












# December 2022 Audit Committee Meeting

<b>Schedule</b>	Friday, December 9, 2022 9:45 AM — 10:30 AM CST
<b>Venue</b>	Schiedt Family Performing Arts Center - Concert Hall (Room 1123)
<b>Organizer</b>	Sparkle Burns

## Agenda

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# 1. Call to Order and Opening Remarks

Presented by Carol Roberts



## 2. Roll Call and Declaration of Quorum

Presented by David Kemme



### 3. Approval of September 7, 2022

#### Meeting Minutes

For Approval

Presented by Carol Roberts

**THE UNIVERSITY OF MEMPHIS**  
**AUDIT COMMITTEE MEETING MINUTES**  
**SEPTEMBER 7, 2022**

**I. CALL TO ORDER AND OPENING REMARKS**

Trustee Roberts called the meeting to order.

**II. ROLL CALL AND DECLARATION OF QUORUM**

Trustee Roberts recognized Board Secretary Melanie Murry. Secretary Murry called the roll. The following trustees were in attendance:

Trustee Graf  
Trustee Roberts  
Trustee Johnson  
Trustee Springfield

Secretary Murry made a correction during the roll call and removed Chairman Edwards from the committee roster.

Secretary Murry announced the presence of a quorum.

Additional Trustees:  
Chairman Edwards  
Trustee North

**III. APPROVAL OF MEETING MINUTES FOR JUNE 1, 2022**

Trustee Roberts asked if there were any questions regarding the minutes. None were provided. The motion was made by Trustee Graf and properly seconded.

A voice vote was taken and unanimously approved.

Secretary Murry acknowledged Trustee Kemme was in attendance.

**IV. SUMMARY OF AUDIT REPORTS ISSUED**

Trustee Roberts recognized Chief Audit Executive, Vicki Deaton to present items four through six.



Ms. Deaton presented the summary of audit reports issued. Ms. Deaton discussed each audit listed and gave an overview of how the audits were conducted. Ms. Deaton read the findings from the Business Continuity Plan Program Reassessment audit. Ms. Deaton stated from the Business Continuity Plan Program Reassessment audit, Internal Audit and Consulting found that the plan improved from the audit conducted in 2020. The effort helped establish the Office of Business Continuity and Risk Management, purchasing and implementing software for a business continuity online system, developing business continuity guidance and educational resources, achieving departmental buy-in, and analyzing and recommending the business continuity crisis management committee members.

Ms. Deaton concluded her presentation and stated if there were no other questions, she would present the next item. None were provided.

#### **V. FY2022 INTERNAL AUDIT YEAR-END REPORT**

Ms. Deaton gave an overview of the Audit Committee Charter and its instructions about the Internal Audit and Consulting Year-End Report. Ms. Deaton discussed the purpose of the report, and the services Internal Audit and Consulting provides. Ms. Deaton presented a chart of where Internal Audit and Consulting dedicated their audit hours. Ms. Deaton discussed the audit recommendations and the investigation summaries for fiscal year 2022. Ms. Deaton gave an overview of the consulting work Internal Audit and Consulting does for the University. Ms. Deaton provided a list of their accomplishments and discussed their challenges, which involve identifying new risks and maintaining staff within the office.

Ms. Deaton concluded her presentation and stated if there were no questions, she would present the next item. Trustee Roberts asked if there were any comments or questions. None were provided, but Trustee Roberts commented that compliance along with protecting the University are addressed by different avenues and Internal Audit and Consulting is a core area that plays a part with addressing those aspects at the University. Trustee Roberts stated that she feels good that the University has an independent group that inspects the University and follows up on issues. Trustee Roberts expressed her appreciation to Ms. Deaton.

Trustee Springfield asked Ms. Deaton if she has open employment positions in Internal Audit and Consulting. Ms. Deaton responded yes, due to the office losing one of its Senior Auditors who was a Certified Internal Auditor. Ms. Deaton stated she hopes she can find someone just as qualified, but it is challenging in this environment because people have other opportunities.

## **VI. ANNUAL REVIEW OF AUDIT COMMITTEE CHARTER**

Ms. Deaton stated that the Committee Charter states the Audit Committee should review the charter annually. Ms. Deaton gave an overview of the evaluation.

Ms. Deaton concluded her presentation. Trustee Roberts asked if there were any questions, none were provided. Trustee Roberts asked Secretary Murry for guidance on voting on the charter. Secretary Murry replied by stating the approval does not have to be voted on at the Full Board meeting, but the Audit Committee can vote recommending “no changes.” Trustees Roberts clarified that the motion will be made to accept the charter as is with no changes. Secretary Murry agreed with the recommended motion. Trustee Roberts made the motion to approve the Audit Committee Charter as is with no changes. The motion was properly seconded. Secretary Murry acknowledged Trustee David McKinney was present in the meeting due to him seconding the motion. A voice vote was taken and unanimously approved.

## **VII. COMPLAINT TRIAGE TEAM AND OIE UPDATE**

Trustee Roberts recognized Interim Director for Office of Institutional Equity, Ceecy Reed.

Ms. Reed stated for fiscal year 2021-2022 the Complaint Triage Team received fifteen complaints for the year. Five of the complaints were opened at the end of June and ten were closed. For fiscal year 2022-2023 the Complaint Triage Team had five complaints carried over. Two of the fives complaints are currently opened and three cases have been closed. Ms. Reed informed the committee the Complaint Triage Team has not received any new complaints for fiscal year 2022-2023.

Trustee Roberts asked Ms. Reed to inform the committee on how the Complaint Triage Team receives complaints. Ms. Reed explained the process of how a compliant is brought to the Complaint Triage Team. Trustee Roberts asked Ms. Reed if having five complaints carried over was normal and if there are concerns about the complaints being carried over. Trustee Roberts also asked if timeliness to get the complaints resolved was an issue as well. Ms. Reed answered by saying she did not think the five complaints being carried over was a lot because sometimes the investigations are on hold due to OIE waiting on responses to move forward. Secretary Murry commented that her, Ms. Deaton, and Ms. Reed reviewed the five open cases and concluded that the Compliant Triage Team procedures need to be updated because within the University the complaints are closed however external entities have the cases open. Ms.

Murry also stated in the future the team is looking to close those cases so the records can accurately reflect what the team is working on.

Ms. Reed discussed the number of Title VI, Title IX, and other complaints OIE received. Out of the 159 complaints received in fiscal year 2021-2022, 35 complaints were carried over into fiscal year 2022-2023. Ms. Reed explained why the complaints were carried over and informed the committee that some of the complaints were administratively closed, received informal resolution, or a determination was made from a hearing. Ms. Reed informed the committee at the beginning of this fiscal year OIE received twenty-two new complaints of which seventeen are Title IX and five complaints are associated with the other category. Ms. Reed stated even though the OIE staff is limited, one staff member has been designated as an investigator and receives assistance from outside investigators.

Ms. Reed discussed the trainings offered by OIE in the last 4 years. Ms. Reed also informed the committee that OIE's Title IX Prevention Specialist also provides training to the students during ACAD in the Fall and provided training to the athletes and it is believed that all athletes have been trained on Title IX. Ms. Reed stated this summer OIE reviewed its policies and are in the process of revising those policies to present to the Policy Review Board (PRB). Ms. Reed stated OIE's Standard Operating Procedures (SOP) was reviewed and is ready for use in OIE. Ms. Reed informed the committee the OIE literature is currently in the review phase and the department hopes to get the documents printed this semester.

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

## **VIII. INFORMATION SECURITY PROGRAM UPDATE**

Trustee Roberts recognized Chief Information Officer, Dr. Robert Jackson.

Dr. Jackson provided an update on the IT Security Awareness Training, the privileged access management software, and account recovery. Dr. Jackson discussed the email account deactivations that were done and informed the committee that the spike was due to a successful phishing attempt made against students. Dr. Jackson stated Information Technology (IT) detected the attempt and deactivated those accounts before any security incidents resulted. Dr. Jackson provided the number of security incidents the last four quarters and gave an overview of the types of security incident reports IT received. Dr. Jackson discussed the next steps IT has for compliance, enabling network access controls, and privilege access management software.

Dr. Jackson concluded his presentation.

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

**IX. ADDITIONAL BUSINESS**

No additional business

**X. ADJOURNMENT**

Trustee Roberts adjourned the meeting to executive session.

## **4. Annual Risk Assessment Update**

Presentation

Presented by Raajkumar Kurapati

# **The University of Memphis Board of Trustees**

## **Presentation**

### **Report**

**Date:** December 9, 2022

**Committee:** Audit Committee

**Presentation:** Risk Assessment Process Update

**Presented by:** Raaj Kurapati, Executive Vice President and CFO/COO

#### **Background:**

The 2022 Risk Assessment Process includes information and actions for Process Owners and Process Leaders to meet annual requirements from the State of Tennessee Comptrollers Office under the Financial Integrity Act of 1983 (TCA 9-18-101) for establishing, maintaining, and assessing internal control effectiveness related to risk.

