

TO: Finance & Audit Committee

FROM: Adam Heller, CFO & Treasurer

DATE: October 22, 2024

SUBJECT: FINAL Fiscal Year 2025 Proposed Budget

With this memorandum and the supporting schedules that follow, I am pleased to present UTFI's final fiscal 2025 budget for your consideration and approval. The University of Tennessee's fiscal 2025 budget was approved by its Board of Trustees, on October 24, 2024.

Campuses developed individual budgets in conjunction with the Chancellors and Chief Campus Business Officers. Central Services budgets were developed and submitted to the Vice Chancellors of Advancement. The largest source of funding provided in the final FY 2025 budget (36%) is campus direct institutional support. This represents a decrease from 42% campus direct institutional support funding in FY 2024 and accomplishes fiduciary goals set for Vision 2025. The decrease in University reliance results from revenue growth in alternative sources (investment earnings, assessment & endowment fee).

The draft version of the fiscal year 2025 budget was presented and approved at the June 2024 Committee and Full Board meetings. The changes between the draft and final budgets follow:

- Several UT Knoxville academic units received supplemental funding budget credits in the partnerships for vacancy savings experienced in FY 2024.
- The UTK Athletics TN Fund final budget increased investment in advancement analytics and major gift officer capabilities.

The 2024 budget plans for overall revenue growth of \$4.1 million or an 8% increase over the prior year through increases in investment earnings, administrative fees and college supplemental funding partnerships. UTFI utilizes the option of carrying forward unspent budget funds. The carry forward and accumulated savings may be used as a funding source in the next fiscal year budget or may be saved for use in future years. Vice Chancellors and UTFI Leadership plan to use a portion of accumulated savings to fund fiscal 2025. Savings from personnel vacancies is expected to limit or reduce the accumulated savings required as a funding source.

The draft budget includes a concept to fund initiatives and services delivered by the Foundation's central office and recommended by advisory partners in the recently conducted advancement readiness assessment. The Board of Directors workshop in Spring 2025 will contain greater discussion and plans of investment with potential funding sources.

As a result of the changes in the affiliation and employee services agreements between the University, the development and alumni budget for UTC is funded by the UC Foundation. UTC continues to participate in central development, advancement services, UTAA, and subscribing to Human Resources services in FY 2025. The UC Foundation funds the service offerings based on a pro-rata activity allocation.

FINAL BUDGET COMPARISON (Draft FY25 vs Final FY25)

	DRAFT	FINAL	
	FY 25 Budget	FY 25 Budget	Change
REVENUE			
Campus Direct Support	\$ 18,446,139	\$ 18,563,586	\$ 117,447
Endowment Administrative Fee	12,323,324	12,323,324	-
UTFI Investment Earnings	6,215,000	6,215,000	-
Discretionary Gift Unit Support	4,696,191	4,913,819	217,628
College Supplemental Funding	4,154,037	3,802,256	(351,781)
Advancement Assessment	1,775,377	1,788,518	13,141
Affiliation Services Agreement	1,400,000	1,400,000	-
Campus & Alumni Fund Support	1,368,850	1,368,850	-
UTAA Marketing Revenue	227,500	227,500	-
College Fund Annual Giving Support	272,500	272,500	-
Fund for The Future/Alliance Endowment	110,150	110,150	-
TOTAL REVENUE	50,989,068	50,985,503	(3,565)
Prepayments from Campus Savings			
	1,551,337	2,562,658	1,011,321
Prepayments from Central Savings			
	138,515	148,515	10,000
EXPENDITURES			
Development			
Salaries & Benefits	26,376,465	27,269,774	893,309
Operating	7,354,945	7,510,301	155,356
TOTAL DEVELOPMENT	33,731,410	34,780,075	1,048,665
Alumni Affairs			
Salaries & Benefits	3,254,338	3,202,788	(51,550)
Operating	2,234,992	2,232,492	(2,500)
TOTAL ALUMNI AFFAIRS	5,489,330	5,435,280	(54,050)
Central Office			
Salaries & Benefits	8,135,073	8,135,073	-
Adv Readiness & Services (Concept)	768,221	768,221	-
Operating	3,235,630	3,245,630	10,000
TOTAL CENTRAL OFFICE	12,138,924	12,148,924	10,000
TOTAL EXPENDITURES	51,359,664	52,364,279	1,004,615
NET SURPLUS	\$ 1,319,256	\$ 1,332,397	

FINAL BUDGET COMPARISON (Final FY24 vs Final FY25)

