

March 2022 Audit Committee Meeting

Schedule	Tuesday, March 1, 2022 9:30 AM — 10:30 AM CST
Venue	Maxine A. Smith University Center - Fountain View Boardroom (352)
Organizer	Sparkle Burns

Agenda

1. Call to Order and Opening Remarks	1
Presented by Carol Roberts	
<hr/>	
2. Roll Call and Declaration of Quorum	2
Presented by Melanie Murry	
<hr/>	
3. Approval of Meeting Minutes for December 8, 2021	3
For Approval - Presented by Carol Roberts	
 December 2021 Audit Committee Minutes -Final.docx	4
<hr/>	
4. Summary of Audit Reports Issued	11
Presentation - Presented by Vicki Deaton	
 1 Agenda Item- Summary of Audit Reports Issued.docx	12
 2 Audit Report Summary.xlsx	13
<hr/>	
5. Audit Issue Follow-up	14
Presentation - Presented by Vicki Deaton	
 1 Agenda Item - Audit Issue Follow-Up.docx	15
 2 Audit Issue Follow Up List.xlsx	16
<hr/>	
6. External Audit Report - University of Memphis Foundation Financial Statements, 6/30/2021	17
Presentation - Presented by Vicki Deaton	
 1 Agenda Item - UoM Foundation.docx	18
 2 UOM Fnd Audit FY 2021.pdf	20
<hr/>	

7. External Audit Report - University of Memphis Auxiliary Services Foundation Financial Statements, 6/30/2021 Presentation - Presented by Vicki Deaton	45
 1 Agenda Item - ASF.docx	46
 2 ASF Financial Statements FY21.pdf	48
<hr/>	
8. External Report - Application of Agreed-Upon Procedures to the University of Memphis' Intercollegiate Athletics Program Statement of Revenues and Expenses, 6/30/2021 Presentation - Presented by Vicki Deaton	68
 1 Agenda Item - NCAA Report.docx	69
 2 NCAA Audit Report FY2021.pdf	70
<hr/>	
9. Internal Audit Client Satisfaction Survey 2021 Presentation - Presented by Vicki Deaton	87
 1 Agenda Item - Satisfaction Survey 2021.docx	88
 2 2021 Internal Audit & Consulting Client Satisfaction Survey Results Report.pdf	89
<hr/>	
10. FY2021 Risk Assessment For Approval - Presented by Raajkumar Kurapati	103
 Agenda Item - Risk Assessment 2021 - For approval.docx	104
 Enterprise Risk Footprint 2021_.pdf	105
 Risk Assessment Report.pptx	108
<hr/>	
11. FY2021 Annual Financial Report and Internal Control Audit Status Presentation - Presented by Raajkumar Kurapati	117
 Agenda Item -2021 Annual Financial Report - Informational.docx	118
 FY2021 Audited Financials_U.pptx	119
<hr/>	
12. Compliance Update Presentation - Presented by Ceecy Reed	134
 Agenda Item - Compliance Update.docx	135
 Compliance_OIE_Update.pptx	136
<hr/>	

13. Foundation Website Re-Design Planning	145
For Discussion - Presented by Raajkumar Kurapati	
 Foundation Website Re-Design Planning (Raaj).pptx	146
<hr/>	
14. Additional Business	154
Presented by Carol Roberts	
<hr/>	
15. Adjournment	155
Presented by Carol Roberts	
<hr/>	

1. Call to Order and Opening Remarks

Presented by Carol Roberts

2. Roll Call and Declaration of Quorum

Presented by Melanie Murry

3. Approval of Meeting Minutes for December 8, 2021

For Approval

Presented by Carol Roberts

THE UNIVERSITY OF MEMPHIS
BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING MINUTES
DECEMBER 8, 2021

The Audit Committee of the University of Memphis Board of Trustees met on Wednesday, December 8, 2021, in-person at the Madison Academic Magnet High School on the Lambuth Campus in Jackson, TN.

I. CALL TO ORDER AND OPENING REMARKS

Trustee Springfield called the meeting to order.

II. ROLL CALL

Trustee Springfield recognized Secretary Melanie Murry.

Secretary Murry called the roll and instructed the trustees attending virtually to verify if they were alone and could hear her. The following trustees were in attendance:

Trustee Graf (participated virtually via Zoom and verified he was alone and could hear her.)
Trustee Johnson (participated virtually via Zoom and verified he was alone and could hear her.)
Trustee Riley
Trustee Edwards
Trustee Springfield

Secretary Murry recognized additional trustees that were in attendance:

Trustee North (participated virtually via Zoom.)
Trustee Martin (participated virtually via Zoom.)

Secretary Murry announced the presence of a quorum.

Secretary Murry acknowledged Trustee Roberts' attendance (participated virtually via Zoom) before Raaj Kurapati presented the risk assessment process update.

III. APPROVAL OF MEETING MINUTES FOR AUGUST 25, 2021

Trustee Springfield called for a motion to approve the meeting minutes for August 25, 2021. The motion was made by Chairman Edwards and properly seconded. A roll call vote was taken and unanimously approved.

IV. SUMMARY OF AUDIT REPORTS ISSUED

Trustee Springfield recognized Chief Audit Executive, Vicki Deaton to present items four (4) through seven (7).

Chief Audit Executive, Vicki Deaton presented the summary of audit reports issued. Ms. Deaton stated Internal Audit and Consulting had four (4) reports. Ms. Deaton stated one (1) of the reports was a consulting report and the three (3) remaining were audit reports. Ms. Deaton stated The Center for Innovative Teaching and Learning Financial and Compliance Audit and the University Libraries Financial and Compliance Audit were considered departmental audits due to the broadness and evaluation of financial and compliance issues. Ms. Deaton showed the results of both audits and stated two (2) of the issued action plans were completed already this quarter. Ms. Deaton stated the Controls over Changes to Vendor Electronic Information “Limited Official Use Only” Consulting Project Report was the consulting project performed by Internal Audit and Consulting at the request of Business and Finance. Ms. Deaton stated there were three (3) observations and a recommendation for the report. Ms. Deaton stated this audit was different because the University did not have identified audit issues, however an attempt to distribute information to management did occur. The final audit is the Audit of President’s Expenses Report. Ms. Deaton stated the Audit of President’s Expenses is required by the Legislature and must be completed annually according to the Tennessee Code.

Ms. Deaton stated if there were no questions she would move to the next item, none were provided.

V. SUMMARY OF AUDIT ISSUE FOLLOW-UP

Ms. Deaton presented the summary of audit issue follow-up. Ms. Deaton stated once Internal Audit and Consulting completes audits, projects, and identifies issues, they collaborate with management to develop corrective action plans to address issues that are identified. Ms. Deaton stated that Internal Audit and Consulting tracks the progress, and after the audit is completed Internal Audit and Consulting reviews the initial action plan and evaluates if the corrective action plan was successful.

Ms. Deaton stated this quarter Internal Audit and Consulting evaluated an issue identified in the NIST SP 800-171 Compliance Readiness Assessment and labeled the audit issue complete after collaborating with Dr. Robert Jackson, Chief Information Officer. Ms. Deaton stated there were six (6) issues from the Contract Monitoring Controls audit. Ms. Deaton stated four (4) of the six (6) issues had plans and were completed. Ms. Deaton stated Internal Audit and Consulting is collaborating with Procurement and Contract Services on two (2) of the issues to evaluate what actions are needed and possibly identify a new action plan. Ms. Deaton stated that after Procurement and Contract Services creates final action plans, they will be issued new due dates, and Internal Audit and Consulting will revisit at a later date.

VI. EXTERNAL AUDIT REPORT – UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION FINANCIAL STATEMENTS, 6/30/2021

Ms. Deaton addressed the questions Trustee Kemme asked during the Governance and Finance Committee meeting. Ms. Deaton informed Trustee Kemme that Internal Audit and Consulting reviews the financial reports for the different entities. Ms. Deaton stated the University has internal policies that require any audits or reviews performed at the University be sent to Internal Audit and Consulting for evaluation. Ms. Deaton stated this allows Internal Audit and Consulting to communicate with the different entities that need to be aware of the project, and

to present the reports during the Audit Committee meeting. Ms. Deaton stated that for the December 2021 Audit Committee meeting, Internal Audit and Consulting was able to present two (2) of the audit reports, however the other two (2) audit reports are waiting to be finalized by the respective governing boards. Ms. Deaton stated that the two (2) audit reports being presented in this Audit Committee meeting are the University Research Foundation and Herff Trust audit reports. Ms. Deaton stated that at the March 2022 Audit Committee meeting, the Audit Committee will be presented with the University of Memphis Foundation and the Auxiliary Services Foundation audit reports. Chief Financial Officer, Raaj, Kurapati stated the University received the finalized reports for the University of Memphis Foundation and the Auxiliary Services Foundation and no issues were identified. The Auxiliary Services Board accepted the audit report last week. Mr. Kurapati stated the University of Memphis Foundation Board, would vote to accept the audit report on December 9, 2021. Mr. Kurapati stated he would provide Trustee Kemme a preliminary distribution of the reports prior to the March 2022 meeting.

Ms. Deaton presented the external audit report for the University of Memphis Research Foundation. Ms. Deaton stated the financial statements were issued on June 30, 2021. Ms. Deaton gave a summary of the information that was in the report, such as the management discussion analysis, information about the research foundation, UMRF Ventures, the payroll at the fiscal year end, and the number of students that were employed. Ms. Deaton stated the financial report states the University of Memphis is the sole beneficiary of the Research Foundation, is a component unit of the University and is discretely presented in the University's financial statements. Ms. Deaton stated the independent CPA firm, Fouts and Morgan, was hired to conduct the audit and issued their opinion on September 30, 2021, that the financial statements are fairly presented. Ms. Deaton stated the independent CPA firm also reviews internal controls over financial reporting and evaluates if there were any weaknesses reported, none were identified. Ms. Deaton stated the firm must review certain areas of noncompliance related to grants, certain laws, and regulations. Ms. Deaton stated no instance of noncompliance was identified that needed to be reported by the University. Dr. Rudd addressed Trustee Kemme and stated that the funds from the Research Foundation are distributed to pay the student employees within the foundation, the five (5) management positions of UMRF Ventures, and the funds returned to the research foundation are used to fund professorships, which has 10 currently being funded.

Trustee Kemme asked a question about the letter from the auditor as it related to auditing of internal controls. Ms. Deaton responded by stating that in the back of the statements, there is a brief evaluation of internal controls over financial reporting. Ms. Deaton stated if a weakness is found the firm would have to disclose their finding. Mr. Kurapati commented that government auditing standards requires the firm to report on internal controls because they operate as a 501(c)(3). Mr. Kurapati gave an overview of what the State Auditors do with the reports once they receive them from the external auditors.

VII. EXTERNAL AUDIT REPORT – THE HERFF TRUST FINANCIAL STATEMENTS, 6/30/2021

Ms. Deaton presented the external audit report for the Herff Trust. Ms. Deaton stated Herff Trust financial statements were completed on June 30, 2021. Ms. Deaton gave an overview of the Herff Trust and stated the Herff Trust is a blended component unit of the University. Ms. Deaton stated that the Herff Trust Board hired the independent firm Fouts and Morgan to conduct the audit. Ms. Deaton stated that Fouts and Morgan issued their opinion on September 30, 2021, that the financial statements are fairly presented. Ms. Deaton stated no deficiencies in internal controls over financial reporting that would be considered material weaknesses and no matters of non-compliance were identified.

Ms. Deaton concluded her presentation and opened for questions. Trustee Springfield asked if there were any questions for Ms. Deaton, none were provided.

VIII. RISK ASSESSMENT PROCESS UPDATE

Secretary Murry acknowledged Trustee Roberts' attendance participating virtually via Zoom.

Trustee Springfield recognized Executive Vice President and Chief Financial Officer, Raaj Kurapati.

Mr. Kurapati presented the risk assessment process update. Mr. Kurapati stated T.C.A., and University policy requires the University to conduct an annual comprehensive risk assessment process. Mr. Kurapati stated the presentation was the annual update for the Board and shows where the University is in the process and the next steps. Mr. Kurapati stated the University must verify it has a process in place with the Treasurer of the State of Tennessee by having the President of the University execute a letter. Mr. Kurapati stated the risk assessment process is evolving and had not been robust and constantly reviewed. Mr. Kurapati stated Dr. Rudd stated this exercise needed to be more comprehensive and involving, so the process was expanded to include more stakeholders to identify risks the University encounters. Mr. Kurapati stated the process continues to be adjusted so it becomes a living and breathing document that is updated frequently.

Mr. Kurapati presented an overview of the State of Tennessee requirements for the assessment. Mr. Kurapati stated the University used the Crawford model that was employed by the Tennessee Board of Regents. Mr. Kurapati discussed the outputs of the exercise and the limitations that were found. Mr. Kurapati stated the current limitation of the process is that it is manual and limits the ability for risk footprint and related reporting to be actively monitored. Mr. Kurapati stated the University is evaluating technology to help with monitoring. Mr. Kurapati presented a table to show the University's risk assessment exercise flows, the assessment expectation for 2021, the questions the University asked and the desired outcomes. Mr. Kurapati stated that the University is searching for a platform that allows the use of technology to make the process more involved and interactive, and not just an annual process. Mr. Kurapati presented the timeline of the risk assessment process and stated a final presentation showing the results will be presented at the March 2022 Board meeting. Mr. Kurapati also stated that conversations are occurring with the process centers to review the risks for any updates or additions. Mr. Kurapati stated this would trigger the creation of the

draft updated risk footprint and enable Dr. Rudd to send the certification to the State Treasurer of Tennessee to show that the University has a process. Mr. Kurapati stated the footprint would be updated and receive an updated overall risk footprint with the appropriate internal controls and mitigating risk.

Mr. Kurapati concluded his presentation and opened for questions.

Trustee Springfield commented on the importance of the process and that every stakeholder should consider themselves a risk manager. Trustee Springfield stated the minute people stop thinking of themselves as risk managers the University becomes vulnerable. Trustee Springfield encouraged the leadership team when completing evaluations for their employees, to evaluate if the employee acted with a risk mindset. Trustee Springfield expressed her appreciation to Mr. Kurapati for his leadership on the topic. Dr. Rudd also commented that the University has expanded the involvement and engagement in the risk assessment process and now the process has transitioned from a central process to a local process. Dr. Rudd stated that moving from a central to a local process has been more effective, especially with risk variables such as enrollment and it was important for faculty, chairs, and program directors to understand how it related to the overall University function specifically with financial risks. Mr. Kurapati stated that due to the importance of risks an Executive Director was hired. Mr. Kurapati stated Executive Director of Business Continuity and Risk Management, Mark Heath has been identifying gaps and tools needed for the University to take risk management to the next level and make the process more active and interactive.

Trustee Springfield asked if there were any other comments or questions, none were provided.

IX. COMPLIANCE AND COMPLIANT TRIAGE TEAM UPDATE

Trustee Springfield recognized Interim Director for the Office Institutional Equity, Ceecy Reed.

Ms. Reed stated in Fall 2021 the Office of Institutional Equity (OIE) conducted its first compliance assessment on the Office of Environmental Health and Safety. Ms. Reed stated the assessment involved six (6) steps such as, an opening conference with the department of leadership, the completion of the assessment questionnaire by the department, the document review, interviewing of staff, and issuing of the assessment report. Ms. Reed stated 50 percent of the assessment for the Office of Environmental Health and Safety is complete, and the interviews were scheduled with the staff. Ms. Reed stated after the interviews occur the report will be issued, and a closing conference will be conducted. Ms. Reed stated for the academic year OIE has scheduled assessments for the Office of Institutional Research, Redui E. Scheidt School of Music, Institutional Animal Care and Use Committee, and Campus Planning and Design. Ms. Reed stated OIE currently has dates set tentatively for the assessments to begin.

Ms. Reed stated the Compliance Council met for its Fall meeting and within that meeting the Compliance website, Compliance Assessments, IT Security Awareness, and having council meetings occur quarterly was discussed.

Ms. Reed provided a Complaint Triage Team update. Ms. Reed stated at the beginning of the fiscal year in July 2021 there were five (5) allegations and three (3) of those allegations are closed. Ms. Reed stated the compliance website, which is located on the Office for Institutional Equity's website is active. Ms. Reed stated on the website is the University's Code of Ethics and Compliance policy, various resources, Title IX and Title VI trainings, and individuals can make complaints.

Ms. Reed concluded her presentation and opened for questions.

Trustee Springfield asked if there were any questions.

Ms. Murry stated the Complaint Triage Team and the Policy Review Board discussed educating and providing training to the campus community and working toward this goal in the new year. Ms. Murry stated the plan is to evaluate the University's policies and make sure the campus community is educated not only on the new policies that have been implemented but to educate the community in a broader realm.

Trustee Springfield asked if there were any other questions, none were provided.

X. INFORMATION SECURITY UPDATE

Trustee Springfield recognized Chief Information Officer, Dr. Robert Jackson. Dr. Jackson presented the information security update. Dr. Jackson stated there are a few risks that Information Technology Services (ITS) keeps track of through IT Security efforts such as financial and reputational risk. Dr. Jackson presented the model used to define the approach ITS is using for IT Security risks. Dr. Jackson stated ITS has designated staff who constantly monitor threats and address risks. Dr. Jackson presented a graphic that demonstrated the policies, technologies, and people at the University at various levels to protect the University.

Dr. Jackson gave an overview of the current status at the University. Dr. Jackson stated ITS enhanced the University's database encryption standards by encrypting all the University's enterprise databases and took the stance by default regardless of if the database has sensitive information stored. Dr. Jackson stated ITS has completed its engagement and is moving toward collaborative efforts with the Office of Sponsored Programs. Dr. Jackson stated he and Dr. Jasbir Dhaliwal, along with their staff created processes to help the researchers comply with the specific requirements of the NIST SP 800-171. Dr. Jackson stated assistant security plan templates were developed and training was given to the research community and the Office of Sponsored Programs. Dr. Jackson also stated the new IT Security awareness training portal was launched and next year ITS will implement internal phishing training. Dr. Jackson stated plans were made to move forward to implement additional security controls in academic units and the enterprise of network access controls, and ITS will be expanding access controls to the Administration Building, Health Center, and Wilder Tower starting in the Spring semester. Dr. Jackson stated ITS also expanded the University's capabilities to detect vulnerabilities and had the Microsoft capabilities enabled. Dr. Jackson stated responses under EDR services was implemented earlier in the year and it is working well. Dr. Jackson stated the service has been effective and provided increased protected for the University.

Dr. Jackson presented a graph to show the efforts done to decrease suspicious accounts and stated accounts are monitored, and steps are taken to deactivate those suspicious accounts. Dr. Jackson stated the number of suspicious accounts showed no movement the last couple of months. Dr. Jackson stated ITS will evaluate other areas at the University to expand its analysis capabilities. Dr. Jackson presented the IT security engagements of the last 4 quarters. Dr. Jackson stated there were a couple reports, which were mostly spam, however nothing major occurred. Dr. Jackson discussed ITS' next steps as well as the new changes and requirements to the cyber liability insurance and stated the University is in good standing with the changes and will continue to make improvements. Dr. Jackson stated ITS will enhance the suspicious activity monitoring, enhance disaster recovery, and prepare for future CMMC efforts. Dr. Jackson stated the CMMC program moved from 5 levels to 3 levels. Dr. Jackson stated because of the University's efforts in the NIST SP 800-171, the University will likely move to level one for the CMMC certification, which will allow work to begin on level two. Dr. Jackson also stated ITS is identifying any needs for the department for the FY2023 SRI budget cycle.

Dr. Jackson concluded his presentation.

Trustee Springfield asked if there were any questions, none were provided.

XI. ADDITIONAL BUSINESS

No additional business.

XII. ADJOURNMENT

Trustee Springfield adjourned the meeting to executive session.

4. Summary of Audit Reports Issued

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 1, 2022

Committee: Audit Committee

Presentation: Summary of Audit Reports Issued

Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

One audit report and one assessment report were issued since the last meeting. Summarized information is included in the attached table.