The 2022 Risk Assessment Process focused on identifying, assessing, mitigating, or transferring risks, along with reviewing considerations for Strategic, Operational, Financial, Compliance and Reputational Risks. Business Impact Analysis with Levels of Control for Impact and Probability were emphasized in conjunction with demonstrating Evidence of Controls (Monitoring) to ensure on-going compliance and accountability.

# *Risk Assessment Process Annual Update*

## *Audit Committee*

Raaj Kurapati  
Executive Vice President & CFO/COO

December 9, 2022

Schiedt Family Performing Arts Center



DECEMBER 2022



# Risk Assessment Objectives

## Process of:

- Identifying
- Assessing
- Accepting, as appropriate
- Mitigating

## ENTERPRISE RISKS

## In Order To:

- Avoid
- Mitigate
- Transfer



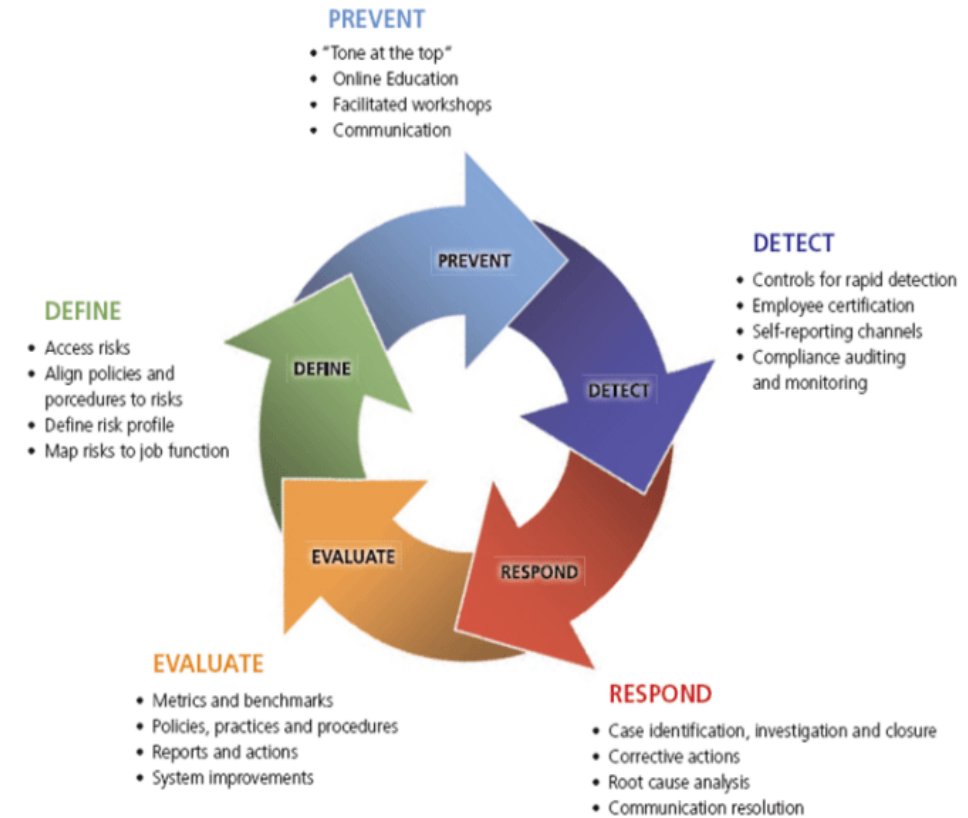
- Understand that Challenges will Occur



## Risk Assessments Serve to Minimize Impacts that are Classified as:

- ❑ **Strategic** - an event that affects the high-level goals and vision of the University
- ❑ **Operational** - an event that affects ongoing management processes
- ❑ **Financial** - an event that affects the financial well-being of the institution
- ❑ **Compliance** - an event that affects the University's adherence to applicable laws and regulations or internal policies and guidelines
- ❑ **Reputational** - an event that affects the image, standing or character of the university

- Response to State Government – TCA 9-18-102 (Regulatory)
- US Sentencing Guidelines for Organizations (Compliance)
- Sarbanes Oxley Act of 2002 (Financial Reporting)
- Transparency and Accountability (Operations and Strategic)
- Committee of Sponsoring Organizations (COSO) (Integrating ERM with Strategy & Performance)



- Risk Management conducted a total of (4) facilitated meetings on 10/26, 10/27, and 11/2 to cover and expectations for this year’s effort to ensure compliance, accountability, and transparency with the Tennessee Financial Integrity Act (TCA 9-18-102)
- (38) Process Owners, Process Leaders, Team Members Participated - Post Meetings Conducted by Departments
- Review, Verify/Validate, or Update Risk Footprints, Risk Controls, and Evidence of Controls for Monitoring



- Business Impact Analysis/Consequences
- Review of Risk Footprint and Scoring Methodologies
- Levels of Controls 1 – 4 (Execution, Supervision, Management, Internal Audit)
- On-Going Assurance via Monitoring

**Impact:** Effect on achievement of goals & objectives

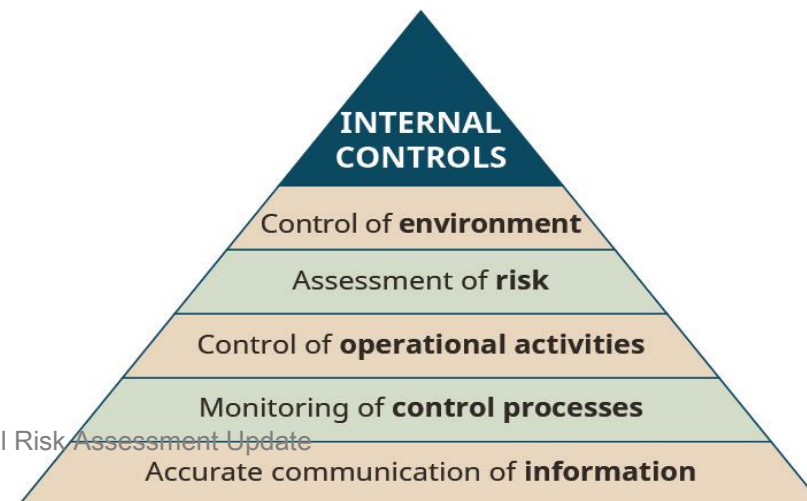
- ✓ [H] High - “showstopper”
- ✓ [M] Medium - inefficient and extra work
- ✓ [L] Low - no effect

**Probability:** Likelihood of the risk happening

- ✓ [H] High - will happen frequently
- ✓ [M] Medium - will happen infrequently
- ✓ [L] Low - will seldom happen

		IMPACT				
		A	B	C	D	E
		Negligible	Minor	Moderate	Significant	Severe
PROBABILITY	E	Very Likely	Low Medium	Medium	Medium High	High
	D	Likely	Low	Low Medium	Medium	Medium High
	C	Possible	Low	Low Medium	Medium	Medium High
	B	Unlikely	Low	Low Medium	Low Medium	Medium
	A	Very Unlikely	Low	Low	Low Medium	Medium

- Determine the mitigation strategies that provide the most assurance that critical risks are being managed
- Document Evidence of Controls as a means of **monitoring** of planned mitigation strategies
- Perform regular monitoring using the plan to ensure acceptable performance and desired results





## **Directions to Process Owners & Process Leaders included:**

### **1. Verify or Update Risk Assessment Plan Control Worksheet listing:**

Process Owners, Process Leaders, Sub-Processes, and Team Members

### **2. Review Risk Footprint(s) - Validate**

### **3. Review/Update Control Footprint(s)**

### **4. Complete Evidence of Control (Monitoring)** Document Process, Policies, Procedure, Regulations, etc. within Control Footprint, including Completion Date, Reviewer, and Status (Active, Follow-Up, Complete)

### **5. Department Review: Mid-December**

- 1. Risk Assessment Status Update to BOT (December 9, 2022)**
- 2. President's Certification re. Risk Process to State Treasurer and Department of Finance and Administration (December 31, 2022)**
- 3. Review Departmental Updates to Risk Footprint/Mitigating controls and monitoring**
- 4. Update of the Control Footprint/Matrix presented to President's Council**
- 5. Finalize 22/23 Risk Footprint (March 2023)**
- 6. Provide overview of final Risk Footprint to BOT (March 2023)**





## 5. Summary of Audit Reports Issued

Presentation

Presented by Vicki Deaton

## The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** December 9, 2022  
**Committee:** Audit Committee  
**Presentation:** Summary of Internal Audit Reports Issued  
**Presented by:** Vicki D. Deaton, Chief Audit Executive

### **Background:**

Four audit reports were issued since the last meeting. Summarized information is included in the attached table.

