



FINANCIAL AND COMPLIANCE AUDIT REPORT

The University of Memphis

For the Year Ended June 30, 2025

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF STATE AUDIT

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JASON E. MUMPOWER
Comptroller

February 26, 2026

The Honorable Bill Lee, Governor
Members of the General Assembly
Dr. Bill Hardgrave, President

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the University of Memphis, an institution of the State University and Community College System of Tennessee, for the year ended June 30, 2025. You will note from the independent auditor's report that unmodified opinions were given on the fairness of the presentation of the financial statements.

Consideration of the internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

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

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

26/006

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THE UNIVERSITY OF MEMPHIS

AUDIT HIGHLIGHTS

The University of Memphis’s Mission

The University of Memphis (UofM) is a comprehensive, internationally recognized, urban public research university preparing students for success in a diverse, innovative and global environment. Student success, service, innovation, knowledge discovery and dissemination, commitment to an inclusive academy, collaboration and accountability are core values at the University of Memphis.

OPINIONS ON THE FINANCIAL STATEMENTS

The opinions on the financial statements are unmodified.

AUDIT FINDINGS

The audit report contains no findings.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.



JASON E. MUMPOWER
Comptroller

Independent Auditor's Report

The Honorable Bill Lee, Governor
Members of the General Assembly
Dr. Bill Hardgrave, President

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the University of Memphis, an institution of the State University and Community College System of Tennessee, which is a component unit of the State of Tennessee, and its discretely presented component units as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Memphis and its discretely presented component units as of June 30, 2025; and the respective changes in financial position and cash flows, if applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the University of Memphis Foundation, the University of Memphis Research Foundation, and the Memphis Athletic Foundation, discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the university and its discretely presented component units are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the

Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the university and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the university's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we do the following:

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the university's internal control; accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the university's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matters

As discussed in Note 1, the financial statements of the University of Memphis, an institution of the State University and Community College System of Tennessee, are intended to present the financial position, the changes in financial position, and the cash flows of only the University of Memphis. They do not purport to, and do not, present fairly the financial position of the State University and Community College System of Tennessee as of June 30, 2025, and the changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the university implemented Governmental Accounting Standards Board Statement (GASB) 101, *Compensated Absences*, during the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

As discussed in Note 24, the financial statements of the University of Memphis Foundation, a discretely presented component unit of the University of Memphis, include investments valued at \$33,382,440 at June 30, 2025 (9.9% of net position of the foundation), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: management's

discussion and analysis on pages 6 through 18; the schedule of the University of Memphis's proportionate share of the net pension liability (asset) – Closed State and Higher Education Employee Pension Plan within TCRS on page 87; the schedule of the University of Memphis's proportionate share of the net pension liability (asset) – State and Higher Education Employee Retirement Plan within TCRS on page 88; the schedule of the University of Memphis's contributions – Closed State and Higher Education Employee Pension Plan within TCRS on page 89; the schedule of the University of Memphis's contributions – State and Higher Education Employee Retirement Plan within TCRS on page 90; the schedule of the University of Memphis's proportionate share of the collective total/net OPEB liability (asset) – Closed State Employee Group OPEB Plan on page 91; the schedule of the University of Memphis's proportionate share of the collective total OPEB liability – Closed Tennessee OPEB Plan on page 92; and the schedule of the University of Memphis's contributions – Closed State Employee Group OPEB Plan on page 93. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025, on our consideration of the university'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 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 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 university's internal control over financial reporting and compliance.



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 19, 2025

THE UNIVERSITY OF MEMPHIS

Management's Discussion and Analysis

June 30, 2025

Introduction

This section of the University of Memphis's annual financial report presents a discussion and analysis of the financial performance of the university during the fiscal year ended June 30, 2025, with comparative information presented for the fiscal years ended June 30, 2024. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the independent auditor's report, the audited financial statements, and the notes. The financial statements, notes, and this discussion are the responsibility of management.

The university has three discretely presented component units, the University of Memphis Foundation (UMF); the Memphis Athletic Foundation (MAF), formerly the Auxiliary Services Foundation; and the University of Memphis Research Foundation (UMRF). In prior years, the university also had a blended component unit, the Herff Trust (trust). Effective July 1, 2024, the trust, by way of a Certificate and Articles of Merger agreement, is now included with UMF's financial information and represents a change within the financial reporting entity for the university under Governmental Accounting Standards Board (GASB) Statement 100, *Accounting Changes and Error Corrections*. More detailed information about the foundations is presented in Notes 24, 25, and 26 to the financial statements. This discussion and analysis focuses on the university and does not include the foundations.

Overview of the Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB, which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the university as a whole. The full scope of the university's activities is considered to be a single business-type activity, and, accordingly, is reported within a single column in the basic financial statements.

The university's financial report includes the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. Notes to the financial statements are also presented to provide additional information that is essential to a full understanding of the financial statements.

The Statement of Net Position

The statement of net position is a point-in-time financial statement. The statement of net position presents the financial position of the university at the end of the fiscal year. To aid the reader in determining the university's ability to meet immediate and future obligations, the statement includes all assets, liabilities, deferred outflows/inflows of resources, and net position of the university and segregates the assets and liabilities into current and noncurrent components. Current assets are those that are available to satisfy current liabilities, inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. The statement of net position is prepared under the accrual basis of accounting; assets and liabilities are recognized when goods or services are provided or received, despite when cash is actually exchanged. From the data presented, readers of the statement are able to determine the assets available to continue the operations of the university. They are also able to determine how much the university owes vendors, lenders, and others. Net position represents the difference between the university's assets and liabilities, along with the difference between deferred outflows and deferred inflows of resources, and is one indicator of the university's current financial condition.

The statement of net position also indicates the availability of net position for expenditure by the university. Net position is divided into three major categories. The first category, net investment in capital assets, represents the university's total investment in property, plant, and equipment, net of outstanding debt obligations related to these capital assets. To the extent debt or deferred inflows of resources have been incurred but not yet expended for capital assets, such amounts are not included. The next category is restricted net position, which is subdivided into two categories, nonexpendable and expendable. Nonexpendable restricted net position includes endowment and similar resources whose use is limited by donors or other outside sources, and as a condition of the gift, the principal is to be maintained in perpetuity. Expendable restricted net position is available for expenditure by the university but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted net position. Unrestricted net position is available to the university for any lawful purpose of the university.

The following table summarizes the university's assets, liabilities, deferred outflows/inflows of resources, and net position at June 30, 2025, and June 30, 2024.

Summary of Net Position
(in thousands of dollars)

	<u>2025</u>	<u>2024</u>
Assets:		
Current assets	\$ 91,802	\$ 87,683
Capital assets, net	731,230	716,645
Other assets	355,216	386,380
Total Assets	1,178,248	1,190,708
 Deferred Outflows of Resources		
Deferred amount on debt refunding	3,370	4,070
Deferred outflows related to pension	16,116	25,167
Deferred outflows related to OPEB	3,775	5,955
Total Deferred Outflows of Resources	23,261	35,192
 Liabilities:		
Current liabilities	77,505	78,075
Noncurrent liabilities	210,137	204,009
Total Liabilities	287,642	282,084
 Deferred Inflows of Resources		
Deferred amount on debt refunding	26	33
Deferred inflows related to pension	4,346	780
Deferred inflows related to OPEB	12,586	9,568
Deferred inflows related to leases	1,012	1,207
Total Deferred Inflows of Resources	17,970	11,588
 Net Position:		
Net investment in capital assets	566,196	539,741
Restricted - nonexpendable	54,122	54,088
Restricted - expendable	28,984	68,309
Unrestricted	246,595	270,090
Total Net Position	\$ 895,897	\$ 932,228

- While total assets did not change significantly year over year, within the noncurrent asset classification, investments decreased more than \$27,000,000 primarily due to the removal of the previously blended component unit, the Herff Trust, resulting

in a change within the financial reporting entity in accordance with GASB Statement 100, *Accounting Changes and Error Corrections*.

- Deferred outflows of resources decreased significantly due to continued decreases in deferred outflows related to OPEB (approximately 36%) and deferred outflows related to pensions (36%). The decreases in pension deferred outflows are primarily attributed to the differences between expected and actual experience, changes in assumptions, and changes in proportion of net pension liability. The decreases in OPEB deferred outflows are attributed to changes in assumptions, changes in proportion, differences between benefits paid and proportionate share of benefits paid, and contributions subsequent to the measurement date.
- While total current liabilities did not change significantly year over year, within the current liabilities classifications, there were material differences of note. Unearned revenue decreased approximately \$4,000,000 due to the timing of revenue recognition. Also of note was the implementation of GASB Statement 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and for leave that has been used but not yet paid in cash or settled through noncash means. The recognition of the implementation and the calculation for the current fiscal year caused an increase of approximately \$7,000,000 in the compensated absences liability.
- Total noncurrent liabilities increased approximately \$6,000,000, or 3.0%; however, components within the classification experienced material changes. The OPEB and pension plan liabilities continued to decrease from fiscal year 2024 due to favorable investment earnings, results from changes in assumptions, and differences between actual and expected experience. In fact, the OPEB plan had a net asset at June 30, 2025. The combined decrease for OPEB and pension noncurrent liabilities for fiscal year 2025 was approximately \$18,800,000. Long-term liabilities also decreased by approximately \$11,000,000 due to the continued retirement of debt. The recognition of the implementation of GASB Statement 101, *Compensated Absences*, and the calculation for the current fiscal year caused an increase of approximately \$35,000,000, or a 308% increase, in noncurrent compensated absences liability reported in fiscal year 2025.
- Deferred inflows of resources experienced a \$6,382,000, or 55%, increase year over year primarily due to the increase in deferred inflows related to OPEB. This increase is attributed to the changes in proportion and differences between benefits paid and proportionate share of benefits paid, changes of assumptions, differences between actual and expected experience, and a favorable return between actual and projected investment earnings.
- Restricted net position for expendable purposes decreased significantly. This decrease was primarily due to the removal of the previously blended component unit, the Herff Trust, resulting in a change within the financial reporting entity in

accordance with GASB Statement 100 and a \$30,929,940 change in the reported Herff assets for university support. The change also included \$13,737,280 of charges related to the Oracle implementation that was recognized out of prepaid expense for fiscal year 2025.

Effective July 1, 2024, the assets of the Herff Trust (a Tennessee Trust) were merged with the University of Memphis Foundation (a Tennessee Non-Profit Corporation). Previously the Herff Trust was identified as a blended component unit of the University of Memphis, and the fiscal year 2024 financials were presented as such. The University of Memphis Foundation is a discretely presented component unit of the university.

The asset merger of the Herff Trust within the University of Memphis Foundation triggered the removal of the Herff Trust as a blended component unit of the University. In compliance with GASB Statement 100, the changes within the university as a reporting entity brought about an adjustment of \$30,929,939 to the beginning net position of the current fiscal year.

During the fiscal year 2025, the University of Memphis implemented the adoption of GASB Statement 101, *Compensated Absences*. The implementation of GASB 101 created an adjustment for accounting changes in accordance with GASB Statement 100, *Accounting Changes and Error Corrections*, which provides guidance and reporting requirements for events that constitute those changes. The statement requires that a change in accounting principle be reported retroactively by restating the prior period, and as such the aggregate amount of adjustments to and restatements of beginning net position is displayed in the financial statement of the university for fiscal year 2025 reporting. The change in accounting principle resulted in an adjustment to the beginning net position in the amount of \$29,310,066.

The adjusted beginning net position of the university is presented below.

Net Position	Amount
Net position at beginning of year	\$ 932,228,409
Adjustments for accounting changes and error corrections	
Compensated Absences	(29,310,066)
Change in Reporting Entity - Herff Trust	(30,929,939)
<u>Restated Beginning Net position</u>	<u>871,988,404</u>

The Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the results of operations for the fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received. The statement indicates whether the university's financial condition has improved or deteriorated during the fiscal year. The statement presents the revenues received by the university, both operating and

nonoperating; the expenses paid by the university, operating and nonoperating; and any other revenues, expenses, gains, or losses received or spent by the university.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the university. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the university. Nonoperating revenues are revenues received for which goods and services are not provided directly to the payor. Although the University of Memphis is dependent upon state appropriations and gifts to fund educational and general operations, under GASB standards these funding sources are reported as nonoperating revenues, as is investment income. As a result, the university has historically reported an excess of operating expenses over operating revenues, resulting in an operating loss. Therefore, the “increase in net position” is more indicative of overall financial results for the year.

A summary of the university’s revenues, expenses, and changes in net position for the years ended June 30, 2025, and June 30, 2024, follows.

Summary of Revenues, Expenses, and Changes in Net Position

(in thousands of dollars)

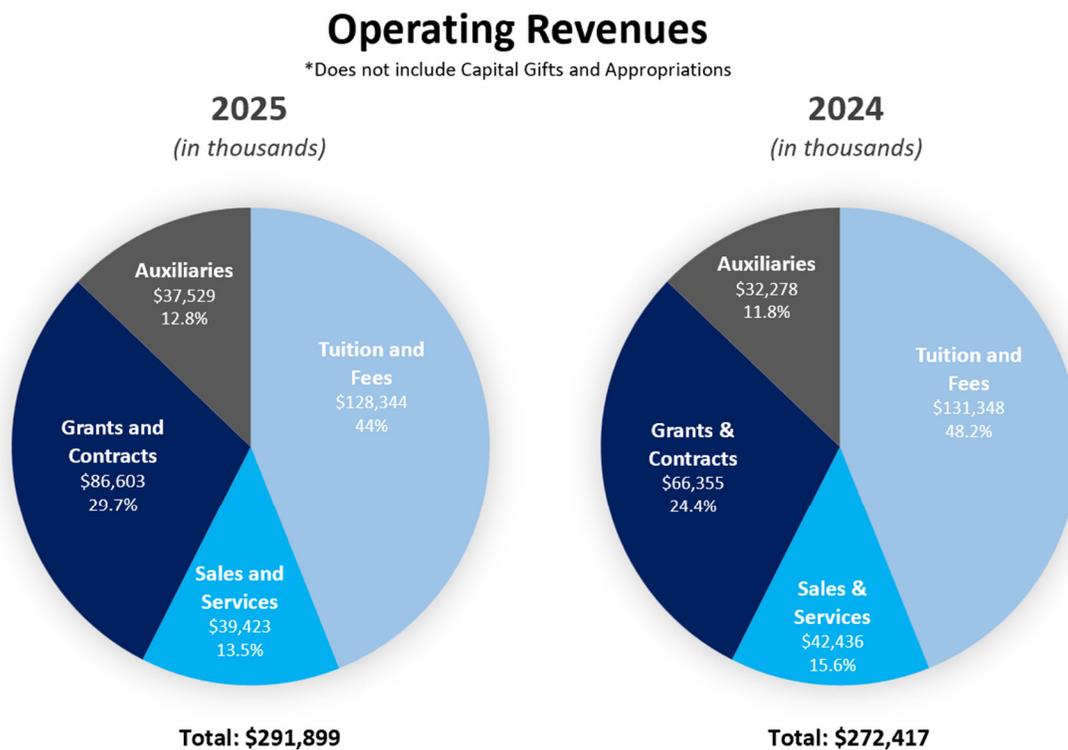
	<u>2025</u>	<u>2024</u>
Operating revenues	\$ 291,899	\$ 272,417
Operating expenses	599,703	547,236
Operating loss	(307,804)	(274,819)
Nonoperating revenues and expenses	318,927	305,368
Income before other revenues, expenses, gains, or losses	11,123	30,549
Other revenues, expenses, gains, or losses	12,786	52,618
Increase in net position	23,909	83,167
Net position at beginning of year	932,228	849,061
Adj for change in accounting principle	(29,310)	-
Adj for change in reporting entity	(30,930)	-
Restated beginning net position	871,988	849,061
Net position at end of year	\$ 895,897	\$ 932,228

The beginning net position for fiscal year 2025 has been adjusted to account for the removal of the Herff Trust as a blended component unit of the university effective July 1, 2024. In compliance with GASB Statement 100, the changes within the university as a reporting entity brought about an adjustment of the beginning net position of the current fiscal year in the amount of \$30,929,939. The implementation of GASB 101,

Compensated Absences, resulted in a decrease in the fiscal year 2024 ending net position and a restatement of the fiscal year 2025 beginning net position. In compliance with GASB 100, the changes in accounting principle resulted in a \$29,310,066 decrease in the beginning net position. The restated beginning net position for fiscal year 2025 is \$871,988,404.