	FINAL FY 24 Budget	FINAL FY 25 Budget	Change
REVENUE			
Campus Direct Support	\$ 17,953,384	\$ 18,563,586	\$ 610,202
Endowment Administrative Fee	11,546,716	12,323,324	776,608
UTFI Investment Earnings	7,300,000	6,215,000	(1,085,000)
Discretionary Gift Unit Support	3,388,412	4,913,819	1,525,407
College Supplemental Funding	3,242,209	3,802,256	560,047
Advancement Assessment	1,915,358	1,788,518	(126,840)
Affiliation Services Agreement	-	1,400,000	1,400,000
Campus & Alumni Fund Support	944,740	1,368,850	424,110
UTAA Marketing Revenue	227,500	227,500	-
College Fund Annual Giving Support	265,000	272,500	7,500
Fund for The Future/Alliance Endowment	110,150	110,150	-
TOTAL REVENUE	46,893,469	50,985,503	4,092,034
Prepayments from Campus Savings			
	1,556,579	2,562,658	1,006,079
Prepayments from Central Savings			
	857,881	148,515	(709,366)
EXPENDITURES			
Development			
Salaries & Benefits	23,852,290	27,269,774	3,417,484
Operating	6,374,892	7,510,301	1,135,409
TOTAL DEVELOPMENT	30,227,182	34,780,075	4,552,893
Alumni Affairs			
Salaries & Benefits	3,010,257	3,202,788	192,531
Operating	2,259,667	2,232,492	(27,175)
TOTAL ALUMNI AFFAIRS	5,269,924	5,435,280	165,356
Central Office			
Salaries & Benefits	7,337,125	8,135,073	797,948
Adv Readiness & Services (Concept)	-	768,221	768,221
Operating	2,820,548	3,245,630	425,082
TOTAL CENTRAL OFFICE	10,157,673	12,148,924	1,991,251
TOTAL EXPENDITURES	45,654,779	52,364,279	6,709,500
NET SURPLUS	\$ 3,653,150	\$ 1,332,397	

TOTAL FINAL BUDGET BY CAMPUS

	UTK	UTIA	UTM	UTHSC	UTS	IPS	Central
Campus Direct Support	\$ 11,330,957	\$ 1,513,818	\$ 1,698,735	\$ 3,117,959	\$ 525,000	\$ 117,447	\$ 259,670
Endowment Assessment	8,178,543	1,123,890	498,620	2,305,639	7,345	-	209,287
Advancement Assessment	1,260,905	199,290	92,331	185,441	37,410	3,150	9,991
Services Agreement	-	-	-	-	-	-	1,400,000
Central Service Allocation	(3,236,107)	(276,003)	(349,751)	(426,197)	(50,000)	-	4,338,058
UTFI Investment Earnings	-	-	-	-	-	-	6,215,000
UTAA Marketing Revenue	-	-	-	-	-	-	227,500
Fund for The Future Endowment	-	-	-	-	-	-	110,150
College Supplemental Funding	3,802,256	-	-	-	-	-	-
Discretionary Gift Funding	4,913,819	-	-	-	-	-	-
College Fund Annual Giving Support	250,000	-	22,500	-	-	-	-
Campus & Alumni Fund Support	1,224,500	-	60,000	75,000	9,350	-	-
Non-Recurring Warehouse	1,781,893	-	-	270,960	-	-	-
CS Credit Carryover	-	-	-	-	-	-	32,985
Planned Carryover	-	165,319	69,076	200,000	75,410	-	115,530
TOTAL REVENUE	29,506,766	2,726,314	2,091,511	5,728,802	604,515	120,597	12,918,171
Development							
Salaries & Benefits	18,966,465	2,299,564	1,362,221	4,027,562	508,515	105,447	-
Operating	6,251,101	426,750	160,200	564,250	96,000	12,000	-
TOTAL DEVELOPMENT	25,217,566	2,726,314	1,522,421	4,591,812	604,515	117,447	-
Alumni Affairs							
Salaries & Benefits	2,061,100	-	404,670	737,018	-	-	-
Operating	1,668,100	-	164,420	399,972	-	-	-
TOTAL ALUMNI AFFAIRS	3,729,200	-	569,090	1,136,990	-	-	-
Central Services							
Salaries & Benefits	-	-	-	-	-	-	8,135,073
Adv Readiness & Services (Concept)	560,000	-	-	-	-	-	208,221
Operating	-	-	-	-	-	-	3,245,630
TOTAL CENTRAL SERVICES	560,000	-	-	-	-	-	11,588,924
TOTAL EXPENDITURES	29,506,766	2,726,314	2,091,511	5,728,802	604,515	117,447	11,588,924
NET SURPLUS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,150	\$ 1,329,247