Name of Audit Report	Date of Audit Report	Audit Engagement Report Opinion	Observations	Minor Issues - Addressed Verbally	Minor Issues	Moderate Issues	Major Issues	Recommendations for Consideration by University Management	Issues Outstanding from Prior Audit
School of Communication Sciences and Disorders Financial and Compliance Audit	8/24/2022	Effective with the Opportunity for Improvement	0	4	0	1	0	2	0
Report of Action - FY2021 State Financial and Compliance Audit Corrective Action Plan	9/6/2022	Corrective Action Plan Complete	0	0	0	0	0	0	0
Lambuth Campus Financial and Compliance Audit	10/26/2022	Effective with the Opportunity for Improvement	0	1	2	0	0	0	Significant Prior Issue Action Plan Determined Complete During this Audit
Audit of President's Expenses for the Period 7/1/2021 - 6/30/2022	11/10/2022	Effective	0	0	0	0	0	0	0



## 6. Audit Issue Follow Up

Presentation

Presented by Vicki Deaton

## **The University of Memphis Board of Trustees**

Presentation  
For Information

**Date:** December 9, 2022

**Committee:** Audit Committee

**Presentation:** Summary of Audit Issue Follow Up

**Presented by:** Vicki D. Deaton, Chief Audit Executive

**Background:**

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

Action Plan Estimated Completion Date	Name of Audit	Date of Audit Report	Audit Engagement Opinion	Issue #	Issue Description	Issue Rating	Party Responsible for Action Plan Completion	Current Status (as of Nov 2022)	New Action Plan Estimated Completion Date
7/29/2022	Data Center Payment Processing Procedure Review	7/1/2022 (Limited Official Use Only)	Effective with the Opportunity for Improvement	1	Issue Information is Limited Official Use Only	Minor = Effective with the Opportunity for Improvement	Director of Network Services & Data Center Operations	Complete	NA
6/30/2022	Lambuth Campus Financial and Compliance Audit	10/26/2022	Effective with the Opportunity for Improvement	1	Compliance with University Building Access & Key Control Policy	Moderate = Insufficient and Requires Improvement	Vice President for Physical Plant	Complete	NA
8/15/2022	Risk Assessment - Athletics Internal Control Footprint Audit	6/16/2022	Effective with the Opportunity for Improvement	1	Controls Need Improvement - Athletics Equity Committee	Minor = Effective with the Opportunity for Improvement	Executive Associate Athletic Director/Senior Woman Administrator	Partially Complete	4/30/2023
8/1/2022	Risk Assessment - Athletics Internal Control Footprint Audit	6/16/2022	Effective with the Opportunity for Improvement	2	Controls Need Improvement - Coaches Recruiting Certification Exam	Minor = Effective with the Opportunity for Improvement	Associate Athletic Director - Compliance	Partially Complete	11/30/2022





# 7. External Audit Report - University of Memphis Research Foundation Financial Statements, 6/30/2022

Presentation

Presented by Vicki Deaton

# The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** December 9, 2022

**Committee:** Audit Committee

**Presentation:** External Audit Report - University of Memphis Research Foundation Financial Statements, June 30, 2022

**Presented by:** Vicki D. Deaton, Chief Audit Executive

## **Background:**

On October 21, 2022, the University of Memphis Research Foundation Financial Statements, June 30, 2022 were issued. The financial statements are presented for your information according to the responsibilities for Internal Audit under UofM Policy GE2016 Notification of External Audits and Reviews, which includes reporting occurrences of external reviews and audits to the Audit Committee, Division of State Audit and others as the circumstances may dictate.

From the Audit Report's Management Discussion and Analysis: The University of Memphis Research Foundation (Foundation) is a nonprofit corporation established on June 16, 2006, to develop and administer sponsored research and other sponsored projects conducted by the faculty and staff of the University. In addition, the Foundation may seek and hold patents and copyrights, negotiate and administer licenses, and collect and distribute royalties on behalf of the University. As of June 30, 2022, the Foundation held fifty-three (53) patents assigned by the University. The Foundation's Board of Directors approves the annual operating budget for the Foundation's administrative expenses. Budgets for sponsored projects are administered by the University. The Foundation utilizes University facilities and personnel to perform sponsored projects and for operating the Foundation. The Foundation reimburses the University quarterly for expenses incurred on behalf of the Foundation. The Foundation is a component unit of the University of Memphis.

The Foundation's financial statements incorporate the activities of the Foundation's wholly owned subsidiary, UMRF Ventures, Inc., as a component unit. UMRF Ventures was incorporated in 2017 with the mission to create good paying, part-time jobs for UofM students in a professional on-campus environment, and to provide the students with financial resources, relevant job experience, and potential pathways to future full-time employment. UMRF Ventures started as a partnership with FedEx and now employs over 200 University of Memphis students working with FedEx, Raymond James, Sedgwick, the City of Memphis, and others. Our

goals are to provide good-paying jobs and professional development that fill a talent pipeline for companies in our region, especially our partners; provide a high-quality service to our customers; and benefit the research efforts of the UofM, which supports its R1 status today and into the future.

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

The Foundation engaged an independent external CPA firm, Watkins Uiberall, PLLC, to perform an audit of the financial statements of the business-type activities and aggregate discretely presented component unit of the University of Memphis Research Foundation, a component unit of the University of Memphis. The independent auditor's opinion stated that the financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Foundation as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The auditors did not identify any deficiencies in internal control that would be considered material weaknesses during their limited consideration of internal control over financial reporting. Also, they did not identify any instances of noncompliance with certain provisions of laws, regulations, contracts, grant agreements, or other matters that are required to be reported under Government Auditing Standards.

**THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION**  
**FINANCIAL STATEMENTS**

June 30, 2022



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**THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION**  
**BOARD OF DIRECTORS AND MANAGEMENT OFFICIALS**  
**JUNE 30, 2022**

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**BOARD OF DIRECTORS**

Bill Hardgrave	Chairman
David Scully	Secretary/Treasurer
Richard Bloomer	Director
Jan Bouten	Director
Lakita Cavin	Director
Erika Dillard	Director
Tom Kadien	Director
Raajkumar Kurapati	Director
Abby Parrill-Baker	Director
Brad Phillips	Director
Scott Vogel	Director
Tim Whitehorn	Director

**MANAGEMENT OFFICIALS**

Jasbir Dhaliwal	Executive Director
Angela Bunch	Accountant

## INDEPENDENT AUDITOR'S REPORT

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

### Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of The University of Memphis Research Foundation, a component unit of The University of Memphis, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of The University of Memphis Research Foundation, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Foundation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

#### **Required Supplementary Information**

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

#### **Other Information**

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

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022, on our consideration of The University of Memphis Research Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The University of Memphis Research Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University of Memphis Research Foundation's internal control over financial reporting and compliance.

*Watkins Mikusall, PLLC*

Memphis, Tennessee  
October 21, 2022



**THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**PRIMARY GOVERNMENT**

**JUNE 30, 2022**

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The following Management's Discussion and Analysis ("MD&A") provides an overview of the financial position and the results of operations of The University of Memphis Research Foundation (the "Foundation") for the year ended June 30, 2022. We encourage you to read this MD&A section in conjunction with the accompanying audited financial statements and notes to the financial statements.

**About the Financial Statements**

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

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

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

The statement of net position is the Foundation's balance sheet. It reflects the total assets, liabilities, and net position of the Foundation as of June 30, 2022. Liabilities due within one year, and assets available to pay those liabilities, are classified as current. Other assets and liabilities are classified as noncurrent. Net position is grouped in the following categories:

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

The statement of revenues, expenses, and changes in net position details how net position has increased or decreased during the fiscal year ended June 30, 2022.

The statement of cash flows details how cash has increased or decreased during the fiscal year ended June 30, 2022. It classifies the sources and uses of Foundation cash into the following categories:

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

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

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

**General**

The Foundation is a nonprofit corporation established on June 16, 2006, to develop and administer sponsored research and other sponsored projects conducted by the faculty and staff of the University. In addition, the Foundation may seek and hold patents and copyrights, negotiate and administer licenses, and collect and distribute royalties on behalf of the University. As of June 30, 2022, the Foundation held fifty-three (53) patents assigned by the University. The Foundation's Board of Directors approves the annual operating budget for the Foundation's administrative expenses. Budgets for sponsored projects are administered by the University. The Foundation utilizes University facilities and personnel to perform sponsored projects and for operating the Foundation. The Foundation reimburses the University quarterly for expenses incurred on behalf of the Foundation.

# THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS PRIMARY GOVERNMENT - Continued

JUNE 30, 2022

### Financial Highlights and Key Trends

During fiscal year 2022, the Foundation continued to manage sponsored projects processed through the Foundation and to operate the UMRF Research Park. The Foundation also awarded \$20,000 to two UMRF Professorship recipients.

### Statement of Net Position

Current assets include cash, investments, and receivables expected to be collected in the coming year. Other assets include patents, notes receivable and equity interest in UMRF Ventures, Inc. Current liabilities include payables, unearned revenue expected to be recognized in the next fiscal year, and security deposits from UMRF Research Park residents. There were no long-term liabilities as of June 30, 2022.