Operating Revenues

The following summarizes the operating revenues by source that were used to fund operating activities for the last two fiscal years:

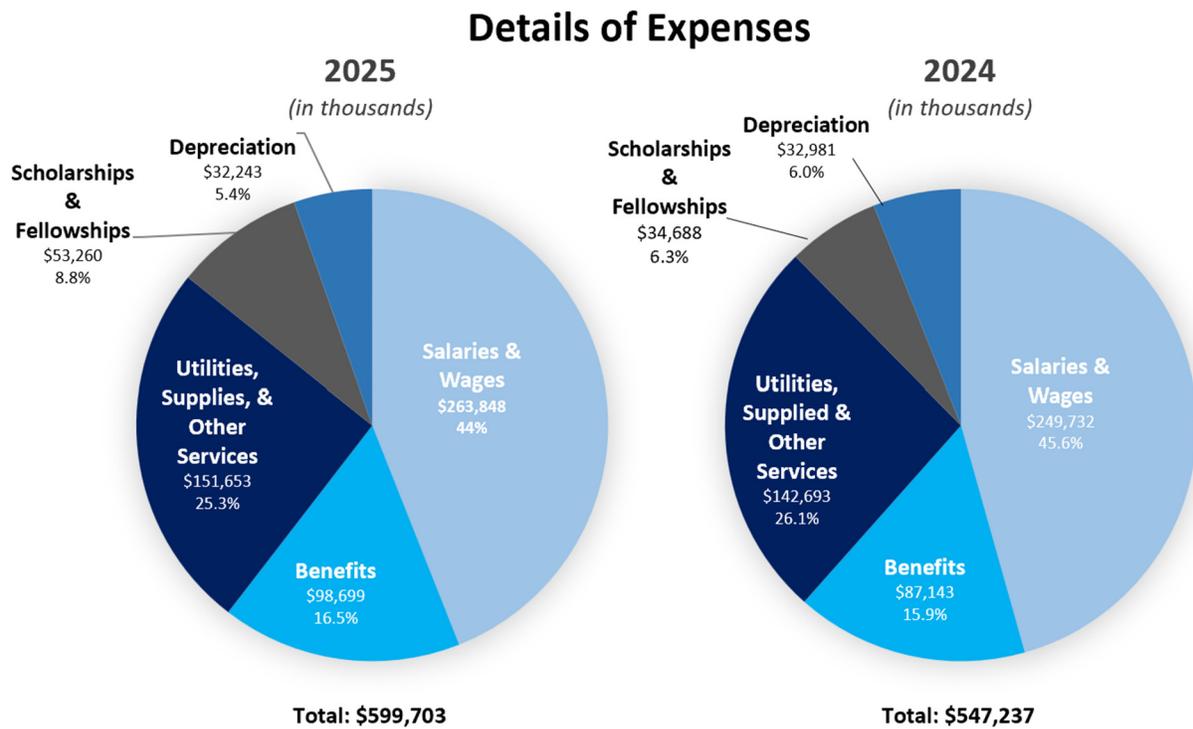


- Grants and contracts revenue increased approximately \$20,000,000 in fiscal year 2025. This additional revenue was due to an increase in the Upskill Mid-South grant, an increase in the GROWWTH grant as part of the Tennessee Opportunity Pilot Initiative Implementation Grant, a new Office of Criminal Justice Program grant, as well as several other grants in the \$1,000,000 range.
- Residential life as part of the auxiliary enterprises shows an increase in revenue from year over year. This increase is primarily due to the new presentation of scholarship discounts within the residential life calculations, in alignment with the National Association of College and University Business Officers' (NACUBO) fiscal year 2025 advisory report, *Public Institutions: Accounting for and Reporting Financial Aid as a Discount* (AR 2023-01). The University of Memphis Board of

Trustees approved a 3.5% annual housing rate increase starting in fiscal year 2024 and continuing through fiscal year 2028.

Operating Expenses

Operating expenses may be reported by nature or function. The university has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to the financial statements. The following summarizes the operating expenses by natural classifications for the last two fiscal years:



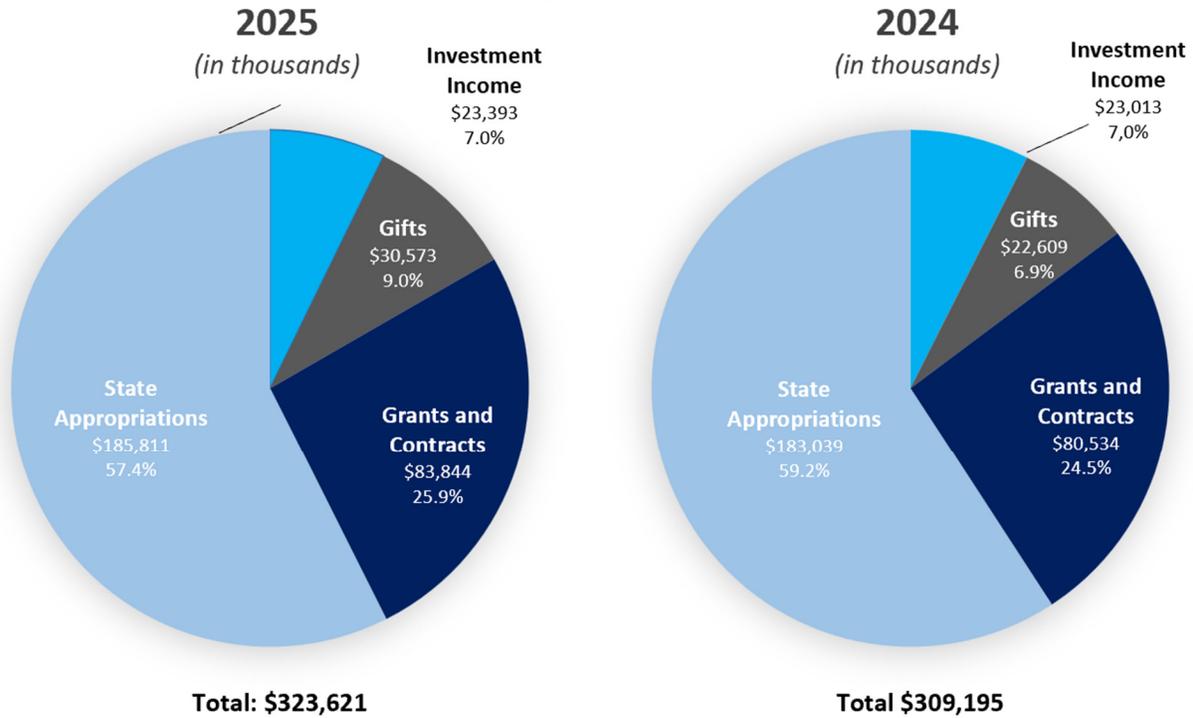
- Operating expenses increased approximately \$52,000,000.
- The increase included costs in the professional and administrative services for the recognition of consulting fees for the Oracle implementation (\$11,000,000); the increase in computer software and software maintenance (\$4,500,000); and space rent (\$3,300,000).
- Scholarships and fellowships expenses increased approximately \$18,000,000. The increase was driven in part by the new presentation of scholarship discounts within the residential life calculations in alignment with NACUBO's AR2023-01 guidance for fiscal year 2025. In fiscal year 2024, refunds were estimated by using a percentage calculation. In fiscal year 2025, actual refunds are calculated by student, and some of the expenses are now identified as excess aid. There was also an increase in the PELL expenses corresponding to the increase in the PELL

revenue. The university also experienced a \$1,000,000 increase in the State Hope awards, and an \$880,000 increase in Tennessee Student Assistant Awards.

Nonoperating Revenues and Expenses

Certain revenue sources that the university relies on to provide funding for operations, including state noncapital appropriations, certain gifts and grants, and investment income, are defined by the GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the university’s nonoperating revenues and expenses for the last two fiscal years:

Nonoperating Revenue and Expenses



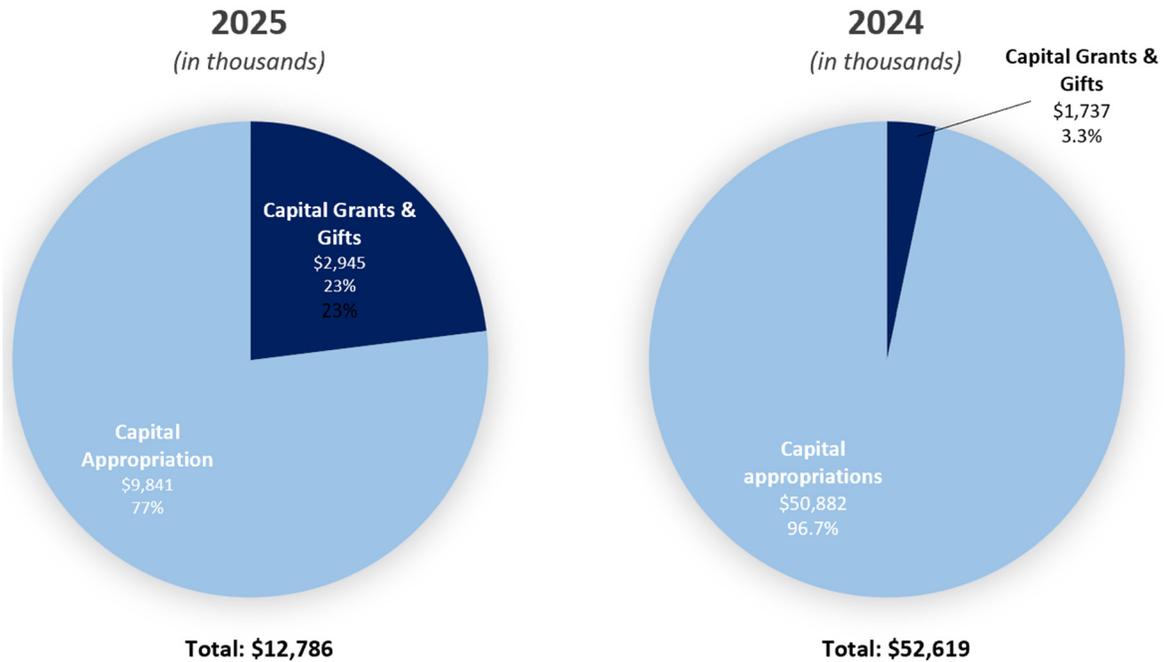
The chart above does not include nonoperating expenses of \$4,694 and \$4,932 for fiscal years 2025 and 2024, respectively.

- The increase in gifts of approximately \$8,000,000 was largely due to the receipt of \$5,000,000 toward intercollegiate athletics from Nike and the Leftwich Tennis Center.

Other Revenues

This category is composed of state appropriations for capital purposes, capital grants and gifts, and additions to permanent endowments. These amounts were as follows for the last two fiscal years:

Other Revenue



- Capital appropriations decreased significantly year over year. The change of approximately \$41,000,000, or 80%, is represented by the fiscal year 2024 recognition of \$20,000,000 in capital appropriations for the Oracle implementation and the fiscal year 2025 additions and reductions related to various capital projects campus-wide. The reductions represent the decrease in capital appropriations for specific projects that have been completed or substantially completed. Among those capital projects include the STEM building (\$17,300,000); campus boiler and pipes replacement (\$3,00,000); plant chiller and HVAC (\$2,000,000); and various projects that represent replacement and upgrades (\$5,6000,000). Increases of appropriations include projects related to Wilder Tower repairs (\$1,5000,000); HVAC on multiple buildings (\$1,300,000); and other repairs, including elevators (\$1,200,000).

Capital Assets and Debt Administration

Capital Assets

The University of Memphis had \$731.23 million invested in capital assets, net of accumulated depreciation of \$429.93 million at June 30, 2025; and \$716.65 million invested in capital assets, net of accumulated depreciation of \$400.79 million at June 30, 2024. Depreciation charges totaled \$32.24 million and \$32.98 million for the years ended June 30, 2025, and June 30, 2024, respectively.

Schedule of Capital Assets, Net of Depreciation

(in thousands of dollars)

	<u>2025</u>		<u>2024</u>
Land	\$ 19,170	\$	19,060
Land improvements and infrastructure	117,129		124,439
Buildings	509,221		517,880
Equipment	19,555		16,930
Library holdings	2,805		3,008
Art and historical collections	296		296
Intangible assets	1,200		-
Projects in progress	35,952		22,915
Easment	-		1,200
Right-to-use - buildings	469		1,494
Right-to-use - equipment	5,888		1,625
SBITA asset - software	5,808		7,798
SBITA asset - projects in process	13,737		-
Total	\$ 731,230	\$	716,645

Significant additions to capital assets occurred in fiscal year 2025. These additions were primarily from additional building for HVAC compressor replacement in multiple buildings, upgrades and repairs to multiple buildings, elevators and fire alarms in multiple buildings, Wilder Tower repairs, Mynders Hall renovation, Wilson Hotel roof, and other ongoing capital projects.

At June 30, 2025, outstanding commitments under construction contracts totaled \$41.96 million for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund \$30.64 million of these costs.

More detailed information about the university's capital assets is presented in Note 6 to the financial statements.

Debt

The university had \$157.23 million and \$168.38 million in debt outstanding at June 30, 2025, and June 30, 2024, respectively. The table below summarizes these amounts by type of debt instrument.

Schedule of Outstanding Debt (in thousands of dollars)

	<u>2025</u>	<u>2024</u>
TSSBA Bonds	\$ 157,041	\$ 168,037
TSSBA Revolving Credit Facility	192	347
Total	\$ 157,233	\$ 168,384

The Tennessee State School Bond Authority (TSSBA) issued bonds with interest rates ranging from 0.627% to 5% due through 2050 on behalf of the University of Memphis. The university is responsible for the debt service of these bonds. The current portion of the \$157,041 million outstanding at June 30, 2025, is \$8.70 million.

The Tennessee State Funding Board issued general obligation commercial paper with variable interest rates on behalf of the University of Memphis. The university is responsible for the debt service of this commercial paper. The outstanding amount at June 30, 2024, is \$0.191 million.

The ratings on debt issued by the TSSBA at June 30, 2025, were as follows:

Fitch	AA+
Moody's Investor Service	Aa1
Standard & Poor's	AA+

More information about the university's long-term liabilities is presented in Note 10 to the financial statements.

