 2027 budget)	\$ 5,740,000
2. HVAC Component Replacement Phase 2	\$ 7,080,000
3. HVAC Replacement Ellington, CFA, Johnson, BMJ	\$10,500,000
4. HVAC Controls Replacement	\$ 3,600,000
5. Brick Repairs and Window Replacements	\$ 5,380,000
6. Lambuth Multiple Building Repairs	\$ 5,000,000
7. Electrical Component Replacements	\$ 3,820,000
8. HVAC Replacement Life Sciences	\$11,000,000
9. Roof Replacement Johnson, Jones, Dunn	\$ 3,600,000
10. Field House HVAC Replacement	\$10,500,000

Note: These are the top 10 priority items for deferred maintenance and renewal totaling \$ 66.2 million



Disclosure Projects

FY 2028

- Wilson Facility Improvements \$ 18,000,000

FY 2027

- Energy Performance Contracting \$ 25,000,000
- Liza Fletcher Wellford Soccer Facility \$ 8,000,000



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The University of Memphis Board of Trustees

Presentation of Capital Budget Request for FY 27 / 28

Date: March 4, 2026
Committee: Finance & Audit
Presentation: Capital Budget Request for FY 27 / 28
Presented by: Rene Bustamante

Background:

Per Tennessee Higher Education Commission (THEC) Policy F4.0 Capital Projects: As the coordinating body for higher education in Tennessee, THEC engages with institutions and governing boards on capital investment through its role to develop and approve recommendations for capital outlay and maintenance funding. THEC identifies capital investment needs and determines priorities for those investments for consideration by the Governor and the General Assembly as part of the annual appropriations act. Categories of projects submitted to THEC in the annual Capital Budget Request are as follows:

Capital Outlay: In accordance with funding request guidelines annually disseminated by THEC staff, the Commission receives a prioritized list of capital outlay projects from each governing board for evaluation and scoring into a single prioritized list for the state. These projects either provide new space or major renovations (or a combination of both), and respond to state goals for education, strategic plans, space guidelines, facility assessments, program plans, business plans, and/or external funding and the campus master plan. Match funding in the amount of 17% for new construction (of which 50% must be gift funds) or 6% for major renovations is required from the campus for each project.

Capital Maintenance: THEC requests a prioritized list of capital maintenance projects from each governing board. THEC staff makes project recommendations to the Commission's Board in accordance with a capital maintenance formula. The formula may include, but not be limited to, the age, gross Education & General (E&G) square footage, usage, and conditions of institutions facilities. Individual projects should reduce deferred maintenance and protect the assets of the state.

Disclosed Projects: A non-appropriated project must be disclosed to the legislature through THEC if it is over \$ 10,000,000. Bonded projects, new construction, and major projects should be disclosed as part of the annual capital budget and must be part of the master plan.

Committee Recommendation: The Finance & Audit Committee recommends a motion to approve the Capital Budget Request for Fiscal Year 2027 / 28 as detailed in the meeting materials.

9. Annual Financial Audit Report

Report

Presented by Rene Bustamante

2025 Annual Financial Report & Internal Control Audit

Finance and Audit Committee

Rene Bustamante
Executive Vice President and COO/CFO

March 4, 2026
Maxine A Smith University Center



THE UNIVERSITY OF
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Board of Trustees

9. Annual Financial Audit Report

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The University's operations are audited by the Division of State Audit under the Office of the State Comptroller. Additionally, independent audits are performed for each of its component units. Below are the summary results of the audits for Fiscal Year 2025:

- Unmodified clean audit opinions for the University as well as UM Foundation, UM Research Foundation, and Memphis Athletic Foundation (formerly Auxiliary Services Foundation). The Herff Trust is now reported within the UM Foundation audit.
- There were no adjustments to the University's financial statements as a result of the audit.
- The University continued its process to transition its Enterprise Resource Planning System to *Oracle for Finance and Human Resource Management*. Funding was received and the process began in fiscal year 2024 with a go-live of January 5, 2026.

The University had no audit findings for its fiscal year 2025 financial report.

➤ Financial standing of the three foundations:

- UM Foundation – Net Assets increased by \$91.2M, due to increases in the value of investments and cash/cash equivalents (\$60.2M) and the transfer of reporting of the Herff Trust (\$30.9M).
- MAF – Net Assets increased by \$249.8M primarily due to the transfer of ownership of the Simmons Bank Liberty Stadium.
- UMRF Net Position increased slightly (\$556k) primarily due to a decrease in current liabilities
- Net composite of the Foundations increased by \$341.5M.