Net position is divided into three categories. The first category, net investment in capital assets, represents the Foundation's investment in patents, net of accumulated amortization. The next category is restricted for research. This amount is available for expenditure by the Foundation but must be spent in accordance with restrictions imposed by external third parties. The last category is unrestricted, which is comprised of reserved and unreserved funds. Reserved funds are designated for specific purposes; unreserved funds may be used to meet expenses for any lawful purpose. On June 30, 2022, reserved funds totaled \$656,316 and unreserved funds totaled \$1,851,169.

Funds held on June 30, 2022, by an investment broker on behalf of the Foundation totaled \$1,919,001. Of this amount, \$1,912,870 represents investments at fair value and \$6,131 represents deposits with banks affiliated with the broker.

A summary of the major components of the net position of the Foundation as of June 30, 2022 and 2021 is as follows:

	2022	2021
Assets		
Current assets	\$ 2,232,111	\$ 2,142,727
Other assets	2,064,956	1,964,373
Total assets	<u>\$ 4,297,067</u>	<u>\$ 4,107,100</u>
Liabilities	<u>\$ 978,976</u>	<u>\$ 888,775</u>
Net position		
Net investment in capital assets	\$ 594,172	\$ 440,874
Restricted, expendable for research	216,434	216,071
Unrestricted	<u>2,507,485</u>	<u>2,561,380</u>
Total net position	<u>\$ 3,318,091</u>	<u>\$ 3,218,325</u>

# THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS PRIMARY GOVERNMENT - Continued

JUNE 30, 2022

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

A summary of the statement of revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021, is as follows:

	2022	2021
Operating revenues	\$ 1,156,700	\$ 660,192
Operating expenses	(956,762)	(752,314)
Operating income (loss)	199,938	(92,122)
Nonoperating income (expense)		
Royalty income	23,548	20,773
Net investment income (loss)	(71,005)	74,650
Increase (decrease) in equity interest in subsidiary	(52,715)	828,808
Change in net position	\$ 99,766	\$ 832,109

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

Operating revenues and expenses increased due to more sponsored projects being completed during the fiscal year.

The decrease in net investment income is primarily due to unrealized losses in the investment portfolio.

There was a significant decrease in equity interest in subsidiary. The UMRF Ventures, Inc. net loss for the current year contributed to the decrease but the primary reason is that the prior year amount includes Paycheck Protection Program loan forgiveness of \$689,700.

### Statement of Cash Flows

In fiscal 2022, cash inflows came from sponsored project revenue, contributions, UMRF Research Park revenue, and interest and royalty income. Cash outflows were primarily for sponsored project expenses. All sponsored project expenses are incurred by the University and reimbursed by the Foundation.

### Future

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

# THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS COMPONENT UNIT

JUNE 30, 2022

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UMRF Ventures, Inc. (the "Company") is a wholly owned subsidiary of The University of Memphis Research Foundation (the "Foundation"). The following MD&A provides an overview of the financial position and the results of operations of the Company for the year ended June 30, 2022. We encourage you to read this MD&A section in conjunction with the accompanying audited financial statements and notes to the financial statements.

### General

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

### Financial Highlights and Key Trends

UMRF Ventures, Inc. is 5 years old. What started with a partnership with FedEx that employed 23 students, has become a company that employs over 200 University of Memphis students working additionally with Raymond James, Sedgwick, and the City of Memphis to name a few. Our goals are to provide good-paying jobs and professional development that fill a talent pipeline for companies in our region, especially our partners; provide a high-quality service to our customers; and benefit the research efforts of the UofM, which supports its R1 status today and into the future.

To prepare for the future of UMRF Ventures, Inc, a long-term strategic planning process began this year and is nearing completion. Every employee on the UMRFV team, the UMRFV Board, and representatives from the University have worked since January to reimagine our mission, vision, values and future. The highly interactive and documented process and results will be introduced and rolled out in the fall.

UMRFV ended the fiscal year after experiencing a shortfall in expected revenue, primarily due to the labor shortage that affected most of the country. For the next fiscal year, we are projecting modest growth – above 8%, year over year.

The uncertainty and volatility of the COVID-19 pandemic and the increasing competition in the local workforce has impacted the ability to recruit and retain a full complement of students for the Company's ventures. The Company hired a recruiting manager and implemented more targeted recruiting and incentive campaigns to maintain adequate levels of coverage for our customers.

### Statement of Net Position

Current assets include cash, receivables expected to be collected in the coming year and prepaid expenses. Long-term assets consist of property and equipment, right of use asset, and federal income tax benefit. Current liabilities include payables and accrued payroll. Long-term liabilities include deferred state income tax, leases, and loans received from the Foundation, the University and third parties.

# THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS COMPONENT UNIT – Continued

**JUNE 30, 2022**

A summary of the major components of the net position of the Company as of June 30, 2022 and 2021, is as follows:

	2022	2021
<b>Assets</b>		
Current assets	\$ 1,896,210	\$ 2,000,411
Capital assets	412,156	220,360
Income tax benefit	41,323	24,124
<b>Total assets</b>	<b>\$ 2,349,689</b>	<b>\$ 2,244,895</b>
<b>Liabilities</b>		
Current liabilities	\$ 615,486	\$ 453,524
Long-term liabilities	488,419	492,872
<b>Total liabilities</b>	<b>\$ 1,103,905</b>	<b>\$ 946,396</b>
<b>Net position</b>		
Net investment in capital assets	\$ 87,544	\$ 220,360
Unrestricted	1,158,240	1,078,139
<b>Total net position</b>	<b>\$ 1,245,784</b>	<b>\$ 1,298,499</b>

The increases in capital assets and current liabilities are mainly due to the recording of right of use asset and lease liabilities in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement 87.

### Statement of Revenues, Expenses, and Changes in Net Assets

A summary of the statement of revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021, is as follows:

	2022	2021
Operating revenues	\$ 5,780,699	\$ 5,512,543
Operating expenses	(5,850,117)	(5,285,743)
Operating income (loss)	(69,418)	226,800
Nonoperating income (expense)		
Paycheck Protection Program loan forgiveness		689,700
Income tax benefit (expense)	17,703	(87,692)
Charity	(1,000)	-
Change in net position before dividend	(52,715)	828,808
Dividend	-	(50,000)
Change in net position after dividend	<b>\$ (52,715)</b>	<b>\$ 778,808</b>

# THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS COMPONENT UNIT – Continued

**JUNE 30, 2022**

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The operating loss is primarily due to the net loss from the FedEx Service Desk Business, caused by significant employee attrition beginning in June 2021, which led to a drop in agent hours and associated revenue. Also, FY2021 was the final year to record revenue from the amortization of the FedEx seed money.

### **Statement of Cash Flows**

Fiscal 2022 cash inflows came from contract revenue, Cash outflows were for operating expenses, purchase of property and equipment, reduction of lease liabilities, and repayment toward loans.

### **Future**

The long-range vision for the Company is to operate a sustainably profitable enterprise, providing jobs and financial resources to more than 500 students per year, and to dividend profits back to the Foundation.

**THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION**

**STATEMENT OF NET POSITION**

**JUNE 30, 2022**

	<b>Primary Government</b>	<b>Component Unit</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 317,853	\$ 1,025,331
Investment securities	1,912,870	-
Accounts receivable	1,388	863,440
Prepaid expenses	-	7,439
Total current assets	<u>2,232,111</u>	<u>1,896,210</u>
<b>Capital Assets, net</b>		
Property and equipment, net	-	198,713
Right of use asset	-	213,443
Total capital assets	<u>-</u>	<u>412,156</u>
<b>Other Assets</b>		
Notes receivable	225,000	-
Equity interest in subsidiary	1,245,784	-
Patents, net of amortization	594,172	-
Federal income tax benefit	-	41,323
Total other assets	<u>2,064,956</u>	<u>41,323</u>
<b>Total Assets</b>	<u><u>\$ 4,297,067</u></u>	<u><u>\$ 2,349,689</u></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current Liabilities</b>		
Current portion of other long-term debt	\$ -	\$ 54,064
Current portion of related party debt	-	124,486
Current portion of lease liabilities	-	111,952
Payable to The University of Memphis	564,281	50,431
Accounts payable	4,549	4,249
Unearned revenue	400,480	-
Accrued payroll and other liabilities	9,666	268,952
State taxes payable	-	1,352
Total current liabilities	<u>978,976</u>	<u>615,486</u>
<b>Long-term Liabilities</b>		
Long-term debt	-	57,106
Related party debt - long term	-	321,693
Lease liabilities	-	107,856
State taxes payable	-	1,764
Total long-term liabilities	<u>-</u>	<u>488,419</u>
<b>Net Position</b>		
Net investment in capital assets	594,172	87,544
Restricted for research	216,434	-
Unrestricted	2,507,485	1,158,240
Total net position	<u>3,318,091</u>	<u>1,245,784</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 4,297,067</u></u>	<u><u>\$ 2,349,689</u></u>

See accompanying notes to the financial statements.

**THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Primary Government</b>	<b>Component Unit</b>
<b>Operating Revenue</b>		
Contract revenue	\$ 753,496	\$ 5,780,699
Grants and contributions	9,772	-
Patent contributions	242,115	-
Income from Research Park	151,317	-
Total operating revenues	<u>1,156,700</u>	<u>5,780,699</u>
<b>Operating Expenses</b>		
Bad debt	-	1,047
Depreciation and amortization	60,661	212,144
General and administrative	-	81,357
Insurance	4,584	83,240
Interest	-	33,481
Network services	23,946	37,027
Office equipment	-	42,112
Other	844	35,501
Payroll taxes	-	402,119
Professional fees	13,000	100,058
Legal fees	8,074	-
Rent	14,783	266,863
Repairs and maintenance	-	19,854
Research park expenses	11,128	-
Research projects	812,641	-
Royalty distributions	7,101	-
Salaries	-	4,535,314
Total operating expenses	<u>956,762</u>	<u>5,850,117</u>
<b>Operating Income</b>	<u>199,938</u>	<u>(69,418)</u>
<b>Other Income (Expense)</b>		
Royalty income	23,548	-
Net investment loss	(71,005)	-
Decrease in equity interest in subsidiary	(52,715)	-
Charity	-	(1,000)
Total other income (expense)	<u>(100,172)</u>	<u>(1,000)</u>
<b>Income Before Income Taxes</b>	99,766	(70,418)
<b>Income Tax Benefit</b>	<u>-</u>	<u>17,703</u>
<b>Change in Net Position</b>	99,766	(52,715)
<b>Net Position, Beginning of Year</b>	<u>3,218,325</u>	<u>1,298,499</u>
<b>Net Position, End of Year</b>	<u><u>\$ 3,318,091</u></u>	<u><u>\$ 1,245,784</u></u>

See accompanying notes to the financial statements.



# THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

	Primary Government	Component Unit
<b>Cash flows from operating activities</b>		
Cash received from contract customers	\$ 1,366,323	\$ 5,825,473
Cash received from contributions	9,772	-
Cash received from Research Park	89,729	-
Cash received from Component Unit	50,000	-
Cash payments to The University of Memphis	(1,146,364)	(188,034)
Cash payments to Primary Government	-	(50,000)
Cash payments to suppliers	(30,197)	(395,837)
Cash payments to employees	-	(4,864,922)
Cash payments for interest	-	(34,677)
Cash payments for state franchise taxes	-	(5,652)
Net cash provided by operating activities	339,263	286,351
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	-	(78,026)
Purchases of investments	(462,961)	-
Investment maturities	230,000	-
Income from royalties	23,548	-
Income from investments	15,878	-
Net cash used for investing activities	(193,535)	(78,026)
<b>Cash flows from capital financing activities</b>		
Payments to reduce lease liability	-	(101,488)
Repayment of long-term debt	-	(40,772)
Net cash used for capital financing activities	-	(142,260)
<b>Cash flows from noncapital financing activities</b>		
Repayment of related party debt	-	(123,036)
Change in cash and cash equivalents	145,728	(56,971)
Cash and cash equivalents at beginning of year	172,125	1,082,302
Cash and cash equivalents at end of year	\$ 317,853	\$ 1,025,331

See accompanying notes to the financial statements.

**THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION**

**STATEMENT OF CASH FLOWS – Continued**

**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Primary Government</b>	<b>Component Unit</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 199,938	\$ (69,418)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	60,661	212,144
Bad debt	-	1,047
Patent contributions	(242,115)	-
Patent impairment loss	28,156	-
Changes in operating assets and liabilities		
(Increase) decrease in operating assets:		
Accounts receivable	202,423	44,774
Prepaid expenses	-	2,457
Increase (decrease) in operating liabilities		
Accounts payable	20,943	169
Payable to the University of Memphis	234,595	46,130
Accrued payroll and other liabilities	(12,535)	55,793
State taxes payable	-	(6,745)
Unearned revenue	(152,803)	-
Net cash provided by operating activities	<u>\$ 339,263</u>	<u>\$ 286,351</u>

See accompanying notes to the financial statements.

# THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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### PRIMARY GOVERNMENT

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Organization and Activities

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

##### Financial Reporting Entity

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

##### Basis of Presentation

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

##### Basis of Accounting

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

##### Cash and Cash Equivalents

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

##### Accounts Receivable

Accounts receivable represent amounts due from services rendered on contracts and for rents as of June 30, 2022. The Foundation records accounts receivable at their estimated net realizable value. An allowance for doubtful accounts is recorded based upon management's estimate of uncollectible accounts, determined by analysis of specific customer accounts. Past due balances and delinquent receivables are charged against the allowance when they are determined to be uncollectible by management. Management did not consider an allowance for doubtful accounts to be necessary as of June 30, 2022.

##### Investment Securities

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

##### Patents

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

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

It is the goal of the Foundation to license patents to companies with the expertise and capability to commercialize inventions covered by the patents. At least annually, or if a determination is made that there is no accessible market for a patent, an impairment assessment is performed and the carrying value of the patent may be adjusted. Any impairment loss determined by management is included in the statement of revenues, expenses, and changes in net position in the year in which impairment is determined. There was impairment loss of \$28,156 for the year ended June 30, 2022.

#### Equity Interest in Subsidiary

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

#### Net Position

The Foundation's net position is classified as follows:

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

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

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

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

#### Revenue Recognition

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

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

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

#### Income Taxes

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

## Fair Value Measurements

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

## Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP. Such estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenue and expenses. Accordingly, actual results could differ from estimates.

## Change in Accounting Principle

The Foundation has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 87, *Leases*, in which GASB amended its standard related to the accounting for leases for years beginning after June 15, 2021. Under the new standard, lessees are required to recognize substantially all leases on the balance sheet as both right of use assets and lease liabilities. Right of use assets are amortized over the shorter of the term of the lease or the useful life of the underlying asset. Payments made under lease agreements are reported as reductions in the lease liability and outflows of resources in the form of interest expense. The impact of adopting GASB 87 had no impact on the primary government and resulted in the reporting at June 30, 2022 of right of use assets and lease liabilities in the amounts of \$213,443 and \$219,808, respectively, and an increase in operating expenses of \$6,828 for the component unit.

## Date of Management's Review

The Foundation evaluated its June 30, 2022 financial statements for subsequent events through October 21, 2022, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

## **NOTE 2 - DEPOSITS WITH BANKING INSTITUTIONS**

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

Custodial credit risk is the risk that, in the event of bank failure, the Foundation's deposits may not be returned. The Foundation has implemented an investment policy to minimize custodial credit risk from banking institutions. As of June 30, 2022, the Foundation had deposits which exceeded federally insured limits by \$61,722.

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

## **NOTE 3 - INVESTMENT SECURITIES**

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

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

As of June 30, 2022, investment securities consisted of U.S. Treasury notes, brokered certificates of deposit and publicly traded mutual funds with fair values totaling \$1,912,870.

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

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

#### NOTE 4 - FAIR VALUE MEASUREMENTS

As of June 30, 2022, the following table presents the Foundation's financial assets measured at fair value on a recurring basis:

	Fair Value	Level 1	Level 2
US Treasury Notes	228,413	\$ 228,413	\$ -
Brokered Certificates of Deposit	225,650	-	225,650
Mutual Funds	1,458,807	1,458,807	-
	<u>\$ 1,912,870</u>	<u>\$ 1,687,220</u>	<u>\$ 225,650</u>

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

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

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

#### NOTE 5 - PATENTS

As of June 30, 2022, patents consisted of the following:

	Patents, at Contributed Value	Accumulated Amortization	Patents, net
Balance, June 30, 2021	\$ 621,494	\$ (180,620)	\$ 440,874
Patents contributed by University of Memphis	242,115	-	242,115
Impairment loss	(54,083)	25,927	(28,156)
Amortization	-	(60,661)	(60,661)
Balance, June 30, 2022	<u>\$ 809,526</u>	<u>\$ (215,354)</u>	<u>\$ 594,172</u>

#### NOTE 6 - EQUITY HELD IN LICENSEES

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

## NOTE 7 - CONCENTRATIONS

The Foundation received all contract billings from one funding source during the year ended June 30, 2022.

## NOTE 8 – NET POSITION

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

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

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

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

As of June 30, 2022, the unrestricted net position is composed of the following balances:

### Unrestricted net position

#### Reserved

Accumulated royalty income	\$	145,538
Project residuals		404,480
Research park unexpended net cash flow		106,298
		<hr/>
		656,316
Available		<hr/>
		1,851,169

#### Total unrestricted net position

	\$	2,507,485
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## NOTE 9 - RELATED PARTY TRANSACTIONS

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

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

During the year ended June 30, 2022, the Foundation made cash transfers to The University in the amount of \$1,146,364. As of June 30, 2022, the Foundation had payables to The University totaling \$564,281.