Name of Audit Report	Date of Audit Report	Audit Engagement Report Opinion	Observations	Minor Issues - Addressed Verbally	Minor Issues	Moderate Issues	Major Issues	Recommendations for Consideration by University Management	Issues Outstanding from Prior Audit
Fixed Asset Audit Report	2/21/2022	Insufficient and Requires Improvement	0	0	5	1	0	0	0
IT Governance	2/16/2022	Generally in Compliance. No Significant Deficiencies Noted.	0	0	0	0	0	0	0

5. Audit Issue Follow-up

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 1, 2022

Committee: Audit Committee

Presentation: Summary of Audit Issue Follow Up

Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

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

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, 2022)
6/30/2021	Contract Monitoring Controls Audit	11/11/2020	Effective with Opportunity for Improvement	Contract Monitoring 5	Noncompliance with Policy Requirement for Contract Monitoring Provision in Contracts	Minor = Effective with Opportunity for Improvement	Nick Pappas, Executive Director, Procurement and Contract Services	Complete
6/30/2021	Contract Monitoring Controls Audit	11/11/2020	Effective with Opportunity for Improvement	Contract Monitoring 6	Noncompliance with Policy Requirement for Right to Audit Clause in Contracts	Minor = Effective with Opportunity for Improvement	Nick Pappas, Executive Director, Procurement and Contract Services	Complete
8/31/2021	"Limited Official Use Only" NACHA - WEB Transactions Data Security Audit - FY2021	2/22/2021	Insufficient and Requires Improvement	NACHA 1	TouchNet Marketplace Site Controls Weakness	Moderate = Insufficient and Requires Improvement	George Ninan, Assistant Vice President and University Controller	Complete
12/31/2021	Risk Assessment – Human Resources Internal Control Footprint Audit	4/6/2021	Effective with Opportunity for Improvement	Management Reported Internal Controls Needed Improvement	1) Online Feedback and Suggestions, 2) HR Newsletter and Focus on Finance & HR Meetings, and 3) Lunch and Learn Series	Effective with Opportunity for Improvement	Maria Alam, Human Resources Associate Vice President and Chief Human Resources Officer	Complete

6. External Audit Report - University of Memphis Foundation Financial Statements, 6/30/2021

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 1, 2022

Committee: Audit Committee

Presentation: External Audit Report – University of Memphis Foundation Financial Statements, Years Ended June 30, 2021 and 2020

Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

The University is subject to external audits, and according to UofM Policy GE2016 Notification of External Audits and Reviews, it is the responsibility of the primary contact person for the program or activity being reviewed to notify Internal Audit of an external audit or review as early in the process as possible. After the audit or review is complete, the primary contact will usually receive notice of the results in writing. The primary contact (or designee) should forward a copy of the results to Internal Audit. The responsibility for Internal Audit under this policy includes reporting occurrences of external reviews and audits to the Audit Committee, Division of State Audit and others as the circumstances may dictate. Also, TCA 4-4-113 requires notification of federal award noncompliance, or any deficiency related to compliance with federal statutes, regulations, or the terms and conditions of a federal award, to the Tennessee Comptroller of the Treasury and the Commissioner of Finance and Administration.

On December 6, 2021, the University of Memphis Foundation Financial Statements, Years Ended June 30, 2021 and 2020 were issued. The University of Memphis Foundation (Foundation) is considered a component unit of the University and is discretely presented in the University's financial statements. The Foundation's financial statements are presented for informational purposes.

The Foundation is a not-for-profit, tax-exempt corporation chartered in 1964 in the State of Tennessee. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Foundation operations are funded by the annual endowment administrative fee.

The Foundation engaged an independent external CPA firm, Dixon Hughes Goodman LLP, to perform an audit of the financial statements of the Foundation. The independent auditor's opinion stated that the financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, the auditors also issued a report dated December 6, 2021, on their consideration of the Foundation's internal control over financial reporting and their tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements.

The purpose of the report is to describe the scope of the auditor's testing of internal control over financial reporting and compliance, and the results of that testing - not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance.

The auditors did not identify any deficiencies in internal control that they considered to be material weaknesses during their limited consideration of internal control over financial reporting. Also, their tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



The University of Memphis Foundation

Financial Statements

Years Ended June 30, 2021 and 2020



Table of Contents

Board of Directors and Financial/Administrative Directors.....	1
Independent Auditors' Report.....	2
Financial Statements:	
Statements of Financial Position.....	4
Statements of Activities.....	5
Statements of Functional Expenses.....	7
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	22

Board of Directors*

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

Financial/Administrative Directors*

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

* As of November 2021



Independent Auditors' Report

Board of Directors
The University of Memphis Foundation
Memphis, Tennessee

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

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

Prior Period Financial Statements

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Memphis, Tennessee
December 6, 2021

The University of Memphis Foundation
 Statements of Financial Position
 June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 1,581,356	\$ 4,666,916
Contributions receivable, net	13,103,196	9,161,705
Accrued interest, dividends, and other receivables	1,432	187,498
Investments, at fair value	160,567,903	128,003,339
Cash surrender value of life insurance	<u>142,915</u>	<u>135,022</u>
Total assets	<u>\$ 175,396,802</u>	<u>\$ 142,154,480</u>
LIABILITIES AND NET ASSETS		
Accounts payable, primarily to The University of Memphis	\$ 4,268,756	\$ 7,529,643
Gift annuity obligations	<u>147,750</u>	<u>148,925</u>
Total liabilities	4,416,506	7,678,568
Net assets:		
Without donor restrictions	4,044,010	2,157,645
With donor restrictions	<u>166,936,286</u>	<u>132,318,267</u>
Total net assets	<u>170,980,296</u>	<u>134,475,912</u>
Total liabilities and net assets	<u>\$ 175,396,802</u>	<u>\$ 142,154,480</u>

The University of Memphis Foundation
Statement of Activities
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and other revenue:			
Contributions	\$ 212,023	\$ 31,764,147	\$ 31,976,170
Investment income, net of expenses	455,485	1,540,987	1,996,472
Net realized and unrealized gains on investments	868,886	32,563,813	33,432,699
Other income	282,463	1,145,983	1,428,446
	<u>1,818,857</u>	<u>67,014,930</u>	<u>68,833,787</u>
Net assets released from restrictions	<u>32,396,911</u>	<u>(32,396,911)</u>	<u>-</u>
Total support and other revenue	<u>34,215,768</u>	<u>34,618,019</u>	<u>68,833,787</u>
Operating expenses:			
University support and operational cost	25,365,531	-	25,365,531
Awards and scholarships	5,798,030	-	5,798,030
Management and general	882,782	-	882,782
	<u>32,046,343</u>	<u>-</u>	<u>32,046,343</u>
Total operating expenses	<u>32,046,343</u>	<u>-</u>	<u>32,046,343</u>
Change in net assets from operating activities	<u>2,169,425</u>	<u>34,618,019</u>	<u>36,787,444</u>
Nonoperating activities:			
Bad debt expense	283,060	-	283,060
	<u>283,060</u>	<u>-</u>	<u>283,060</u>
Change in net assets from nonoperating activities	<u>283,060</u>	<u>-</u>	<u>283,060</u>
Change in net assets	<u>1,886,365</u>	<u>34,618,019</u>	<u>36,504,384</u>
Net assets, beginning of year	<u>2,157,645</u>	<u>132,318,267</u>	<u>134,475,912</u>
Net assets, end of year	<u>\$ 4,044,010</u>	<u>\$ 166,936,286</u>	<u>\$ 170,980,296</u>

The University of Memphis Foundation
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:			
Contributions	\$ 159,335	\$ 12,170,886	\$ 12,330,221
Investment income, net of expenses	160,164	1,694,216	1,854,380
Net realized and unrealized gains (losses) on investments	201,810	(3,040,426)	(2,838,616)
Other income	-	6,009,798	6,009,798
	<u>521,309</u>	<u>16,834,474</u>	<u>17,355,783</u>
Net assets released from restrictions	<u>21,059,957</u>	<u>(21,059,957)</u>	<u>-</u>
Total support and other revenue	21,581,266	(4,225,483)	17,355,783
Operating expenses:			
University support and operational cost	18,391,258	-	18,391,258
Awards and scholarships	6,847,457	-	6,847,457
Management and general	720,415	-	720,415
	<u>25,959,130</u>	<u>-</u>	<u>25,959,130</u>
Change in net assets from operating activities	(4,377,864)	(4,225,483)	(8,603,347)
Nonoperating activities:			
Bad debt recoveries	<u>(527,797)</u>	<u>-</u>	<u>(527,797)</u>
Change in net assets from nonoperating activities	(527,797)	-	(527,797)
Change in net assets	(3,850,067)	(4,225,483)	(8,075,550)
Net assets, beginning of year	<u>6,007,712</u>	<u>136,543,750</u>	<u>142,551,462</u>
Net assets, end of year	<u>\$ 2,157,645</u>	<u>\$ 132,318,267</u>	<u>\$ 134,475,912</u>

The University of Memphis Foundation
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services			Support Services	
	University Support and Operational Cost	Awards and Scholarships	Total	Management and General	Total
Salaries and benefits	\$ 453,781	\$ -	\$ 453,781	\$ 521,338	\$ 975,119
Conferences and travel	16,961	-	16,961	258	17,219
Supplies	307,481	-	307,481	6,382	313,863
Postage	24,935	-	24,935	1,152	26,087
Printing	56,003	-	56,003	124	56,127
Telephone and communications	12,989	-	12,989	1,603	14,592
Maintenance and repairs	1,423	-	1,423	-	1,423
Audit services	-	-	-	25,112	25,112
Legal services	-	-	-	3,208	3,208
Annuity expenses	18,264	-	18,264	-	18,264
Professional services	740,493	-	740,493	4,400	744,893
Publicity/public relations	3,610	-	3,610	-	3,610
Rental fees	24,491	-	24,491	-	24,491
Insurance other	6,954	-	6,954	13,955	20,909
Other expenses	7,546,353	-	7,546,353	282,463	7,828,816
Dues and membership subscriptions	157,864	-	157,864	140	158,004
Meals and entertainment	36,403	-	36,403	-	36,403
Tickets	206	-	206	-	206
Sponsorships and donations	82,150	-	82,150	-	82,150
Gifts and flowers	27,224	-	27,224	85	27,309
Fees	344,593	-	344,593	22,562	367,155
Honorariums	9,725	-	9,725	-	9,725
University support	12,440,509	-	12,440,509	-	12,440,509
USA grants special projects	2,601,653	-	2,601,653	-	2,601,653
USA chairs professorships	-	579,879	579,879	-	579,879
Awards	-	266,861	266,861	-	266,861
Furniture and equipment	85,943	-	85,943	-	85,943
Construction and renovation	365,523	-	365,523	-	365,523
Scholarships	-	4,522,285	4,522,285	-	4,522,285
Fellowships	-	365,532	365,532	-	365,532
Interns and graduate assistants	-	63,473	63,473	-	63,473
	<u>\$ 25,365,531</u>	<u>\$ 5,798,030</u>	<u>\$ 31,163,561</u>	<u>\$ 882,782</u>	<u>\$ 32,046,343</u>

The University of Memphis Foundation
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Support Services	
	University Support and Operational Cost	Awards and Scholarships	Total	Management and General	Total
Salaries and benefits	\$ 1,142,043	\$ -	\$ 1,142,043	\$ 573,941	\$ 1,715,984
Moving expenses	7,705	-	7,705	-	7,705
Conferences and travel	140,210	-	140,210	252	140,462
Supplies	540,607	-	540,607	5,262	545,869
Postage	15,441	-	15,441	864	16,305
Printing	160,529	-	160,529	122	160,651
Telephone and communications	5,956	-	5,956	1,879	7,835
Maintenance and repairs	959	-	959	-	959
Audit services	-	-	-	29,664	29,664
Legal services	-	-	-	4,240	4,240
Annuity expenses	17,425	-	17,425	-	17,425
Professional services	1,347,064	-	1,347,064	6,909	1,353,973
Publicity/public relations	2,278,164	-	2,278,164	-	2,278,164
Rental fees	124,544	-	124,544	-	124,544
Insurance other	16,013	-	16,013	25,371	41,384
Other expenses	3,517,498	-	3,517,498	100	3,517,598
Dues and membership subscriptions	275,833	-	275,833	-	275,833
Meals and entertainment	654,026	-	654,026	1,169	655,195
Tickets	14,283	-	14,283	-	14,283
Sponsorships and donations	76,916	-	76,916	-	76,916
Gifts and flowers	53,301	-	53,301	175	53,476
Fees	592,029	-	592,029	70,467	662,496
Honorariums	14,000	-	14,000	-	14,000
University support	2,086,121	-	2,086,121	-	2,086,121
USA grants special projects	3,677,737	-	3,677,737	-	3,677,737
USA chairs professorships	-	500,523	500,523	-	500,523
Awards	-	198,502	198,502	-	198,502
Furniture and equipment	643,908	-	643,908	-	643,908
Construction and renovation	667,669	-	667,669	-	667,669
USA capital improvements	321,277	-	321,277	-	321,277
Scholarships	-	6,017,859	6,017,859	-	6,017,859
Fellowships	-	46,334	46,334	-	46,334
Interns and graduate assistants	-	84,239	84,239	-	84,239
	<u>\$ 18,391,258</u>	<u>\$ 6,847,457</u>	<u>\$ 25,238,715</u>	<u>\$ 720,415</u>	<u>\$ 25,959,130</u>

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

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 36,504,384	\$ (8,075,550)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Net realized and unrealized loss (gain) on investments	(33,432,699)	2,838,616
Bad debt expense (recovery)	283,060	(527,797)
Contributions restricted for endowment	(10,860,668)	(2,523,525)
Changes in operating assets and liabilities:		
Contributions receivable	(4,224,551)	9,870,323
Accrued interest, dividends, and other receivables	186,066	45,802
Accounts payable, primarily to The University of Memphis	(3,260,887)	(2,330,768)
Gift annuity obligations	(1,175)	438
	<u>(51,310,854)</u>	<u>7,373,089</u>
Net cash used in operating activities	(14,806,470)	(702,461)
Cash flows from investing activities:		
Change in cash surrender value of life insurance	(7,893)	(7,812)
Proceeds from sale of investments	35,614,548	221,221,629
Purchases of investments	(34,746,413)	(218,959,766)
Net cash provided by investing activities	860,242	2,254,051
Cash flows from financing activities:		
Contributions restricted for endowment	10,860,668	2,523,525
Net cash provided by financing activities	10,860,668	2,523,525
Net increase (decrease) in cash	(3,085,560)	4,075,115
Cash, beginning of year	4,666,916	591,801
Cash, end of year	<u>\$ 1,581,356</u>	<u>\$ 4,666,916</u>

1. Summary of Significant Accounting Policies

Organization and activities

The University of Memphis Foundation (the "Foundation") is a not-for-profit, tax-exempt corporation chartered in 1964 in the State of Tennessee. The Foundation accepts and manages private support to The University of Memphis ("University"). Leading citizens of the Mid-South area comprise an independent Board of Directors.

Basis of presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which requires the Foundation to report information about its financial position and operations according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to any donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The Foundation's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Foundation or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Support and revenue

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets. During the years ended June 30, 2021 and 2020, the Foundation released net assets with donor restrictions for scholarships, academic enrichment, capital improvements, and various other projects. See Note 6 for releases by purpose.

Cash

The Foundation recognizes all demand deposit accounts as cash. All money market funds are considered to be investments and no amounts are classified as cash equivalents.

Contributions receivable

Contributions receivable consist of unconditional promises to give and are recorded when the pledge is received. Contributions receivable that are expected to be collected within the next year are recorded at their net realizable value. Contributions receivable expected to be collected in subsequent years have been discounted to the present value of their net realizable value.

Receivables are stated at the amount management expects to collect from outstanding balances. Management monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon its assessments of the current status of individual accounts. Balances that are still outstanding after a reasonable period of time has elapsed are generally written off through a charge to the valuation allowance and a credit to the appropriate contribution receivable.

Conditional promises to give are not included as revenue until the conditions are substantially met. The Foundation had received conditional promises to give of \$7,111,182 and \$12,557,111 at June 30, 2021 and 2020, respectively. These potential contributions, if received, would generally be restricted for specific purposes stipulated by the donors.

Investment valuation and income recognition

The Foundation's investments are stated at fair value. Fair value is the price that would be received to sell an asset in an ordinary transaction between market participants at the measurement date. See Note 5 for a discussion of fair value measurements.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded when earned and dividends are recorded on the ex-dividend date. Net realized and unrealized gains (losses) on investments include the Foundation's gains and losses on investments bought and sold as well as held during the year and are included in revenues, gains and other support on the statement of activities. Investment expenses incurred on investments are included in investment income on the statement of activities.

Administrative fee

In order to cover expenses of the Foundation's operations and provide unrestricted funds for University support, an administrative fee of 2.0% was assessed on the carrying value of accounts invested in the endowment pool for the years ended June 30, 2021 and 2020. Effective May 2021, the fee assessed on the carrying value of accounts invested in the endowment pool was reduced from 2.00% to 1.50%. The fee covers the cost of business office operations, provides support for University of Memphis fundraising activities, and assists with other University of Memphis needs. Administrative fees earned were approximately \$1,614,000 and \$1,775,000 for the years ended June 30, 2021 and 2020, respectively.

Income taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly exempt from Tennessee state income taxes under applicable provisions of the Tennessee tax regulations. The Foundation's limited partnership investments generate unrelated business income or loss activity which is subject to federal income taxes. There was no unrelated business income tax expense ("UBIT") for the years ended June 30, 2021 and 2020.

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

Endowment funds

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which governs the state of Tennessee, the provisions of which apply to its endowment funds. Based on its interpretation of UPMIFA, the Foundation is required to act prudently when making decisions to spend or accumulate donor-restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor-restricted endowments funds. Interest and dividend income from the endowment funds are recorded as income on net assets with or without restrictions depending on the donor stipulations. See Note 7 for required disclosures of endowment funds.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Such estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenue and expenses. Significant financial statement estimates include those used in the valuation of certain investments, the allowance for uncollectible contributions, and the present value discount applied to contributions receivable. Management determines the estimate of the allowance for uncollectible contributions considering a number of factors, including historical experience and aging of accounts. Actual results could differ from those estimates.

Concentrations of credit risk

Due to the nature of its business and the volume of revenue activity, the Foundation can accumulate, from time to time, bank balances in excess of the insurance provided by federal deposit insurance authorities. The risk of maintaining deposits in excess of amounts insured by federal deposit authorities is managed by maintaining such deposits in high quality financial institutions.

Functional allocation of expenses

The costs of provided various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and support services benefited. The method of allocation for salaries and benefits was time and effort. All other expenses were allocated based on a full-time equivalent since they are incurred through invoices submitted by the University.

Adoption of accounting principle

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

Reclassifications

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

Recent accounting pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses on investments available for sale and purchased financial assets with credit deterioration. The new guidance is effective for reporting periods beginning after December 15, 2022. Early adoption of ASU No. 2016-13 is permitted. The effects of adopting ASU No. 2016-13 have not been determined.

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

Subsequent events

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

2. Liquidity and Availability

All assets of the Foundation are restricted for University support and expended for specific uses within the University. The budget allocation for Foundation operations for the years ended June 30, 2021 and 2020, was \$658,258 and \$642,159, respectively. Foundation operations are funded by the annual endowment administrative fee.

3. Contributions Receivable

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

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

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

4. Investments

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

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ -	\$ -	\$ 627,845	\$ 619,568
Limited partnerships and LLCs	12,236,034	19,523,924	20,280,896	22,634,309
Mutual funds	115,277,907	140,851,952	104,567,978	104,567,978
U.S. government securities	191,487	192,027	179,955	181,484
	<u>\$ 127,705,428</u>	<u>\$ 160,567,903</u>	<u>\$ 125,656,674</u>	<u>\$ 128,003,339</u>

5. Fair Value Measurements

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

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

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

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

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

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

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

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

U.S. government securities and corporate bonds: Valued at quoted prices from less active markets and/or quoted prices of securities with similar characteristics.

Limited partnerships: Valued using NAV or capital balances provided by the general partner or investment manager as a practical expedient to fair value.

Valuations provided by the general partners and investment managers are evaluated by management through accounting and financial reporting processes to review and monitor existence and valuation assertions. Management has instituted processes in the areas of initial due diligence, ongoing monitoring and financial reporting. Management also reviews interim financial information and reviews details of investment holdings to obtain an understanding of the underlying investments. Monitoring also includes obtaining and reviewing audited financial statements noting the type of opinion, basis of accounting, procedures pertaining to the valuation of alternative investments and comparison of audited valuation with the fund's valuation.

The University of Memphis Foundation
Notes to Financial Statements

The following tables set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of June 30, 2021 and 2020.