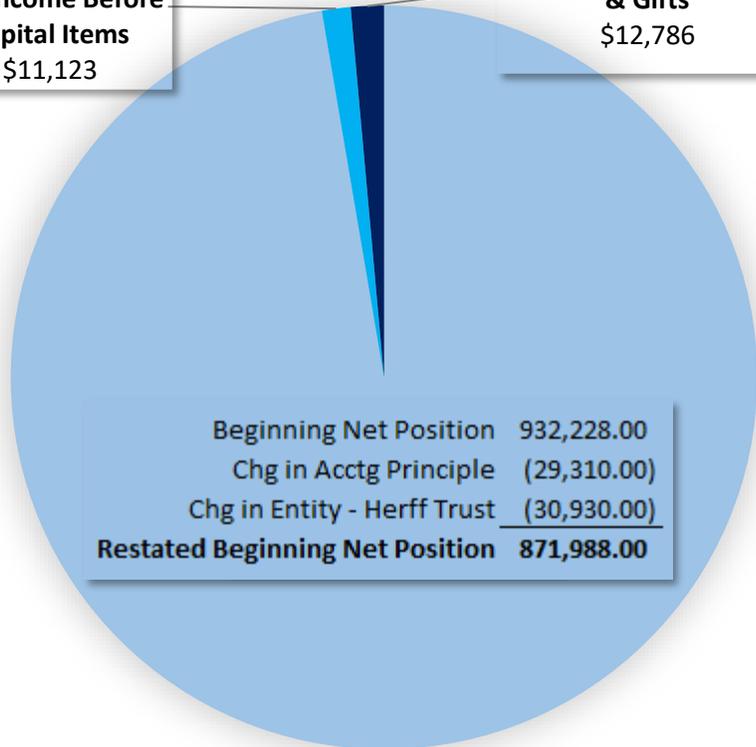
Change in Net Position

(in thousands)