Economic Factors That Will Affect the Future

For fiscal year 2026, the Governor has approved a budget for state appropriations which includes a total increase of \$14.6 million, comprised of a 2.5% salary pool with benefits, new operating funds, and a one-time appropriation of \$5.4 million for safety and security funding. The university is also budgeted to receive capital project appropriations of \$5.9 million for maintenance, repairs, and updates to campus facilities, as well as \$75 million for research modernization.

Fall 2025 saw university-wide enrollments at census date, down about 3% from 20,276 students to 19,652. This drop is attributable to the university's increased admission standards for undergraduate students, as well as an ongoing trend of declining undergraduate and graduate traditional (on-ground) enrollments of Tennessee resident students.

Effective July 1, 2025, the University of Memphis became engaged in a transactional Name, Image, and Likeness (NIL) program. This followed the signing of an amendment to Tennessee's NIL law, which allowed for more flexibility in NIL dealings among student-athletes. FedEx Corp. has announced an NIL commitment of \$5 million per year for the next five years to benefit the University of Memphis student-athletes. Behind the vision of FedEx, with support from national industry experts Altius Sports Partners, the program will initially center around football, men's and women's basketball, and additional women's sports. Student-athletes will be provided the opportunity to capitalize on their name, image, and likeness through opportunities that will include social media programs, in-person events, FedEx Cares initiatives, and more as FedEx continues its longstanding commitment to investing in its hometown and our future leaders.

Enterprise Resource Planning System

The university continued its process to transition its Enterprise Resource Planning system to Oracle for finance and human resources management. The process began in fiscal year 2024, and the process will continue through fiscal year 2026. Implementation of the new system is expected in January 2026. Funding for the project was received in fiscal year 2024.

University of Memphis P3 Project

On August 12, 2024, the university entered into a P3 arrangement for the development and construction of a 542-bed student housing development on its Park Avenue Campus. Madrone Memphis Student Housing I, LLC (Madrone) will serve as the owner of the student housing development. As a part of this project, the university is leasing land to Madrone from 2024 through 2056. Rent will be paid from surplus cash flow, and if there is no cash flow, the rent will be zero. The university will assume ownership of the development after the lease term. The cost of the development is expected to approximate \$58,000,000. The Health, Educational, and Housing Facility Board of the County of Shelby, Tennessee, and the underwriter will issue Student Housing Revenue Bonds to fund the cost of the project. The university will not be responsible for the debt. The university will operate the student housing facility, and its rent proceeds will be forwarded to a trust. The trust will facilitate required payments to bondholders. The developer and general contractor expect to have the project completed in time to house students in August 2026.

THE UNIVERSITY OF MEMPHIS
Statement of Net Position
June 30, 2025

	University	University of Memphis Foundation	University of Memphis Research Foundation	Memphis Athletic Foundation
Assets				
Current assets:				
Cash and cash equivalents (Notes 2, 24, 25, and 26)	\$ 18,941,003.28	\$ 21,456,929.00	\$ 1,700,333.00	\$ 6,227,977.00
Accounts, notes, and grants receivable (net) (Notes 5 and 25)	39,739,418.69	67,196.00	594,303.00	105,544.00
Due from affiliate (Notes 24 and 26)	-	-	-	2,300,760.00
Due from State of Tennessee	13,045,693.13	-	-	-
Due from component unit (Notes 24, 25, and 26)	10,526,871.00	-	-	-
Pledges receivable (net) (Note 24)	-	20,800,292.00	-	-
Inventories	533,841.67	-	-	-
Prepaid expenses	7,282,267.04	-	23,405.00	-
Accrued interest receivable	1,530,261.24	-	-	-
Lease receivable from component unit (Notes 7 and 25)	202,305.00	-	-	-
Total current assets	91,801,661.05	42,324,417.00	2,318,041.00	8,634,281.00
Noncurrent assets:				
Cash and cash equivalents (Notes 2 and 26)	117,233,688.85	-	-	67,544,058.00
Investments (Notes 3, 4, 24, 25, and 26)	229,300,118.73	279,735,914.00	2,387,636.00	199,692.00
Investment in Tennessee Retiree Group Trust	5,982,067.97	-	-	-
Accounts, notes, and grants receivable (net) (Notes 5 and 25)	269,844.82	-	38,785.00	-
Pledges receivable (net) (Note 24)	-	24,945,495.00	-	-
Capital assets (net) (Notes 6, 25, and 26)	731,229,643.17	21,234.00	1,608,605.00	193,570,996.00
Net OPEB asset (Note 15)	1,618,235.32	-	-	-
Lease receivable from component unit (Notes 7 and 26)	809,674.00	-	-	-
Other assets	2,500.00	158,976.00	-	418,447.00
Total noncurrent assets	1,086,445,772.86	304,861,619.00	4,035,026.00	261,733,193.00
Total assets	1,178,247,433.91	347,186,036.00	6,353,067.00	270,367,474.00
Deferred outflows of resources				
Deferred amount on debt refunding	3,370,092.33	-	-	-
Deferred outflows related to pensions (Note 13)	16,116,213.00	-	-	-
Deferred outflows related to OPEB (Note 15)	3,775,345.98	-	-	-
Total deferred outflows of resources	23,261,651.31	-	-	-
Liabilities				
Current liabilities:				
Accounts payable (Note 9)	6,310,281.74	523,416.00	22,094.00	6,712,012.00
Accrued liabilities	18,068,740.68	249,201.00	248,358.00	-
Due to State of Tennessee	4,328,627.42	-	-	-
Due to UOM (Notes 24, 25, and 26)	-	7,684,802.00	368,768.00	2,473,301.00
Due to affiliate (Notes 24 and 26)	-	2,300,760.00	-	-
Student deposits	615,850.01	-	-	-
Lease liability (Note 7)	2,055,018.32	-	-	-
Lease liability to UOM (Note 25)	-	-	202,305.00	-
SBITA liability (Note 8)	2,397,713.36	-	-	-
Unearned revenue	22,638,145.05	-	274,689.00	-
Compensated absences (Note 10)	10,331,290.64	-	-	-
Accrued interest payable	1,148,349.99	-	-	17,830.00
Long-term liabilities (Notes 10 and 26)	8,703,979.64	-	-	1,913,491.00
Deposits held in custody for others	873,059.34	-	7,516.00	-
Other liabilities	33,750.00	-	-	-
Total current liabilities	77,504,806.19	10,758,179.00	1,123,730.00	11,116,634.00
Noncurrent liabilities:				
Lease liability (Note 7)	3,316,711.17	-	-	-
Lease liability to UOM (Note 25)	-	-	809,674.00	-
SBITA liability (Note 8)	2,405,976.81	-	-	-
Due to grantors (Note 10)	174,591.93	-	-	-
Compensated absences liability (Note 10)	46,421,854.11	-	-	-
Long-term liabilities (Notes 10 and 26)	148,528,801.84	-	-	3,031,149.00
Net pension liability (Note 13)	9,064,117.00	-	-	-
Other liabilities	225,000.00	-	120,578.00	-
Total noncurrent liabilities	210,137,052.86	-	930,252.00	3,031,149.00
Total liabilities	287,641,859.05	10,758,179.00	2,053,982.00	14,147,783.00
Deferred inflows of resources				
Deferred inflows related to leases (Note 7 and 25)	1,011,979.00	-	80,858.00	-
Deferred amount on debt refunding	26,020.00	-	-	-
Deferred inflows related to pensions (Note 13)	4,345,778.00	-	-	-
Deferred inflows related to OPEB (Note 15)	12,586,082.51	-	-	-
Total deferred inflows of resources	17,969,859.51	-	80,858.00	-
Net position				
Net investment in capital assets	566,195,653.38	21,234.00	596,626.00	193,570,996.00
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	1,467,907.40	56,871,792.00	-	-
Research	50,000,000.00	7,684,019.00	216,435.00	-
Instructional department uses	-	33,246,687.00	-	-
Other	2,654,463.60	31,109,485.00	-	-
Expendable:				
Scholarships and fellowships	1,125,667.11	38,781,985.00	-	-
Research	2,946,908.10	21,743,518.00	-	-
Instructional department uses	1,738,091.36	40,121,297.00	-	-
Loans	2,465,587.71	-	-	-
Capital projects	3,625,703.36	5,616,415.00	-	61,085,377.00
OPEB	1,618,235.32	-	-	-
Other	15,464,088.03	59,404,883.00	-	-
Unrestricted	246,595,061.29	41,826,542.00	3,405,166.00	1,563,318.00
Total net position	\$ 895,897,366.66	\$ 336,427,857.00	\$ 4,218,227.00	\$ 256,219,691.00

The notes to the financial statements are an integral part of this statement.

THE UNIVERSITY OF MEMPHIS
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2025

	University	University of Memphis Foundation	University of Memphis Research Foundation	Memphis Athletic Foundation
Revenues				
Operating revenues:				
Student tuition and fees (Note 16)	\$128,343,651.90	\$ -	\$ -	\$ -
Gifts and contributions	-	48,682,327.00	118,299.00	-
Contributions from affiliate	-	-	-	6,406,532.00
Governmental grants and contracts	81,538,844.69	-	-	-
Nongovernmental grants and contracts	5,064,536.00	-	5,562,809.00	-
Sales and services of educational activities (Note 16)	3,980,536.45	-	-	-
Sales and services of other activities (Note 16)	35,442,473.72	5,521,362.00	107,937.00	-
Auxiliary enterprises:				
Residential life (Note 16)	14,938,335.83	-	-	-
Bookstore	7,882,410.98	-	-	-
Food service	9,177,270.94	-	-	-
Other auxiliaries (Note 16)	5,453,303.11	-	-	-
Interest earned on loans to students (Note 16)	77,668.98	-	-	-
Other operating revenues	-	-	-	61,019.00
Total operating revenues	291,899,032.60	54,203,689.00	5,789,045.00	6,467,551.00
Expenses				
Operating expenses (Notes 21, 24, and 26):				
Salaries and wages	263,847,827.41	567,802.00	3,514,689.00	-
Benefits	98,699,212.03	217,215.00	311,455.00	-
Utilities, supplies, and other services	151,652,855.31	799,369.00	385,139.00	336,776.00
Scholarships and fellowships	53,260,301.70	11,780,442.00	-	-
Depreciation expense	32,242,873.77	5,970.00	361,007.00	1,320,468.00
Payments to or on behalf of UoM	-	17,708,248.00	946,265.00	5,358,584.00
Total operating expenses	599,703,070.22	31,079,046.00	5,518,555.00	7,015,828.00
Operating income (loss)	(307,804,037.62)	23,124,643.00	270,490.00	(548,277.00)
Nonoperating revenues (expenses)				
State appropriations	185,811,325.00	-	-	-
Gifts	30,573,324.38	-	-	-
Grants and contracts	83,843,982.18	-	-	-
Investment income (expense)	23,392,589.97	32,045,073.00	140,661.00	875,556.00
Interest on capital asset-related debt	(4,452,907.39)	-	-	-
University support	-	276,429.00	-	-
Other nonoperating revenues (expenses)	(241,039.24)	-	87,713.00	-
Total nonoperating revenues (expenses)	318,927,274.90	32,321,502.00	228,374.00	875,556.00
Income before other revenues, expenses, gains, or losses	11,123,237.28	55,446,145.00	498,864.00	327,279.00
Other revenues				
Capital appropriations	9,840,936.81	-	-	-
Capital grants and gifts	2,944,788.43	-	-	249,520,217.00
Additions to permanent endowments	-	4,781,879.00	-	-
Other capital revenues (expenses)	-	-	-	-
Total other revenues	12,785,725.24	4,781,879.00	-	249,520,217.00
Increase in net position	23,908,962.52	60,228,024.00	498,864.00	249,847,496.00
Net position - beginning of year, as originally reported	932,228,409.39	245,269,894.00	3,719,363.00	6,372,195.00
Adjustments for accounting changes (Notes 23 and 24)	(60,240,005.25)	30,929,939.00	-	-
Net position - beginning of year, restated	871,988,404.14	276,199,833.00	3,719,363.00	6,372,195.00
Net position - end of year	\$ 895,897,366.66	\$ 336,427,857.00	\$ 4,218,227.00	\$ 256,219,691.00

THE UNIVERSITY OF MEMPHIS
Statement of Cash Flows
For the Year Ended June 30, 2025

Cash flows from operating activities	
Tuition and fees	\$ 126,359,705.10
Grants and contracts	76,171,885.07
Sales and services of educational activities	4,029,194.20
Sales and services of other activities	32,733,519.54
Payments to suppliers and vendors	(146,384,977.43)
Payments to employees	(263,890,472.53)
Payments for benefits	(87,875,444.26)
Payments for scholarships and fellowships	(53,260,301.70)
Collection of loans from students	91,507.15
Interest earned on loans to students	76,001.81
Funds received for deposits held for others	448,276.11
Funds disbursed for deposits held for others	(502,179.94)
Auxiliary enterprise charges:	
Residential life	14,886,839.25
Bookstore	7,882,410.98
Food services	9,177,270.94
Other auxiliaries	5,790,312.23
Other receipts (payments)	(174,719.74)
Net cash used for operating activities	(274,441,173.22)
Cash flows from noncapital financing activities	
State appropriations	185,547,200.00
Gifts and grants received for other than capital or endowment purposes	118,641,078.12
Federal student loan receipts	76,818,293.00
Federal student loan disbursements	(76,818,293.00)
Net cash provided by noncapital financing activities	304,188,278.12
Cash flows from capital and related financing activities	
Capital grants and gifts received	111,417.75
Purchase of capital assets and construction	(29,305,063.66)
Principal paid on capital debt and leases	(19,181,995.40)
Interest paid on capital debt and leases	(5,406,943.27)
Other capital and related financing receipts (payments)	620,063.23
Net cash used for capital and related financing activities	(53,162,521.35)
Cash flows from investing activities	
Proceeds from sales and maturities of investments	61,295,064.55
Income on investments	30,498,800.32
Purchase of investments	(83,499,752.10)
Other investing receipts (payments)	9,967,661.82
Net cash provided by investing activities	18,261,774.59
Net decrease in cash and cash equivalents	(5,153,641.86)
Cash and cash equivalents - beginning of year	141,328,333.99
Cash and cash equivalents - end of year	\$ 136,174,692.13

THE UNIVERSITY OF MEMPHIS
Statement of Cash Flows (continued)
For the Year Ended June 30, 2025

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	(307,804,037.62)
Adjustments to reconcile operating income loss to net cash used for operating activities:	
Noncash operating expenses	32,357,813.17
Change in assets, liabilities, and deferrals:	
Receivables, net	(10,730,083.70)
Inventories	5,990.98
Prepaid items	4,626,706.70
Net pension asset	366,711.00
Net OPEB asset	(1,618,235.32)
Deferred outflows of resources	11,230,570.86
Accounts payable	2,128,758.14
Accrued liabilities	(934,688.00)
Unearned revenue	(3,985,385.24)
Deposits	15,936.22
Compensated absences	12,688,041.60
Net pension liability	(11,047,226.00)
Net OPEB liability	(8,045,339.32)
Deferred inflows of resources	6,583,504.00
Due to grantors	(172,843.53)
Other	(107,367.16)
Net cash used for operating activities	\$ (274,441,173.22)

Noncash investing, capital, or financing transactions

Gifts in-kind - capital	\$ 2,833,370.68
Unrealized gains on investments	\$ 7,068,952.47
Loss on disposal of capital assets	\$ (176,548.69)
Capital appropriations	\$ 9,220,873.58
Purchase of capital assets and construction	\$ (9,220,873.61)
Acquisition of right-to-use lease assets through incurrence of lease liability	\$ 5,788,758.84
Acquisition of right-to-use SBITA assets	\$ 15,455,108.87

The notes to the financial statements are an integral part of this statement.