Assets at Fair Value as of June 30, 2021				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 38,030,027	\$ -	\$ -	\$ 38,030,027
International Equity	35,212,988	-	-	35,212,988
U.S. equity	<u>67,608,937</u>	-	-	<u>67,608,937</u>
Total mutual funds	140,851,952	-	-	140,851,952
U.S. government securities	-	<u>192,027</u>	-	<u>192,027</u>
Total investments in the fair value hierarchy	<u>\$140,851,952</u>	<u>\$ 192,027</u>	<u>\$ -</u>	<u>\$141,043,979</u>
Limited partnerships measured at NAV				<u>19,523,924</u>
Total				<u>\$160,567,903</u>

Assets at Fair Value as of June 30, 2020				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 619,568	\$ -	\$ -	\$ 619,568
Mutual funds:				
U.S. equity	69,452,242	-	-	69,452,242
Fixed income	<u>35,115,736</u>	-	-	<u>35,115,736</u>
Total mutual funds	104,567,978	-	-	104,567,978
U.S. government securities	-	<u>181,484</u>	-	<u>181,484</u>
Total investments in the fair value hierarchy	<u>\$105,187,546</u>	<u>\$ 184,484</u>	<u>\$ -</u>	<u>\$105,372,030</u>
Limited partnerships measured at NAV				<u>22,634,309</u>
Total				<u>\$128,003,339</u>

The University of Memphis Foundation
Notes to Financial Statements

The following table provides information related to investments that are valued based on NAV:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
June 30, 2021				
Hedged strategies- hedged equity ^(a)	\$ 295,498	\$ -	Annually	90 days
Private equity ^(b)	9,621,123	13,990,963	At Manager's discretion	N/A
Real assets ^(c)	7,767,531	3,101,543	At Manager's discretion	N/A
U.S. equity ^(d)	<u>1,839,772</u>	-	Multi-year	90 days
	<u>\$ 19,523,924</u>			
June 30, 2020				
Hedged strategies- hedged equity ^(a)	\$ 1,893,212	\$ -	Monthly/Quarterly/Annually	60-90 days
Private equity ^(b)	7,691,582	4,877,187	Upon liquidation	N/A
Real assets ^(c)	6,523,733	4,024,093	Upon liquidation	N/A
U.S. equity ^(d)	4,781,925	-	Quarterly	60-90 days
International equity ^(e)	<u>1,743,857</u>	-	Monthly/Quarterly	30-90 days
	<u>\$ 22,634,309</u>			

- a) **Hedged Strategies-Hedged Equity** - This category consists of funds of funds that make long and short position equity investments.
- b) **Private Equity** - This category consists of partnerships that invest primarily in U.S. based private companies. These investments cannot be voluntarily redeemed and are subject to sale based on market demand.
- c) **Real Assets** - This category consists of investment partnerships and funds that invest primarily in U.S. and foreign commercial real estate and natural resources. Some investments in this category allow quarterly redemption, but distributions during periods of illiquidity are restricted by gate constraints.
- d) **U.S. Equity** - This category generally consists of managers that invest primarily in equity securities of U.S. corporations. U.S. equity may include multiple styles (growth, value) and market capitalizations (small, mid, large). These investments will primarily be long-only.
- e) **International Equity** - This category will generally consist of managers that invest primarily in equity securities of corporations domiciled in foreign countries. International equity may include multiple styles (growth, value) and market capitalizations (small, mid, large). These investments will primarily be long-only.

6. Nature and Amounts of Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for a specified purpose:		
Alumni relations	\$ 504,963	\$ 491,509
Awards	370,357	349,995
Capital improvements (1)	(3,979,573)	5,501,087
Centers, institutes and labs	2,263,311	2,329,479
Contributions receivable, net	7,220,657	7,270,712
Departmental/academic enrichment	7,146,626	6,356,937
Gift annuities	31,826	23,876
Operations	86,905	291,887
Professorships/chairs/visiting scholars	391,059	255,809
Scholarships/fellowships	5,067,007	4,395,400
Special projects/lecture series/workshops	<u>11,164,923</u>	<u>8,563,370</u>
	<u>30,268,061</u>	<u>35,830,061</u>
 (1) The negative capital improvement balance is the result of the interfund advance discussed in note 8.		
Endowments:		
Subject to expenditure for a specified purpose:		
Alumni relations	392,187	114,131
Awards	1,567,460	489,905
Centers, institutes and labs	2,081,959	1,013,289
Departmental/academic enrichment	5,442,622	1,671,990
Professorships/chairs/visiting scholars	8,479,624	3,129,927
Scholarships/fellowships	19,071,858	5,466,503
Special projects/lecture series/workshops	<u>6,256,763</u>	<u>1,383,373</u>
	<u>43,292,473</u>	<u>13,269,118</u>
Perpetual in nature:		
Alumni relations	783,208	760,880
Awards	2,835,519	2,816,095
Centers, institutes and labs	2,783,933	2,256,227
Contributions receivable, net	5,882,539	1,890,982
Departmental/academic enrichment	10,191,966	10,177,570
Professorships/chairs/visiting scholars	15,613,447	15,482,388
Scholarships/fellowships	41,093,516	37,052,157
Special projects/lecture series/workshops	<u>14,191,624</u>	<u>12,782,789</u>
	<u>93,375,752</u>	<u>83,219,088</u>
Total endowment	<u>136,668,225</u>	<u>96,488,206</u>
Total net assets with donor restrictions	<u>\$ 166,936,286</u>	<u>\$ 132,318,267</u>

Net assets with donor restrictions that are perpetual in nature originated with contributions received to establish perpetual endowments. The endowment gift is to be held in perpetuity with the capital appreciation and earnings

**The University of Memphis Foundation
Notes to Financial Statements**

thereon to be used to provide financial assistance to deserving scholars, salary supplements and awards to attract and retain outstanding faculty members, visiting artists, and lecturers and to provide for various departmental and University needs.

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for a specified purpose:		
Alumni relations	\$ 64,292	\$ 457,669
Awards	111,973	32,545
Capital improvements	17,574,275	2,080,899
Centers, institutes and labs	619,548	1,304,984
Departmental/academic enrichment	1,574,819	2,537,147
Contributions receivable, net	283,296	-
Gift annuities	18,795	17,950
Operations	270,587	-
Professorships/chairs/visiting scholars	342,229	49,250
Scholarships/fellowships	4,596,761	7,262,445
Special projects/lecture series/workshops	<u>3,328,845</u>	<u>1,974,090</u>
	28,785,420	15,716,979
 Endowments:		
Subject to expenditure for a specified purpose:		
Alumni relations	26,460	24,431
Awards	71,240	46,692
Capital improvements	-	2,062
Centers, institutes and labs	77,728	85,094
Departmental/academic enrichment	1,123,268	3,176,094
Professorships/chairs/visiting scholars	800,462	463,716
Scholarships/fellowships	1,219,444	1,436,238
Special projects/lecture series/workshops	<u>292,889</u>	<u>108,651</u>
	<u>3,611,491</u>	<u>5,342,978</u>
	\$ 32,396,911	\$ 21,059,957

7. Endowment Funds

The University of Memphis Foundation's endowment accounts consist of donor-restricted endowment funds and include approximately 600 individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of The University of Memphis Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment funds and (b) the original value of subsequent gifts to the permanent endowment funds. The remaining portion of the donor-restricted

The University of Memphis Foundation
Notes to Financial Statements

endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2021	<u>\$ -</u>	<u>\$136,668,225</u>	<u>\$136,668,225</u>
June 30, 2020	<u>\$ -</u>	<u>\$ 96,488,206</u>	<u>\$ 96,488,206</u>

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

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

Underwater Endowments

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

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce consistent long-term growth of capital without undue exposure to risk.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Foundation has a policy of budgeting for expenditure each year a percentage of its endowment funds' average fair value over the prior twelve quarters through the fiscal year-end one year preceding the fiscal year in which the expenditure is planned. For fiscal years 2021 and 2020, this percentage was 4.00%. In establishing this policy, the Foundation considered the long-term expected return on its endowment funds. Accordingly, over the long term, the Foundation expects the current spending policy to allow for endowment growth. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Foundation has a policy that permits spending underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The Board of Directors appropriated for expenditures \$64,250 and \$69,038 from underwater endowment funds during the years ended June 30, 2021 and 2020, respectively, which represents 3% of the 12 quarter moving average, not the 4% it generally draws from its endowment.

8. Related Party Transactions

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

During fiscal year 2021, the Foundation entered an agreement with the Auxiliary Services Foundation (“ASF”), an affiliate within the University, to transfer future donated funds designated for University Athletics to ASF. ASF then obtained an unsecured bank loan in the amount of \$12,000,000 for the purposes of providing financial support to University Athletics due to short term financial shortfalls within University Athletics due to the impact of COVID-19 on University Athletics revenue. The Foundation is not a party to the loan agreement with the bank but has agreed to transfer future donations designated for University Athletics to the ASF to cover the debts service based on direction and approval from the University.

Interfund advance

The Foundation has agreed to advance up to \$10,976,899 to a Foundation fund as an interfund advance benefiting the athletic department of the University at a 4.00% annual interest rate for the purpose of providing financial support to allow the athletic department to undertake construction of a football practice facility in advance of receiving payment of donor funding commitments. The advance is to be repaid in full not later than June 30, 2025, and is secured by certain future collections of receivables and other collections related to certain Foundation funds benefitting the athletic department. Interfund advances totaling \$7,600,907 and \$8,067,510 were outstanding as of June 30, 2021 and 2020, respectively.

Contributed services

Based upon an operating agreement between the University and Foundation, the University provides office space and donation collection and processing services for the Foundation. The University provided contributed services under the terms of the operating agreement in the amount of \$282,463 and \$216,819 for the years ended June 30, 2021 and 2020, respectively.

9. Concentrations of Risk

Although the Foundation has a policy to maintain a diversified investment portfolio, its investments are subject to market and credit risks which may be affected by economic developments in a specific geographic region or industry.

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



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
The University of Memphis Foundation
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The University of Memphis Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, and cash flows and the related notes to the financial statements for the year then ended, and have issued our report thereon dated December 6, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting ("internal control") to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

There were no prior year findings reported.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Memphis, Tennessee
December 6, 2021

**7. External Audit Report - University of
Memphis Auxiliary Services Foundation
Financial Statements, 6/30/2021**

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 1, 2022

Committee: Audit Committee

Presentation: External Audit Report – Auxiliary Services Foundation Financial Statements, June 30, 2021

Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

On December 14, 2021, the Auxiliary Services Foundation Financial Statements, June 30, 2021, were issued. The financial statements are presented for your information according to the responsibilities for Internal Audit under UofM Policy GE2016 Notification of External Audits and Reviews, which includes reporting occurrences of external reviews and audits to the Audit Committee, Division of State Audit and others as the circumstances may dictate.

The Auxiliary Services Foundation (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). The Foundation accepts, administers, applies, and uses 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.

The Foundation's Board of Directors exercises financial oversight and reviews and approves the financial activity in accordance with the established bylaws. The Foundation is currently managing several capital projects for the University. The Foundation will continue to support the mission of the University to include the areas of capital projects, receipt of donations, contracts, auxiliary enterprises and other activities which benefit the University.

The Auxiliary Services Foundation engaged an independent external CPA firm, Fouts and Morgan, PC, to perform an audit of the financial statements of the Foundation. The independent auditor's opinion, dated December 14, 2021, stated that the financial statements present fairly, in all material respects, the financial position of Auxiliary Services Foundation as of June 30, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, the auditors also issued a report dated December 14, 2021, on their consideration of the Foundation's internal control over financial reporting and their tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of the auditor's testing of internal control over financial reporting and compliance, and the results of that testing - not to provide an

opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance.

The auditors did not identify any deficiencies in internal control that they considered to be material weaknesses during their limited consideration of internal control over financial reporting. Also, their tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

AUXILIARY SERVICES FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2021

AUXILIARY SERVICES FOUNDATION

CONTENTS

JUNE 30, 2021

	PAGE
Board of Directors and Management Official	1
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 6
Statement of Financial Position	7
Statement of Activities	8
Statement of Cash Flows	9
Notes to Financial Statements	10 - 14
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 <i>Government Auditing Standards</i>	15 - 16
Supplemental Schedules	
Schedule of Findings and Responses	17
Schedule of Prior Year Findings and Responses	18

AUXILIARY SERVICES FOUNDATION
BOARD OF DIRECTORS AND MANAGEMENT OFFICIAL
JUNE 30, 2021

BOARD OF DIRECTORS

Thomas G. Kadien	President (until 11/24/2021)
Richard A. Spell	Vice President (elected President 12/2/2021)
Fred A. Towler	Secretary
Raajkumar Kurapati	Treasurer
Dr. M. David Rudd	Director
Tim Argo	Director
John Hartney	Director (elected Vice President 12/2/2021)

MANAGEMENT OFFICIAL

Holly Ford	Associate Vice President
------------	--------------------------

To the Board of Directors
Auxiliary Services Foundation
Memphis, Tennessee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Auxiliary Services Foundation (a nonprofit organization) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Auxiliary Services Foundation as of June 30, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 6 be presented to supplement the basic financial statements. Such information, 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.

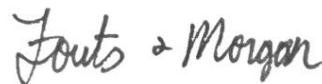
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Auxiliary Services Foundation's basic financial statements. The accompanying roster of the Board of Directors and Management Officials is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The roster of the Board of Directors and Management Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of Auxiliary Services 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 Auxiliary Services 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 Auxiliary Services Foundation's internal control over financial reporting and compliance.



FOUTS & MORGAN
Certified Public Accountants

Memphis, Tennessee
December 14, 2021

AUXILIARY SERVICES FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and the results of operations of The Auxiliary Services Foundation (the "Foundation") for the year ended June 30, 2021. 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 reports 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.

In addition to this MD&A section, the financial statements consist of a statement of financial position, a statement of activities, a statement of cash flows, and notes to the financial statements.

The statement of financial position is the Foundation's balance sheet. It reflects the total assets, liabilities, and net assets (similar to equity) of the Foundation as of June 30, 2021. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as noncurrent. Restricted net assets are grouped in the following categories:

- Restricted for capital projects
- Restricted in perpetuity

The statement of activities is similar to an income statement. It details how net assets have increased (or decreased) during the fiscal year ended June 30, 2021.

The statement of cash flows details how cash has increased (or decreased) during the year ended June 30, 2021. It breaks out the sources and uses of Foundation cash into the following categories:

- Operating activities
- Investing activities
- Financing activities

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

General

The Foundation is a nonprofit corporation established in Tennessee. The Foundation is an exempt organization organized for charitable, scientific, literary, and educational purposes pursuant to Internal Revenue Service code section 501(c)(3). The Foundation is organized to support the mission of the University which includes all activities, programs, and operations within the University.

AUXILIARY SERVICES FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

The Foundation's Board of Directors exercises financial oversight and reviews and approves the financial activity in accordance with the established bylaws. The Foundation is managed by a part-time Associate Vice President ("AVP") appointed by the Board to conduct business affairs for the Foundation. The Foundation reimburses the University for the cost associated with the AVP's compensation. The AVP and others within the University who provide support to the Foundation are University employees. The Foundation has no employees. The Foundation utilizes University facilities.

Financial Highlights and Key Trends

Fiscal 2021 was the third year of operation for the Foundation. The primary financial activities were:

- Operating activities
 - Transfers in of donations from affiliated University Foundations were primarily to pay expenses associated with University capital projects and other contracts entered into by the Auxiliary Services Foundation.
 - Expenditures were comprised primarily of various capital projects on behalf of the University of Memphis and operating support for the University Athletics program.

Statement of Net Assets

Current assets include cash and a receivable from the University of Memphis Foundation. Other assets include the cash value of life insurance policy and a donated historical document.

A summary of the major components of the net assets of the Foundation as of June 30, 2021 is as follows:

Assets	
Current assets	\$ 23,345,587
Other Assets	1,130,734
Total assets	<u>\$ 24,476,321</u>
Liabilities	
Current liabilities	\$ 7,369,510
Long-term liabilities	10,302,125
Total liabilities	<u>\$ 17,671,635</u>
Net Assets	
Without donor restrictions	
University athletics	\$ (732,862)
With donor restrictions	
Restricted for capital projects	6,787,548
Restricted in perpetuity	750,000
Total net assets	<u>\$ 6,804,686</u>

AUXILIARY SERVICES FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Statement of Activities

A summary of the statement of activities for the year, which ended on June 30, 2021 is as follows:

Operating revenues	\$ 9,276,607
Operating expenses	<u>8,212,053</u>
Change in net assets	<u>\$ 1,064,554</u>

Statement of Cash Flows

The primary source of cash receipts to fund operations came from transfers in from other University affiliated Foundations (donated funds to those entities for University capital projects) and investment income. Additionally, the Auxiliary Services Foundation entered into a loan arrangement with a private financial institution to support operational needs of the University of Memphis Athletic program. Primary outflows were for capital projects, operation support for the University of Memphis' athletic program and activities at the University paid by the Foundation. Cash outflows for certain other operating activities (insurance premiums, administrative costs, audit, and legal fees) are paid directly by the Foundation.

Future

The Foundation will continue to support the mission of the University, to include the areas of capital projects, receipt of donations, contracts, auxiliary enterprises and other activities, which benefit the University. All support will be in accordance with the charitable purposes of the Foundation, and in accordance with the charter and bylaws of the Foundation.

AUXILIARY SERVICES FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current Assets

Cash		\$ 22,830,197
Due from affiliate		459,912
Accounts receivable		55,478
Total current assets		23,345,587

Other Assets

Cash value of life insurance	\$ 330,734		
Historical document	750,000		
Other investment	50,000		
Total other assets		1,130,734	

Total Assets

\$ 24,476,321

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable		\$ 78,153
Due to affiliate		5,532,566
Investment commitment		42,125
Interest payable		18,791
Current portion of long-term debt		1,697,875
Total current liabilities		7,369,510

Long-term Liabilities

Notes payable, net of current portion		10,302,125
Total long-term liabilities		10,302,125

Net Assets

Without donor restrictions		
University athletics		\$ (732,862)
With donor restrictions		
Restricted for capital projects	\$ 6,787,548	
Restricted in perpetuity	750,000	
Net assets with donor restrictions		7,537,548
Total net assets		6,804,686

Total Liabilities and Net Assets

\$ 24,476,321

See accompanying notes to the financial statements.

AUXILIARY SERVICES FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Support and Revenue			
Transfers from affiliate organizations	\$ -	\$ 9,158,848	\$ 9,158,848
Investment income	-	117,759	117,759
Total support and revenue	-	9,276,607	9,276,607
Net Assets Released from Restrictions	<u>7,479,191</u>	<u>(7,479,191)</u>	<u>-</u>
Total support and revenue and net assets released from restrictions	7,479,191	1,797,416	9,276,607
Expenses			
Program - University Support			
Athletics - operating	5,468,428	-	5,468,428
Football Phase II - construction costs	1,011,950	-	1,011,950
Football field renovations	619,569	-	619,569
Park Avenue student housing project	449,964	-	449,964
Athletics debt service fee	188,464	-	188,464
Finch Plaza	138,125	-	138,125
Professional services	103,000	-	103,000
Pedestrian bridge	45,900	-	45,900
Real estate proposal	40,020	-	40,020
Equal opportunity scholars	39,137	-	39,137
Research Park	33,123	-	33,123
Natatorium facility improvements	10,265	-	10,265
Total program	<u>8,147,945</u>	<u>-</u>	<u>8,147,945</u>
Management and general			
Bank fees	2,489	-	2,489
Insurance	11,076	-	11,076
Office	143	-	143
Professional fees	29,849	-	29,849
Salaries and benefits	20,551	-	20,551
Total management and general	<u>64,108</u>	<u>-</u>	<u>64,108</u>
Total expenses	<u>8,212,053</u>	<u>-</u>	<u>8,212,053</u>
Change in Net Assets	(732,862)	1,797,416	1,064,554
Net Assets at June 30, 2020	<u>-</u>	<u>5,740,132</u>	<u>5,740,132</u>
Net Assets at June 30, 2021	<u>\$ (732,862)</u>	<u>\$ 7,537,548</u>	<u>\$ 6,804,686</u>

See accompanying notes to the financial statements.

AUXILIARY SERVICES FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

Cash Flows From Operating Activities

Cash received from transfers from University of Memphis Foundation	\$ 10,850,362
Cash received from transfers from University of Memphis Research Foundation	24,476
Cash received from investment income	76,106
Cash paid to vendors for University capital projects	(3,835,416)
Cash paid to vendors for general and administrative expenses	(39,885)
Cash paid for interest expense	(169,673)
Net cash provided by operating activities	<u>6,905,970</u>

Cash Flows From Financing Activities

Proceeds from long-term debt	<u>12,000,000</u>
------------------------------	-------------------

Change in cash 18,905,970

Cash at beginning of year 3,924,227

Cash at end of year \$ 22,830,197

Reconciliation of change in net assets to net cash used in operating activities:

Change in net assets	\$ 1,064,554
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Non-cash contributions	(50,000)
Changes in operating assets and liabilities	
Decrease (increase) in operating assets:	
Accounts receivable	(55,478)
Due from affiliate	1,640,958
Cash value of life insurance	(6,085)
Increase (decrease) in operating liabilities:	
Accounts payable	(1,091,545)
Due to affiliate	5,403,566
Net cash provided by (used in) operating activities	<u><u>\$ 6,905,970</u></u>

See accompanying notes to the financial statements.

AUXILIARY SERVICES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note A - Summary of Significant Accounting Policies

Organization and Activities

Auxiliary Services Foundation (the "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.

Basis of Accounting

The financial statements have been prepared using 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.

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.

Net Assets

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. 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.

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.

NOTES CONTINUED

Note A - Summary of Significant Accounting Policies - Continued

Revenue Recognition

The Foundation has analyzed the provisions of FASB's ASC Topic 606 (ASC 606), *Revenue from Contracts with Customers*, and has concluded that the effects of adopting ASC 606 were insignificant. Management identified its material revenue transaction streams are derived from organizations affiliated with the University and contributions which provide support for the Foundation. Transfers from affiliate organizations are recognized as revenue when the determination to transfer the assets is made by the transferring organization. Contribution revenue is recognized when written documentation is received and all conditions have been satisfied for the Foundation to be eligible to receive the contribution. Contributions of donated non-cash assets are recorded at their fair values at the time of receipt. Contributions of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The remaining revenue streams are all considered to be recognized at the point in time activities are held, investment income is received, and services are provided.