FY 2025

Net Income Before
Capital Items
\$11,123

Capital Appropriations
& Gifts
\$12,786

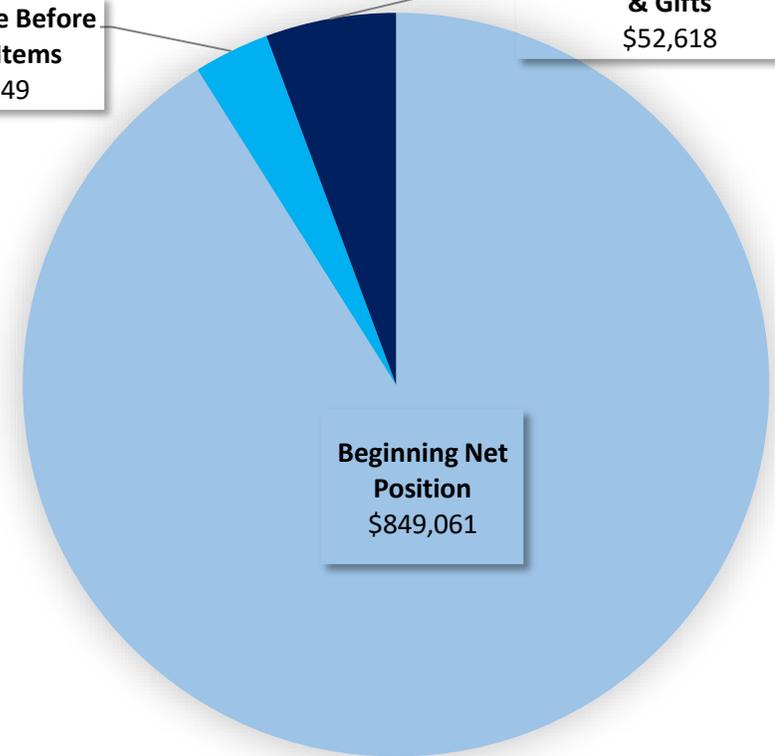


Ending Net Position – \$895,897

FY 2024

Net Income Before
Capital Items
\$30,549

Capital Appropriations
& Gifts
\$52,618



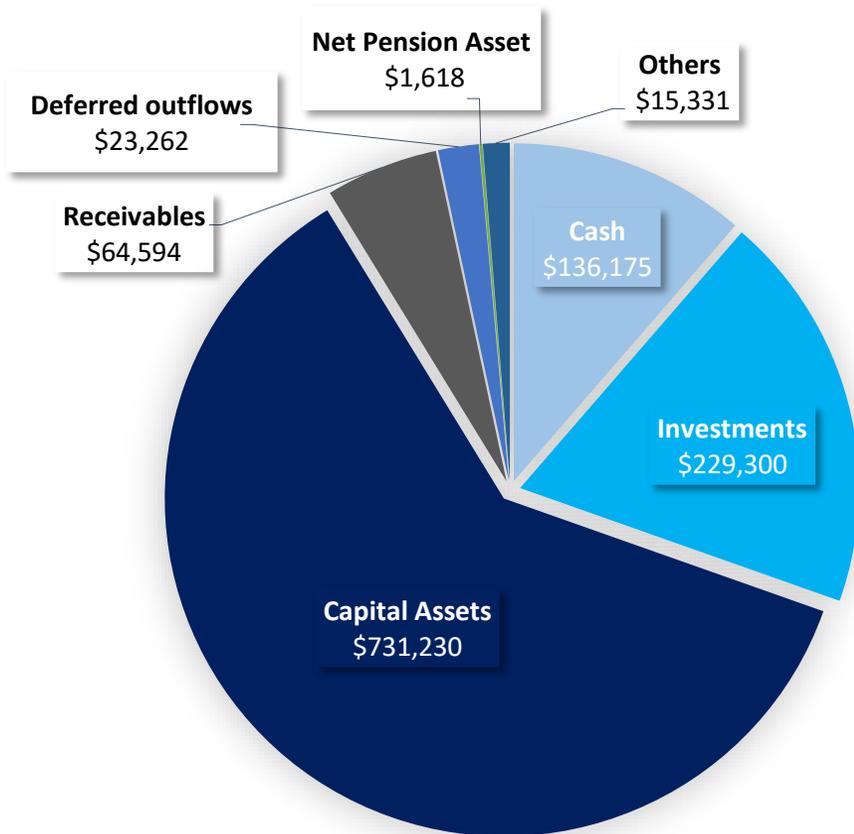
Ending Net Position – \$932,228



Composition of Assets

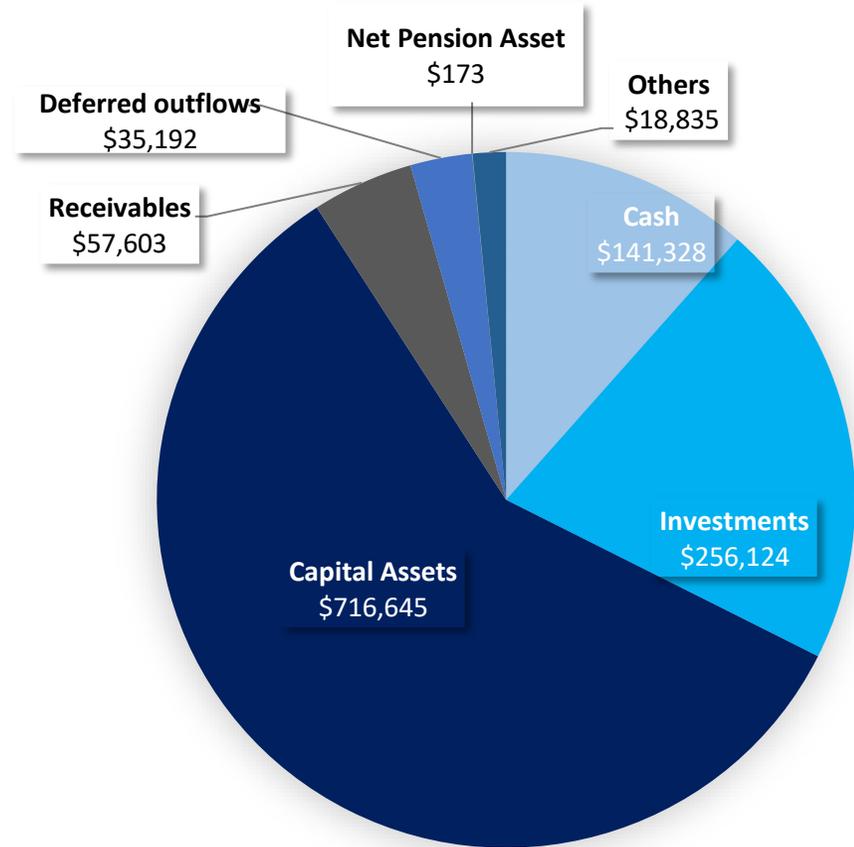
(in thousands)

FY 2025



Total Assets – \$1,201,509

FY 2024



Total Assets – \$1,225,900



Composition of Liabilities

FY 2025

(in thousands)