THE UNIVERSITY OF MEMPHIS

Notes to the Financial Statements

June 30, 2025

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The university is a part of the State University and Community College System of Tennessee. The Focus on College and University Success Act of 2016 removed the six universities from the governance of the Tennessee Board of Regents, but they remain part of the system. The universities have their own local governing boards that provide governance, approve policies, set tuition and fee rates, and hire presidents. The system has continuing oversight responsibilities in the areas of budget approval and institutional debt. This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides significant financial support; the system is discretely presented in Tennessee's *Annual Comprehensive Financial Report*. That report is available at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>.

The financial statements present only that portion of the system's activities that is attributable to the transactions of the University of Memphis.

The University of Memphis Foundation (the foundation), the University of Memphis Research Foundation (UMRF), and the Memphis Athletic Foundation (MAF) are considered component units of the university. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by its donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements. See Notes 24, 25, and 26 for more detailed information about the component unit and how to obtain the report.

Basis of Presentation

The university's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities as prescribed by the Governmental Accounting Standards Board (GASB).

Notes to the Financial Statements (Continued)

Basis of Accounting

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

The university has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating revenues and expenses are those that have the characteristics of exchange and exchange-like transactions. Operating revenues include (1) tuition and fees, net of scholarship discounts and allowances; (2) certain federal, state, local, and private grants and contracts; (3) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (4) interest on institutional loans. Operating expenses include (1) salaries and wages; (2) employee benefits; (3) utilities, supplies, and other services; (4) scholarships and fellowships; and (5) depreciation.

Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts, contributions, and other activities that are defined as nonoperating by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.

When both restricted and unrestricted resources are available for use, it is the university's policy to determine which to use first, depending upon existing facts and circumstances.

Cash Equivalents

This classification includes instruments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Inventories

Inventories are valued on an average cost basis.

Notes to the Financial Statements (Continued)

Compensated Absences

In June 2022, the GASB issued Statement 101, *Compensated Absences*. This statement addresses changes in the recognition and measurement guidance for the compensated absences liability. The university implemented this standard as of July 1, 2024.

The university's employees accrue annual and sick leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time.

The amount of the liabilities for annual and sick leave and compensatory time and their related benefits are reported in the statement of net position.

Capital Assets

Capital assets, which include property, plant, equipment, library holdings, works of art, historical treasures/collections, intangible assets, lease assets, and Subscription-based Information Technology Arrangements (SBITA) assets, are reported in the statement of net position at historical cost or at acquisition value at date of donation or the present value of lease or SBITA payments plus other associated leases, or SBITA costs less accumulated depreciation/amortization. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

A capitalization threshold of \$100,000 is used for buildings, and \$50,000 is used for infrastructure. Equipment is capitalized when the acquisition cost is \$5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at \$50,000. The capitalization threshold for intangible assets is set at \$100,000. The capitalization threshold for art, historical treasures/collections, and similar assets is set at \$5,000. The capitalization threshold for leased assets is set at \$100,000. The capitalization threshold for SBITAs is set at \$60,000.

These assets, with the exception of works of art and historical treasures/collections deemed inexhaustible and land, are depreciated/amortized using the straight-line method over their estimated useful lives, which range from 1+ to 60 years.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from

Notes to the Financial Statements (Continued)

the plans' fiduciary net positions have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits (OPEB) liability (asset), as well as deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Closed Employee Group OPEB Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the State of Tennessee Postemployment Benefits Trust. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the Closed Employee Group OPEB Plan. Investments are reported at fair value.

Net Position

The university's net position is classified as follows:

Net investment in capital assets – This represents the university's total investment in capital assets, net of accumulated depreciation and net of outstanding debt obligations and deferred outflows/inflows of resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Nonexpendable restricted net position – Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may be expendable or added to principal.

Expendable restricted net position – Expendable restricted net position includes resources that the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments, sales and services of other activities, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of

Notes to the Financial Statements (Continued)

the university and may be used at the university's discretion to meet current expenses for any purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

Scholarship Discounts and Allowances

In April 2023, the National Association of College and University Business Officers (NACUBO) issued Advisory Report (AR) 2023-01, *Public Institutions: Accounting for and Reporting Financial Aid as a Discount*, to supersede AR 2000-05. The new guidance highlighted the capabilities of more modern student and financial systems and the ability of higher education institutions to execute more accurate methods of estimating tuition discounts. Universities may select one of four tuition discounting methods (A, B, C, or D) based on the institution's ability to gather tuition and fee and student financial aid data from internal systems. The university implemented this guidance as of July 1, 2024, changing the method for estimating scholarship discounts and allowances from the previous Alternate Method (AR 2000-05) to the new Method B (AR 2023-01). Method B includes calculations by student, which allows the university to achieve more precise estimates.

Student tuition and fee revenues, as well as certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the university and the amount that is paid by the student and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the university's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the university has recorded a scholarship discount and allowance.

Note 2. Cash and Cash Equivalents

In addition to demand deposits and petty cash on hand, this classification includes instruments that are readily convertible to known amounts of cash and that have original maturities of three months or less. At June 30, 2025, cash and cash equivalents consisted of \$44,669,320.80 in bank accounts; \$27,180.00 of petty cash on hand; \$80,208,408.56 in the Local Government Investment Pool (LGIP) administered by the State Treasurer; and \$11,269,782.77 in investment broker accounts.

Notes to the Financial Statements (Continued)

The LGIP is administered by the State Treasurer and is measured at amortized cost. The LGIP is part of the State Pooled Investment Fund. There is no minimum or maximum limitations on withdrawals. The fund's required risk disclosures are presented in the financial statements for the State Pooled Investment Fund. That report is available on the state's website at <https://treasury.tn.gov/Explore-Your-TN-Treasury/About-the-Treasury/Department-Reports>.

LGIP deposits for capital projects – Payments related to the university's capital projects are made by the State of Tennessee's Department of Finance and Administration. The university's estimated local share of the cost of each project is held in a separate LGIP account. As expenses are incurred, funds are withdrawn from the LGIP account by the system and transferred to the Department of Finance and Administration. The funds in the account are not available to the university for any other purpose until the project is completed and the system releases any remaining funds.

Note 3. Investments

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended, and GASB Statement 72, *Fair Value Measurement and Application*, as amended, investments are reported at fair value, including those with a maturity date of one year or less at the time of purchase, unless otherwise noted.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The university does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At June 30, 2025, the university had the following debt investments and maturities:

Notes to the Financial Statements (Continued)

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury	\$ 175,478,572.35	\$ 2,911,650.00	\$ 172,566,922.35	\$ -	\$ -
U.S. agencies	48,177,149.70	14,756,254.23	30,702,355.31	1,431,686.67	1,286,853.49
Certificates of deposits	5,341,394.21	1,811,447.68	3,529,946.53	-	-
Total debt investments	\$ 228,997,116.26	\$ 19,479,351.91	\$ 206,799,224.19	\$ 1,431,686.67	\$ 1,286,853.49

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The university is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies backed by the full faith and credit of the United States; repurchase agreements for United States securities; certificates of deposit in banks and savings and loan associations; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the university and that endowment investments be prudently diversified. Securities are rated by Standard and Poor's, Moody's Investors Service, and/or Fitch Ratings and are presented below using the Standard and Poor's rating scale.

Tennessee Board of Regents policy restricts investments in bankers' acceptances and commercial paper. The policy requires that prime bankers' acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long-term debt rating by a majority of the ratings services that have rated the issuer. Prime bankers' acceptances are required to be eligible for purchase by the Federal Reserve System. To be eligible, the original maturity must not be more than 270 days, and it must (1) arise out of the current shipment of goods between countries or within the United States, or (2) arise out of storage within the United States of goods that are under contract of sale or are expected to move into the channel of trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

The policy requires that prime commercial paper be limited to that of corporations that meet the following criteria: (1) Senior long-term debt, if any, should have a minimum rating of A1 or equivalent, and short-term debt should have a minimum rating of A1 or equivalent, as provided by a majority of the rating services that rate the issuer. If there is

Notes to the Financial Statements (Continued)

no long-term debt rating, the short-term debt rating must be A1 by all rating services (minimum of two). (2) The rating should be based on the merits of the issuer or guarantee by a nonbank. (3) A financial review should be made to ascertain the issuer's financial strength to cover the debt. (4) Commercial paper of a banking institution should not be purchased. Prime commercial paper shall not have a maturity that exceeds 270 days.

At June 30, 2025, the university's investments were rated as follows:

Investment Type	Fair Value	Credit Quality Rating	
		AA	Unrated
LGIP (amortized cost)	\$ 80,208,408.56	\$ -	\$ 80,208,408.56
U.S. agencies	48,177,149.70	48,177,149.70	-
Certificates of deposits	5,341,394.21	-	5,341,394.21
Total	\$ 133,726,952.47	\$ 48,177,149.70	\$ 85,549,802.77

LGIP investments are not rated by nationally recognized statistical ratings organizations.

Note 4. Fair Value Measurement

The university categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The university has the following recurring fair value measurements:

Assets by fair value level	June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Debt securities:			
U.S. Treasury	\$ 175,478,572.35	\$ 175,478,572.35	\$ -
U.S. agencies	48,177,149.70	-	48,177,149.70
Certificates of deposits	5,341,394.21	-	5,341,394.21
Total debt securities	228,997,116.26	175,478,572.35	53,518,543.91
Total assets at fair value	\$ 228,997,116.26	\$ 175,478,572.35	\$ 53,518,543.91

Notes to the Financial Statements (Continued)

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Assets classified in Level 2 of the fair value hierarchy are valued using significant observable inputs other than Level 1 prices.

Investments valued at fair value as reflected in the above schedule total \$228,997,116.26. Investments as reported on the statement of net position totaled \$229,300,118.73. The difference between these amounts represents certificates of deposit totaling \$303,002.47, which are not included in the above schedule as they are not measured at fair value. The certificates of deposit are time deposits measured at amortized cost.

Note 5. Receivables

Receivables included the following:

	June 30, 2025
Student accounts receivable	\$ 12,991,114.70
Grants receivable	26,603,399.54
Notes receivable	357,029.62
Other receivables	7,782,260.55
Subtotal	47,733,804.41
Less allowance for doubtful accounts	(7,994,385.72)
Total receivables	\$ 39,739,418.69

Federal Perkins Loan Program funds included the following:

	June 30, 2025
Perkins loans receivable	\$ 336,634.22
Less allowance for doubtful accounts	(66,789.40)
Total	\$ 269,844.82

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

Notes to the Financial Statements (Continued)

	Beginning		Transfers	Reductions	Ending
	Balance	Additions			Balance
Land	\$ 19,060,262.99	\$ 110,000.00	\$ -	\$ -	\$ 19,170,262.99
Land improvements and infrastructure	223,865,833.15	772,690.08	2,413,530.65	-	227,052,053.88
Buildings	757,655,859.70	2,190,000.00	-	-	759,845,859.70
Equipment	52,221,210.68	6,714,674.88	-	2,608,194.40	56,327,691.16
Library holdings	7,408,979.08	522,971.53	-	667,985.22	7,263,965.39
Art and historical treasure	295,527.00	-	-	-	295,527.00
Projects in progress	22,915,338.70	15,450,118.87	(2,413,530.65)	-	35,951,926.92
Intangible assets					
Easement	1,200,000.00	-	-	-	1,200,000.00
Software	7,818,675.37	-	-	-	7,818,675.37
Right-to-use – buildings	8,543,236.39	-	-	-	8,543,236.39
Right-to-use – equipment	2,051,806.03	5,788,758.84	-	-	7,840,564.87
SBITA asset - software	14,395,076.30	1,717,828.16	-	-	16,112,904.46
SBITA asset in progress	-	13,737,280.71	-	-	13,737,280.71
Total	1,117,431,805.39	47,004,323.07	-	3,276,179.62	1,161,159,948.84
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	99,427,417.46	10,495,547.43	-	-	109,922,964.89
Buildings	239,776,109.47	10,849,213.93	-	-	250,625,323.40
Equipment	35,291,015.10	3,913,493.06	-	2,431,645.71	36,772,862.45
Library holdings	4,400,759.70	726,382.69	-	667,985.22	4,459,157.17
Intangible assets					
Software	7,818,675.37	-	-	-	7,818,675.37
Right-to-use – buildings	7,049,815.27	1,024,752.23	-	-	8,074,567.50
Right-to-use – equipment	426,520.48	1,525,997.09	-	-	1,952,517.57
SBITA asset - software	6,596,749.98	3,707,487.34	-	-	10,304,237.32
Total	400,787,062.83	32,242,873.77	-	3,099,630.93	429,930,305.67
Capital assets, net	\$ 716,644,742.56	\$ 14,761,449.30	\$ -	\$ 176,548.69	\$ 731,229,643.17

Notes to the Financial Statements (Continued)

Note 7. Leases

Leases Receivable

The university leases office space to the University of Memphis Research Foundation and its blended component unit, Ventures Inc., the terms of which expire in various years through 2030. Payments increase annually by 3%.

Revenue recognized under lease contracts during the year ended June 30, 2025, was \$238,675.01, which includes both lease revenue and interest.

Lease Liabilities

Lease assets are reported with capital assets, and lease liabilities are reported separately on the statement of net position.

The university leases equipment, classroom space, and a student housing facility, the terms of which expire in various years through 2029.

Lease liability activity for the university for the year ended June 30, 2025, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Total lease liabilities	\$ 4,849,802.59	\$ 5,788,758.84	\$ 5,266,831.94	\$ 5,371,729.49	\$ 2,055,018.32

The following is a schedule by year of payments under the leases as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$ 2,055,018.32	\$ 176,458.66	\$ 2,231,476.98
2027	1,406,627.88	106,891.19	1,513,519.07
2028	955,993.32	51,864.07	1,007,857.39
2029	954,089.97	6,138.11	960,228.08
Total	\$ 5,371,729.49	\$ 341,352.03	\$ 5,713,081.52

Notes to the Financial Statements (Continued)

Note 8. Subscription-based Information Technology Arrangements

Subscription-based Information Technology Arrangements (SBITA) assets are reported with capital assets, and SBITA liabilities are reported separately in the statement of net position.

The university has entered into subscription-based arrangements for various types of software, the terms of which expire in various years through 2029.

SBITA liability activity for the university for the year ended June 30, 2025, is summarized below:

	Beginning Balance	Additions	Remeasurements	Reductions	Ending Balance	Current Portion
SBITA liabilities	\$6,825,463.78	\$1,511,715.78	\$155,124.39	\$3,688,613.78	\$4,803,690.17	\$2,397,713.36

The following is a schedule by year of payments under the subscription arrangements as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$2,397,713.36	\$142,855.55	\$ 2,540,568.91
2027	1,785,230.84	61,649.65	1,846,880.49
2028	469,313.13	13,306.91	482,620.04
2029	151,432.84	2,530.27	153,963.11
Total	\$ 4,803,690.17	\$ 220,342.38	\$ 5,024,032.55

Note 9. Accounts Payable

Accounts payable included the following:

	June 30, 2025
Vendors payable	\$ 5,488,735.73
Other payables	821,546.01
Total accounts payable	\$ 6,310,281.74

Notes to the Financial Statements (Continued)

Note 10. Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	\$ 145,970,736.30	-	\$ 9,620,845.48	\$ 136,349,890.82	\$ 8,703,979.64
Unamortized bond premium/discount	22,066,400.22	-	1,374,863.13	20,691,537.09	-
General obligation debt:					
Commercial paper	347,063.89	-	155,710.32	191,353.57	-
Subtotal	168,384,200.41	-	11,151,418.93	157,232,781.48	8,703,979.64
Other liabilities:					
Compensated absences	44,065,103.15	12,688,041.60	-	56,753,144.75	10,331,290.64
Due to grantors	347,435.46	295,235.26	468,078.79	174,591.93	-
Subtotal	44,412,538.61	12,983,276.86	468,078.79	56,927,736.68	10,331,290.64
Total long-term liabilities	\$ 212,796,739.02	\$ 12,983,276.86	\$ 11,619,497.72	\$ 214,160,518.16	\$ 19,035,270.28

The change in the compensated absences liability is presented as a net change.