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 an asset or liability.

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

Note B - 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.

NOTES CONTINUED

Note B - Deposits with Financial Institutions - Continued

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 had deposits held in financial institutions which were in excess of FDIC coverage by \$22,580,197 at June 30, 2021.

Note C - Related Party Transactions

The Foundation received the following transfers from organizations affiliated to The University during the year ended June 30, 2021:

University of Memphis Foundation	\$ 10,850,362
University of Memphis Research Foundation	<u>24,476</u>
	<u>\$ 10,874,838</u>

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

At June 30, 2021, the Foundation was due \$459,912 from the University of Memphis Foundation and had a balance due to the University of Memphis in the amount of \$5,512,015. At June 30, 2021, accounts payable includes \$20,551 due to the University of Memphis.

Note D - 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 is valued at fair value determined by an independent appraiser.

Note E - Other Investment

On September 15, 2020, the Foundation committed \$50,000 as a capital contribution to establish Palos Equity Ventures, LLC which provided 99% ownership. The investment is valued at cost due to the limited transactions during the initial startup of entity. The Foundation has paid \$7,875 towards the commitment with a remaining balance as of June 30, 2021 of \$42,125.

NOTES CONTINUED

Note F - Net Assets with Donor Restrictions

Net assets are restricted for the following activities at June 30, 2021:

	<u>Capital Projects</u>	<u>Restricted in Perpetuity</u>	<u>Total Net Assets with Donor Restrictions</u>
Natatorium Facility Improvements	\$ 2,892,392	\$ -	\$ 2,892,392
Leftwich Tennis Center	2,517,650	-	2,517,650
Pedestrian Bridge	999,008	-	999,008
Indoor Football Facility Phase 2	229,520	-	229,520
Finch Plaza	148,978	-	148,978
Historical Document	-	750,000	750,000
	<u>\$ 6,787,548</u>	<u>\$ 750,000</u>	<u>\$ 7,537,548</u>

Note G - Net Assets without Donor Restrictions

During the year ended June 30, 2021, the Foundation Board of Directors decided to support the University Athletics department operating deficit in the amount of \$5,468,428. The remaining deficit of \$732,862 will be covered by proceeds to the University Athletics program transferred from the University of Memphis Foundation.

Note H - Commitments

The Foundation is currently managing capital projects for The University and is under obligation for the following contract for the project listed below:

	<u>Contract Amount</u>	<u>Expended through June 30, 2021</u>	<u>Commitment Remaining June 30, 2021</u>
Indoor Football Practice Facility Phase 2 Construction	<u>\$ 10,524,424</u>	<u>\$ 10,324,977</u>	<u>\$ 199,447</u>

Note I - Liquidity

All the net assets of the Foundation are restricted for the support of The University. The cash held in a financial institution in the amount of \$199,447 is restricted specifically for construction commitment noted above.

NOTES CONTINUED

Note J - Long-term Debt

Long-term debt on June 30, 2021 consisted of the following:

Promissory note, repayable in quarterly principal installments, accrues interest at a variable rate per annum equal to the thirty day LIBOR rate plus 2.15%. Note matures on December 10, 2027.	\$ 12,000,000
Less: Current portion	<u>(1,697,875)</u>
Debt - long-term	<u>\$ 10,302,125</u>

Future maturities of long-term debt are as follows:

Year Ending June 30,	
2022	\$ 1,697,875
2023	1,749,387
2024	1,802,462
2025	1,857,147
2026	1,913,492
Thereafter	<u>2,979,637</u>
	<u>\$ 12,000,000</u>

For the year ended June 30, 2021, interest expense charged to operations and included in program expenses amounted to \$169,673 and interest payable amount to \$18,791.

Note K - Other Matters

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. This has resulted in federal, state and local governments and private entities mandating various restrictions, including restrictions on public gatherings, stay at home orders and advisories, and quarantining of people who may have been exposed to the virus. The Company has implemented and continues to monitor risk mitigation tactics for its operations related to its transactions with customers, vendors, and others within and outside of the Company.

Note L - Subsequent Events

Management has evaluated subsequent events through December 14, 2021, the date the financial statements were available to be issued.

**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
Auxiliary Services Foundation
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Auxiliary Services Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Auxiliary Services 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 Auxiliary Services Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Auxiliary Services 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.

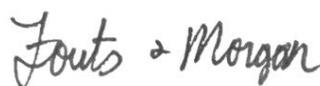
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Auxiliary Services 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 determination of financial statement amounts. 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.



FOUTS & MORGAN
Certified Public Accountants

Memphis, Tennessee
December 14, 2021

AUXILIARY SERVICES FOUNDATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2021

No matters were reported as findings and responses for the year ended June 30, 2021.

AUXILIARY SERVICES FOUNDATION
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
JUNE 30, 2021

No matters were reported as findings and responses for the year ended June 30, 2020.

8. External Report - Application of
Agreed-Upon Procedures to the
University of Memphis' Intercollegiate
Athletics Program Statement of Revenues
and Expenses, 6/30/2021

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Report For Information

Date: March 1, 2022

Committee: Audit Committee

Presentation Title: External Audit Report - Report on the Application of Agreed-Upon Procedures to the University of Memphis' Intercollegiate Athletics Program Statement of Revenues and Expenses for the year ended June 30, 2021

Presented by: Vicki D. Deaton, Chief Audit Executive

Report Synopsis:

The Athletics Program Statement of Revenues and Expenses for the year ended June 30, 2021 are presented for your information according to the responsibilities for Internal Audit under UofM Policy GE2016 Notification of External Audits and Reviews, which includes reporting occurrences of external reviews and audits to the Audit Committee, Division of State Audit, and others as the circumstances may dictate.

Internal Audit received an Independent Accountants' Report on the Application of Agreed-Upon Procedures to the University of Memphis' Intercollegiate Athletics Program Statement of Revenues and Expenses. The Agreed-Upon Procedures evaluated compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.17 for the year ended June 30, 2021, and was performed by the Tennessee Comptroller of the Treasury's Division of State Audit.

No opinion was expressed on compliance with NCAA requirements. One exception was noted. Any significant differences found between the amounts reported and the amounts on the summary were corrected on the Statement of Revenues and Expenses.



JASON E. MUMPOWER
Comptroller

January 14, 2022

Dr. M. David Rudd, President
The University of Memphis

Dear Dr. Rudd:

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 black ink that reads "Katherine J. Stickel".

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

cc: Ms. Vicki Deaton
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. M. David Rudd, President
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, 2021. 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 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 3.2.4.17 for the year ended June 30, 2021. 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 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.	Any significant differences found between the amounts reported and the amounts on the summary were corrected on the statement.

- Obtain the statement of revenues and expenses of the athletic programs and related notes for the year ended June 30, 2021, as prepared by management. Compare the amounts reported on the statement with the institution's general ledger.

No exceptions noted.

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.

No exceptions noted.

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

No exceptions noted.

- 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.

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

- 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

No exceptions noted.

calculation to supporting documents such as seat manifests, ticket sales reports, and student fee totals.

- 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 detail, 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 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. Revenues of this type did not exceed 4% of total revenues; 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. No exceptions noted.

(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 periods 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.

- Compare the in-kind contributions recorded by the institution during the reporting period with a schedule of in-kind donations and recalculate the totals.
- Obtain and inspect 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.
- Compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.
- 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.
- 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.
- Obtain and inspect agreements related to the institution's participation in revenues from

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

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

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

No exceptions noted.

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

No exceptions noted.

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.

- 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.
- 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.
- 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.

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

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

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

No exceptions noted.

No exceptions noted.

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

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 listing 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 detail for each selection and compare total aid in the institution's student system to the student's detail in Compliance Assistance (CA) or the institution report that ties directly to the NCAA Membership Financial Reporting System. Confirm information for each student selected was 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 institution's 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 to the institution's general ledger and/or statement. Recalculate totals.
- Obtain and inspect a listing 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 listing. 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.

No exceptions noted.

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

No exceptions noted.

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.

- Obtain and inspect a listing 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 listing. 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 third-party expenses recorded by the institution in the statement during the reporting period. Recalculate totals.
- 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 register 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.
- 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

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

No exceptions noted.

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

support staff/administrative other compensation and benefits expense recorded by the institution in the statement during the reporting period. Recalculate totals.

- Select a sample of employees receiving severance payments by the institution during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.
- Compare and agree the institution's recruiting policies to existing institutional- and NCAA-related policies. Obtain general ledger detail 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 detail and compare to the total expenses reported and recalculate totals.
- Obtain a listing 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, rental agreements). Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.

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

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

No exceptions noted.

No exceptions noted.

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 from Compliance Assistance or equivalent supporting equivalency calculations from the institution. Compare current year Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies.
- Obtain the institution's Sports Sponsorship and Demographics Forms Report for the reporting

No exceptions noted.

Due to COVID-19 and the NCAA Division 1 Council's corresponding

year. Validate that the countable sports reported met the minimum requirement as set forth in the bylaws. Once countable sports have been confirmed, ensure that the institution has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System. Compare current year number of Sponsored Sports to prior year reported total.

decision to issue a blanket waiver of the minimum sports sponsorship requirements, no exceptions were noted.

- 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 current year Pell Grants total to prior year reported total.

No exceptions noted.

Other reporting items

- Obtain general ledger detail 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.
- 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.
- Agree the total outstanding institutional debt to supporting documentation and the institution's audited financial statements (if available), or the institution's general ledger.
- 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

The institution did not report any excess transfers to the institution or conference realignment expenses; therefore, this step was not applicable.

No exceptions noted.

No exceptions noted.

No exceptions noted.

documentation, the general ledger, and audited financial statements, if available.

- Agree the total fair value of institutional endowments to supporting documentation, the institution's general ledger, and audited financial statements, if available.
- Obtain a schedule of athletics-related capital expenses made by athletics, the institution, and affiliated organizations during the reporting period. Obtain general ledger detail 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.

One exception was noted. For Other Reporting Item Line 55, Institutional Endowments were originally shown as \$171,720,647.83. The attached statement has the correct total of \$171,385,395.83.

No exceptions noted.

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, 2021. Accordingly, we do not express such an opinion or 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
January 14, 2022

University of Memphis
 Department of Intercollegiate Athletics
 Statement of Revenues and Expenses
 For the Year Ended June 30, 2021

	Football	Men's Basketball	Women's Basketball	Olympic Sports	Non-Program Specific	Total
Revenues						
Ticket sales	\$ 673,117.99	\$ 804,958.85	\$ 3,415.33	\$ 32,355.52	\$ -	\$ 1,513,847.69
Student fees	-	-	-	-	7,334,541.54	7,334,541.54
Direct institutional support	-	-	-	-	14,001,343.56	14,001,343.56
Indirect institutional support	-	-	-	-	2,574,526.51	2,574,526.51
Indirect institutional support - athletic facilities debt service, lease, and rental fees	123,736.64	-	-	-	315,213.85	438,950.49
Guarantees	-	-	-	15,000.00	-	15,000.00
Contributions	477,553.45	67,433.00	10,000.00	98,727.00	6,498,763.82	7,152,477.27
In-kind contributions	-	-	-	-	471,356.71	471,356.71
NCAA distributions	-	16,000.00	-	-	1,681,951.41	1,697,951.41
Conference distributions	-	-	-	-	6,625,082.45	6,625,082.45
Program, novelty, parking, and concession sales	634,937.00	276,707.25	-	-	135.00	911,779.25
Royalties, licensing, advertisements, and sponsorships	-	-	-	-	3,928,526.95	3,928,526.95
Athletics restricted endowment and investment income	-	-	-	1,281.20	4,025.19	5,306.39
Other operating revenues	-	-	245.00	29,664.00	389,633.28	419,542.28
Football bowl revenues	343,397.03	-	-	-	-	343,397.03
Subtotal operating revenues	2,252,742.11	1,165,099.10	13,660.33	177,027.72	43,825,100.27	47,433,629.53

**University of Memphis
Department of Intercollegiate Athletics
Statement of Revenues and Expenses
For the Year Ended June 30, 2021**

	Football	Men's Basketball	Women's Basketball	Olympic Sports	Non-Program Specific	Total
Expenses						
Athletic student aid	2,950,420.45	445,586.44	513,839.51	4,424,713.19	710,280.12	9,044,839.71
Guarantees	225,000.00	120,000.00	10,000.00	19,305.00	-	374,305.00
Coaching salaries, benefits, and bonuses paid by the university and related entities	5,619,393.42	2,270,876.46	928,570.56	2,286,836.07	-	11,105,676.51
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	623,154.35	215,009.65	171,831.57	54,593.77	5,534,229.43	6,598,818.77
Severance payments	-	1,764,620.02	-	-	-	1,764,620.02
Recruiting	123,527.44	62,421.85	8,725.29	16,822.66	-	211,497.24
Team travel	707,220.20	947,829.80	484,163.62	795,762.87	-	2,934,976.49
Sports equipment, uniforms, and supplies	787,023.92	272,085.89	181,253.70	1,081,407.14	-	2,321,770.65
Game expenses	219,060.99	59,931.75	9,980.09	117,124.59	-	406,097.42
Fundraising, marketing, and promotion	-	-	-	-	373,190.26	373,190.26
Spirit groups	-	-	-	-	146,265.75	146,265.75
Athletic facilities debt service, leases, and rental fees	1,752,668.41	260,986.05	-	34,499.98	315,213.85	2,363,368.29
Direct overhead and administrative expenses	195,586.20	40,935.02	20,200.00	40,090.41	569,402.56	866,214.19
Indirect institutional support	-	-	-	-	2,574,527.00	2,574,527.00
Medical expenses and insurance	8,498.84	15,211.78	-	1,824.88	1,198,863.98	1,224,399.48
Membership and dues	805.00	80.00	861.25	11,355.40	5,176.00	18,277.65
Student-athlete meals (non-travel)	748,060.05	87,178.05	47,122.05	87,286.85	-	969,647.00
Other operating expenses	276,640.78	68,114.17	67,439.91	77,445.80	2,813,448.87	3,303,089.53
Football bowl expenses	298,863.99	-	-	-	-	298,863.99
Football bowl expenses - coaching compensation/bonuses	240,884.02	-	-	-	-	240,884.02
Subtotal operating expenses	14,776,808.06	6,630,866.93	2,443,987.55	9,049,068.61	14,240,597.82	47,141,328.97
Excess (deficiency) of revenues over (under) expenses	\$ (12,524,065.95)	\$ (5,465,767.83)	\$ (2,430,327.22)	\$ (8,872,040.89)	\$ 29,584,502.45	\$ 292,300.56

The accompanying notes are an integral part of this statement.

Other Reporting Items:

Total athletics-related debt	\$ 8,566,426.14
Total institutional debt	\$ 172,107,269.41
Value of athletics-dedicated endowments	\$ 3,682,644.48
Value of institutional endowments	\$ 171,385,395.83
Total athletics-related capital expenses	\$ 1,895,860.62

**The University of Memphis
Intercollegiate Athletics Department
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2021**

NOTE 1. CONTRIBUTIONS

The University of Memphis Foundation (the UMF) office researched the donation records for donors to determine if any cumulatively gave 10% or more of all contributions to athletics. Nike, Inc. donated \$2,148,644 in apparel to athletics and is reported as Advertising/Sponsorships/Royalties revenue in the NCAA Statement of Revenues and Expenses. There were no other donors during the fiscal year ended June 30, 2021, which met the 10% disclosure requirement.

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, 2021, the UMF and the Auxiliary Services Foundation (ASF) transferred, disbursed, and/or recorded expense accruals for \$6,368,827 and \$1,958,109 (for a total of \$8,326,936), 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 ASF also recorded revenues and expenses in athletic accounts controlled by the foundations.

Expenditures	Football	Men's Basketball	Women's Basketball	Other Sports	Admin	Total
Athletics student aid	\$2,946,727	\$445,586	\$513,171	\$1,670,082	\$ -	\$5,575,566
Other operating expenses	145,532	3,400	10,000	-	813,490	972,422
Capital expenditures	1,455,744	-	-	-	323,203	1,778,948
Total	\$4,548,004	\$448,986	\$523,171	\$1,670,082	\$1,136,693	\$8,326,936

Of the \$8,326,936 transferred by the UMF and the ASF, \$1,778,948 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, 2021. 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 \$1,271,351.94 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 \$1,303,174.57. 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, and equipment, are reported in the statement of net position at historical cost or at acquisition value at date of donation, 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 unit 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.

These assets are depreciated using the straight-line method over the estimated useful lives, which range from 5 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. During fiscal year 2021, the TSSBA refunded Bond Series 2014A, which included the Physical Education Building, resulting in a savings of \$47,289.62 on the annual debt service for the Physical Education Building. Of the \$47,289.62 savings, \$21,783.23 is attributable to Athletics.

Debt service requirements to maturity at June 30, 2021, for athletic related debt are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$1,011,706.39	\$ 359,186.50	\$ 1,370,892.89
2023	1,021,152.71	312,686.82	1,333,839.54
2024	1,073,395.34	264,967.48	1,338,362.81
2025	1,131,888.17	214,517.05	1,346,405.22
2026	1,186,103.12	161,115.32	1,347,218.43
2027 - 2030	3,142,180.41	160,571.62	3,302,752.03
Total	\$8,566,426.14	\$1,473,044.79	\$10,039,470.92

Supplemental Schedule: Revenues and Expenses Analytical Review

	2021	2020	2021	Prior-Year Comparison		Budget vs. Actual Comparison	
	Actual	Actual	Budget	\$ Difference	% Difference	\$ Difference	% Difference
Operating revenues:							
Student fees	\$ 7,334,541.54	\$ 7,112,047.00	\$ 6,992,000.00	\$ 222,494.54	3.13%	\$ 342,541.54	4.90%
Direct institutional support	14,001,343.56	12,717,369.00	9,803,600.00	1,283,974.56	10.10% (1)	4,197,743.56	42.82% (2)
Contributions	7,152,477.27	4,482,162.00					
In-Kind	471,356.71	4,868,958.00					
Total Contributions/In-Kind	7,623,833.98	9,351,120.00	11,082,200.00	(1,727,286.02)	-18.47% (3)	(3,458,366.02)	-31.21% (3)
Conference Distributions	6,625,082.45	3,592,520.00	7,250,000.00	3,032,562.45	84.41% (4)	(624,917.55)	-8.62%
10% of Revenues	\$ 4,743,362.95						
Operating expenses:							
Athletic student aid	\$ 9,044,839.71	\$ 9,034,863.00	\$ 9,188,000.00	\$ 9,976.71	0.11%	\$ (143,160.29)	-1.56%
Coaching salaries, benefits, and bonuses paid by the university and related entities	11,105,676.51	12,869,800.00		(1,764,123.49)	-13.71% (5)		
Support staff/administrative salaries, benefits, and bonuses paid by the university	6,598,818.77	7,133,110.00		(534,291.23)	-7.49%		
Total Salaries, benefits, and bonuses	17,704,495.28		18,806,689.00			(1,102,193.72)	-5.86%
10% of Expenses	\$ 4,714,132.90						

Footnotes:

- (1) The increase in direct institutional support is due to a change in methodology for reporting this amount. The amount is now reported gross of any transfers, which were \$987,264.42 for fiscal year 2021.
- (2) Actual direct institutional support exceeded the budgeted amount due to timing of budget preparation. At that time, the support needed was not clear due to the ever-changing nature of the COVID 19 pandemic. The actual support was later determined to be in line with historical amounts for support, taking into consideration the change discussed in (1).
- (3) Contributions and in-kind contributions were considered in the aggregate as the university budgets in this way for these items. The decrease in the actual 2021 revenue compared to the actual 2020 revenue, as well as the difference in actual revenue compared to the budget is due to the 2021 reclassification of Nike apparel from in-kind contributions to advertisements, royalties, and sponsorship revenues.
- (4) The increase in conference distributions is due to two main reasons. First, fiscal year 2021 was the first year of the new media agreement that the American Athletic Conference (AAC) has with ESPN. The terms of this new agreement resulted in more coverage of events involving AAC schools. Also, for fiscal year 2020, the conference as a whole lost out on significant revenues due to cancellation of the Men's and Women's Basketball NCAA tournaments, as well as the cancellation of spring and early summer sports. While fiscal year 2021 seasons had cancellations and other impacts, they were not nearly as significant as in fiscal year 2020.
- (5) The decrease in coaches salaries, benefits, and bonuses is due to a few main reasons. First of all, the university hired a new football coach in the middle of fiscal year 2020. The combined salary of the former and new head coach in 2020 exceeded the salary of the new head coach in 2021. In addition, numerous coaches received pay reductions as stipulated contractually. Finally, there were fewer total coaches paid in fiscal year 2021.