FY 2024

Compensated
absences
\$56,753

Others
\$1,307

Student deposits
and Unearned
revenue
\$23,254

Bonds Payable
\$157,233

Accounts payable
and accrued
liabilities
\$40,031

Retirement
Obligations &
Deferred inflows
\$27,034

Total Liabilities - \$305,612

Student deposits
and Unearned
revenue
\$27,217

Compensated
absences
\$14,755

Others
\$1,218

Accounts payable
and accrued
liabilities
\$43,754

Bonds Payable
\$168,417

Retirement
Obligations &
Deferred inflows
\$38,310

Total Liabilities - \$293,671

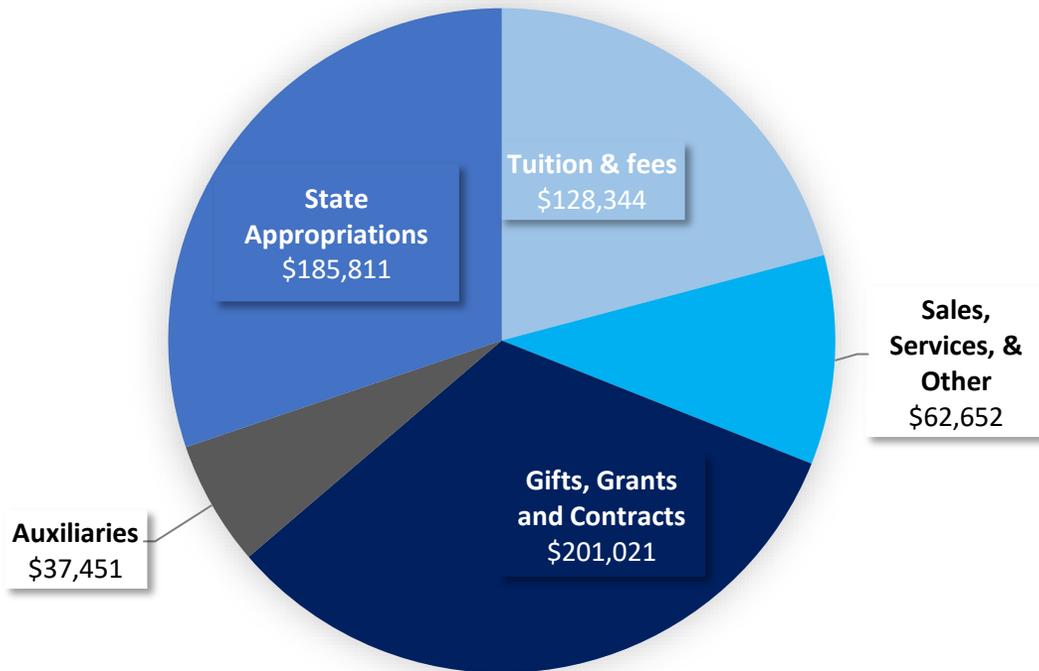


Sources Of Revenue*

(in thousands)

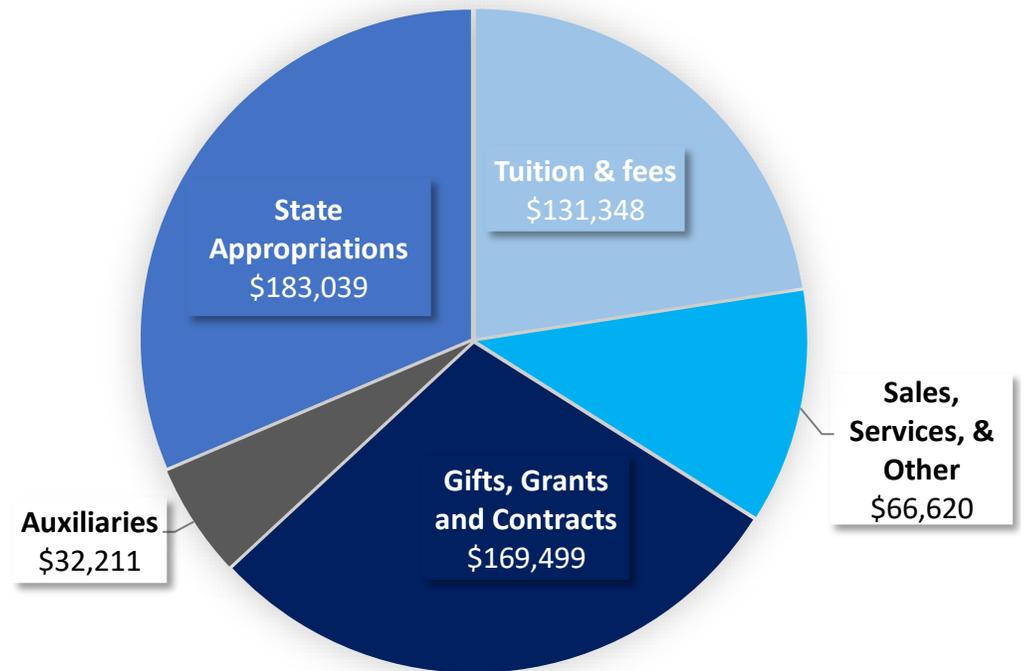
*Does not include Capital Gifts and Appropriations