TSSBA Debt – Bonds

Bonds, with interest rates ranging from 0.627% to 5%, were issued by the Tennessee State School Bond Authority (TSSBA). The bonds are due serially to 2050 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the university, including state appropriations; see Note 12 for further details.

Debt service requirements to maturity for the university portion of TSSBA bonds at June 30, 2025, are as follows:

Notes to the Financial Statements (Continued)

Year Ending June 30	Principal	Interest	Total
2026	\$ 8,703,979.64	\$ 4,978,371.08	\$ 13,682,350.72
2027	9,119,064.64	4,606,475.89	13,725,540.53
2028	9,352,622.99	4,216,746.51	13,569,369.50
2029	8,695,207.45	3,831,976.79	12,527,184.24
2030	6,928,235.00	3,576,885.88	10,505,120.88
2031–2035	24,912,846.00	15,616,916.12	40,529,762.12
2036–2040	26,436,245.10	11,218,434.14	37,654,679.24
2041–2045	24,722,572.00	6,410,161.05	31,132,733.05
2046–2050	17,479,118.00	1,934,451.71	19,413,569.71
Total	\$ 136,349,890.82	\$ 56,390,419.17	\$ 192,740,309.99

More detailed information regarding the bonds can be found in the notes to the financial statements in the financial report for the TSSBA. That report is available on the state's website at <https://www.comptroller.tn.gov/boards/tennessee-state-school-bond-authority/investor-information/tssba-financial-reports.html>.

General Obligation Debt – Commercial Paper

The Tennessee State Funding Board issues commercial paper for the purpose of, among other things, acquiring certain sites and existing structures for the Tennessee Board of Regents' expansion purposes on behalf of the university. The amount outstanding for projects at the university was \$191,353.57 at June 30, 2025. More detailed information regarding the commercial paper can be found in the notes to the financial statements in Tennessee's *Annual Comprehensive Financial Report*, which is available on the state's website at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>.

Note 11. Endowments

If a donor has not provided specific instructions to the university, state law permits the university to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the university is required to consider its long- and short-term needs; present and anticipated financial requirements; expected total return on its investments; price-level trends; and general economic conditions. Any net appreciation spent is required to be spent for the purposes for which the endowment was established.

Notes to the Financial Statements (Continued)

The university chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the university, all interest earnings, with the exception of five endowment accounts that require any interest generated in excess of expenses be reapplied to the principal, has been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending plan exceeds the investment income. At June 30, 2025, net appreciation of \$748,542.10 is available to be spent, of which \$193,607.04 is included in restricted net position expendable for scholarships and fellowships; \$41,430.53 is included in restricted net position expendable for instructional departmental uses; \$504,490.70 is included in restricted net position expendable for loans; and \$9,013.83 is included in restricted net position expendable for other.

Note 12. Pledged Revenues

The university has pledged certain revenues and fees, including state appropriations, to repay \$136,349,890.82 in revenue bonds issued from October 1998 to February 2021 (see Note 10 for further detail). Proceeds from the bonds provided financing for construction and renovation of various facilities, as well as building systems and equipment. The bonds are payable through 2050. Annual principal and interest payments on the bonds are expected to require 1.64% of available revenues. The total principal and interest remaining to be paid on the bonds at June 30, 2025, is \$192,740,309.99. Principal and interest paid for fiscal year 2025 and total available revenues were \$14,978,984.23 and \$527,967,767.80, respectively.

Note 13. Pension Plans

Defined Benefit Plans

Closed State and Higher Education Employee Pension Plan

General Information About the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, a new agent-defined benefit retirement plan, the State and Higher Education

Notes to the Financial Statements (Continued)

Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34–37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided – Title 8, Chapters 34–37, *Tennessee Code Annotated*, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

$$\begin{array}{l} \text{Average of member's highest} \\ \text{compensation for 5 consecutive} \\ \text{years (up to Social Security} \\ \text{integration level)} \end{array} \times 1.50\% \times \begin{array}{l} \text{Years of Service} \\ \text{Credit} \end{array} \times 105\%$$

Plus:

$$\begin{array}{l} \text{Average of member's highest} \\ \text{compensation for 5 consecutive} \\ \text{years (over the Social Security} \\ \text{integration level)} \end{array} \times 1.75\% \times \begin{array}{l} \text{Years of Service} \\ \text{Credit} \end{array} \times 105\%$$

A reduced early retirement benefit is available at age 55 and vested. Members are vested with 5 years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is

Notes to the Financial Statements (Continued)

granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions – Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The university's employees are noncontributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by the university for the year ended June 30, 2025, to the Closed State and Higher Education Employee Pension Plan were \$8,350,148, which is 22.22% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability – At June 30, 2025, the university reported a liability of \$8,870,061 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion of the net pension liability was based on a projection of the university's contributions during the year ended June 30, 2024, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2024, measurement date, the university's proportion was 1.778764%. At the June 30, 2023, measurement date, the university's proportion was 1.804180%.

Pension expense – For the year ended June 30, 2025, the university recognized pension expense of \$10,498,929.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2025, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Financial Statements (Continued)

<u>Fiscal Year 2025</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,492,827	\$ -
Net difference between projected and actual earnings on pension plan investments	-	3,911,543
Changes in proportion of net pension asset	-	78,171
Contributions subsequent to the measurement date	8,350,148	-
Total	\$ 12,842,975	\$ 3,989,714

Deferred outflows of resources, resulting from employer contributions of \$8,350,148 subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2026	\$ (639,740)
2027	\$ 5,135,595
2028	\$ (1,987,433)
2029	\$ (2,005,309)
2030	\$ -
Thereafter	\$ -

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Notes to the Financial Statements (Continued)

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125%

Mortality rates were based on actual experience, including a projection of mortality improvement using Scale MP-2021 (generational projection).

The actuarial assumptions used in the June 30, 2024, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Notes to the Financial Statements (Continued)

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<hr style="width: 100%; border: 0.5px solid black;"/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the factors described above.

Discount rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability to changes in the discount rate – The following presents the university’s proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the university’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
University’s proportionate share of the net pension liability (asset)	\$53,042,473	\$8,870,061	\$(28,150,243)

Notes to the Financial Statements (Continued)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Payable to the Pension Plan

At June 30, 2025, the university reported a payable of \$694,454.88 for the outstanding amount of legally required contributions to the pension plan required for the year then ended.

State and Higher Education Employee Retirement Plan

General Information About the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Employee Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under Title 8, Chapters 34–37, *Tennessee Code Annotated*.

Benefits provided – Title 8, Chapters 34–37, *Tennessee Code Annotated*, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and years of service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula multiplying the member's highest 5 consecutive year average compensation by 1% multiplied by the member's years of service credit. A reduced early retirement is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which a member's age and years of service credit total 80. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Notes to the Financial Statements (Continued)

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of their salary to the State and Higher Education Employee Retirement Plan. The higher education institutions make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the university for the year ended June 30, 2025, to the State and Higher Education Employee Retirement Plan were \$1,539,627, which is 2.73% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability – At June 30, 2025, the university reported a liability of \$194,056 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion of the net pension liability was based on a projection of the university's contributions during the year ended June 30, 2024, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2024, measurement date, the university's proportion was 2.181936%. At the June 30, 2023, measurement date, the university's proportion was 2.397035%.

Pension expense – For the year ended June 30, 2025, the university recognized a pension expense of \$1,326,554.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2025, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Financial Statements (Continued)

<u>Fiscal Year 2025</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,277,012	\$ 120,535
Net difference between projected and actual earnings on pension plan investments	-	214,841
Changes in assumptions	300,654	-
Changes in proportion of net pension liability	155,945	20,688
Contributions subsequent to the measurement date	1,539,627	-
Total	\$ 3,273,238	\$ 356,064

Deferred outflows of resources, resulting from the university's employer contributions of \$1,539,627 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2026	\$116,199
2027	\$396,959
2028	\$153,749
2029	\$160,069
2030	\$212,414
Thereafter	\$338,157

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Notes to the Financial Statements (Continued)

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125%

Mortality rates were based on actual experience, including a projection of mortality improvement using Scale MP-2021 (generational projection).

The actuarial assumptions used in the June 30, 2024, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Notes to the Financial Statements (Continued)

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<hr style="width: 100%; border: 0.5px solid black;"/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the factors described above.

Discount rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability to changes in the discount rate – The following presents the university’s proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the university’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
University’s proportionate share of the net pension liability (asset)	\$4,481,924	\$194,056	\$(3,047,332)

Notes to the Financial Statements (Continued)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Payable to the Pension Plan

At June 30, 2025, the university reported a payable of \$379,878.15 for the outstanding amount of legally required contributions to the pension plan required for the year then ended.

Total Defined Benefit Pension Expense

The total pension expense for the year ended June 30, 2025, for all state and local government defined benefit pension plans was \$11,825,483.

Defined Contribution Plans

Optional Retirement Plans

Plan description – The university contributes to the Optional Retirement Plan (ORP). The ORP, administered by the Tennessee Treasury Department, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 25, Part 2, *Tennessee Code Annotated*. This statute also sets out the plan provisions. The plan provisions are amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. In a defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings.

Funding policy – For employees employed prior to July 1, 2014, plan members are noncontributory. The university contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5% to the ORP and the university will contribute 9% of the employee's base salary. Pension expense equaled the required contributions made to the ORP and was \$11,806,604.39 for the year ended June 30, 2025, and \$11,348,258.75 for the year ended June 30, 2024. Contributions met the requirements for each year.

Members are immediately 100% vested in the employer contributions made pursuant to the ORP. The Treasury Department has selected three investment vendors who offer a variety of investment products, and members are responsible for selecting how the

Notes to the Financial Statements (Continued)

contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another. Funds are held by the investment vendor in the name of the member, not in the name of the State of Tennessee. The State of Tennessee has no discretion over these funds other than to make the initial contributions.

Payable to the plan – At June 30, 2025, the university reported a payable of \$444.39 for the outstanding amount of legally required contributions to the plan required for the year then ended.

Deferred Compensation Plan

The university, through the State of Tennessee, provides a deferred compensation plan pursuant to the *Internal Revenue Code* (IRC), Section 401(k). The plan is outsourced to a third-party vendor, and the administrative costs assessed by the vendor of this plan are the responsibility of plan participants. Section 401(k) plan assets remain the property of the contributing employees, and they are not presented in the accompanying financial statements. Section 401(k) establishes participation, contribution, and withdrawal provisions for the plan. The university provides up to a \$50 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state's 401(k) plan. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan if they elect to be in the TCRS pension plan. Employees contribute 2% of their salary, with the employer contributing an additional non-matching 5%. Employees may opt out of the 2% auto-enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan.

Employees are immediately vested in both the employee and employer contributions to the plan. The IRC establishes maximum limits that an employee can contribute to the plan. The employee may increase, decrease, or stop contributions at any time for the plan.

During the year ended June 30, 2025, contributions totaling \$6,748,252.15 were made by employees participating in the 401(k) plan, and the university recognized pension expense of \$4,071,957.63 for employer contributions. During the year ended June 30, 2024, contributions totaling \$6,274,753.41 were made by employees participating in the 401(k) plan, with contributions of \$4,623,162.37 made by the university.

Notes to the Financial Statements (Continued)

At June 30, 2025, the university reported a payable of \$36,092.47 for the outstanding amount of legally required contributions to the plan required for the year then ended.

Note 14. Other Employee Benefits

Deferred Compensation Plans

Employees are offered two deferred compensation plans that are not considered pension plans. The university, through the State of Tennessee, provides a plan pursuant to the *Internal Revenue Code* (IRC), Section 457, and another is administered by the university and was established in accordance with IRC, Section 403(b). The plans are outsourced to third-party vendors, and the administrative costs assessed by the vendors of these plans are the responsibility of plan participants. Sections 403(b) and 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. Sections 403(b) and 457 establish participation, contribution, and withdrawal provisions for the plans.

Note 15. Other Postemployment Benefits

Closed State Employee Group OPEB Plan

General Information About the OPEB Plan

Plan description – Employees of the university who were hired prior to July 1, 2015, and choose coverage, are provided with pre-65 retiree health insurance benefits through the Closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The employers participating in this plan include the State of Tennessee (primary government), the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established to accumulate resources to pay for the retiree benefits of EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at <https://www.tn.gov/finance/rd-doa/opeb22121.html>.

Benefits provided – The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance

Notes to the Financial Statements (Continued)

committee created by Section 8-27-201, *Tennessee Code Annotated*. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65, are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, the standard PPO plan, or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits as active employees, at a blended premium rate that considers the cost of active and retired employees. This creates an implicit subsidy for the retirees. The retirees' cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80%; 20 but less than 30 years, 70%; and less than 20 years, 60%.

Contributions – Annually, an insurance committee, created in accordance with Section 8-27-201, *Tennessee Code Annotated*, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. Therefore, retirees pay either 20%, 30%, 40%, or 100% of the appropriate premium rate. These payments are deposited into the OPEB Trust. Employers contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. The total ADC rate for plan employers for the year ended June 30, 2025, was \$68 million. The university's share of the ADC was \$1,799,712 for 2025. For the year ended June 30, 2025, the university contributed \$1,799,712 to the OPEB Trust. The Tennessee General Assembly has the authority to change the contribution requirements of the employees participating in the EGOP.

Net OPEB Asset, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Proportionate share – The university's proportionate share of the collective net OPEB asset related to the EGOP was \$1,618,235.32 at June 30, 2025. At the June 30, 2024, measurement date, the university's proportion of the collective net OPEB asset was 2.033479%. The proportion existing at the prior measurement date was 2.015918%. This resulted in a change in proportion of 0.017561% between the current and prior measurement dates. The university's proportion of the collective net OPEB asset was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2024, and a measurement date of June 30, 2024.

Notes to the Financial Statements (Continued)

OPEB expense – For the year ended June 30, 2025, the university recognized negative OPEB expense of \$2,666,313.78.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2025, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources:

<u>Fiscal Year 2025</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 787,371.00
Net difference between actual and projected investment earnings	-	1,222,909.00
Changes in assumptions	1,490,417.00	1,928,665.00
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	485,216.98	8,647,137.51
Contributions subsequent to the measurement date	1,799,712.00	-
Total	\$ 3,775,345.98	\$ 12,586,082.51

Deferred outflows of resources, resulting from the university's employer contributions of \$1,799,712 subsequent to the measurement date, will be recognized as a decrease in net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	
2026	\$ (3,701,370.09)
2027	\$ (2,178,794.37)
2028	\$ (2,463,914.18)
2029	\$ (1,806,901.38)
2030	\$ (459,468.51)
Thereafter	\$ -

In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease OPEB expense.