9. Internal Audit Client Satisfaction Survey 2021

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation

For Information

Date: March 1, 2022
Committee: Audit Committee
Presentation Title: Office of Internal Audit and Consulting Client Satisfaction Survey 2021
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

According to our University of Memphis (UofM) Internal Audit Charter, all UofM internal audit activities are conducted in accordance with state statutes relative to internal audit and audit committees. The state statutes require that internal audit activities are governed by adherence to The Institute of Internal Auditor's (IIA) mandatory guidance. This mandatory guidance includes establishing a Quality Assurance and Improvement Program (QAIP) that includes ongoing internal monitoring, periodic internal assessments, and external quality assessments.

Ongoing monitoring includes obtaining feedback from internal audit clients and other stakeholders regarding the efficiency and effectiveness of the internal audit team. The QAIP also includes sharing the results of the program with the audit committee to assist the committee in reviewing the internal audit activity and ensuring that the activity is carrying out its internal audit responsibilities.

During January 2022, feedback was solicited via a Client Satisfaction Survey that was distributed to 79 faculty and staff – audit clients, employees involved in investigations, and others who worked with Internal Audit during 2021. Forty-two individuals completed the anonymous survey.

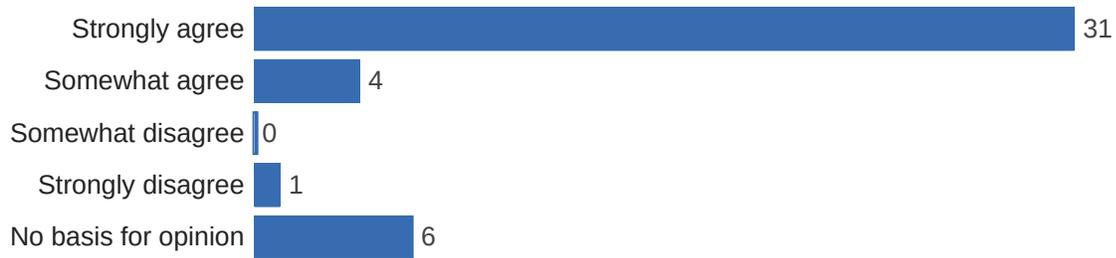
About 96% of the responses indicated that the audit clients were satisfied with the University's internal audit services or considered the University's internal audit services favorably. Survey results, including suggestions and concerns, will be used to improve internal audit operations.

Please see the attached University of Memphis 2021 Internal Audit and Consulting Client Satisfaction Survey Results Report for detailed information.

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

1

Q1 - The purpose, goals, objectives, areas to be reviewed, and tentative completion dates of the audit/project were clearly explained.

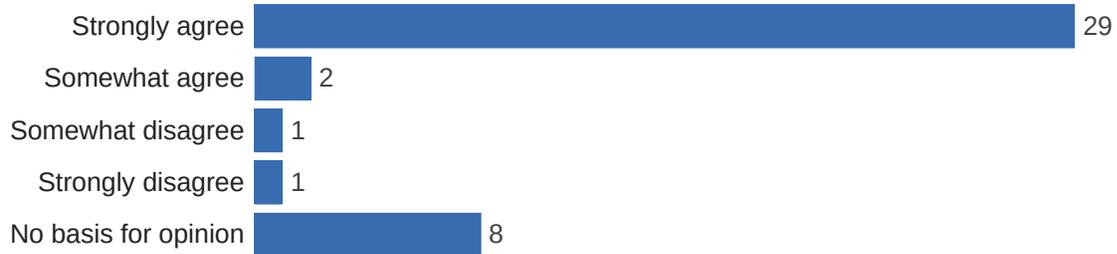


Field	Choice Count
Strongly agree	74% 31
Somewhat agree	10% 4
Somewhat disagree	0% 0
Strongly disagree	2% 1
No basis for opinion	14% 6
Total	42

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

Q2 - Internal Audit staff was responsive to my concerns and perspectives throughout the audit/project.

2

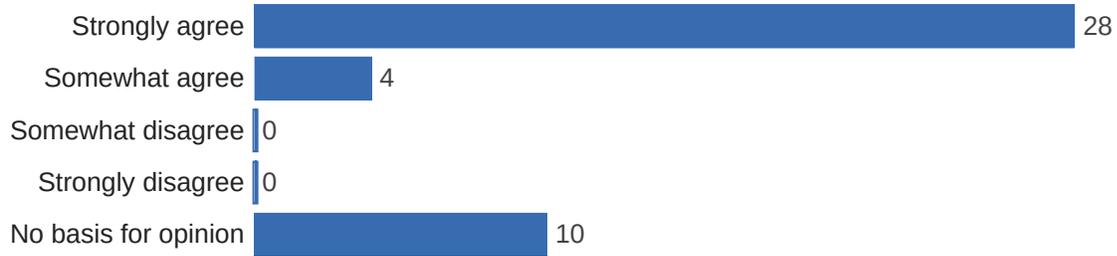


Field	Choice Count
Strongly agree	71% 29
Somewhat agree	5% 2
Somewhat disagree	2% 1
Strongly disagree	2% 1
No basis for opinion	20% 8
Total	41

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

3

Q3 - The disruption of daily activities was minimized as much as possible during the audit/project.

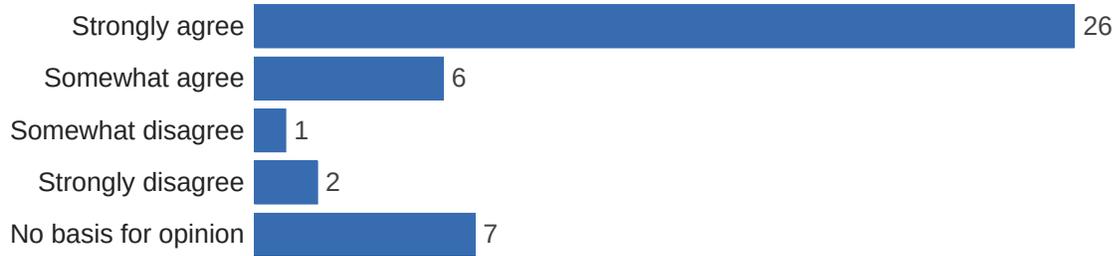


Field	Choice Count	
Strongly agree	67%	28
Somewhat agree	10%	4
Somewhat disagree	0%	0
Strongly disagree	0%	0
No basis for opinion	24%	10
Total		42

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

4

Q4 - Communication of audit/project status during the audit/project was timely and adequate.

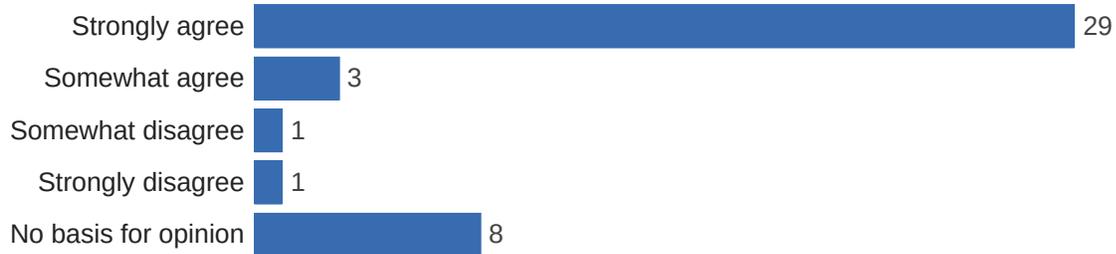


Field	Choice Count
Strongly agree	62% 26
Somewhat agree	14% 6
Somewhat disagree	2% 1
Strongly disagree	5% 2
No basis for opinion	17% 7
Total	42

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

5

Q5 - The audit/project was completed in a reasonable time frame.

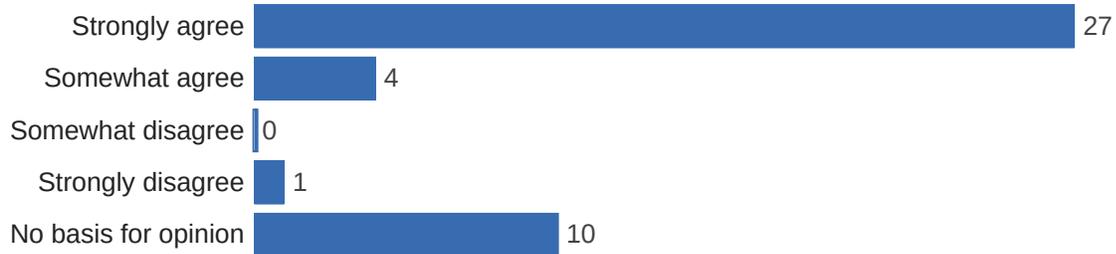


Field	Choice Count
Strongly agree	69% 29
Somewhat agree	7% 3
Somewhat disagree	2% 1
Strongly disagree	2% 1
No basis for opinion	19% 8
Total	42

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

6

Q6 - The audit/project results were accurately reported and appropriate perspective was provided in the report.



Field	Choice Count	
Strongly agree	64%	27
Somewhat agree	10%	4
Somewhat disagree	0%	0
Strongly disagree	2%	1
No basis for opinion	24%	10
Total		42

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

Q7 - The Internal Audit staff I interacted with conducted themselves in a courteous and professional manner.

7

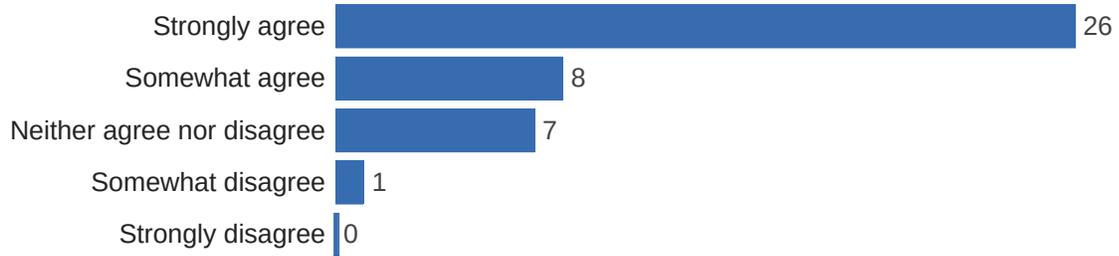


Field	Choice Count
Strongly agree	90% 38
Somewhat agree	0% 0
Neither agree nor disagree	5% 2
Somewhat disagree	2% 1
Strongly disagree	2% 1
Total	42

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

Q8 - The auditor's comments and recommendations will assist us to improve operations.

8

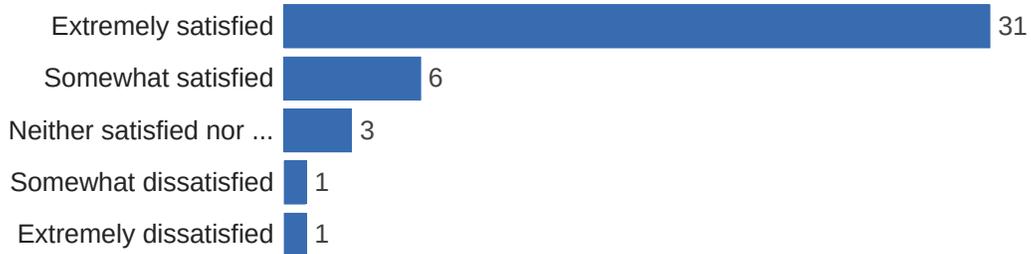


Field	Choice Count
Strongly agree	62% 26
Somewhat agree	19% 8
Neither agree nor disagree	17% 7
Somewhat disagree	2% 1
Strongly disagree	0% 0
Total	42

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

Q9 - Overall, how satisfied are you with the services of Internal Audit?

9



Field	Choice Count
Extremely satisfied	74% 31
Somewhat satisfied	14% 6
Neither satisfied nor dissatisfied	7% 3
Somewhat dissatisfied	2% 1
Extremely dissatisfied	2% 1
Total	42

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

Q10 - Which of the following words would you use to describe Internal Audit services? Check all that apply.

10

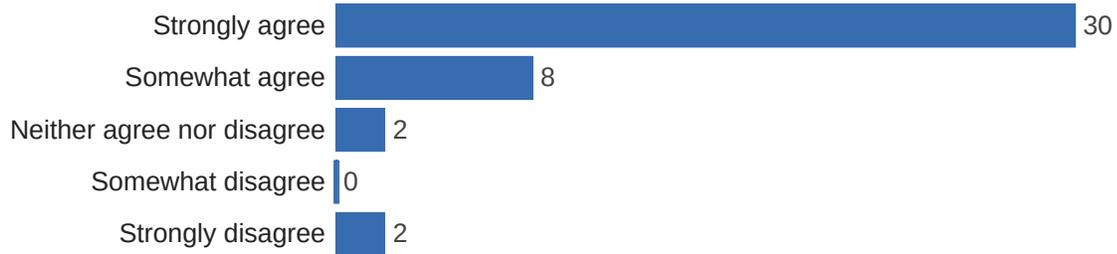


Field	Choice Count
High quality	32% 22
Valuable	38% 26
Effective	26% 18
Ineffective	3% 2
Impractical	0% 0
Poor quality	1% 1
Total	69

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

Q11 - Internal Audit is a resource I would use in the future.

11



Field	Choice Count
Strongly agree	71% 30
Somewhat agree	19% 8
Neither agree nor disagree	5% 2
Somewhat disagree	0% 0
Strongly disagree	5% 2
Total	42

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

Q12 - What suggestions do you have for improving the audit process?

12

none

Very thorough and applicable to our situation. No changes needed for us.

Send agenda before the meeting

None

No additional suggestions at this time.

None

N/A

N/A

n/a

n/a

Reports of issues readily available

N/A

None

None

NA

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

Q13 - Are there any issues or areas of concern you feel we should be aware of? ¹³

none

Some legal and policy conflicts have arisen that need broad attention, for example, minors on campus with the new middle and high school populations growing and their service needs.

Full disclosure and communication before the meeting

I'm concerned some leaders at the institution do not value internal audit's contributions and expertise.

None

None

None

N/A

N/A

no

none

Not at this time

N/A

No

No

Short staffing can create dilemmas for departments in meeting certain benchmarks for audit compliance

NA

2021 Internal Audit and Consulting Client Satisfaction Survey Results Report

Q14 - Have our auditors done anything that was particularly helpful that you would recommend we do again in the future? ¹⁴

Done very well!

Just doing these comprehensive audits wa a plus -- no one could remember having done it for years.

The audit team is extremely professional and helpful.

Very polite

Didn't internal audit used to send out some annual reminders or a newsletter? Seems like I haven't seen that in a while.

Our key control audit led to a completely new process that we are still using.

I'm not sure why I got this because we were not audited. My communication with IA has always been helpful, though!

Presentations during Focus on Finance & HR Meetings are very informative and helpful.

N/A

n/a

n/a

N/A

Kindness

present at Focus on Finance of findings and best practices

Some auditors are very adversarial and internal audit is not. Its a collaborative effort to improve processes.

10. FY2021 Risk Assessment

For Approval

Presented by Raajkumar Kurapati

The University of Memphis Board of Trustees

Recommendation

For Approval

Date: March 1, 2022

Committee: Audit Committee

Presentation: FY2021 Risk Assessment

Presented by: Raaj Kurapati, Executive Vice President and Chief Financial Officer

Background:

This presentation provides details on the completed FY 2021 risk assessment.

In accordance with the Tennessee Financial Integrity Act, University management is responsible for establishing adequate internal controls to achieve the objectives of the organization and execute an annual risk assessment per (TCA-9-8-102). Management's risk assessment process was established in 2006 and is currently facilitated by the Division of Business and Finance. The risk assessment process identifies business risks and measures, their potential impact to the university and their probability of occurrence. The assessment produces a risk heat map, called a Risk Footprint that ranks the risks by impact and probability. Management then inventories mitigating actions with Process Owners, Leaders and their teams that are designed to reduce the impact or probability of the risk. If management determines a risk is not being appropriately managed, a corrective action plan may be developed. TCA 9-18-104 requires an annual report to the Commissioner of Finance and Administration and the Comptroller of the Treasury from the President on management's risk assessment. This report was completed and signed by Dr. M David Rudd prior to the established deadline of December 31, 2021.

Committee Recommendation:

The Audit Committee recommends approval of the FY 2021 risk assessment.

**Enterprise Risk Management
Footprint Institutional Controls
December 2021**

RISKS

#	ACTIVITIES	Process Owner	Process Leader(s)	1	2	3	4	5	6	7	8	9	10
1	Significant Institutional Risks	President's Council	NA	HH Data Breach / Sensitive Data Exposure	HH Failure to utilize effective IT Security Awareness Principles	HM Decline in enrollment and retention growth	HM Reduction in available student financial aid negatively impacting affordability for all student markets	HM Disruption of Revenue model of auxiliary operations i.e housing, dining and parking	HM Title IX non-compliance				
2	Research and Innovation	Jasbir Dhaliwal	Mary Ann Dawson	HL Failure to comply with Federal-wide assurance (human subjects)	MH Breach of Contract, Obligation or protocol	MM Failure to provide appropriate resources to researchers causing a failure to recruit and retain researchers	MM Inadequate administrative policies and procedures	MM Lack of incentive/expectation to pursue research	MM Failure of faculty/employees to follow intellectual property policy				
3	Information Technology	Robert Jackson	Bob Johnson/Sue Hull-Toye	HH Inadequate staffing / employee retention	HL Failure of Business Continuity / Disaster Recovery During Disaster	HL Failure of core enterprise systems and applications	HL Network / Telecomm Failure	ML Unauthorized Physical Access to / Inappropriate Use of Data or Systems	ML Unaddressed System / Software Vulnerabilities	LH			
4	Leadership and Compliance	Raaj Kurapati	George Ninan	MH Serious violation from decentralized compliance function without comprehensive knowledge base, appropriate resources and oversight	MH Significant decrease in fundraising revenue	MH Lack of funds for PR and adequate promotion of university	MM Audit resources are not adequate to provide reasonable coverage of the redefined audit universe.	MM Failure to effectively manage crisis situation	MM Lack of influence within THEC/State	ML Failure to have knowledge of or properly interpret a new or existing law, rule or regulation that has a substantial impact			
5	Instruction and Academic Support	Tom Nenon	James Orr	HL Attracting and retaining the best faculty, including competitive salaries for regular and adjunct faculty members	HL Failure to maintain adequate records for the purposes of accreditation (SACs and all of the sub disciplines) and internal reviews	HL Inadequate programs that help students succeed (e.g., advising, tutoring services, internship programs, retention services, psychological counseling services, intrusive advising, etc.)	HL Failure to adequately (financial & leadership) support Quality Enhancement Plan	MM Ineffective utilization of Library facilities and space	MM Incentives and policies that encourage continued productivity of faculty and staff	MM Lack of appropriate support services and facilities for faculty instruction, including adjusting workload based on faculty productivity (e.g. securing external funding, completing research projects, and teaching large classes)	MM Lack of resources to offer competitive salaries to attract and retain the best support staff (academic, research support, etc.) and for GA stipends to support research faculty; in addition to increasing research capacity to attain Carnegie 1 status.		
	Instruction and Academic Support (cont'd)			MM Failure to ensure quality of adjunct instruction and provide resources to support adjunct instructors.	MM Failure to recruit high ability students for Honors Program	MM Failure to make data available for decision making	MH Failure to attract sufficient international students to globalize the university	ML Insufficient number of faculty; tenure and non-tenure track.					
6	Enrollment Services	Tom Nenon	James Orr	HL Failure to comply with state and federal requirements (i.e. FERPA, etc)	HL Failure to maintain compliance with federal and state financial aid programs	HL Student Data breach or mismanagement of confidential data	MH Administrative decisions made that are in conflict with academic policy and academic catalog	MH Decentralization of processes with no central oversight (students treated differently depending on major)	MM Perceptions of Campus Safety				