FY 2025



Total Revenues – \$615,279

FY 2024

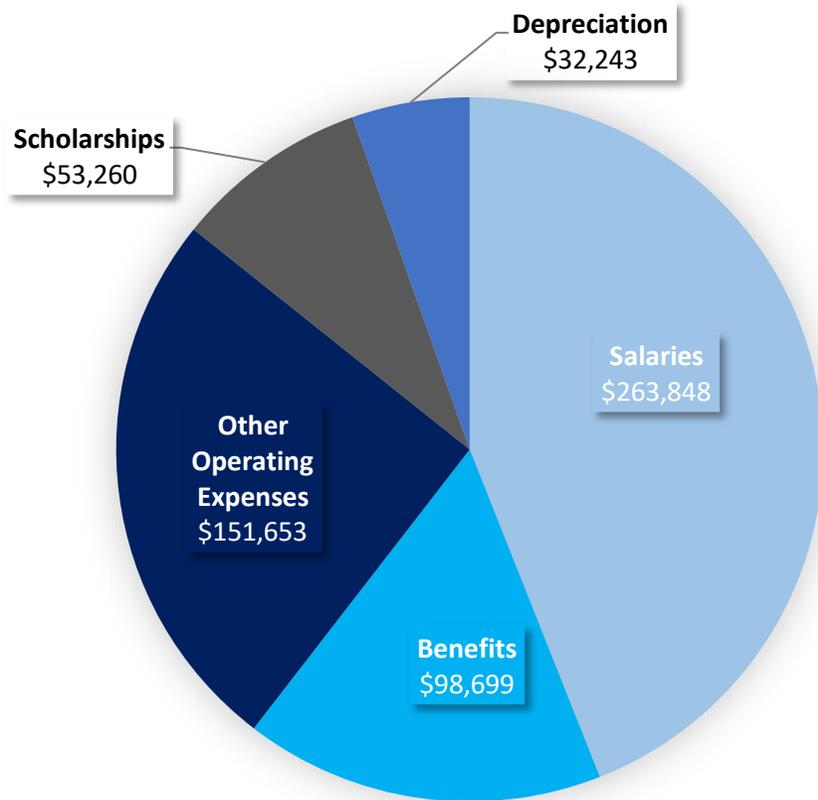


Total Revenues – \$582,717



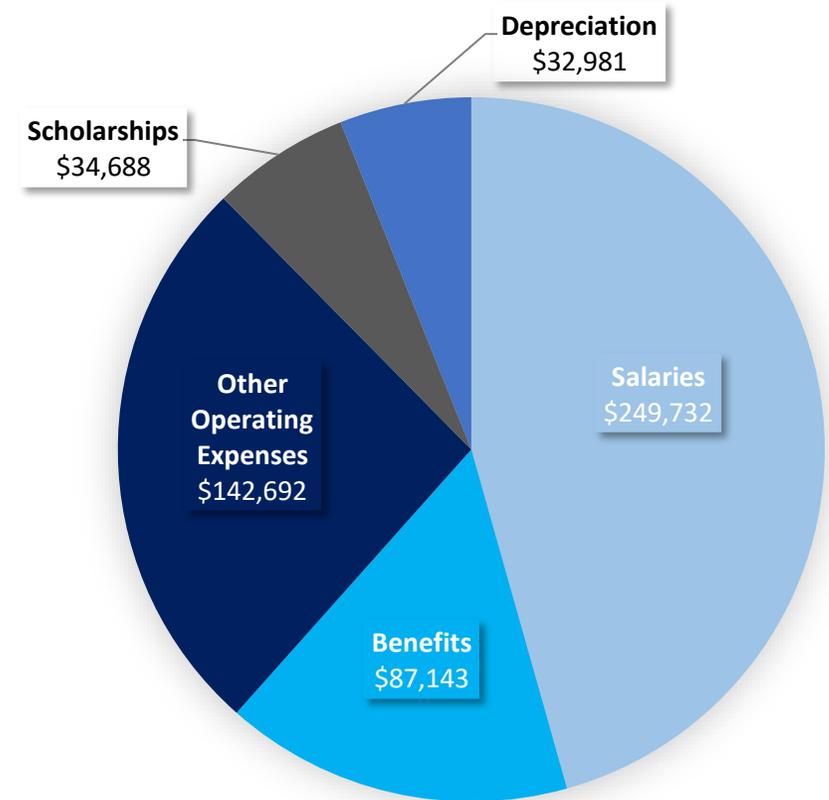
Operating Expenses *(in thousands)*

FY 2025



Total Expenses \$599,703