Notes to the Financial Statements (Continued)

Actuarial assumptions – The collective total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Healthcare cost trend rates	10.68% for 2025, decreasing annually to an ultimate rate of 4.50% for 2038 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2022, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. For pre-retirement non-disabled general employees, the mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table projected generationally with MP-2021 from the central year. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally with MP-2021.

Long-term expected rate of return – The long-term expected rate of return of 6.5% on OPEB Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These

Notes to the Financial Statements (Continued)

ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Section 8-27-802, *Tennessee Code Annotated*, establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

<u>Asset Class</u>	<u>Allocation Range</u>		<u>Total Allocation</u>
	<u>Minimum</u>	<u>Maximum</u>	
Equities	0%	80%	26%
Fixed income and short-term securities	20%	100%	52%
Real estate	0%	20%	3%
Private equity and strategic lending	0%	40%	17%
Cash and cash equivalents	0%	25%	2%
			100%

The best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap U.S. equity	4.55%
Small cap U.S. equity	5.04%
Developed market international equity	4.45%
Emerging market international equity	4.65%
Cash (government)	2.00%
Private equity and strategic lending	5.43%
U.S. fixed income	3.28%
Real estate	4.16%

Discount rate – The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed plan member

Notes to the Financial Statements (Continued)

contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the ADC rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in assumptions – The discount rate increased from 6% to 6.5%. The medical and drug trend rate assumptions were updated to reflect more recent experience and a change in expected per capita health claims to reflect more recent information as of the measurement date.

Sensitivity of the proportionate share of the collective net OPEB asset to changes in the discount rate – The following presents the university’s proportionate share of the collective net OPEB asset of the EGOP, as well as what the proportionate share of the collective net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.5%) or 1 percentage point higher (7.5%) than the current rate:

	1% Decrease <u>(5.5%)</u>	Current Discount Rate <u>(6.5%)</u>	1% Increase <u>(7.5%)</u>
University’s proportionate share of the collective net OPEB liability (asset)	\$275,019.75	\$(1,618,235.32)	\$(3,378,288.25)

Sensitivity of the proportionate share of the collective net OPEB asset to changes in the healthcare cost trend rate – The following presents the university’s proportionate share of the collective net OPEB asset of the EGOP, as well as what the proportionate share of the collective net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (9.68% decreasing to 3.5%) or 1 percentage point higher (11.68% decreasing to 5.5%) than the current rate:

Notes to the Financial Statements (Continued)

	1% Decrease (9.68% decreasing to <u>3.5%</u>)	Healthcare Cost Trend Rates (10.68% decreasing to <u>4.5%</u>)	1% Increase (11.68% decreasing to <u>5.5%</u>)
University's proportionate share of the collective net OPEB liability (asset)	\$(3,970,574.25)	\$(1,618,235.32)	\$1,075,437.75

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the State of Tennessee's *Annual Comprehensive Financial Report* found at <http://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>.

Closed Tennessee OPEB Plan

General Information About the OPEB Plan

Plan description – Employees of the university who were hired prior to July 1, 2015, and choose coverage, are provided with post-65 retiree health insurance benefits through the Closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The State of Tennessee (primary government), as well as the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the other institutions that make up the State University and Community College System, also participate in this plan. This plan also serves eligible post-65 retirees of employers who participate in the state-administered Teacher Group Insurance and Local Government Group Insurance Plans.

Benefits provided – The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with Section 8-27-209, *Tennessee Code Annotated*, benefits are established and amended by cooperation of insurance committees created by Sections 8-27-201, 301, and 701, *Tennessee Code Annotated*. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments, who have reached the age of 65, are Medicare-eligible, and also receive a benefit from the Tennessee Consolidated Retirement System, may participate in this plan. All plan

Notes to the Financial Statements (Continued)

members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost; however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The university does not provide any subsidies for retirees in the TNP. The primary government paid \$209,325 for OPEB as the benefits came due during the fiscal year ended June 30, 2025. This plan is funded on a pay-as-you-go basis, and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement 75.

In accordance with Section 8-27-209, *Tennessee Code Annotated*, the state insurance committees established by Sections 8-27-201, 301, and 701, *Tennessee Code Annotated*, determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants.

Total OPEB Liability and OPEB Expense

Proportionate share – The primary government is entirely responsible for the TNP OPEB liability associated with the university's employees. The primary government's proportionate share of the total OPEB liability associated with the university was \$4,355,423 at June 30, 2025. At the June 30, 2024, measurement date, the proportion of the collective total OPEB liability associated with the university was 2.924258%. This represents a change of (0.023314)% from the prior proportion of 2.947572%. The proportion of the collective total OPEB liability associated with the university was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2024, and a measurement date of June 30, 2024.

Actuarial assumptions – The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Notes to the Financial Statements (Continued)

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Closed Tennessee OPEB Plan are assumed to remain unchanged for the entire projection; therefore, trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2022, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. For pre-retirement non-disabled general employees, the mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2021.

Discount rate – The discount rate used to measure the total OPEB liability was 3.93%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa2 as shown on the Bond Buyer GO 20-Bond Municipal Bond index.

Changes in assumptions – The discount rate was changed from 3.65% to 3.93% as of June 30, 2024. This change in assumption decreased the total OPEB liability by 2.98%.

Sensitivity of the proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the primary government's proportionate share of the university's related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93%) or 1 percentage point higher (4.93%) than

Notes to the Financial Statements (Continued)

the current rate. The university does not report a proportionate share of the OPEB liability for employees in the TNP.

	1% Decrease <u>(2.93%)</u>	Current Discount Rate <u>(3.93%)</u>	1% Increase <u>(4.93%)</u>
Primary government's proportionate share of the collective total OPEB liability	\$4,827,470	\$4,355,423	\$3,952,713

OPEB expense – For the year ended June 30, 2025, the primary government recognized OPEB expense of \$97,309.67 for employees of the university participating in the TNP.

Total OPEB Expense

The total negative OPEB expense for the year ended June 30, 2025, was \$2,569,004.11, which consisted of negative OPEB expense of \$2,666,313.78 for the EGOP and OPEB expense of \$97,309.67 paid by the primary government for the TNP.

Note 16. Revenues

A summary of adjustments and allowances by revenue classification is presented as follows:

Fiscal Year 2025 Revenue Source	Gross Revenue	Less Scholarship Allowances	Less Uncollectible Debts	Net Revenue
Operating revenues:				
Tuition and fees	\$203,838,989.40	(\$72,769,702.86)	(\$2,725,634.64)	\$ 128,343,651.90
Sales and services of educational activities	4,013,737.16	-	(33,200.71)	3,980,536.45
Sales and services of other activities	35,463,099.54	-	(20,625.82)	35,442,473.72
Residential life	17,518,358.92	(2,049,722.43)	(530,300.66)	14,938,335.83
Other auxiliaries	5,477,003.55	-	(23,700.44)	5,453,303.11
Interest earned on loans to students	70,995.78	-	6,673.20	77,668.98
Total	\$ 266,382,184.35	\$ (74,819,425.29)	\$ (3,326,789.07)	\$ 188,235,969.99

Notes to the Financial Statements (Continued)

Note 17. Insurance-related Activities

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, medical malpractice liability, and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is \$300,000 per person and \$1,000,000 per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state self-insures against property and cyber liability losses through the RMF and the State of Tennessee Captive Insurance Company (TCIC). The state purchases commercial insurance for real property, crime, and fidelity coverage on the state's officials and employees above the limits of the RMF and TCIC.

For property coverage, the deductible for an individual state agency is based on a tiered deductible system that accounts for averaged losses over a three-year period, and the type of loss. The RMF is responsible for property losses of \$7.5 million per occurrence for all perils. The TCIC is responsible for property losses in excess of the RMF limits up to an annual aggregate of \$25 million. Purchased insurance coverage is responsible for losses exceeding these limits to the maximum insurance coverage of \$800 million per year for perils other than earthquake and flood, which are capped at \$50 million each year.

Settled claims resulting from these risks have not exceeded maximum commercial insurance coverage in any of the three past fiscal years.

For cyber coverage, the university is responsible for \$300,000, and the RMF is responsible for \$1.2 million per occurrence. The TCIC is responsible for losses in excess of the RMF limits up to an aggregate of \$10 million.

The university participates in the RMF. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on a percentage of the university's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2025, is presented in Tennessee's *Annual Comprehensive Financial Report*, which is available on the state's website at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>. At June 30,

Notes to the Financial Statements (Continued)

2025, the Risk Management Fund held \$246 million in cash designated for payment of claims.

At June 30, 2025, the scheduled coverage for the university was \$2,178,269,719 for buildings and \$565,553,099 for contents.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state, with the risk retained by the state. The university participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the university based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

Note 18. Commitments and Contingencies

Construction in Progress

At June 30, 2025, outstanding commitments under construction contracts totaled \$41,960,923.01 for HVAC compressor replacement in multiple buildings, upgrades and repairs in multiple buildings, elevators and fire alarms in multiple buildings, Wilder Tower repairs, Mynders Hall renovation, Wilson Hotel roof, and other capital projects, of which \$30,641,797.67 will be funded by future state capital outlay appropriations.

Litigation

The university is involved in several lawsuits, none of which are expected to have a material effect on the accompanying financial statements.

Note 19. Chairs of Excellence

The university had \$124,112,464.48 on deposit at June 30, 2025, with the State Treasurer for its Chairs of Excellence program. These funds are held in trust by the state and are not included in these financial statements.

Notes to the Financial Statements (Continued)

Note 20. Funds Held in Trust by Others

The university is a beneficiary under the Van Vleet, Pope M. Farrington, C.M. Gooch, and Herman Bendorf trusts. The underlying assets are not considered assets of the university and are not included in the university's financial statements. The university received \$163,457.38 from these funds during the year ended June 30, 2025.

Note 21. Natural Classification With Functional Classifications

The university's operating expenses for the year ended June 30, 2025, are as follows:

Functional Classification	Natural Classification					Total
	Salaries	Benefits	Other Operating	Scholarships	Depreciation	
Instruction	\$84,095,609.30	\$33,081,686.49	\$18,091,114.53	\$ -	\$ -	\$ 135,268,410.32
Research	62,821,757.37	26,421,698.80	26,540,501.61	-	-	115,783,957.78
Public service	6,688,938.91	2,006,807.51	5,821,460.12	-	-	14,517,206.54
Academic support	29,117,293.78	10,928,224.89	7,917,600.87	-	-	47,963,119.54
Student services	37,328,789.75	11,088,628.60	34,371,065.80	-	-	82,788,484.15
Institutional support	21,785,914.50	7,701,889.25	8,020,369.03	-	-	37,508,172.78
Maintenance and operation	18,807,274.55	6,541,046.96	24,274,635.79	-	-	49,622,957.30
Scholarships and fellowships	-	-	-	53,260,301.70	-	53,260,301.70
Auxiliary	3,202,249.25	929,229.53	26,616,107.56	-	-	30,747,586.34
Depreciation	-	-	-	-	32,242,873.77	32,242,873.77
Total	\$263,847,827.41	\$ 98,699,212.03	\$ 151,652,855.31	\$ 53,260,301.70	\$ 32,242,873.77	\$599,703,070.22

Expenses initially incurred by the academic support function as a result of providing internal services to the other functional classifications were allocated to the other functional areas by reducing the academic support function's operating expenses by the total amount of salaries, benefits, and operating expenses incurred in the provision of these services, and allocating this amount to the other functional areas' operating expenses on the basis of usage. As a result of this process, expenses totaling \$13,906,456.55 for the year ended June 30, 2025, were reallocated from academic support to the other functional areas.

Notes to the Financial Statements (Continued)

Note 22. On-behalf Payments

During the year ended June 30, 2025, the State of Tennessee made payments of \$209,325 on behalf of the university for retirees participating in the Closed Tennessee OPEB Plan. The Closed Tennessee OPEB Plan is a postemployment benefit healthcare plan and is discussed further in Note 15. The plan is reported in Tennessee's *Annual Comprehensive Financial Report*, which is available on the state's website at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>.

Note 23. Adjustments for Accounting Changes and Error Corrections

In June 2022, the GASB issued Statement 101, *Compensated Absences*. This statement addresses changes in the recognition and measurement guidance for the compensated absences liability. The university implemented this standard as of July 1, 2024.

In prior years, the university reported a blended component unit, the Herff Trust (trust). Effective July 1, 2024, the trust, by way of a Certificate and Articles of Merger agreement, is now included with The University of Memphis Foundation's financial information and represents a change within the financial reporting entity for the university under GASB Statement 100, *Accounting Changes and Error Corrections*.

During fiscal year 2025, the change in an accounting principle and a change in reporting entity resulted in a restatement of beginning net position and compensated absences as follows:

	30-Jun-24 as previously reported	Change in accounting principle	Change in reporting entity	June 30, 2024 as restated
Net position	\$ 932,228,409.39	\$ (29,310,066.25)	\$ (30,929,939.00)	\$ 871,988,404.14
Compensated absences	14,755,036.90	29,310,066.25	-	44,065,103.15

In addition, during 2025, the university implemented the guidance in NACUBO Advisory Report 2023-01, *Public Institutions: Accounting for and Reporting Financial Aid as a Discount*. This report concluded that the "Alternate Method," originally presented in NACUBO Advisory Report 2000-05, would no longer be endorsed by NACUBO, and a more accurate methodology would be possible due to the improved capabilities of student information systems. The change in methodology proposed in NACUBO Advisory Report 2023-01 is preferable as the older method was more likely to overstate the scholarship expense and understate the tuition discount. The new methodology will also better reflect

Notes to the Financial Statements (Continued)

how charges and payments flow through the student accounts. The newly adopted methodology is a change in accounting estimate. The change in estimate affects the financial statement line items for student tuition and fees (net of tuition discounts and allowances) and scholarships and fellowships expense.

Note 24. Component Unit – The University of Memphis Foundation

The University of Memphis Foundation is a legally separate, tax-exempt organization supporting the University of Memphis. 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 14-member board of the foundation is self-perpetuating and consists of graduates and friends of the university. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the university, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements.

The foundation is a nonprofit organization that reports under Financial Accounting Standards Board standards. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the university's financial statements for these differences.

Pursuant to a Certificate and Articles of Merger effective July 1, 2024, the Herff Trust (the trust) was transitioned into the foundation for oversight. The assets of the trust remain with Raymond James. In August 2024, this update was communicated with Raymond James to reflect the accurate board of directors overseeing the asset. For accounting purposes internally, the trust is in a separate and clearly identifiable fund within the foundation. The accompanying fiscal year 2025 financial statements include the accounts of the trust.

The trust was formed exclusively for the benefit of the university. In 1964, Herbert Herff and his wife, Minnie G. Herff, donated the money to establish the Herff College of Engineering at the University of Memphis. When he died in 1966, Herbert Herff left the bulk of his estate in trust with the State of Tennessee for the benefit of the university. More than 50 years later, the trust continues to help sustain and expand university programs.

Notes to the Financial Statements (Continued)

During the year ended June 30, 2025, the foundation made distributions of \$17,708,248 to or on behalf of the university for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Mark Nicell, Chief Business Officer, University of Memphis Foundation, 635 Normal Street, Memphis, TN 38152-3750, or online at <http://www.memphis.edu/foundation/publicinfopolicy/statements.php>.