**Enterprise Risk Management
Footprint Institutional Controls
December 2021**

RISKS

#	ACTIVITIES	Process Owner	Process Leader(s)	1	2	3	4	5	6	7	8	9	10
7	Student Academic Success	Karen Weddlewest	Justin Lawhead	MM	MM	MM	MM						
				Inadequate number of highly trained professionals to facilitate retention and graduation for students of varying abilities, socio economic backgrounds, first generation, race ethnicity, genders, age etc	Lack of tools, and technologies to assess and provide appropriate intervention for high risk students	Loss of federal, state and philanthropic foundation funding to support student academic success programs	Failure of employees and students to follow NCAA and University rules						
8	Finance and Personnel Management	Raaj Kurapati	George Ninan	MM	MM	MM	MM	ML	ML	ML	ML		
				Increased AR and uncollectible from third party arrangements	Insufficient technical knowledge base to meet data analytics demands	Unauthorized contractual agreements	Inability to recruit and retain high performing employees	Compromised data security/integrity due to phishing, unauthorized access, employee fraud etc	Misuse or diversion of cash and investment funds	Failure to draw down financial aid from G5 and disburse on a timely basis	Failure to process payroll and deposit payroll taxes timely		
9	Facilities	Ron Brooks	Ryan Seidner	MM	MM	MM	MM	MM	MM	ML	ML		
				Natural disaster destroys major portion of campus	Inadequate funding for deferred maintenance	Failure to perform preventative maintenance	Timely prediction of needed repairs	Inadequate/outdated space for programmatic needs	Loss of institutional knowledge	Building / Infrastructure systems failure that leaves building unusable	Loss or interruption of utilities service		
	Facilities (cont'd)			ML	ML	ML	ML						
				Frequent exposure to hazardous / unsafe conditions	Environment not conducive to mission of the University	Lack of timely emergency response	Budget overruns and construction delays						
10	Revenue Generating Activities	Colis Chambers	Angela Floyd	HL	HL	HL	HL	MM	ML	LH			
				Lack of sufficient affordable and desirable housing options for students	Catastrophic Residential property loss	Failure to comply with federal, state, local codes and regulations related to student housing	Failure to maintain life safety detector / equipment, properties and major system failure relating to auxiliary activities	Inadequate staffing	Failure to monitor and enforce contracts or meet contract obligations	Unauthorized access to properties and criminal acts			
11	Athletics	Laird Veatch	Andrew Roberts	HL	HL	HL	HL	MH	MH	HL	HL		
				Failure to maintain NCAA athletic certification/NCAA Sanctions	Failure to retain / develop corporate / community partnerships	Lack of membership in major conference	Stagnant or decreased donor contributions	Inadequate staffing/Employee Retention	Failure to comply with NCAA ticket guidelines	Failure to cultivate donors	Terrorist threat or other acts of violence during events	Failure to adhere to contract terms/breach of contract	Failure to comply with and/or inadequate University or Departmental policies / procedures
	Athletics (cont'd)			HL	HL	HL	HL	HL	MM				
				Outbreak of disease / illness	Failure of computer system, loss of data	Revenue shortfall for Athletics	Athletics failure to operate within budget	Findings from Annual Internal Audit of Rules Compliance	Failure to oversee activities of booster clubs				

Legend:

■ HH, HM = Extensive Risk Management & Considerable Risk Management (all Levels of Control* plus a traditional audit)
■ HL, MH = Manage and Monitor (all Levels of Control but no traditional audit)
■ MM, ML, LH = Monitor (only Execution Controls & Supervisory Controls)
■ LM, LL = Accept (accept the risk and have no controls)

The University Of Memphis

Significant Institutional Risks - 2021	Controls/Mitigating Strategies
Data breach /sensitive data exposure	Information Security Program (i.e technologies and policies on Acceptable Use of IT Resources, Data Access and Data Security Continued implementation and updating of technologies to combat data breach such as learning and alerting technologies, vulnerability scans and penetration tests, operating system patches etc Participation in committees and policy development groups such as ISAC governance committee and Data Stewards group
Failure to utilize effective IT Security Awareness principles	Incident response planning and procedures Cyberliability coverage Campus participation in security awareness training
Decline in enrollment and retention growth	Increased marketing about quality on-line Continued initiatives to attract out-of-state and international Market Online courses to International partners Continued development of programs aimed at non-traditional students like LIFE
Reduction in available student financial aid negatively impacting affordability for all student markets	Closely monitor student financial aid needs and trends and proactively engage with Federal and State Student funding authorities and University Administration to manage potential changes in aid. Effectively utilize Federal stimulus funds specifically designated for financial relief of student Initiatives and incentives to reduce student time and cost to completion. Scholarship optimization programs including need based scholarships
Title IX non-compliance	Ongoing dissemination, implementation and enforcement of University policies and procedures that promote Title IX Compliance. Recurring annual Title IX trainings, awareness and prevention-related programs, and student outreach. Conducting fair, impartial and timely investigations of complaints. Working with Athletics Department to promote compliance through the Athletics Equity Committee, Title IX Coordinator and Coaches Certification

Risk Assessment Report

Audit Committee

Raaj Kurpati

Executive Vice President and Chief Financial
Officer

March 1, 2022

Maxine A. Smith University Center



MARCH 2022

- The University Risk Assessment Process is a combined effort of:
 1. Identifying and analyzing potential events or situations that may negatively impact University functions, assets, or compliance efforts; and
 2. Making judgements “on the tolerability of the risk on the basis of risk analysis” while considering influencing factors (i.e. risk evaluation, risk attitude and mitigation).
- Utilizes "controls" to demonstrate how policies, procedures, best practices, and regulations assist in mitigating risks (or fail to do so via audit processes).
- Incorporates **Enterprise Risk Management** (ERM) principles to provide a structured, continual, and repeatable process across the University to identify, assess, and decide on responses to potential threats that affect the ability of the institution to achieve strategic goals and objectives.

Face-to-Face meetings with Process Owners and Process Leaders to discuss the ERM Risk Footprint and Risk Controls

- Reviewed current University Risk Assessment Processes
- Survey, Q&A on approaches and best practices
- Solicited suggestions for enhancing the ERM effort



Significant Risks identified as part of the *2021 Risk Assessment Process*:

- Data breach/sensitive data exposure
- Failure to effectively utilize IT security awareness principles
- Significant enrollment decline and lack of growth in retention
- Reduction in available student financial aid negatively affecting student affordability
- Title IX non-compliance

- **Enterprise Risk Management** is not isolated from strategy, planning, or day-to-day decision making, nor is ERM strictly about compliance
 - ERM is part of an organization's culture
 - ERM guides management in setting goals and objectives while reducing threats
- **ERM is part of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model toward implementing best practices and procedures.**
- Embedded in the Financial Integrity Act of 1983 toward establishing, maintaining, and assessing internal control effectiveness via:
 - Structured Risk management
 - Internal controls for mitigating risks
 - Coupled with a Statement of Awareness and Compliance under TCA 9-18-102



1. Data Breach/Sensitive Data Exposure Mitigating Strategies

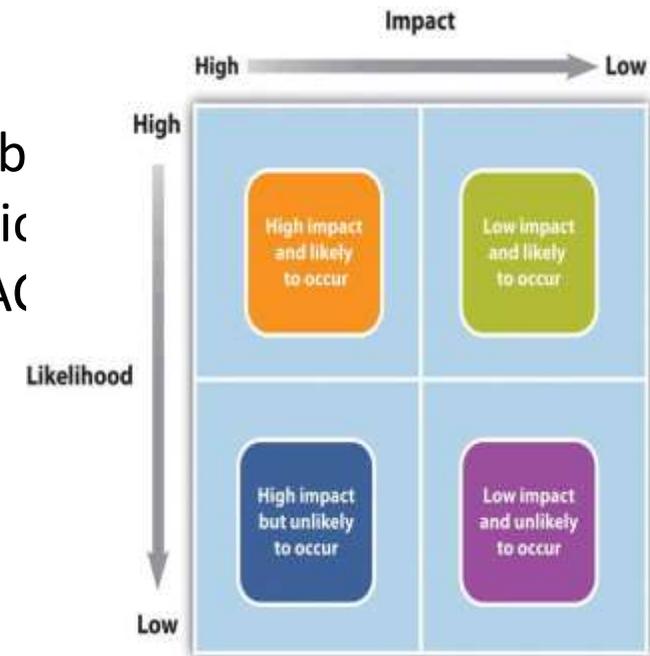
- Institutional Information Security Program
- Continued implementation and updating technologies to combat data b
- via learning and alerting technologies, vulnerability scans and penetratic
- Participation in committees and policy development groups such as ISAC
- governance committee and Data Stewards group

2. Failure to Effectively Utilize IT Security Awareness Principles

- Incident response planning and procedures
- Cyberliability coverage and plans with State of TN Risk Management
- Campus participation in Security Awareness Training

3. Decline in Enrollment and Retention Growth

- Increased Marketing about institution quality on-line
- Continued initiatives to attract out-of-state and international students
- Continued development of programs aimed at non-traditional students such as LIFE



4. Reduction in Available Student Financial Aid Negatively Impacting Affordability for All Student Markets

- Closely monitor student financial aid needs, trends, and proactively engage with Federal and State student funding authorities to manage potential changes in aid
- Effectively utilize Federal stimulus funds specifically designated for student financial relief
- Explore initiatives and incentives to reduce student time and cost to complete degree programs along with scholarship optimization, including need-based scholarships

5. Title IX Non-Compliance

- Conduct on-going dissemination, implementation, and enforcement of University policies and procedures that promote Title IX compliance
- Utilize annual Title IX training, awareness and prevention related programs, and student outreach
- Conduct fair, impartial, and timely investigations of complaints
- Work with Athletics Department to promote compliance through the Athletics Equity Committee, Title IX Coordinator as well as Coaches certification

Engaging Software Management Tool(s)

Team consisting of Financial Accounting, Business & Continuity, IT, Physical Plant, and Research & Innovation conducting evaluation of vendors (**Gallager – LogicGate – NAVEX Global – Origami**) via demos to seek a Governance, Risk, and Compliance based software to:



1. Streamline Risk Assessment Process by providing a "Living Document" environment for timely access and monitoring
2. Enable a dashboard approach to manage and measure Risk Controls for application and effectiveness of risk mitigation efforts
3. Potential to include Compliance Module or be available as an add-on

Risk Management Goals & Objectives for 2022:

1. Search for out-of-the-box solutions that can be customized to University needs.
2. Achieve National Institute of Standards and Technology (NIST), System & Organization Controls (SOC2), HIPPA, and General Data Protection Regulation (GDPR) reporting and compliance.
3. Implement Monthly or Quarterly activities for on-going Risk Management such as:
 - University Risk Management and Insurance Association (URMIA) based topics and lists of risks for Department consideration and use.
 - Status update of adaptation or alternative risk controls for unforeseen events.
 - Development of Risk Management webpage for Claim Reporting, Insurance Coverage, Fire Safety, Incident Reporting, Certificate of Insurance and Requirements for 3rd Party Events, Camps, etc.

Questions/Comments?

11. FY2021 Annual Financial Report and Internal Control Audit Status

Presentation

Presented by Raajkumar Kurapati

The University of Memphis Board of Trustees

Information
For Discussion

Date: March 1, 2022

Committee: Audit Committee

Presentation: FY2021 Annual Financial Report and Internal Control Audit Status

Presented by: Raaj Kurapati, Executive Vice President and Chief Financial Officer

The Office of the Comptroller of the Treasury, Division of State Audit, completed its audit of the University of Memphis (the University) on December 20th, 2021. The audit was conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The objectives and scope of the audit were as described in the Engagement letter from the Comptroller of the Treasury, Division of State Audit, and dated May 24, 2021.

As of February 11, 2022, the audit report has not been released. The audited Financial Report on the University for the year ending June 30, 2021, contains the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information and other Supplementary Information. We expect the auditors to issue an unmodified opinion on the financial statements. The financial information presented is based on the latest available at the time of completion of audit fieldwork.

The exit conference with the auditors will be scheduled shortly where any findings and other items that require management's response will be discussed.

2021 Annual Financial Report & Internal Control Audit

Audit Committee

Raaj Kurapati

Executive Vice President & Chief Financial Officer

March 1, 2022

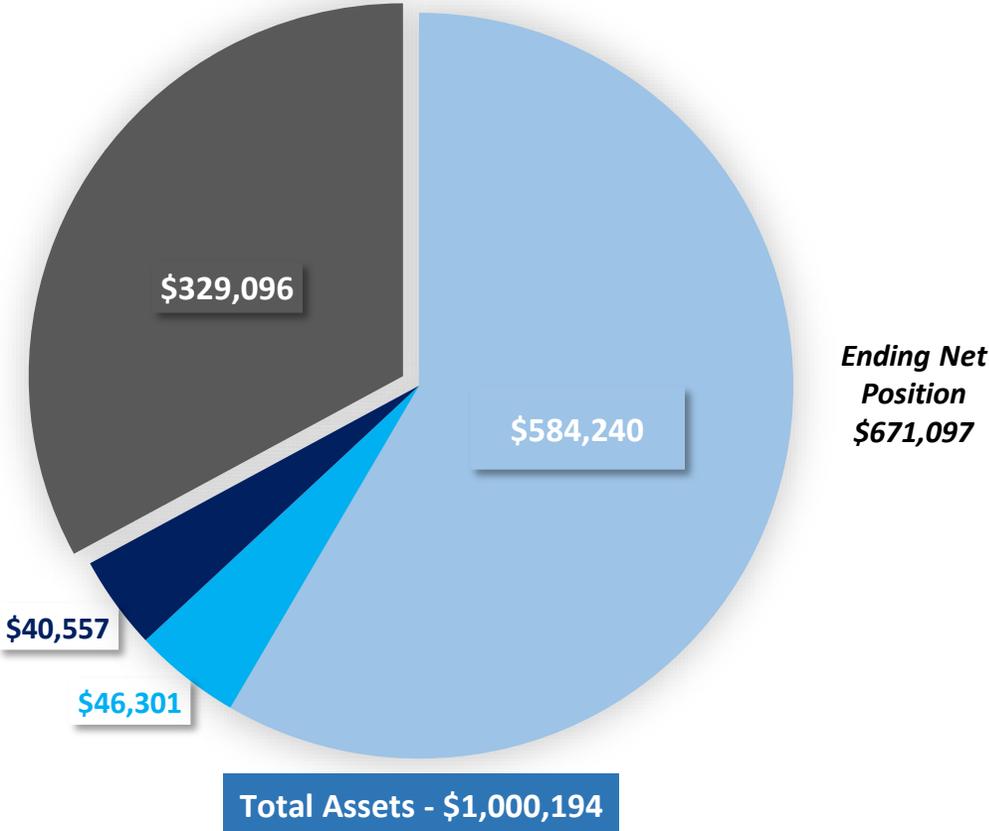
Maxine A. Smith University Center



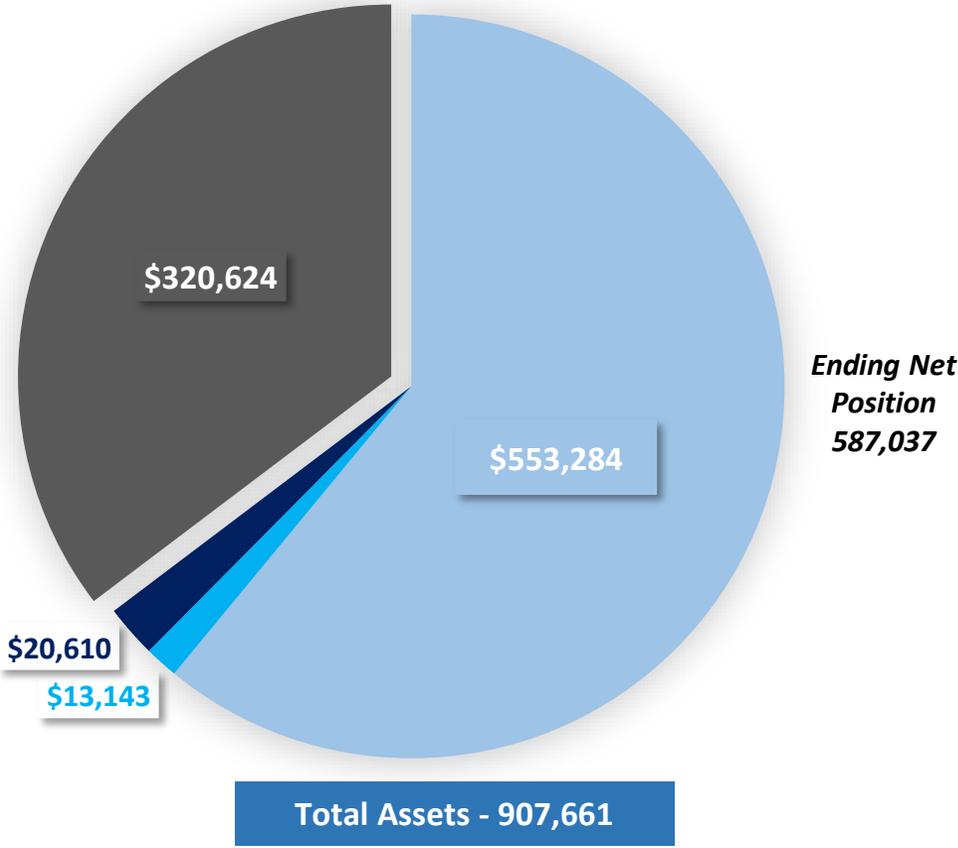
MARCH 2022

1. Unmodified audit opinions for UM Foundation, Aux Services Foundation and UM Research Foundation in FY 21
2. Improved financial standing of the three foundations:
 - Total Assets grew by \$50.6M, due to increased value in Investments and Pledges receivable of UM Foundation
 - Total Liabilities increased by \$12.2M, primarily due to Loan for Athletics operations
 - Net Position improved by \$38.4M
 - Revenues increased by \$42.5M
3. Unmodified audit opinion for the University and Herff Trust. One audit finding reported for the University. Management has provided an action plan in response.
4. Several “Management Letter” items were noted. Management has developed action plans to address such.

FY21 (in thousands)



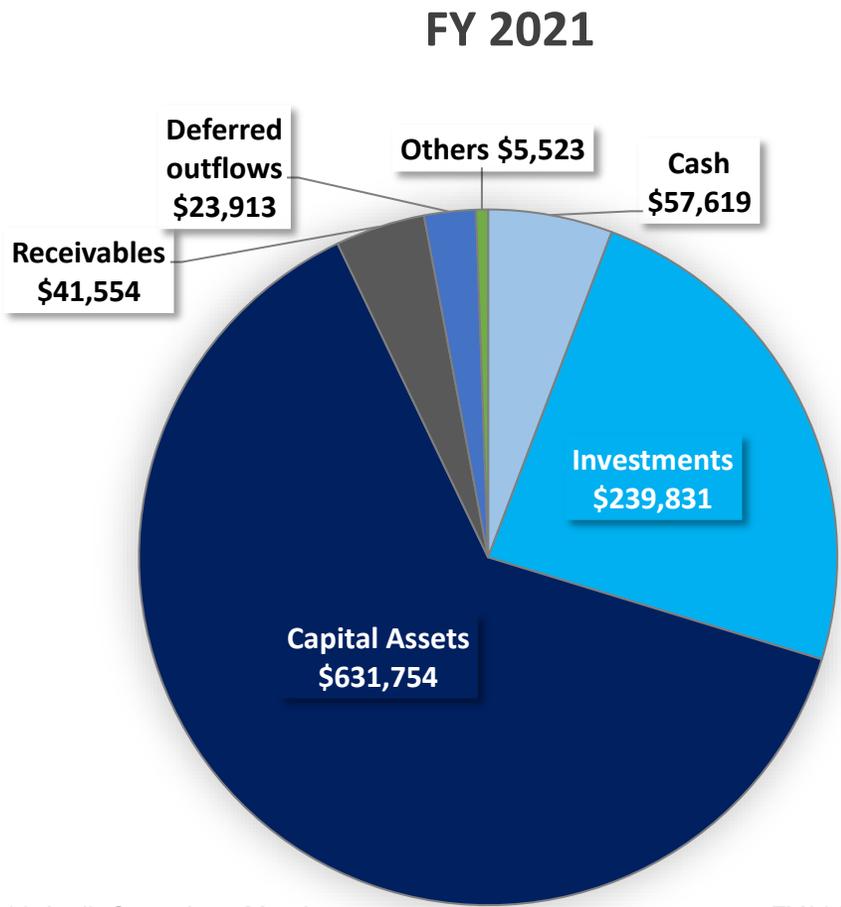
FY20 (in thousands)



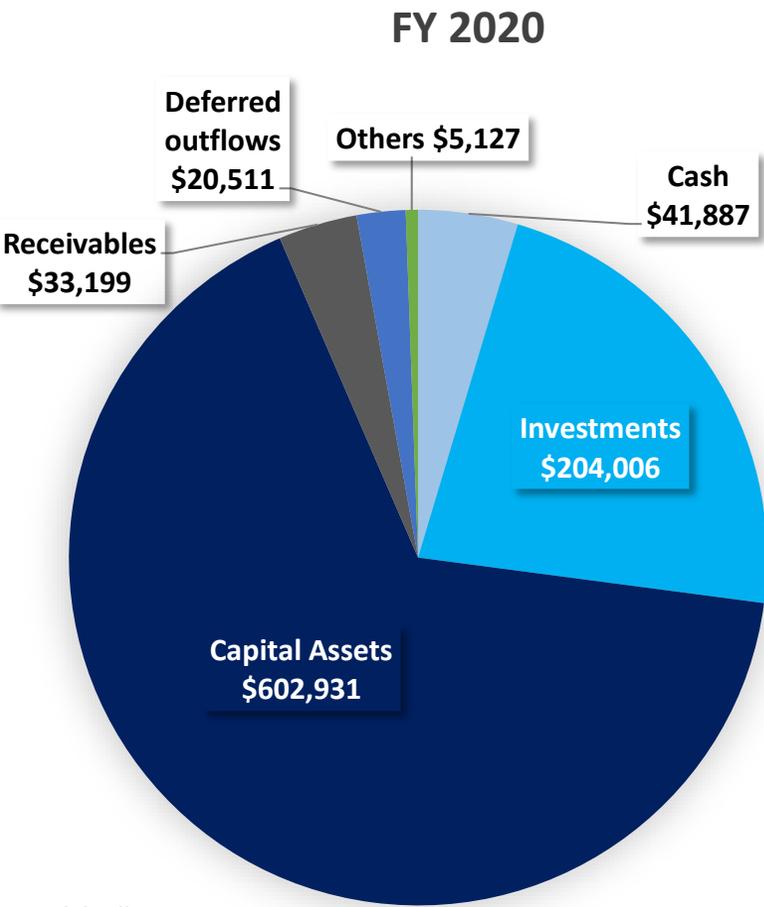
■ Beginning Net Position ■ Net Income Before Capital Items
■ Capital Appropriations & Gifts ■ Liabilities and Deferred Inflows