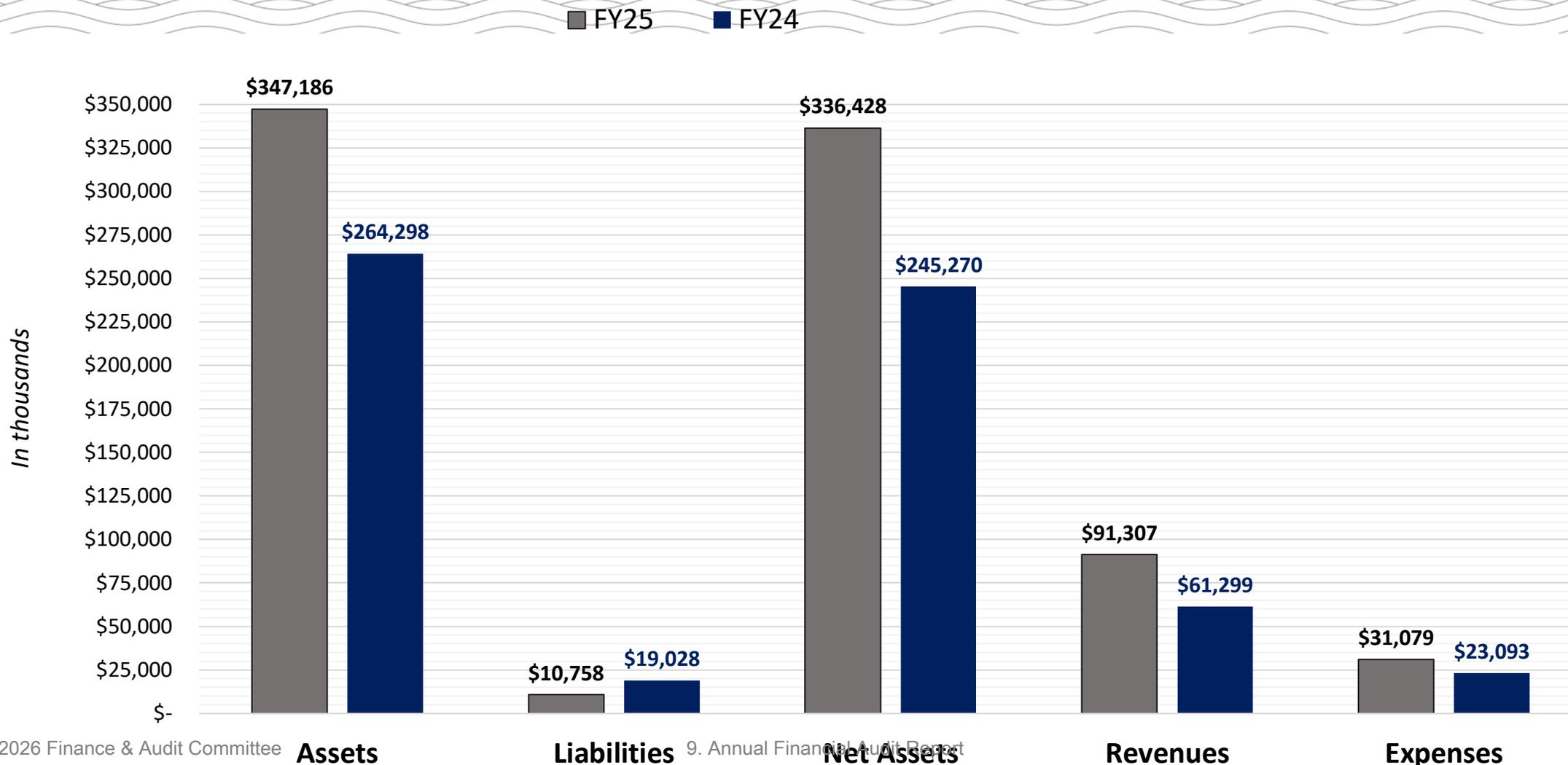
FY 2024



Total Expenses \$547,236

U of M Foundation Financial Statement Summaries

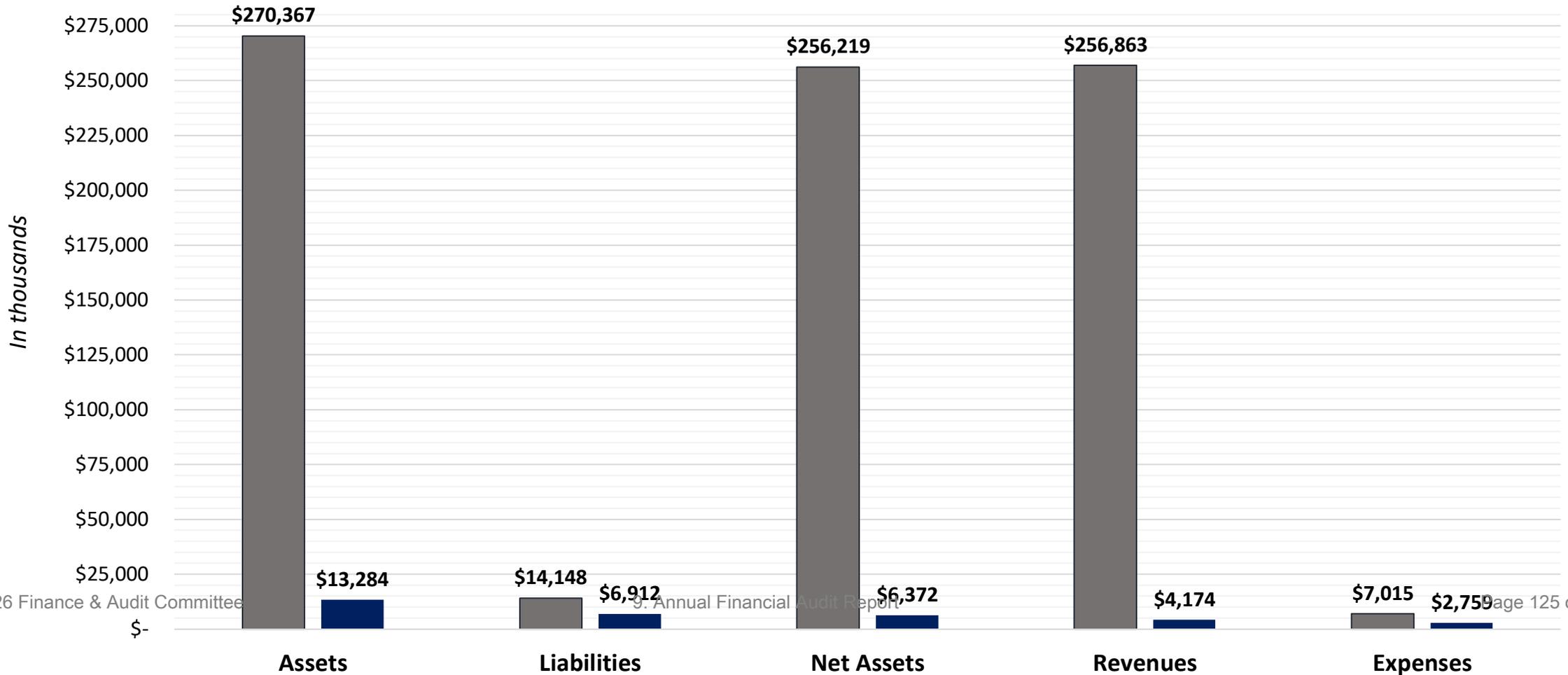
Fiscal Years Ended June 30 2025 and 2024