The Foundation paid rent to The University for the use of office space in the amount of \$14,783 during 2022.

In September 2018, the Foundation loaned UMRF Ventures, Inc. \$225,000 for working capital support to expand its services. This loan bears interest at 5 percent per annum and is due September 20, 2024. The Foundation received interest relating to this loan totaling \$11,250 during the year ended June 30, 2022. The Foundation received rent in the amount of \$50,000 from UMRF Ventures, Inc. during the year ended June 30, 2022.

## **NOTE 10 - COMPONENT UNIT**

The Foundation has one component unit, its wholly owned for-profit subsidiary, UMRF Ventures, Inc. (the "Company"). The Company is managed by its own board of directors and management. The Foundation has determined that the Company meets the requirements of a discretely presented component unit under GASB 14. Significant disclosures related to the Company are included on pages 19 - 23.

## **COMPONENT UNIT**

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

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF COMPONENT UNIT**

### Organization and Activities

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

### Accounts Receivable

Accounts receivable represent amounts due for services rendered as of June 30, 2022. The Company records accounts receivable at their estimated net realizable value. An allowance for doubtful accounts is recorded based upon management's estimate of uncollectible accounts, determined by analysis of specific customer accounts. Past due balances and delinquent receivables are charged against the allowance when they are determined to be uncollectible by management. No allowance for doubtful accounts was considered necessary at June 30, 2022. \$1,047 of bad debt has been written off during the year ended June 30, 2022.

### Property and Equipment

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

### Income Taxes

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

### Date of Management's Review

The Foundation evaluated its June 30, 2022 financial statements for subsequent events through October 21, 2022, the date the financial statements were available to be issued. Management is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

## **NOTE 2 - DEPOSITS WITH BANKING INSTITUTIONS**

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

Custodial credit risk is the risk that, in the event of bank failure, the Company's deposits may not be returned. The Company has implemented a cash management policy to minimize custodial credit risk from banking institutions. As of June 30, 2022, the Company had deposits in excess of federally insured limits in the amount of \$515,462.



### NOTE 3 - PROPERTY AND EQUIPMENT

As of June 30, 2022, capital assets consisted of the following:

	Balance June 30, 2021	Additions	Dispositions	Balance June 30, 2022
Leasehold improvements	\$ 183,396	\$ -	\$ -	\$ 183,396
Furniture & fixtures	280,881	82,644	-	363,525
Right of use assets	-	321,296	-	321,296
	<u>464,277</u>	<u>403,940</u>	<u>-</u>	<u>868,217</u>
Less depreciation and amortization	(243,917)	(212,144)	-	(456,061)
Total Capital Assets	<u>\$ 220,360</u>	<u>\$ 191,796</u>	<u>\$ -</u>	<u>\$ 412,156</u>

### NOTE 4 - LONG-TERM DEBT

#### Related Party Debt

Note payable to The University of Memphis Research Foundation for working capital support, bearing interest at 5.0 percent. Interest only payments are due semiannually, with the entire principal due September 20, 2024.

\$ 225,000

Note payable to The University of Memphis - Herff Trust, bearing interest at 4.0 percent, due in quarterly payments beginning January 1, 2020 and maturing on December 31, 2023.

221,179

446,179

Less: Current portion

(124,486)

Related party debt - long term

\$ 321,693

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

	Interest	Principal
2023	\$ 18,245	\$ 124,486
2024	13,191	96,693
2025	2,527	225,000
	<u>\$ 33,963</u>	<u>\$ 446,179</u>

Interest expense related to the above related party notes for the year ended June 30, 2022 amounted to \$11,250 for The University of Memphis Research Foundation and \$10,656 for The University of Memphis – Herff Trust. At June 30, 2022 interest payable to The University of Memphis – Herff Trust amounted to \$2,212.

#### Other Long-Term Debt

Note payable to a finance company, bearing interest at 1 percent, due in monthly payments of principal and interest of \$2,707 beginning October 2020 and maturing September 2023. Secured by equipment with a book value of \$35,601.

\$ 41,218

Note payable to a finance company, bearing interest at 1 percent, due in monthly payments of principal and interest of \$2,672 beginning May 2022 and maturing April 2025. Secured by equipment with a book value of \$72,831.

69,952

111,170

Less: Current portion

(54,064)

Long-term debt

\$ 57,106

Principal and interest payments due on other long-term debt for the next three years ending June 30 are as follows:

	Interest	Principal
2023	\$ 10,492	\$ 54,064
2024	6,097	35,487
2025	1,793	21,619
	<u>\$ 18,382</u>	<u>\$ 111,170</u>

The following lists the changes in debt by individual issue:

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding July 01, 2021	Issued During Period	Paid and/or Matured During Period	Outstanding June 30, 2022	Due Within One year
Loan - University of Memphis Research Foundation	\$ 225,000	5.00%	09/20/18	09/20/24	\$ 225,000	\$ -	\$ -	\$ 225,000	\$ -
Loan - University of Memphis - Herff Trust	500,000	4.00%	01/16/19	12/31/23	344,215	-	123,036	221,179	124,486
Loan - Finance Company	102,796	1.00%	06/30/20	09/01/23	75,278	-	34,060	41,218	31,742
Loan - Finance Company	76,664	1.00%	04/01/22	04/01/25	-	76,664	6,712	69,952	22,322
					<u>\$ 644,493</u>	<u>\$ 76,664</u>	<u>\$ 163,808</u>	<u>\$ 557,349</u>	<u>\$ 178,550</u>

## NOTE 5 - LEASES WITH RELATED PARTIES

The Company rents office space from The University of Memphis Research Foundation. The lease for the space expired in November 2021, and the Company continues to occupy the facilities on a month-to-month basis. The Company paid rent in the amount of \$50,000 to The University of Memphis Research Foundation for this space during the year ended June 30, 2022.

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

### Lease Liabilities

Lease payable for office space, computed using the incremental borrowing rate of 4.0 percent with monthly lease payments of \$3,262 July 2021 through March 2022; \$3,360 April 2022 through March 2023 and \$3,461 April 2023 through maturity at March 2024.

\$ 69,195

Lease payable for office space, computed using the incremental borrowing rate of 4.0 percent with monthly lease payments of \$1,894 July 2021 through March 2022; \$1,951 April 2022 through March 2023 and \$2,009 April 2023 through maturity at March 2024.

40,171

Lease payable for office space, computed using the incremental borrowing rate of 4.0 percent with monthly lease payments of \$4,420 August 2021 through July 2022; \$4,553 August 2022 through July 2023 and \$4,690 August 2023 through maturity at July 2024.

Less: Current portion  
Long-term lease liabilities

	110,442
	219,808
	(111,952)
\$	<u>107,856</u>

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

	Interest	Principal
2023	\$ 6,795	\$ 111,952
2024	2,194	103,181
2025	16	4,675
	<u>\$ 9,005</u>	<u>\$ 219,808</u>

#### NOTE 6 - OTHER RELATED PARTY TRANSACTIONS

In addition to rent, the Company pays The University of Memphis for other operating expenses. During the year ended June 30, 2022, the Company incurred expenses from The University totaling \$10,509 in data usage fees, \$954 in parking and \$7,034 in other office expenses. As of June 30, 2022, the Company had \$48,219 due to The University for various expenses and fees.

#### NOTE 7- INCOME TAXES

The Company evaluates and accounts for uncertain tax positions in accordance with Accounting Standards Codification (ASC) 740-10 and has evaluated its tax positions taken for all open tax years. The Company has filed returns with the Internal Revenue Service and the Tennessee Department of Revenue and considers these to be its major tax jurisdictions. Currently, the 2020, 2021 and 2022 tax years are open and subject to examination. However, the Company is not currently under audit nor has the Company been contacted by these jurisdictions.

The Company has \$222,151 of federal and \$29,445 of state net operating loss ("NOL") carryforwards available, respectively, to offset future taxable income.

As of June 30, 2022, the federal income tax benefit and state income tax liability consists of the following:

	Federal	State
Net operating loss carryforward	\$ 222,151	\$ 29,445
Excess tax depreciation	(25,375)	(56,579)
Future taxable loss (income)	196,776	(27,134)
Statutory rate	21%	6.5%
Federal and state income tax benefit (liability)	<u>\$ 41,323</u>	<u>\$ (1,764)</u>

The income tax provision shown on the statement of revenues, expenses, and changes in net position differs from the amount that would result from applying statutory tax rates to income before provision for income taxes because of utilization of the prior year's net operating loss carryforward.

Based on the evaluation of the Company's tax positions, management believes all positions taken would more likely than not be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended June 30, 2022.

