

A D V A N C E M E N T
FOUNDATION
H U M B O L D T S T A T E U N I V E R S I T Y

**MINUTES
OF THE
FINANCE COMMITTEE**

AUGUST 31, 2015

Present:

Nick Frank
Joyce Lopes
Dan Johnson (by phone)
Chuck Petruscha (by phone)
Duncan Robins

Not present:

Guy Aronoff
Ken Davlin

Guests:

Brian Frasher
Mary Kay Hartman
Arne Jacobson
Brian Mitchell
Jamie Rich
Nick Woodward, RVK (by phone)
Craig Wruck

A meeting of the Humboldt State University Advancement Foundation Finance Committee was held on Monday, August 31, 2015 at 1:30 pm in Nelson Hall West 213 on the University campus.

1. Call to order

The meeting was called to order by Committee Chair Duncan Robins at 1:30 p.m.

2. Visitor comments

There were no visitor comments

3. Approval of Minutes from the May 20, 2015 meeting

Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Minutes of the May 20, 2015 meeting are approved.

4. Fourth quarter financial statements

Accountant Brian Frasher presented the financial statements for the fourth quarter of FYE 2015. Operations Support to Campus is over budget due to the expenditure of \$45,000 in matching donations for the I-5 bus accident scholarships approved by the Board of Directors at their April 25, 2014 meeting. This item will be re-labeled “Operations Support to Philanthropy” in order to more accurately reflect the ways in which the University uses the funds.

Charitable contributions year-to-date are \$4 million, reflecting 139% of the \$2.9 million budgeted amount. There is an overall \$3 million negative variance in net results from the prior year, due largely to investment losses and fewer contributions received. Total assets have increased \$900,000 over the prior year.

5. Quarterly endowment distributions

It was decided to include the discussion of quarterly endowment distributions in conjunction with item 6, Endowment distribution rate for FYE 2017.

6. Endowment distribution rate for FYE 2017

Chair Robins noted that RVK is not bullish on the long-term prospects for the market. Nick Woodward from RVK indicated that overall, RVK is projecting lower expectations over the next 10 years, a yield of 6.3% with a 2.5% rate of inflation. He expects volatility to continue to increase.

Arne Jacobson from the Schatz Energy Lab indicated that while a high payment is appealing, stability over the long term is more important. Duncan noted that principal has grown much faster than distributions over the past few years and that the Foundation could distribute more. Nick Frank noted the Committee became more conservative following the 2008 recession.

Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the endowment distribution rate for fiscal year ending 2017 is 4.4%.

The Committee then discussed quarterly distribution of endowment distributions. There could be less volatility if distributions are made quarterly because liquidations would be made over time. Arne Duncan expressed concern that Schatz would have to allocate their expenditures quarterly but was assured that this would not be the case

7. Green investments

It was decided to table the discussion of green investments pending further research from RVK.

8. Real Estate Holdings

The Foundation acquired the Annex property (1340 C Street) in 2008 at the request of the University with the intention that it would ultimately be transferred to the University. The University is exploring the environmental remediation that will be required before the property can be rehabilitated or demolished. The Annex is held as an investment of the Foundation's permanent endowment valued at \$1.675 million. It is leased to the University. The lease, which expires in August 2018, provides \$139,200 in annual investment income and pays an administrative fee of \$6,000 per year to the Foundation.

The Samoa Boulevard property (1601 Samoa Boulevard) was acquired in 2008 by the Foundation with the intention that the University would relocate its corporation yard. The University's needs have changed and it has made a proposal to the Federal government to lease a substantial portion of the Samoa Boulevard property. Should that come to fruition the University would use the remaining space for other purposes. The University leases the property from the Foundation for \$138,000 per year. In addition the University has made substantial expenditures for capital maintenance of the property. The lease expires in August 2018. The Foundation financed the purchase of the property with a \$2.535 million loan from CSURMA, the CSU insurance exchange. The loan has a variable interest rate and requires interest only payments of approximately \$20,000 per year. In 2013 the University made a principal payment of \$535,000 on the loan, leaving a balance of \$2.0 million which is due in October of 2017.

7. Other business

There was no other business to come before the Committee.

8. Adjournment

The meeting was adjourned at 2:54 p.m.