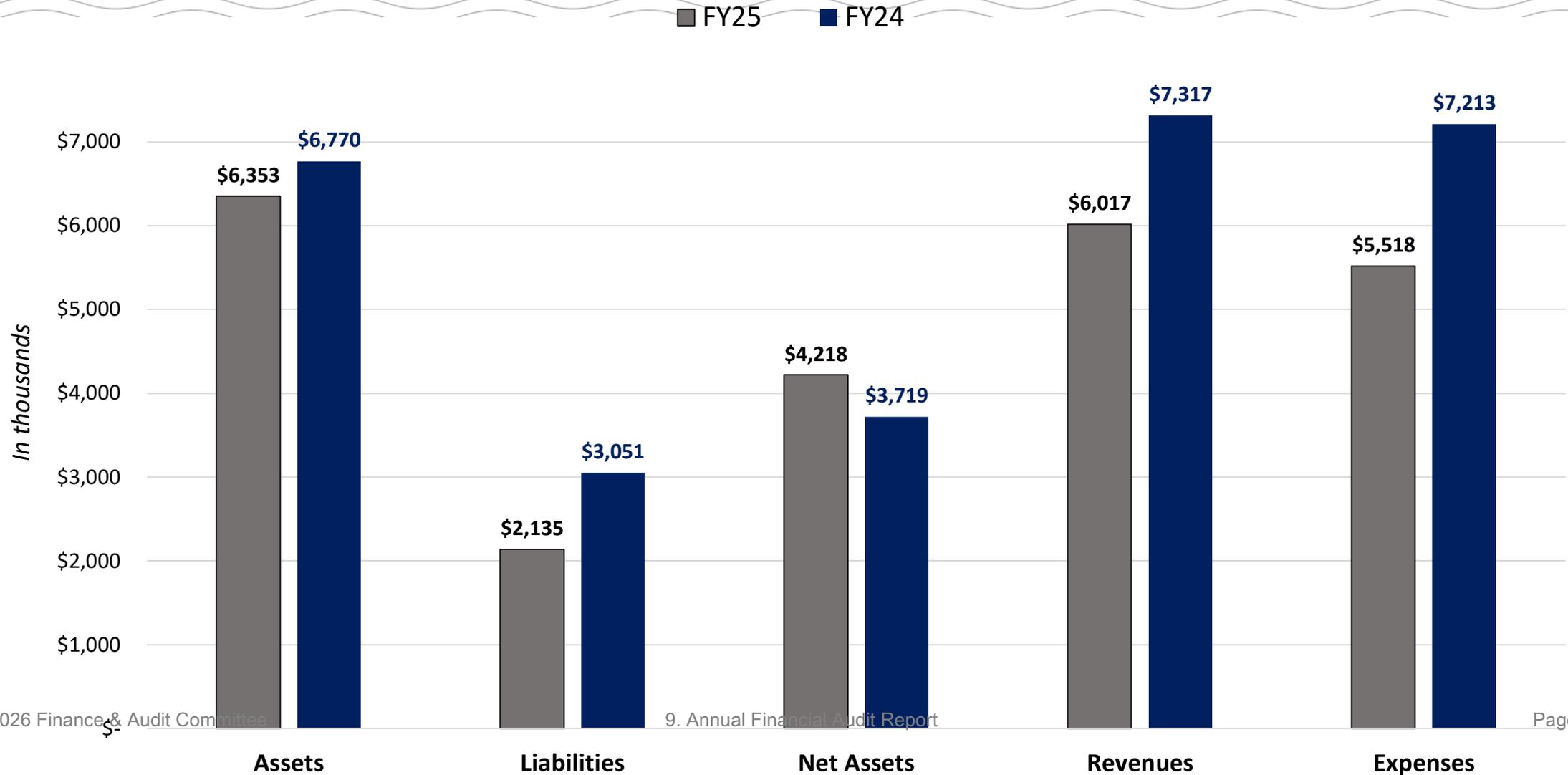
Memphis Athletic Foundation Financial Statement Summaries Fiscal Years Ended June 30 2025 and 2024