#### NOTE 8 – CONCENTRATIONS

The Company recorded approximately ninety-two percent of total revenue from two customers during the year ended June 30, 2022. As of June 30, 2022, approximately eighty-four percent of total receivables is due from two customers.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component of The University of Memphis Research Foundation, a component unit of The University of Memphis, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise of The University of Memphis Research Foundation's basic financial statements, and have issued our report thereon dated October 21, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The University of Memphis Research Foundation's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The University of Memphis Research Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of The University of Memphis Research Foundation's internal control.

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

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

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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



Memphis, Tennessee  
October 21, 2022

**THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2022**

---

No matters were reported as findings and responses for the year ended June 30, 2022.

**THE UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**JUNE 30, 2022**

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

## 8. Information Security Update

Presentation

Presented by Robert Jackson

# **The University of Memphis Board of Trustees**

Presentation  
For Information

**Date:** December 9, 2022

**Committee:** Audit Committee

**Presentation:** Information Security Program Update

**Presented by:** Dr. Robert Jackson, Chief Information Officer

**Background:**

Quarterly update on the Information Security Program.



# *Information Security Program Update*

## *Audit Committee*

Dr. Robert Jackson  
Chief Information Officer

December 9, 2022

Schiedt Family Performing Arts Center



**Board of  
Trustees**

- Gramm-Leach-Bliley Act (GLBA)
- Significant revisions to “safeguards rule” effective December 9, 2022
- Oversight by Federal Trade Commission
- UofM is subject to GLBA compliance
- Overall status of information security program: Effective with opportunities for improvement
- This presentation fulfills the requirement to provide updates at least annually to “board of directors or equivalent governing body”

- Examples of material matters related to the information security program:
  - Risk assessment
  - Risk management and control decisions
  - Service Provider arrangements
  - Results of testing
  - Security Events or violations and management's responses thereto
  - Changes to the information security program

# Why IT security is important

- Personal information (students, parents, employees, alumni; tax records, health records)
- Research data (intellectual property, non-disclosure agreements, data use agreements)
- Statutory requirements (FERPA, GLBA, HIPAA, TN Data Breach Notification Law)

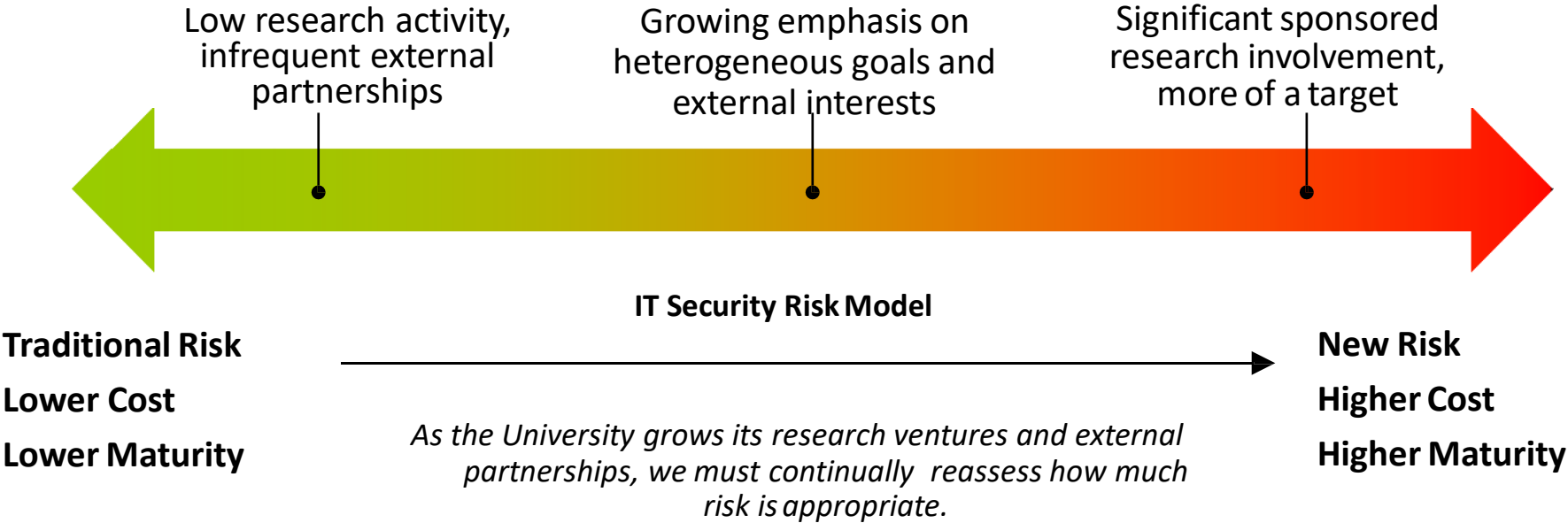


Financial  
Risk



Reputational  
Risk

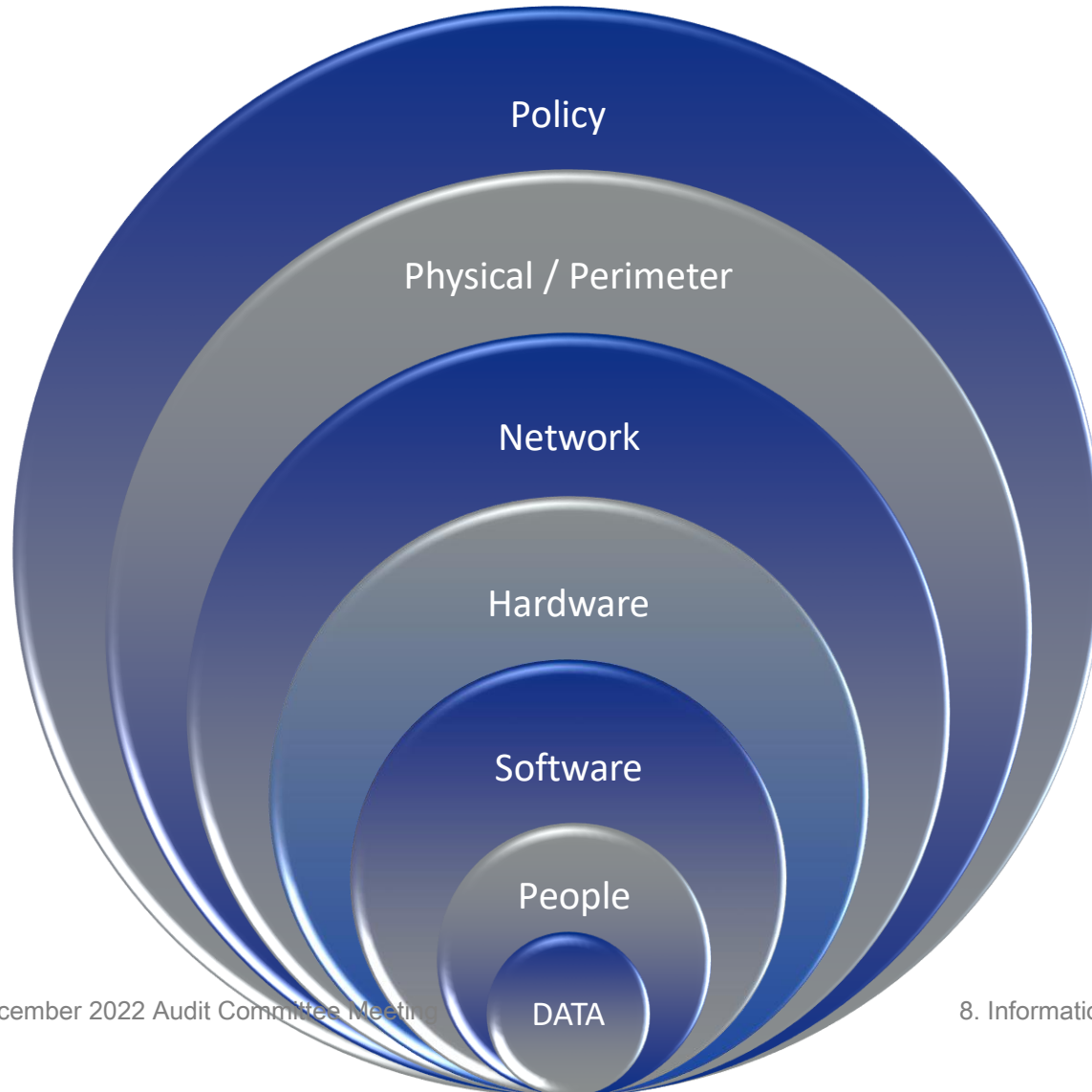
There is no such thing as "perfect protection"



*Our goal is to build a sustainable information security program that promotes the ambitions of the university while protecting its operations and resources.*



# Defense in Depth at UofM



## **Policy**

- Multi-factor authentication and passwords
- Purchasing controls
- Audit and access controls

## **Physical / Perimeter**

- Locks, security cameras, and alarms
- Redundancy
- Segmentation (e.g., Internet of Things)

## **Network**

- Firewalls and VPN
- Network access control, blocking malicious activity
- Compartmentalization
- Encryption