■ Beginning Net Position ■ Net Income Before Capital Items
■ Capital Appropriations & Gifts ■ Liabilities and Deferred Inflows

Composition of Assets *(in thousands)*



Total Assets – \$1,000,194

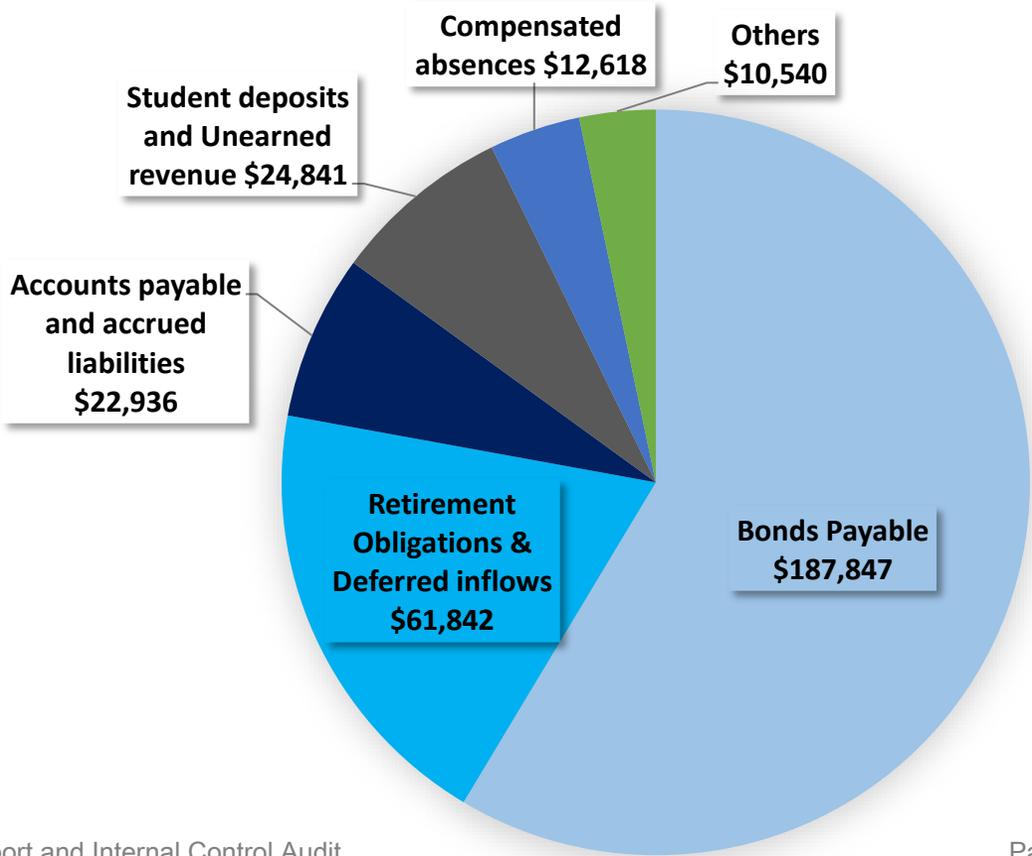
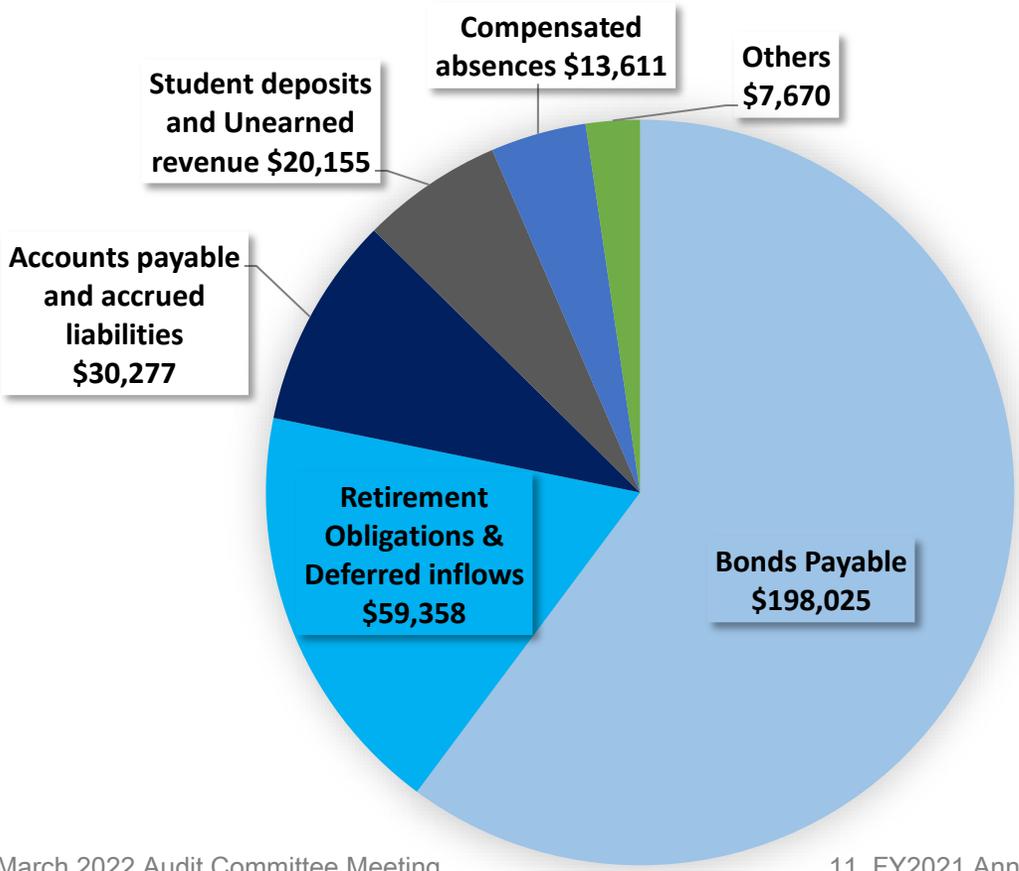


Total Assets – 907,661

Composition of Liabilities *(in thousands)*

FY 2021

FY 2020



Total Liabilities - \$329,096

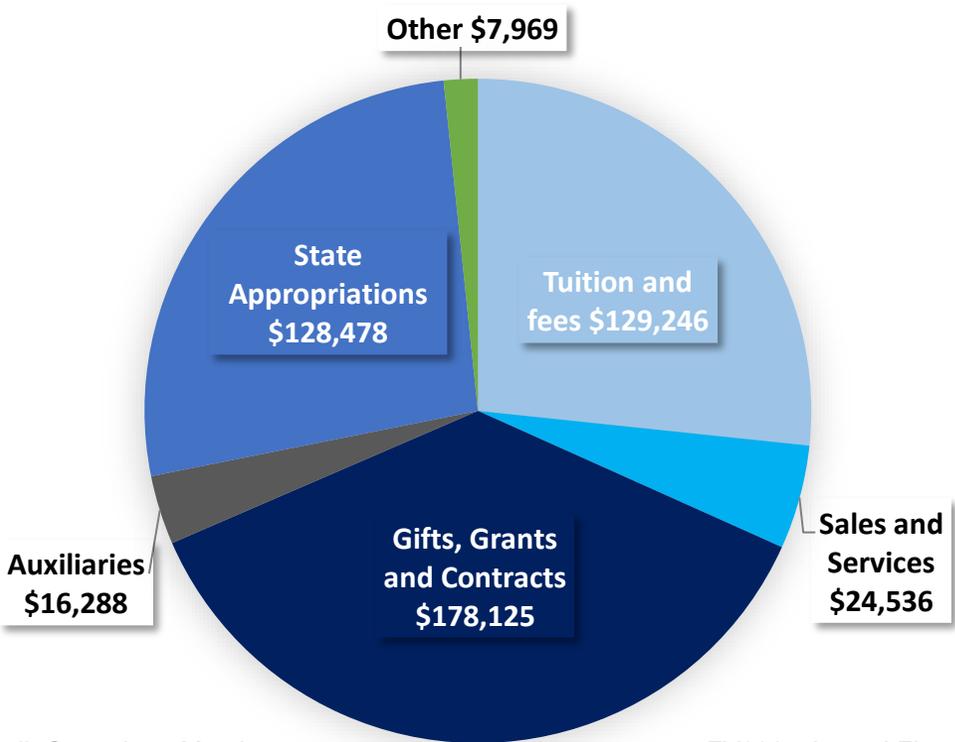
Total Liabilities - \$320,624

Sources Of Revenue*

(in thousands)

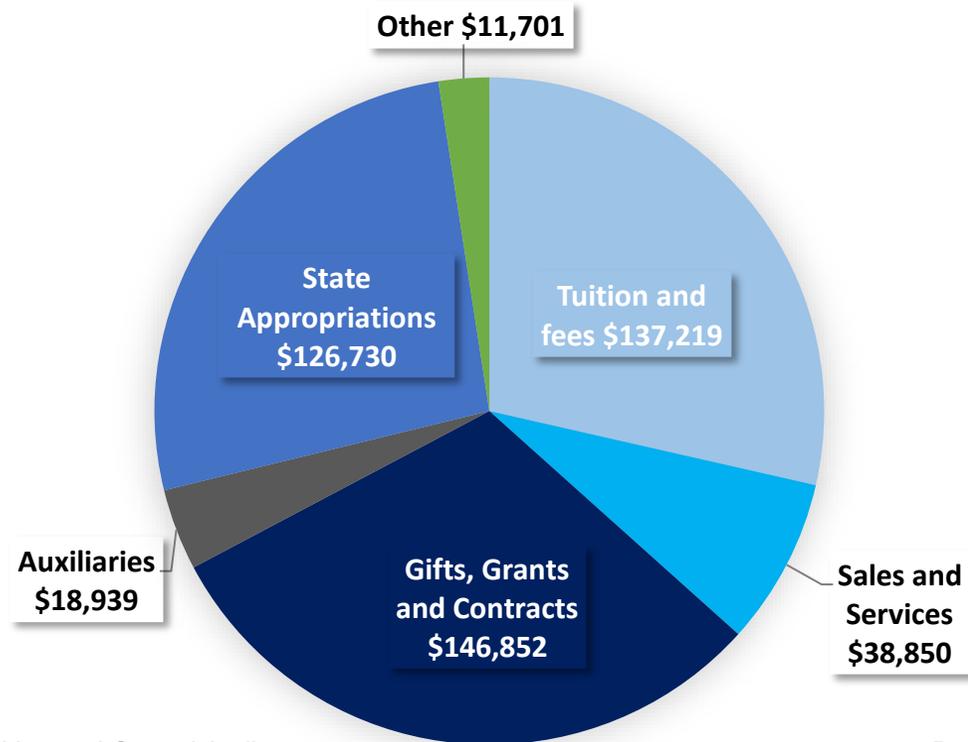
*Does not include Capital Gifts and Appropriations

FY 2021



Total Revenues – 484,642

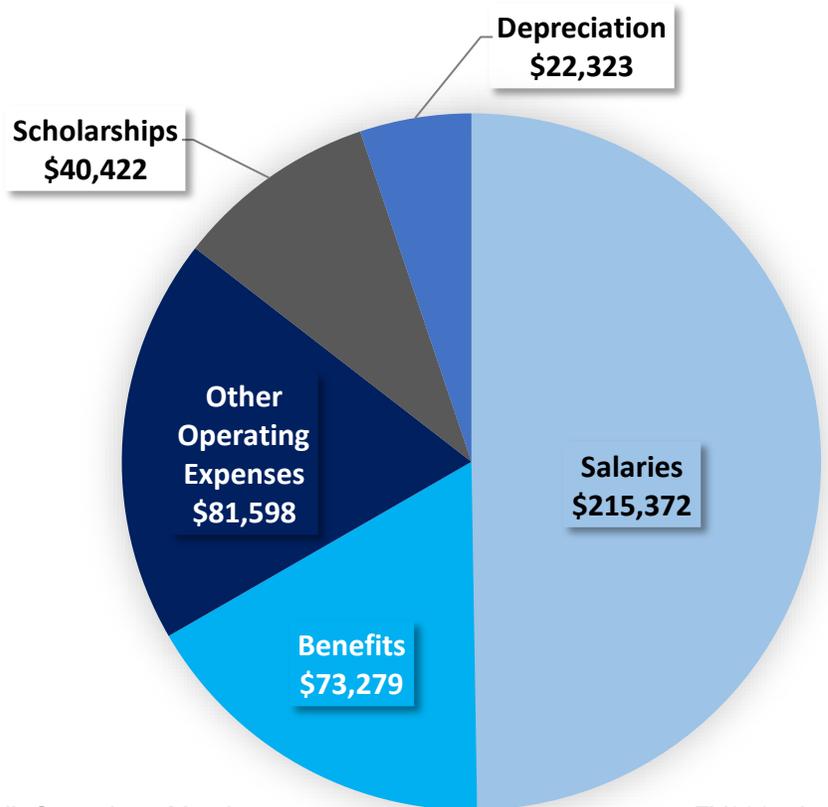
FY 2020



Total Revenues – \$480,291

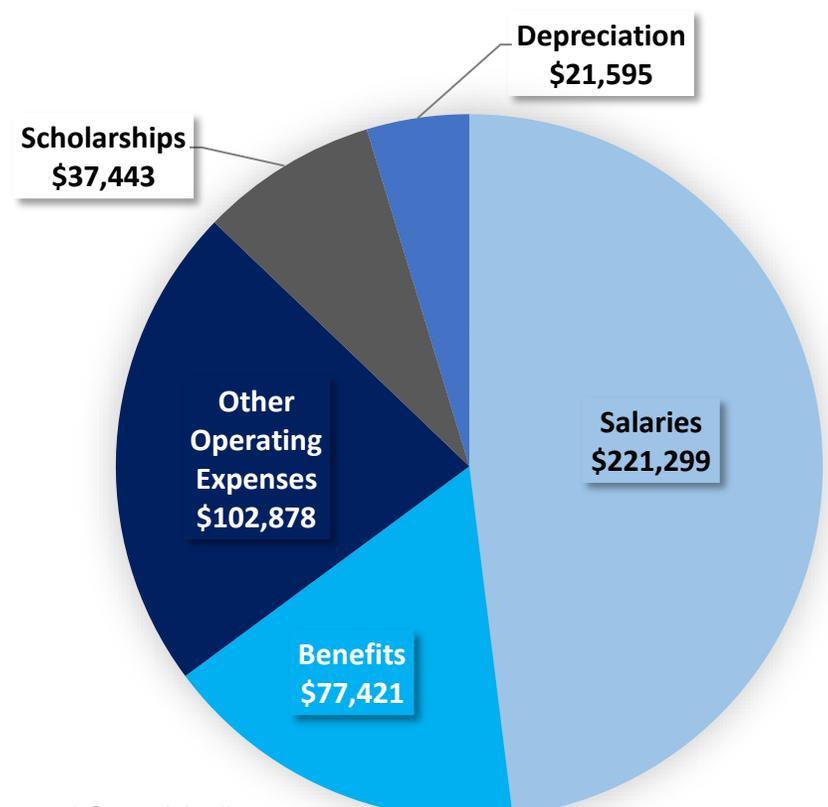
Operating Expenses *(in thousands)*

FY 2021



Total Expenses \$432,871

FY 2020



Total Expenses \$460,636

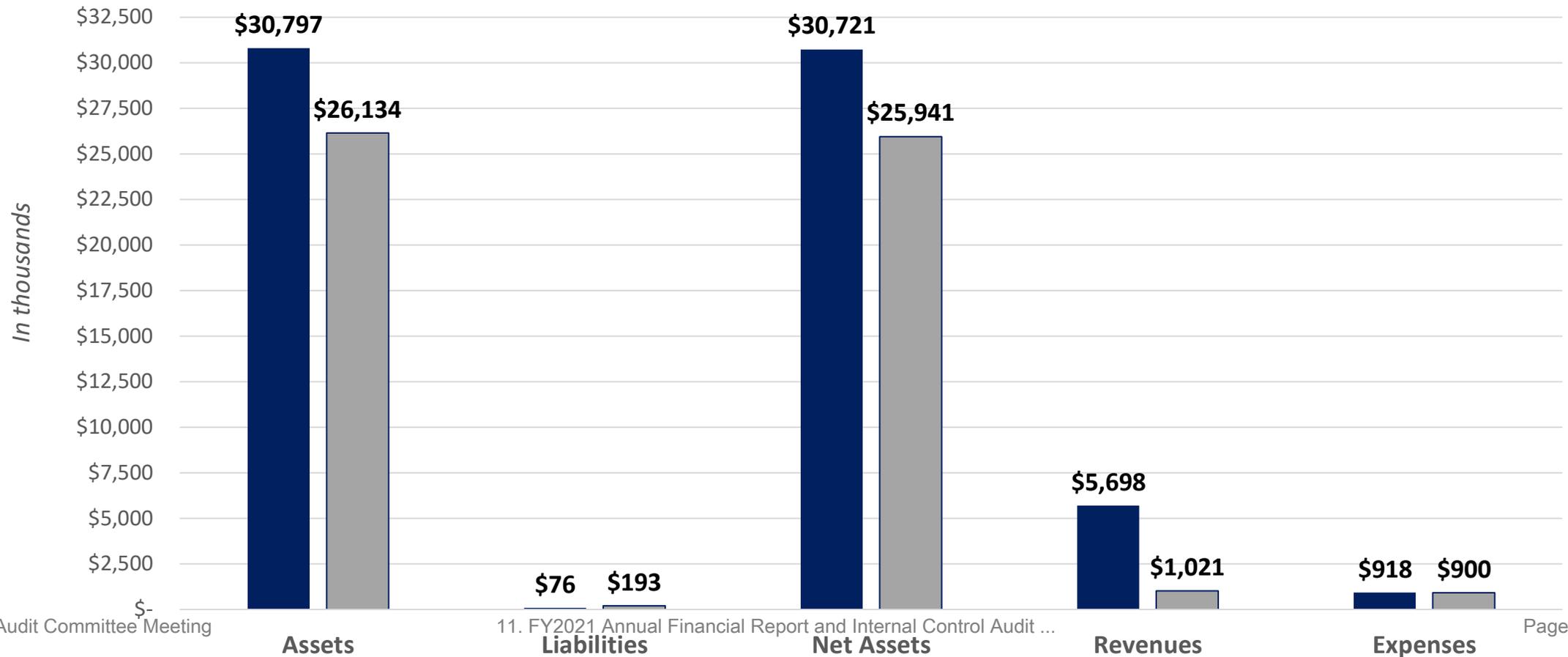
Herff Trust* Financial Statement Summaries