Fair Value Measurements

The foundation reports certain assets at fair value. Fair value has been determined using unadjusted quoted prices for identical assets in active markets that the foundation has the ability to access (Level 1); inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset, and inputs that are derived principally from or corroborated by observable market data by correlation or other means (Level 2), or inputs to the valuation methodology are unobservable and significant to the fair value measurement (Level 3). The following table categorizes the recurring fair value measurements for assets at June 30, 2025.

	June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Investments Measured at the Net Asset Value (NAV)
The University of Memphis Foundation				
Mutual funds				
Fixed income	\$ 40,602,497	\$ 40,602,497	\$ -	\$ -
International equity	65,965,242	65,965,242	-	-
U.S. equity	107,064,716	107,064,716	-	-
U.S. government securities	220,114	-	220,114	-
Interest in limited partnerships/LLCs	33,382,440	-	-	33,382,440
	247,235,009	213,632,455	220,114	33,382,440
The Herff Trust				
Money market mutual funds	976,601	976,601	-	-
Exchange-traded funds	31,524,304	31,524,304	-	-
	32,500,905	32,500,905	-	-
Total assets	\$ 279,735,914	\$ 246,133,360	\$ 220,114	\$ 33,382,440

Notes to the Financial Statements (Continued)

The asset's fair value measurement level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets measured at fair value included the following:

Money market mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

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

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

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

Exchange-traded fund: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

The valuation method for assets measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table.

Notes to the Financial Statements (Continued)

	Fair Value at June 30, 2025	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Assets Measured at the NAV				
Hedged strategies - hedged equity	\$ 149,553	\$ -	Annually	90 days
Private equity	25,075,717	30,354,638	At manager's discretion	N/A
Real assets	8,157,170	1,484,598	At manager's discretion	N/A

Hedged strategies – hedged equity: This category consists of funds of funds that make long and short position equity investments.

Private equity: This category consists of partnerships that invest primarily in U.S. or international-based private companies. These investments cannot be voluntarily redeemed and are subject to third-party sale based on market demand.

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.

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.

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.

Investments

Investments are recorded on the date of contribution and are stated at fair value. Unrealized gains and losses are determined by the difference between fair values at the beginning and end of the year.

Investments held at June 30, 2025, were as follows:

Notes to the Financial Statements (Continued)

	Cost	Fair Value
The University of Memphis Foundation		
Limited partnerships and LLCs	\$ 17,236,001	\$ 33,382,440
Mutual funds	162,624,048	213,632,455
U.S. government securities	218,366	220,114
	180,078,415	247,235,009
The Herff Trust		
Money market mutual funds	976,601	976,601
Exchange-traded funds	28,387,184	31,524,304
	29,363,785	32,500,905
Total investments	\$ 209,442,200	\$ 279,735,914

Alternative investments – The foundation had investments in certain limited partnerships. The estimated fair value of these assets was \$33,382,440 at June 30, 2025.

The foundation believes the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2025. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. These investments are made in accordance with the foundation’s investment policy that approves the allocation of funds to various asset classes in order to ensure the proper level of diversification. These investments are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated using various valuation techniques.

Pledges Receivable

Pledges receivable are summarized below, net of the estimated uncollectible allowance of \$3,101,316 at June 30, 2025:

Notes to the Financial Statements (Continued)

	June 30, 2025
Current pledges	\$ 20,800,292
Pledges due in one to five years	30,752,843
Pledges due after five years	3,827,500
Subtotal	55,380,635
Less allowances for uncollectible debt	(3,101,316)
Less discount to net present value	(6,533,532)
Total pledges receivable, net	\$ 45,745,787

Liquidity and Availability

All assets of the foundation are restricted for university support and expended for specific uses within the university, with the exception of administrative fees collected and earnings on current expendable funds. The budget allocation for foundation operations for the year ended June 30, 2025, was \$1,026,404.

Endowments

The University of Memphis's Foundation's endowment accounts consist of donor-restricted endowment funds and include approximately 700 individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net position associated with endowment funds, including funds designated by the Board of Directors to function as endowments, is classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The University of Memphis Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (the Act) as adopted by Tennessee and thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the foundation's board appropriates such amounts for expenditures. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The foundation's board has interpreted the Act 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 retains in perpetuity (1) the original value of gifts donated to the permanent endowment funds and (2) the original value of subsequent gifts to the permanent endowment funds. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance

Notes to the Financial Statements (Continued)

with the Act, the foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the foundation and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) the other resources of the foundation; and (7) the investment policies of the foundation.

Endowment Net Asset Composition by Type of Fund
As of June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds	\$ -	\$ 197,274,970	\$ 197,274,970
Total funds	\$ -	\$ 197,274,970	\$ 197,274,970

Changes in Endowment Net Assets
As of June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 173,630,261	\$ 173,630,261
Investment return, net	-	23,262,020	23,262,020
Contributions	-	4,781,879	4,781,879
Appropriation of endowment assets for expenditure	-	(4,399,190)	(4,399,190)
Endowment net assets, end of year	\$ -	\$ 197,274,970	\$ 197,274,970

Underwater endowment funds – Fair value of assets associated with individual donor-restricted endowment funds may, at times, fall below the level that the donor requires the foundation to retain in a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in assets without donor restrictions. These deficiencies result from unfavorable market fluctuations that occurred after the investment of net assets with donor-restricted contributions and/or continued appropriation for fees expenditures. At June 30, 2025, deficiencies of this nature existed in five donor-restricted endowment funds, which together had an original gift value of \$1,300,221; a current value of \$1,156,373; and a deficiency of \$143,848.

Notes to the Financial Statements (Continued)

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 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(s), 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 a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

Spending policy and how the investment objectives relate – The foundation has a policy of budgeting for expenditure each year a percentage of its endowment funds' average fair value over the prior three calendar years preceding in which the expenditure is planned. For fiscal year 2025, this percentage was 4%. In establishing this policy, the foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the foundation expects the current spending policy to allow 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 from 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 expenditure \$387,689 from underwater endowment funds during the year, which represents 2% of the 12-quarter moving average, not the 4% it generally draws from endowment.

Natural Classifications With Functional Classifications

The foundation's operating expenses by functional classification for the year ended June 30, 2025, are as follows:

Notes to the Financial Statements (Continued)

Functional Classification	Natural Classification					Payments Made to or on Behalf of University		Total
	Salaries	Benefits	Other Operating	Scholarships	Depreciation			
Support activities	\$ 567,802	\$ 217,215	\$ 799,369	\$ 11,780,442	\$ 5,970	\$ -	\$ 13,370,798	
Payments made to or on behalf of the university	-	-	-	-	-	17,708,248	17,708,248	
Total expenses	\$ 567,802	\$ 217,215	\$ 799,369	\$ 11,780,442	\$ 5,970	\$ 17,708,248	\$ 31,079,046	

Related Party Transactions

The foundation provided direct support to the university for general departmental expenditures, scholarships, and awards, which totaled \$29,488,690 for the year ended June 30, 2025. The foundation had accounts payable to the university in the amount of \$7,684,802 as of June 30, 2025.

During fiscal year 2021, the foundation entered an agreement with the Memphis Athletic Foundation (MAF) (formerly, Auxiliary Services Foundation), an affiliate within the university, to transfer future donated funds designated for university athletics to MAF. MAF then obtained an unsecured bank loan in the amount of \$12,000,000 for the purpose of providing financial support to university athletics due to short-term financial shortfalls within the 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 MAF to cover the debt service based on direction and approval from the university.

The foundation also had accounts payable due to MAF in the amount of \$2,300,760 as of June 30, 2025.

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 \$276,429 for the year ended June 30, 2025.

Concentrations of Risks

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.

Notes to the Financial Statements (Continued)

Approximately 45% of the foundation's contributions receivable was due from four donors at June 30, 2025.

Adjustments for Accounting Changes

Effective July 1, 2024, the Herff Trust was transitioned into the University of Memphis Foundation for oversight and represents a change within the financial reporting entity for the foundation.

As a result, the change in the reporting entity resulted in a restatement of beginning net position as follows:

	June 30, 2024 as previously reported	Change in reporting entity	June 30, 2024 as restated
Net position	\$ 245,269,894	\$ 30,929,939	\$ 276,199,833

Subsequent Event

In November 2025, the foundation's board of directors was substantially reconstituted. All board members, other than those serving by virtue of their position with the university, were replaced.

Note 25. Component Unit – University of Memphis Research Foundation

The University of Memphis Research Foundation (UMRF) is a legally separate, tax-exempt organization supporting the University of Memphis. The UMRF acts primarily as a fund-raising organization to promote the development, implementation, and coordination of sponsored research solely for the benefit of the university in the furtherance of the university's research objectives. The 13-member board of the UMRF is self-perpetuating and consists of friends, faculty, and staff of the university. Although the university does not control the timing or amount of receipts from the UMRF, the majority of resources, or income thereon, that the UMRF holds and invests are restricted to support research activities of the university. Because these restricted resources held by the UMRF can only be used by, or for the benefit of, the university, the UMRF is considered a component unit of the university and is discretely presented in the university's financial statements.

UMRF Ventures, Inc. (UMRF Ventures) is a wholly-owned subsidiary of the UMRF that was incorporated in 2017 and commenced business operations on July 1, 2017. Its mission is to create viable part-time employment for students of the university that provides relevant

Notes to the Financial Statements (Continued)

job experience and potential pathways to future full-time employment. Although it is legally separate from the UMRF, the exclusion of the wholly-owned subsidiary from the UMRF's reporting entity would render its financial statements incomplete. The assets, liabilities, revenues, and expenses of UMRF Ventures are included in the UMRF's statement of net position and statement of revenues, expenditures, and changes in net position. However, the condensed stand-alone statements for Ventures are shown in this report, as well as a description of a notes payable to the UMRF, the most significant inter-entity activity that was eliminated during the consolidation process.

Since the UMRF is an affiliate of and created solely for the benefit of, the university, the financial statements of the UMRF have been prepared in accordance with accounting principles generally accepted in the United States of America for public colleges and universities, as prescribed by the Governmental Accounting Standards Board.

During the year ended June 30, 2025, the UMRF made distributions of \$946,265 to or on behalf of the university for both restricted and unrestricted purposes. Complete financial statements for the UMRF can be obtained from Dr. Jasbir Dhaliwal, Executive Director, 365 Innovation Drive, Suite 303, Memphis, TN 38152.

Cash and Cash Equivalents

All highly liquid investments purchased with initial maturities of three months or less are considered to be cash equivalents. Deposits with financial institutions consist of demand deposits with local banks or with banks affiliated with the UMRF's investment broker. As of June 30, 2025, the UMRF had deposits which exceeded federally insured limits by \$148,301. As of June 30, 2025, UMRF Ventures had deposits in excess of federally insured limits in the amount of \$756,594.

Investments

The UMRF is authorized to invest funds in accordance with its board of directors' policies. In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended, and GASB Statement 72, *Fair Value Measurement and Application*, as amended, investments are reported at fair value, including those with a maturity date of one year or less at the time of purchase, unless otherwise noted.

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

Notes to the Financial Statements (Continued)

At June 30, 2025, the UMRF had the following debt investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)				No Maturity Date
		Less than 1	1 to 5	6 to 10	More than 10	
U.S. Treasuries	\$ 105,969.00	\$ 105,969.00	\$ -	\$ -	\$ -	\$ -
Total debt investments	\$ 105,969.00	\$ 105,969.00	\$ -	\$ -	\$ -	\$ -

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

Fair Value Measurement

The UMRF categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The UMRF has the following recurring fair value measurements as of June 30, 2025:

	June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets by fair value level:			
Debt securities:			
U.S. Treasuries	\$ 105,969	\$ -	\$ 105,969
Total debt securities	105,969	-	105,969
Other investments:			
Mutual funds	1,020,756	1,020,756	-
Total other investments	1,020,756	1,020,756	-
Other assets:			
Brokered certificates of deposit	1,260,911	-	1,260,911
Total other assets	1,260,911	-	1,260,911
Total assets at fair value	\$ 2,387,636	\$ 1,020,756	\$ 1,366,880

Notes to the Financial Statements (Continued)

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

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

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

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

Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Leasehold improvements	\$ 325,671	\$ -	\$ -	\$ 325,671
Equipment	424,524	-	-	424,524
Patents	759,114	19,789	-	778,903
Intangible assets:				-
Right to use - buildings	1,667,742	-	-	1,667,742
Total	3,177,051	19,789	-	3,196,840
Less accumulated depreciation/ amortization:	1,218,936	369,299	-	1,588,235
Total	1,218,936	369,299	-	1,588,235
Capital assets, net	\$ 1,958,115	\$ (349,510)	\$ -	\$ 1,608,605

Notes to the Financial Statements (Continued)

Leases

Leases receivable – Lease receivables are reported with accounts, notes, and grants receivable in the statement of net position.

The UMRF leases office space to various third parties, the terms of which expire in various years through 2027.

Revenue recognized under lease contracts during the year ended June 30, 2025, was \$48,004, which includes both lease revenue and interest.

Lease liabilities – Lease assets are reported with capital assets, and lease liabilities are reported separately on the statement of net position.

The UMRF and UMRF Ventures lease office space from the university, the terms of which expire in various years through 2030. Lease liability activity for the UMRF and UMRF Ventures for the year ended June 30, 2025, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Total lease liabilities	\$ 1,206,598	\$ -	\$ 194,619	\$ 1,011,979	\$ 202,305
Less amounts due to primary government				(1,011,979)	(202,305)
Lease liabilities with external parties				\$ -	\$ -

The following is a schedule by year of payments under the leases as of June 30, 2025:

Year Ending June 30	Principal	Interest	Total
2026	\$ 202,305	\$ 36,128	\$ 238,433
2027	217,615	27,695	245,310
2028	233,763	18,673	252,436
2029	250,786	8,990	259,776
2030	107,510	723	108,233
Total	\$ 1,011,979	\$ 92,209	\$ 1,104,188

Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2025, was as follows:

Notes to the Financial Statements (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
Loans	\$ 21,034	\$ -	\$ (21,034)	\$ -	\$ -
Total long-term liabilities	\$ 21,034	\$ -	\$ (21,034)	\$ -	\$ -

Loans payable – In fiscal year 2022, UMRF Ventures borrowed funds from a finance company to purchase operating equipment. The loan bore an interest rate of 1%, and had an original issue amount of \$76,664, a minimum monthly debt service of \$2,113, and matured in April 2025.

Equity Held in Licenses

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

Concentrations

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

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

Related-Party Debt

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

Other Related-Party Transactions

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

Notes to the Financial Statements (Continued)

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

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

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

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

In addition to rent, UMRF Ventures pays the university for other operating expenses. During the year ended June 30, 2024, the company incurred immaterial expenses from the university for data usage fees, parking, and other office expenses. As of June 30, 2025, UMRF Ventures had \$19,172 due to the university for various expenses and fees.