## **Hardware**

- Regular updates to equipment
- Encryption

## **Software**

- Regular updates and patches
- Encryption

## **People**

- Training and data loss prevention
- Access controls
- Multi-factor authentication
- Monitor for anomalies

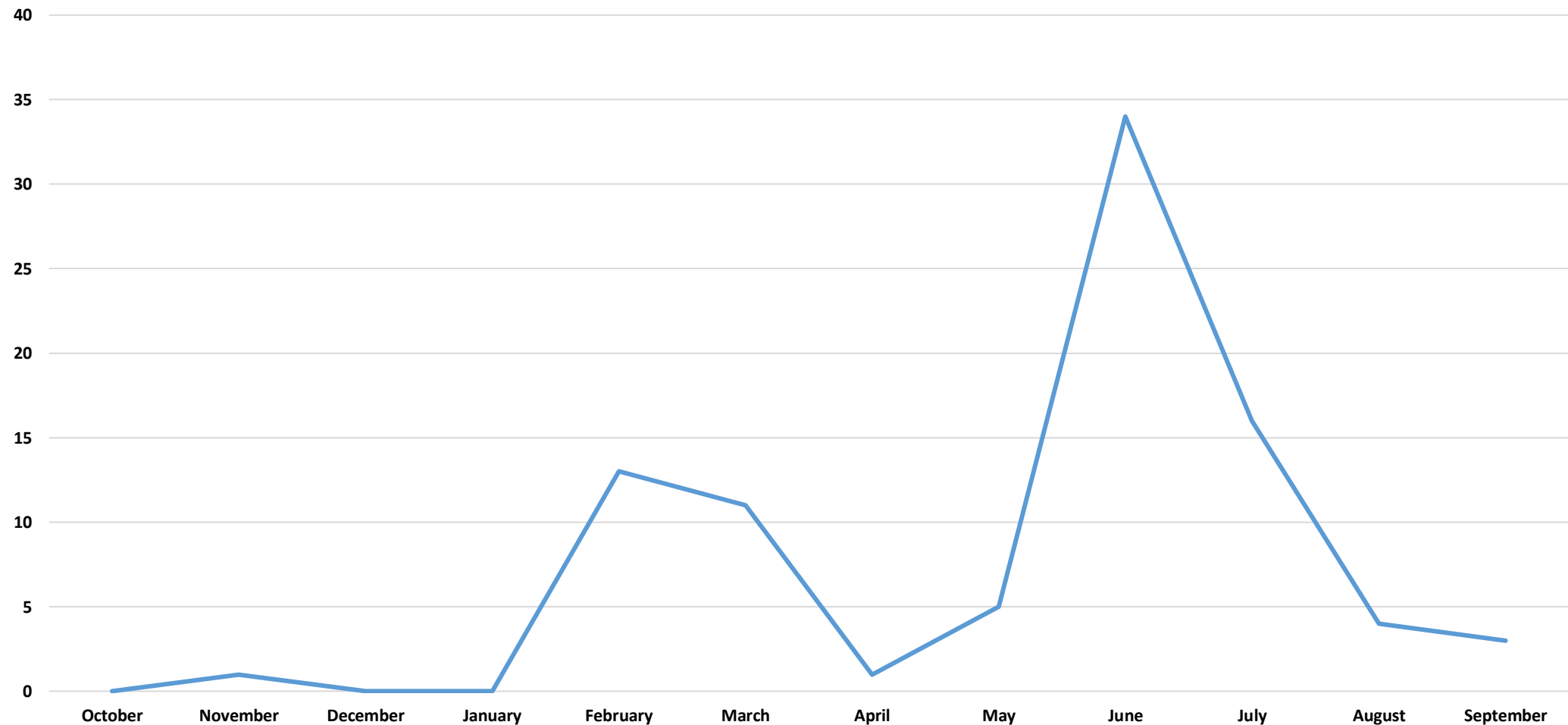
## **Data**

- Encryption
- Access controls
- Least privileged access

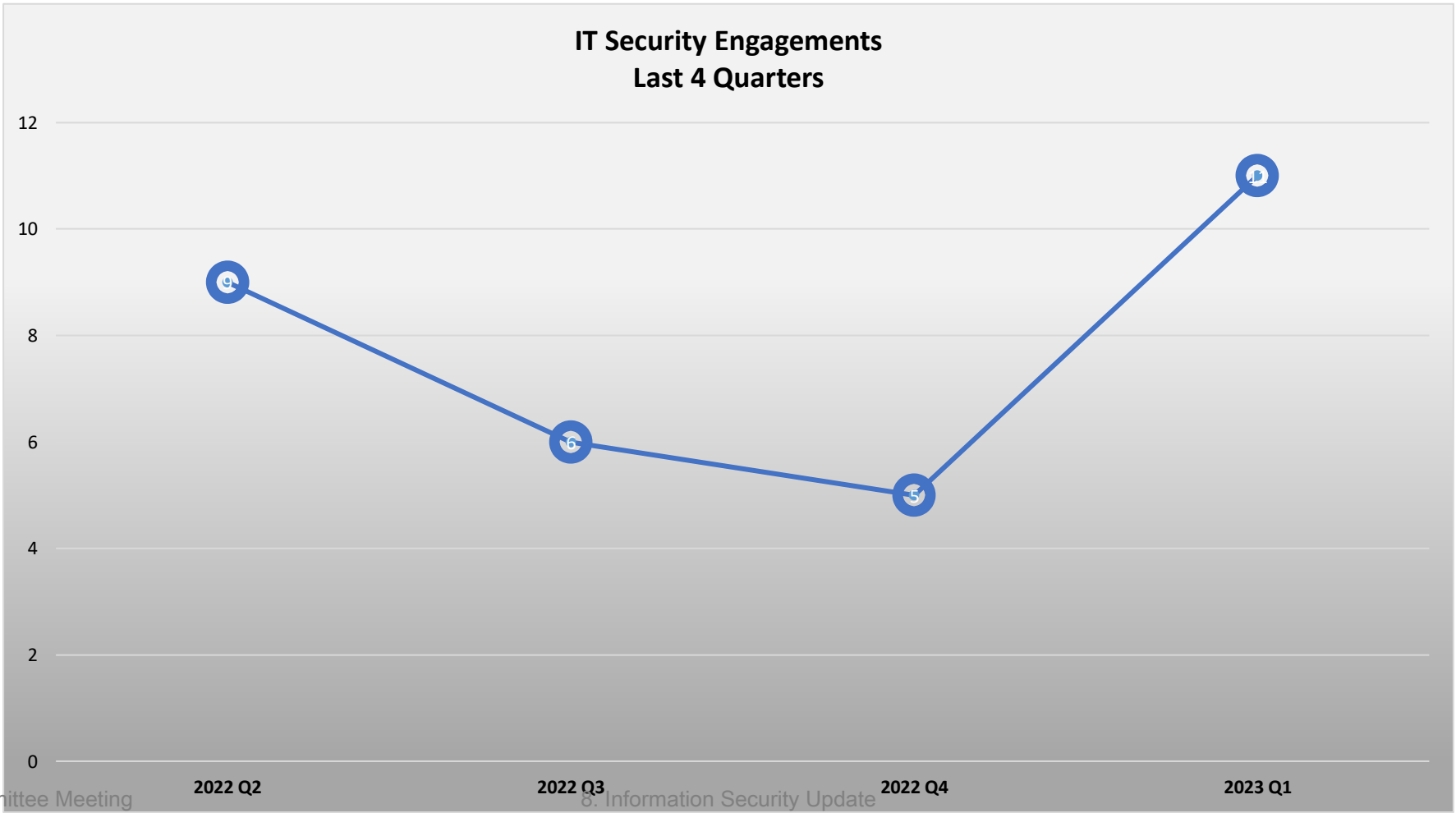
- IT Security Awareness Training (Oct – Feb)
- Privileged access management implementation
  - Research into alternative approaches is underway
- Network Access Control
  - Monitoring is in-place
  - Implementing enforcement with phased approach where possible to avoid supply chain delays and budget impacts
- Agreement with PCI gap analysis vendor complete
- Implemented at-rest encryption for enterprise databases
- Attended 2022 Cyber Summit hosted by Division of Claims and Risk Management
  - Standard deductible is \$1.5M per incident
  - Actual UofM deductible is \$300K per incident because we maintain a cyber incident response plan

# Suspicious Email Account Deactivations

Account Deactivations, Last 4 Quarters







- Advertise Director of IT Security & Identity Management (Spring 2023)
  - Timothy Cureton currently serving as Interim Director
- Update Data Security Policy to clarify need to protect data on printed reports (GLBA)
- Collaborate with PCI Committee to complete enterprise-wide PCI gap analysis (Spring 2023)
- Privileged access management (Spring 2023)
- Network access control (Spring 2023)

# Thank you



## 9. Additional Business

Presented by Carol Roberts



# 10. Adjournment

Presented by Carol Roberts