FYE June 30 2021 and 2020

■ FY21

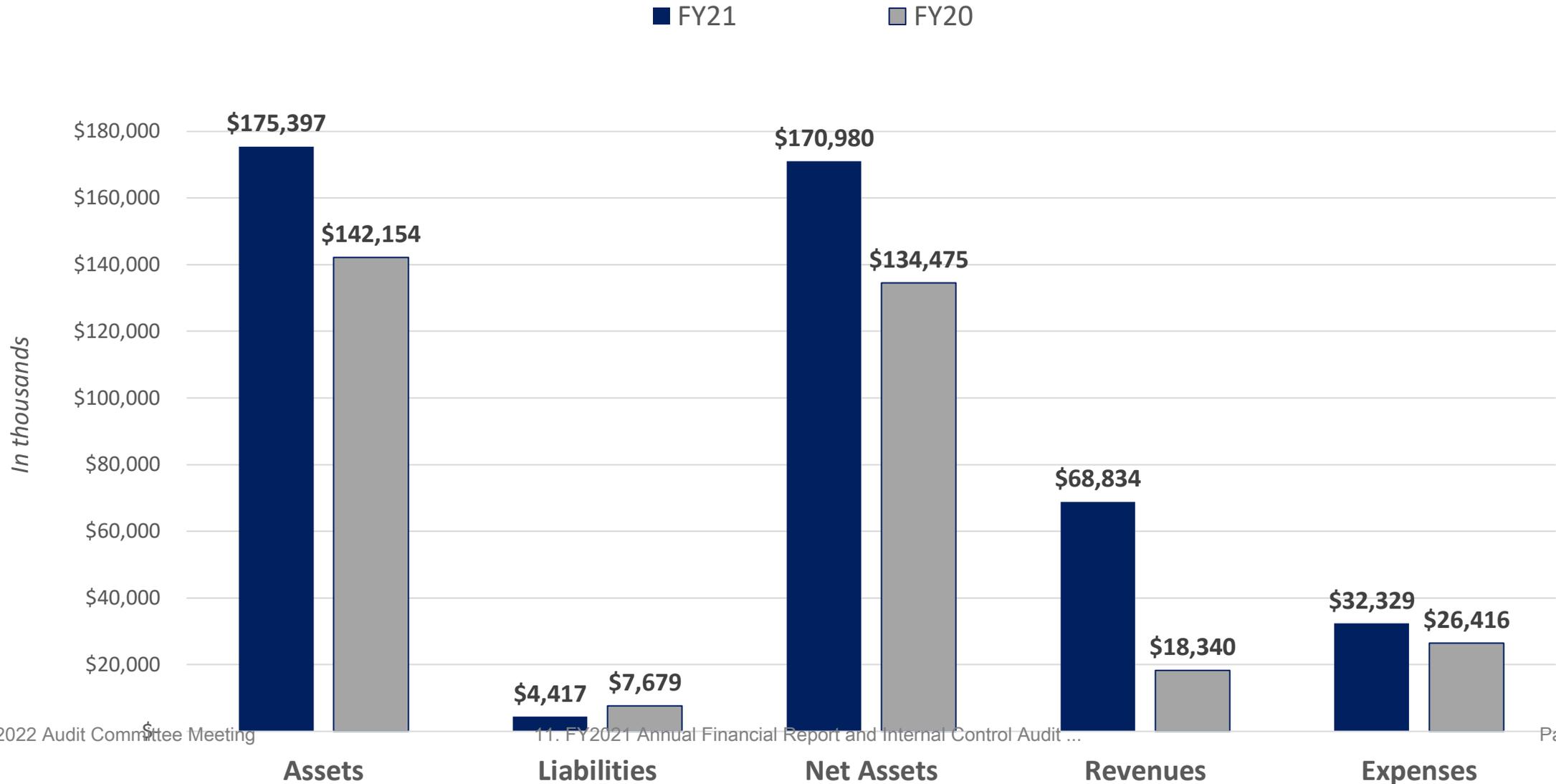
■ FY20

* Included in U of M as a blended component unit



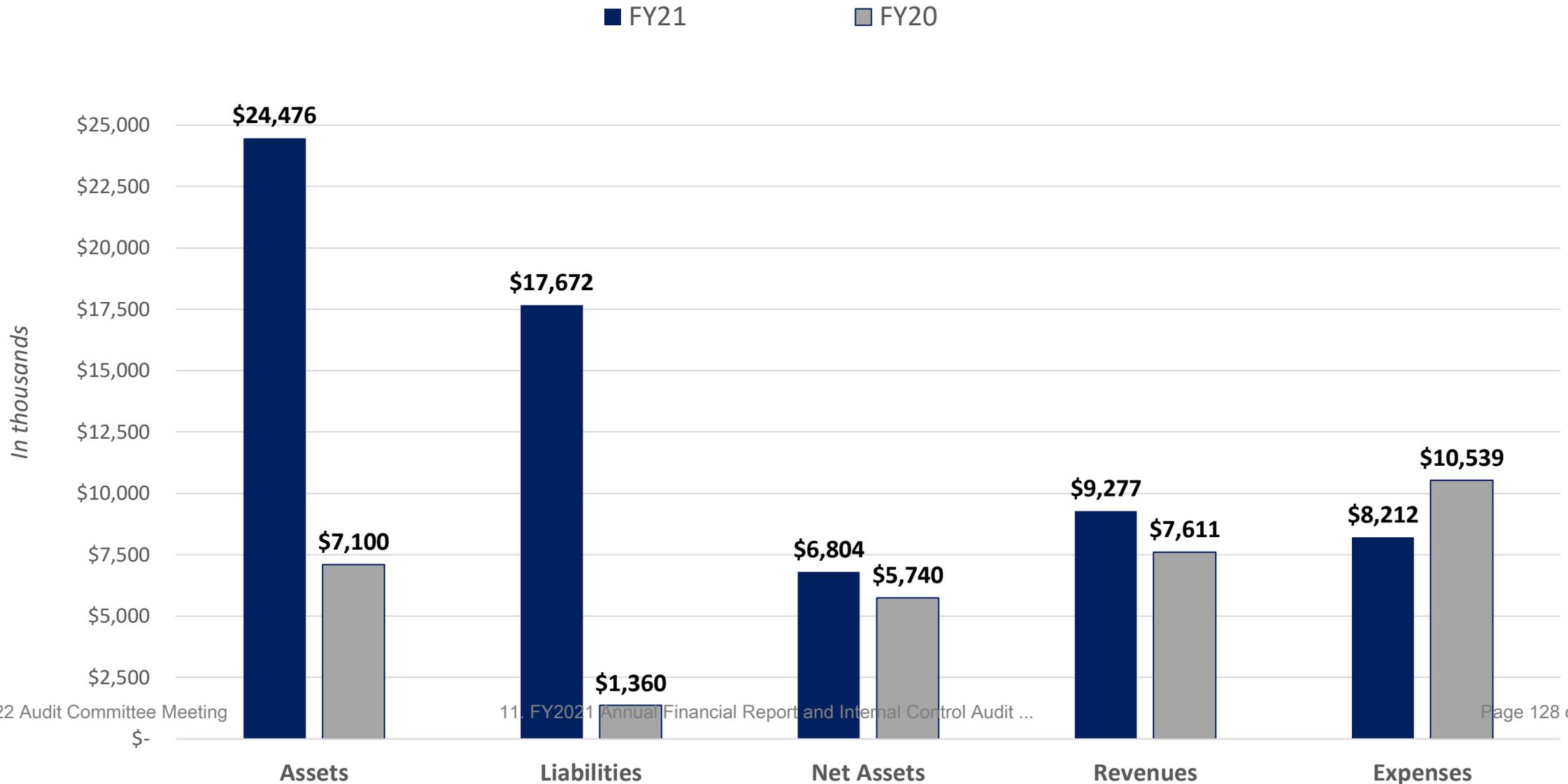
U of M Foundation Financial Statement Summaries

FYE June 30 2021 and 2020

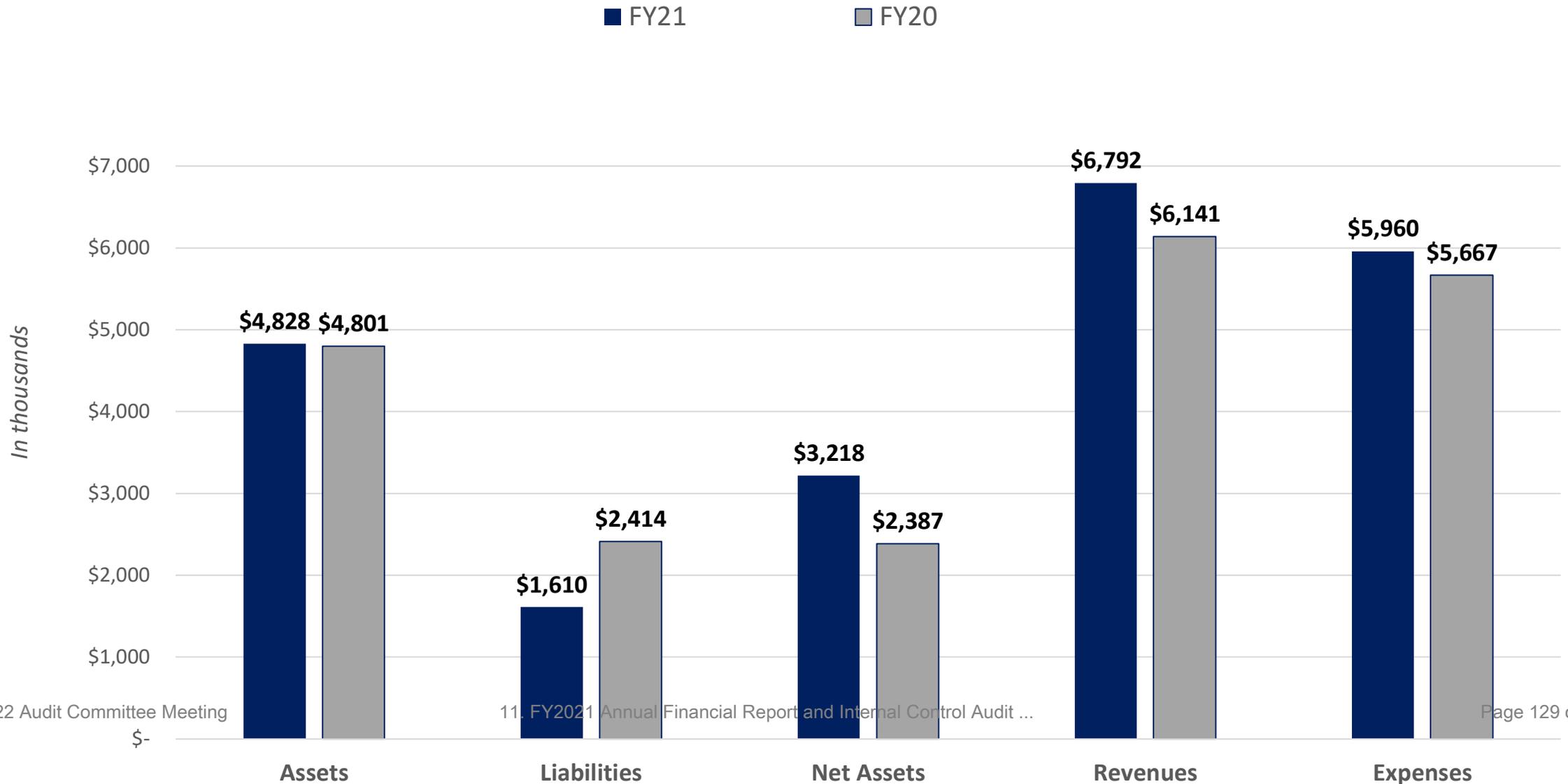


ASF Financial Statement Summaries

FYE June 30 2021 and 2020



U of M Research Foundation Financial Statement Summaries FYE June 30 2021 and 2020

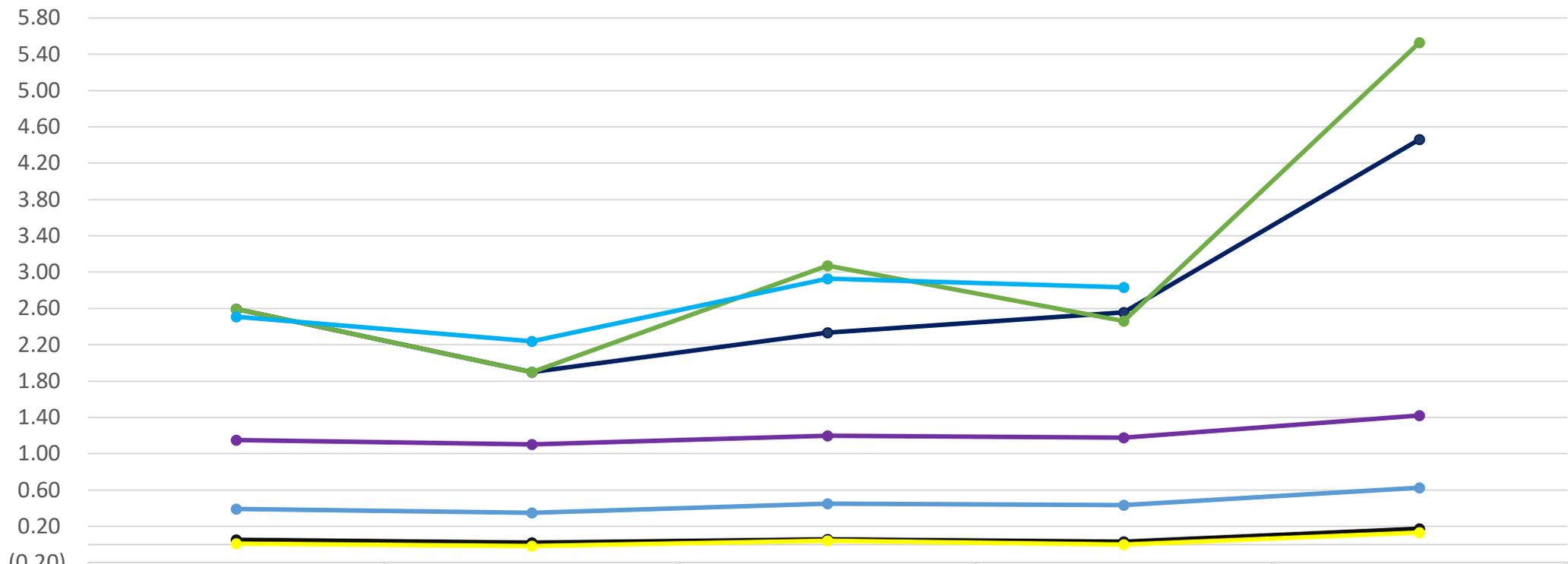


Summary of HEERF Funding

(Application of HEERF)

HEERFs	Student Aid Portion		Institutional Aid Portion	
CARES ACT (HEERF I)	\$7,787,700	Emergency grants to 12,283 students	\$8,572,076	Refunds to students - \$7.36m; Student wages - \$435k; Retention Scholarships - \$370k; IT and Physical plant expenses - \$400k
CRRSA ACT (HEERF II)	\$7,816,050	Emergency grants to 13,629 students	\$20,721,087	Refunds to students - \$6.37m; Emergency Student grants - \$835k; Athletic and Auxiliary Revenue loss recovery - \$9.24m; Campus Safety Expenses - \$605k; Indirect Cost recovery - \$3.13m; Student debt discharge - \$542k
ARP ACT (HEERF III)	\$13,746,600	Emergency grants to students: Summer 2021 - 4,434 Fall 2021 - 17,726	\$13,166,825	Athletic and Auxiliary Revenue loss recovery - \$8.65m; Campus safety expenses & Financial aid outreach - \$44k; Student Debt discharge -\$4.46m
Total Spending	\$29,350,350		\$45,459,988	
Available for use	\$10,604,275		\$12,366,260	
Total Amount Authorized	\$39,954,625		\$54,826,248	

Composite Financial Index (CFI) – Historic Trend



	FY 17	FY 18	FY 19	FY20	FY21
Primary Reserve	0.39	0.35	0.45	0.44	0.62
Viability	1.15	1.10	1.20	1.18	1.42
Return on Net Assets	5.22%	1.78%	5.83%	3.29%	17.17%
Net Operating Revenues	1.09%	-1.65%	3.91%	-0.08%	13.17%
CFI UofM + Herff only	2.59	1.90	2.33	2.56	4.46
CFI w/ all CU	2.59	1.90	3.07	2.46	5.53
LGI Avg CFI	2.51	2.24	2.93	2.83	

1. Unmodified audit opinions for UM Foundation, Aux Services Foundation and UM Research Foundation in FY 21
2. Improved financial standing of the three foundations:
 - Total Assets grew by \$50.6M, due to increased value in Investments and Pledges receivable of UM Foundation
 - Total Liabilities increased by \$12.2M, primarily due to Loan for Athletics operations
 - Net Position improved by \$38.4M
 - Revenues increased by \$42.5M
3. Unmodified audit opinion for the University and Herff Trust. One audit finding reported for the University. Management has provided an action plan in response.
4. Several “Management Letter” items were noted. Management has developed action plans to address such.

Questions?

12. Compliance Update

Presentation

Presented by Ceecy Reed

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 1, 2022

Committee: Audit Committee

Presentation: Compliance/Compliance Triage Team/OIE Updates

Presented by: Ceecy J. Reed, Interim Director for Office of Institutional Equity

Background:

This will be an update on the Compliance Assessments, Compliance Triage Team activity, and Office of Institutional Equity (OIE) data.

Compliance & Office of Institutional Equity (OIE) Update

Audit Committee

Ceecy J. Reed
Interim Director, Office for Institutional Equity
and Title IX Coordinator

March 1, 2022

Maxine A. Smith University Center



MARCH 2022



- Environmental Health & Safety (EH&S)
- Institutional Research
- School of Music
- Institutional Animal Care and Use Committee (IACUC)
- Campus Planning & Design

COMPLAINT TRIAGE TEAM



- # Complaints Received 7/1/2021 to present
- # Complaints Active/Open
- # Complaints Closed/Referred

EMPLOYEE TRAINING



- Training Dates

- Annual
- Open February 14 through May 15

- Title VI

- THRC Title VI Compliance Program
- Title VI Compliance Report and Implementation Plan
- Title VI Implementation Plan Initial Review
- Reporting of Title VI Complaints
- Required Annual Training

- Title IX

- TN State Audit

- Effective Search Committee Training
 - OIE collaborating w/Strategies and Tactics for Recruiting to Improve Diversity and Excellence (STRIDE) Committee

THANK YOU!



13. Foundation Website Re-Design Planning

For Discussion

Presented by Raajkumar Kurapati



THE UNIVERSITY OF
MEMPHIS®

Foundation | Auxiliary Services Foundation

WEBSITE RE-DESIGN:

University of Memphis Foundation Auxiliary Services Foundation and The Herbert Herff Trust for the University of Memphis

Foundation Branding

- 🐾 In collaboration with UofM Marketing, the Foundation has new logos for the UofM Foundation and the Auxiliary Services Foundation
- 🐾 Will work with UofM Marketing for Herff Trust Logo
- 🐾 Currently using existing supply of letterhead, envelopes, correspondence materials, etc.... with prior branding
- 🐾 Will replenish materials using new branding





Foundation Website Re-Design

- 🐾 Currently in the early planning phase
- 🐾 Intent is to:
 - Provide web-based continuity between multiple Foundations and the many areas of the UofM
 - Provide an engaging and informative experience for visitors, potential donors, current donors, students, faculty and staff
 - Illustrate the community / student impact through video, images and text content
 - Offer operational transparency
 - Empower Faculty and Staff to have the information needed for seamless workflow interactions with the Foundation staff.
- 🐾 Foundation Leadership will engage the UofM Marketing Department to ensure brand standard continuity

- > How to give
- > Where to give
- > Connect prospective donors to a staff resource to them explore giving options

Mock-up for visual purposes ONLY

March 2022 Audit Committee Meeting

Re-design has not been created; currently in planning phase

13. Foundation Website Re-Design Planning

Page 149 of 155



- > Foundation Leadership and Staff
- > University of Memphis Foundaiton (UMF)
- > Auxiliary Services (ASF)
- > Herff Trust for the University of Memphis

- > University of Memphis Foundaiton Board of Directors
- > UMF Audited Financial Statements
- > UMF Tax Filings
- > UMF Policies and Procedures
- > UMF Meeting Minutes
- > UMF Quarterly Financial Dashboard

- > Auxiliary Services Foundaiton Board of Directors
- > ASF Audited Financial Statements
- > ASF Tax Filings
- > ASF Policies and Procedures
- > ASF Meeting Minutes
- > ASF Quarterly Financial Dashboard

- > Herff Trust Board of Directors
- > Herff Trust Audited Financial Statements
- > Herff Trust Tax Filings
- > Herff Trust Policies and Procedures
- > Herff Trust Meeting Minutes
- > Herff Trust Quarterly Financial Dashboard

Board of Directors listings (for each Foundation) and Staff Information, will include photos and bios where appropriate

Mock-up for visual purposes ONLY

March 2022 Audit Committee Meeting

Re-design has not been created; currently in planning phase



THE UNIVERSITY OF
MEMPHIS

Foundation | Auxiliary Services Foundation

Ways to Give

About Us

Impact

Engage

News and Events

For Faculty and Staff

Contact Us

- > Campus projects, initiatives and improvements
- > Impact of dollars on an annual basis (such as reporting amount & # of scholarships awarded)
- > Share student testimonials (past and present) and content conveying how their UofM experience allowed them to excel

- > Connect visitors to the many different web-based UofM assets, such as UofM Research Foundation, UMRF Ventures, the Alumni Association, Athletics, the UofM Website, etc...
- > Will also reiterate ways to give and volunteer

Mock-up for visual purposes ONLY

March 2022 Audit Committee Meeting

Re-design has not been created; currently in planning phase

13. Foundation Website Re-Design Planning

Page 151 of 155



THE UNIVERSITY OF
MEMPHIS

Foundation | Auxiliary Services Foundation

Ways to Give

About Us

Impact

Engage

News and Events

For Faculty and Staff

Contact Us

- > Board Meeting Schedules
- > Campus / UofM Community related events
- > Press Releases and any media - Press releases can be sent around investment results for the Endowment annually, the release of audited financial statements, and announcing new board members, etc...

This will be an internal section of the site

- > Forms for submissions of various transactions (fund transfers, expenditure requests, etc...)
- > Policies and procedures so faculty and staff have instructions and guidelines on the transaction submission process and requirements
- > Internal FAQ section

- > How to reach the Foundation
- > Public FAQ section for regarding general inquiries

Mock-up for visual purposes ONLY

March 2022 Audit Committee Meeting

Re-design has not been created; currently in planning phase

13. Foundation Website Re-Design Planning

Page 152 of 155

Questions?

14. Additional Business

Presented by Carol Roberts

15. Adjournment

Presented by Carol Roberts