The following is a condensed statement of net position; condensed statement of revenues, expenses, and changes in net position; and condensed statement of cash flows showing assets, liabilities, revenues, and expenses that are reported as a blended component unit of UMRF:

Notes to the Financial Statements (Continued)

UMRF Ventures, Inc. Condensed Statement of Net Position June 30, 2025

Assets:	
Current assets	\$ 2,052,302
Capital assets, net	947,649
Total Assets	2,999,951
 Liabilities:	
Current liabilities	567,633
Noncurrent liabilities	981,648
Total Liabilities	1,549,281
 Net Position:	
Net investment in capital assets	(42,350)
Unrestricted	1,493,020
Total Net Position	\$ 1,450,670

UMRF Ventures, Inc. Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2025

Operating revenues	\$ 4,784,709
Operating expenses	(4,486,071)
Operating income	298,638
Income before other revenues, expenses, gains, or losses	298,638
Other revenues, expenses, gains, or losses	(21,667)
Increase in net position	276,971
Net position at beginning of year	1,173,699
Net position at end of year	\$ 1,450,670

Notes to the Financial Statements (Continued)

Note 26. Component Unit – Memphis Athletic Foundation

The Memphis Athletic Foundation (MAF), formerly known as the Auxiliary Services Foundation, is a legally separate, tax-exempt organization supporting the University of Memphis. The MAF acts primarily as an agent to operate auxiliary enterprises which directly benefit the university. The five-member board of the MAF is self-perpetuating and consists of graduates and friends of the university. Although the university does not control the timing or amount of receipts from the MAF, the majority of resources, or income thereon, that the MAF holds and invests are restricted to the activities of the university by the donors. Because these restricted resources held by the MAF can only be used by, or for the benefit of, the university, the MAF is considered a component unit of the university and is discretely presented in the university's financial statements. In February 2025, the City of Memphis transferred the Simmons Bank Liberty Stadium to the MAF, giving them ownership and oversight of the stadium and its ongoing renovation project.

The MAF is a nonprofit organization that reports under Financial Accounting Standards Board standards. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the MAF's financial information in the university's financial statements for these differences.

During the year ended June 30, 2025, the MAF made distributions of \$5,358,584 to or on behalf of the university for both restricted and unrestricted purposes. Complete financial statements for the MAF can be obtained from Haley Prewett, Executive Associate Athletic Director and Chief Financial Officer, 570 Normal Street, Memphis, TN 38152.

Cash

Deposits with financial institutions consist of demand deposits with local banks or with banks affiliated with the MAF's investment broker. The MAF also holds deposits in a construction trust account at a financial institution. These funds are restricted for expenditure in connection with the renovation of the Simmons Bank Liberty Stadium. The MAF had deposits held in financial institutions which were in excess of FDIC coverage by \$73,411,196 at June 30, 2025. The MAF maintains its cash with high-quality financial institutions, which management believes limits risk.

Notes to the Financial Statements (Continued)

Liquidity and Availability

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

	<u>At June 30, 2025</u>
Financial assets to meet cash needs for general expenses within one year:	
Cash	\$ 6,227,977
Due from affiliate	2,300,760
Other receivables	87,565
Total	\$ 8,616,302

Capital Assets

Capital assets activity for the year ended June 30, 2025, was as follows:

Notes to the Financial Statements (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ -	\$ 6,790,000	\$ -	\$ 6,790,000
Real estate assets	2,897,147	1,857,435	-	4,754,582
Stadium	-	117,980,000		117,980,000
Stadium - fixtures and equipment	-	1,701,530		1,701,530
Art and historical treasures	750,000	-	-	750,000
Construction in progress	-	62,915,353	-	62,915,353
Total	3,647,147	191,244,318	-	194,891,465
Less accumulated depreciation/amortization:				
Real estate assets	-	164,206	-	164,206
Stadium	-	983,167	-	983,167
Stadium - fixtures and equipment	-	173,096	-	173,096
Total	-	1,320,469	-	1,320,469
Capital assets, net	\$ 3,647,147	\$ 189,923,849	\$ -	\$ 193,570,996

Art and historical treasures is comprised of the donation of a historical document valued at \$750,000. The document is 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.

Effective October 30, 2024, the City of Memphis (city) and the MAF entered into an agreement providing the transfer of ownership of the Simmons Bank Liberty Stadium (stadium) from the city to the MAF. A significant stadium renovation project had begun by the city which was to be financed in part by a \$120 million contribution from the State of Tennessee. The project is expected to be completed by the fall of 2026. The city had expended approximately \$40 million of state funding on renovations prior to the transfer of the stadium to the MAF, and the city transferred the unexpended funds of approximately \$80 million to the MAF as a contribution to be applied toward the remaining renovation costs. Additional renovation costs of approximately \$105 million will come through fundraising conducted by an affiliated foundation.

Related Party Transactions

Administrative functions of the MAF are provided by the University of Memphis and include general management, contract processing, accounting, and data processing. Additionally, all property and equipment used by the MAF is owned and recorded by the

Notes to the Financial Statements (Continued)

University of Memphis. Accordingly, the accompanying financial statements may not be indicative of the conditions that would have existed if the MAF operated as an unaffiliated organization.

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

Expenditures made by the MAF are in support of the university and are presented by activity on the statement of revenues, expenses, and changes in net position.

At June 30, 2025, receivables include \$2,300,760 due from the University of Memphis Foundation.

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

Commitments

The MAF is currently managing capital projects for the university and is under obligation for the following contract for the projects listed below:

Commitments As of June 30, 2025			
	Contract Amount	Expended through June 30, 2025	Commitment Remaining June 30, 2025
Olympic Weight Room	\$ 291,759	\$ 276,177	\$ 15,582
Liberty Bowl Strategic Counseling	30,000	-	30,000
Elma Roane Locker Room	91,456	90,874	582
Altius Contract	1,913,573	541,196	1,372,377
Paradigm Contract	202,500	184,500	18,000
University School Lab	155,459	149,655	5,804
Houston Street Properties	1,895,000	1,895,000	-
Leftwich Fundraising	13,596,798	13,596,574	224
LWFS	11,900,000	204,452	11,695,548
Simmons Bank Liberty Stadium	84,852,312	46,895,890	37,956,422
Lambuth Madison High School	908,000	454,000	454,000
Total	\$ 115,836,857	\$ 64,288,318	\$ 51,548,539

Notes to the Financial Statements (Continued)

Long-term Liabilities

Long-term liabilities at June 30, 2025, consisted of the following:

	Ending Balance	Current Portion
Notes payable	\$ 4,944,640	\$ 1,913,491
Total long-term liabilities	\$ 4,944,640	\$ 1,913,491

Notes payable – The MAF owes money for a promissory note, repayable in quarterly principal installments, which accrues interest at a variable rate per annum equal to the 30-day SOFR rate plus 2.20% (7.53% at June 30, 2024). The note matures on December 10, 2027. The balance owed by the MAF was \$4,944,640 at June 30, 2025.

Debt service requirements to maturity for loans payable at June 30, 2025, are as follows:

Year Ending June 30	Principal
2026	\$ 1,913,492
2027	1,971,546
2028	1,059,602
Total	\$ 4,944,640

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

Derivative Instruments and Fair Value Measurements

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

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

Notes to the Financial Statements (Continued)

Natural Classifications With Functional Classifications

The MAF's operating expenses by functional classification for the year ended June 30, 2025, are as follows:

Functional Classification	Other Operating	Depreciation	Payments Made to or on Behalf of the University	Total
Program services	\$ -	\$ 1,320,468	\$ -	\$ 1,320,468
Support activities	336,776	\$ -	-	336,776
Payments made to or on behalf of the university	-		5,358,584	5,358,584
Total expenses	\$336,776	\$ 1,320,468	\$ 5,358,584	\$ 7,015,828

Subsequent Events

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

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

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

THE UNIVERSITY OF MEMPHIS
Required Supplementary Information
Schedule of the University of Memphis's
Proportionate Share of the Net Pension Liability (Asset)
Closed State and Higher Education
Employee Pension Plan Within TCRS

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2025	1.778764%	\$ 8,870,061	\$ 38,625,859	22.96%	97.61%
2024	1.804180%	19,917,287	38,466,943	51.78%	94.48%
2023	1.874023%	22,326,368	39,250,039	56.88%	93.80%
2022	1.976849%	(12,095,312)	41,724,304	28.99%	103.30%
2021	1.947908%	31,912,779	43,117,121	74.01%	90.58%
2020	1.954592%	27,602,054	44,069,482	62.63%	91.67%
2019	1.985131%	32,068,037	45,932,958	69.81%	90.26%
2018	1.981436%	35,459,769	46,572,218	76.14%	88.88%
2017	2.053060%	37,459,409	50,105,908	74.76%	87.96%
2016	1.964990%	25,334,267	51,295,006	49.39%	91.26%

1) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

THE UNIVERSITY OF MEMPHIS
Required Supplementary Information
Schedule of the University of Memphis's
Proportionate Share of the Net Pension Liability (Asset)
State and Higher Education
Employee Retirement Plan Within TCRS

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2025	2.181936%	\$ 194,056	\$ 50,094,630	0.39%	99.07%
2024	2.397035%	(172,655)	43,701,569	0.40%	101.03%
2023	2.534796%	(632,148)	36,767,277	1.72%	104.81%
2022	2.539731%	(2,152,333)	32,165,085	6.69%	121.71%
2021	2.540327%	(894,533)	29,077,960	3.08%	112.90%
2020	2.583001%	(1,071,365)	24,223,009	4.42%	122.36%
2019	2.470528%	(952,959)	18,163,681	5.25%	132.39%
2018	2.337078%	(484,675)	12,356,829	3.92%	131.51%
2017	2.497908%	(210,436)	7,702,818	2.73%	130.56%
2016	2.108964%	(58,650)	2,390,611	2.45%	142.55%

- 1) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

THE UNIVERSITY OF MEMPHIS
Required Supplementary Information
Schedule of the University of Memphis's Contributions
Closed State and Higher Education
Employee Pension Plan Within TCRS

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 8,350,148	\$ 8,350,148	\$ -	\$ 37,579,405	22.22%
2024	8,478,376	13,814,668	(5,336,292)	38,625,859	35.77%
2023	8,416,567	14,851,144	(6,434,577)	38,466,943	38.61%
2022	8,046,292	12,731,350	(4,685,058)	39,250,039	32.44%
2021	8,440,840	8,440,840	-	41,724,304	20.23%
2020	8,476,846	8,476,846	-	43,117,121	19.66%
2019	8,474,745	8,474,745	-	44,069,482	19.23%
2018	8,667,550	8,667,550	-	45,932,958	18.87%
2017	6,995,147	6,995,147	-	46,572,218	15.02%
2016	7,530,918	7,530,918	-	50,105,908	15.03%

- 1) To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.
- 2) Additional contributions were made to the plan by the State of Tennessee on behalf of the university for the years ended June 30, 2024; June 30, 2023; and June 30, 2022.

THE UNIVERSITY OF MEMPHIS
Required Supplementary Information
Schedule of the University of Memphis's Contributions
State and Higher Education
Employee Retirement Plan Within TCRS

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 1,539,627	\$ 1,539,627	\$ -	\$56,396,488	2.73%
2024	1,287,432	1,287,432	-	50,094,630	2.57%
2023	1,083,557	1,083,557	-	43,701,569	2.48%
2022	683,858	683,858	-	36,767,277	1.86%
2021	578,804	578,804	-	32,165,085	1.80%
2020	503,051	503,051	-	29,077,960	1.73%
2019	402,220	402,220	-	24,223,009	1.66%
2018	708,946	708,946	-	18,163,681	3.90%
2017	483,152	483,152	-	12,356,829	3.91%
2016	283,442	283,442	-	7,702,818	3.68%

1) To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.

THE UNIVERSITY OF MEMPHIS
Required Supplementary Information
Schedule of the University of Memphis's
Proportionate Share of the Collective
Total/Net OPEB Liability (Asset)
Closed State Employee Group OPEB Plan

	University's Proportion of the Collective Total/Net OPEB Liability (Asset)	University's Proportionate Share of the Collective Total/Net OPEB Liability (Asset)	University's Covered- employee Payroll	University's Proportionate Share of the Collective Total/Net OPEB Liability (Asset) as a Percentage of Its Covered- employee Payroll	OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2025	2.033479%	\$(1,618,235)	\$ 75,233,828	2.15%	106.41%
2024	2.015918%	8,045,339	79,970,563	10.06%	65.44%
2023	2.013315%	14,253,826	82,489,326	17.28%	38.59%
2022	2.047646%	14,600,366	83,586,188	17.47%	38.52%
2021	2.023875%	16,941,383	89,308,913	18.97%	25.21%
2020	2.016082%	19,196,730	91,875,711	20.89%	18.33%
2019	2.147529%	29,748,396	119,564,847	24.88%	N/A
2018	2.003563%	26,898,652	103,838,371	25.90%	N/A

- 1) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.
- 2) The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
- 3) During fiscal year 2019, the plan transitioned from a pay-as-you-go OPEB plan to a prefunding arrangement where assets are accumulated in a qualifying trust and benefits are paid from that trust. This change was reflected in the June 30, 2020, reporting period due to the one-year lookback on OPEB measurement.
- 4) The OPEB liability measured as of June 30, 2019, was measured with a 6% discount rate. This was a significant increase from the rate used in prior years and was due to the OPEB plan's transition from pay-as-you-go funding to a prefunding arrangement through a qualifying trust.

THE UNIVERSITY OF MEMPHIS
Required Supplementary Information
Schedule of the University of Memphis's
Proportionate Share of the Collective Total OPEB Liability
Closed Tennessee OPEB Plan

	University's Proportion of the Collective Total OPEB Liability	Primary Government's Proportionate Share of the Collective Total OPEB Liability	University's Covered- employee Payroll	University's Proportionate Share of the Collective Total OPEB Liability as a Percentage of Its Covered- employee Payroll
2025	0.00%	\$ 4,355,423	\$ 89,883,335	0.00%
2024	0.00%	4,601,659	99,301,058	0.00%
2023	0.00%	4,469,019	101,336,854	0.00%
2022	0.00%	5,286,168	102,151,546	0.00%
2021	0.00%	5,866,886	111,874,928	0.00%
2020	0.00%	5,037,419	114,003,275	0.00%
2019	0.00%	5,321,549	99,528,541	0.00%
2018	0.00%	4,931,306	106,767,792	0.00%

- 1) There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement 75 related to this OPEB plan.
- 2) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.
- 3) The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

THE UNIVERSITY OF MEMPHIS
Required Supplementary Information
Schedule of the University of Memphis's Contributions
Closed State Employee Group OPEB Plan

	Actuarially Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions as a Percentage of Covered- employee Payroll
2025	\$ 1,799,712	\$ 1,799,712	\$ -	\$ 63,647,536	2.83%
2024	2,740,826	2,740,826	-	75,233,828	3.64%
2023	2,871,248	2,871,248	-	79,970,563	3.59%
2022	3,127,668	3,127,668	-	82,489,326	3.79%
2021	3,441,007	3,441,007	-	83,586,188	4.12%
2020	3,346,796	3,346,796	-	89,308,913	3.75%
2019	3,253,335	2,808,396	444,939	91,875,711	3.06%

- 1) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.
- 2) Actuarially determined contribution rates are determined based on valuations as of June 30 two years prior to the fiscal year-end in which the contributions are reported.



JASON E. MUMPOWER
Comptroller

**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***

The Honorable Bill Lee, Governor
Members of the General Assembly
Dr. Bill Hardgrave, President

We have audited the financial statements of the University of Memphis, an institution of the State University and Community College System of Tennessee, which is a component unit of the State of Tennessee, and its discretely presented component units as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the university's basic financial statements, and have issued our report thereon dated December 19, 2025. We conducted our audit 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. Our report includes a reference to other auditors who audited the financial statements of the University of Memphis Foundation, the University of Memphis Research Foundation, and the Memphis Athletic Foundation, as described in our report on the University of Memphis's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the university's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the university's internal control. Accordingly, we do not express an opinion on the effectiveness of the university'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 financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the university'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.



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 19, 2025