■ FY25 ■ FY24

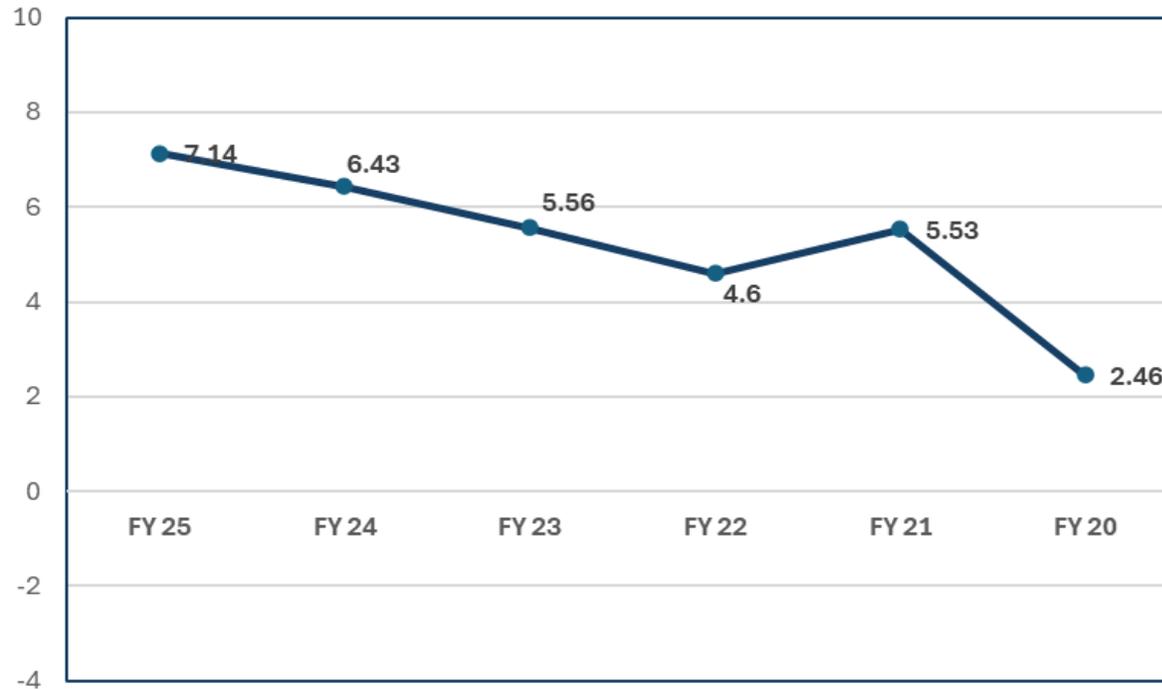




U of M Research Foundation Financial Statement Summaries Fiscal Years Ended June 30 2025 and 2024



UofM Composite Financial Index (CFI)



CFI score of 3 or above represents a relatively strong financial position





Questions?

The University of Memphis Board of Trustees

For Information

Presentation

Date: March 4, 2026

Committee: Finance and Audit

Presentation: 2025 Annual Financial Report and Auditor's Report on Internal Control

Presented by: Rene Bustamante, Executive VP/COO/CFO

Background:

The Office of the Comptroller of the Treasury, Division of State Audit, completed its audit of the University of Memphis (the University) on December 19, 2025. The audit was conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The audit opinion from the Division of State Audit will be unmodified. The objectives and scope of the audit were as described in the Engagement letter from the Comptroller of the Treasury, Division of State Audit.

The final draft of the audit report was released on February 13, 2026. It contained the audited financial statements of the University as of and for the year ended June 30, 2025, Management's Discussion and Analysis, Required Supplementary Information, and other Supplementary Information.

The exit conference with the auditors was held on February 18, 2026, and the final audit report is expected by late February.

Motion to be Made: No Motion

10. Annual Risk Assessment Process

Report

Presented by Rene Bustamante

Annual Risk Assessment Process

Finance & Audit Committee

Mark Heath, Executive Director

Safety, Business Continuity & Risk Management

March 4, 2026

University Center



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March 2026 Finance & Audit Committee

10. Annual Risk Assessment Process

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Risk Assessment Objectives - 2026

1. Collaboration with Internal Audit to instill Best Practices approach with Process Owners to ensure Identified Risks and Controls align with the University Strategic Plan
2. Share Information on new “Onspring” platform for enhancing our Risk Assessment Processes and Internal Audit Planning/Reporting
3. Provide Assurance to the State of Tennessee Comptrollers Office and Department of Finance & Administration for Compliance with State Laws



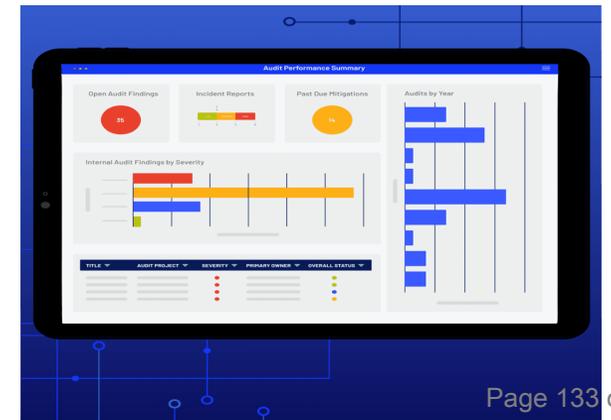
Risk Assessment Process Improvement - 2026

1. Risk Management

- Centralized Risk Register
- ***Automated Notifications/User Prompts***
- ***Prioritized Risk Analysis***

2. Internal Audit

- Audit universe plans
- ***Consolidate fieldwork***
- ***Manage workpapers***





Risk Assessment Process Improvement - 2026

Bottom Line:

- **70%** increase in GRC efficiency & effectiveness
 - *Via KRIs*
 - *Dynamic Dashboarding*
 - *Feedback on Risks Exceeding Tolerance*
 - *Past Due Mitigation Notices*
- **40%** reduction in time spent on coordination
 - *Automatic System Notifications*
 - *Scheduled Activities at Fixed Intervals vs. an Annual Process*
- **100%** connectivity across the UofM enterprise





Risk Assessment Process - 2026



Questions?

The University of Memphis Board of Trustees

Recommendation

Presentation - Report

Date: March 4 , 2026

Committee: Finance & Audit Committee

Presentation: Annual Risk Assessment Process

Presented by: Mark Heath, Executive Director, Safety, Business Continuity, and Risk Management

Background: As required under the Tennessee Financial Integrity Act (T.C.A. 98-18-102), the University of Memphis engages in an Annual Risk Assessment Process to ensure compliance with requirements for Internal Controls and reporting to the State of TN Comptroller's and the Department of Finance and Administration

Motion to be Made: None

11. Additional Business

Presented by David McKinney

12. Adjournment

For Approval

Presented by David McKinney