



MINUTES OF THE EXECUTIVE COMMITTEE MEETING

**December 3, 2015
Nelson Hall West 213**

Present:

Heather Bernikoff-Raboy (by phone)
Laura Fisher (by phone)
Alisa Judge (by phone)
David Kalb (by phone)
Jason Ramos
Duncan Robins
Craig Wruck (by phone)

Guest:

Mary Kay Hartman
Lisa Rossbacher

A meeting of the Executive Committee of the Humboldt State University Advancement Foundation was held on Thursday, December 3, 2015, at 1:00 pm, in Room 213 of Nelson Hall West. Committee Chair Heather Bernikoff-Raboy presided.

1. Call to order

The meeting was called to order by Committee Chair Heather Bernikoff-Raboy at 1:05 p.m.

2. Visitor comments

There were no visitor comments.

3. Approval of Minutes from August 6, 2015 meeting

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

RESOLVED, that the Minutes of the August 6, 2015 meeting are approved.

4. United Nations Principles for Responsible Investment

The United Nations Principles for Responsible Investment (UNPRI) explicitly acknowledge the relevance of environmental, social and corporate governance (ESG) factors, and the long-term health and stability of the market as a whole and encourage a range of actions to incorporate ESG issues into investment practices.

The Foundation currently practices the principles in its investments. Becoming a signatory to the UNPRI would recognize the Foundation's leadership in this area, affirm its commitment, as well as provide higher visibility. After review and consideration, the Finance Committee has recommended that the Foundation sign on to the UNPRI. The cost would be less than \$500 per year.

President Rossbacher noted that the UNPRI represents an international standard in responsible investing and one that the University would proudly support.

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

RESOLVED, that the Foundation become a signatory to the United Nations Principles for Responsible Investment.

5. Real estate subsidiary

Executive Director Craig Wruck reviewed the Foundation's current real estate holdings noting the distinction between these properties, which were acquired and held at the request of the University for programmatic reasons, and real estate investments held in the endowment portfolio for investment purposes. He noted that all real estate entails some degree of financial risk and liability which could jeopardize the Foundation's ability to carry out its charitable purposes.

In order to help protect the Foundation from undue risk, the Finance Committee is recommending that a subsidiary corporation be created to hold real estate on behalf of the Foundation and the University. Staff is recommending that this holding corporation be created as a "supporting organization", a special tax-exempt entity under Section 509(a)(3) of the Internal Revenue Code. The supporting organization would be controlled by the Foundation and would function much like a wholly owned subsidiary. Creation of the supporting organization would require the services of a lawyer and take several months to accomplish. Staff is recommending the Foundation engage attorney Erik Dryburgh, a tax exempt entity specialist with the firm of Adler & Colvin, who worked for the Foundation on the creation of the Nordstrom Charitable Remainder Trust.

Finance Chair Duncan Robins noted that in addition to providing some protection from financial risk, the supporting organization would clearly separate real estate held for programmatic purposes from real estate owned for investment purposes. Executive Director Craig Wruck said

that the supporting organization would also provide a ready vehicle to facilitate potential charitable contributions of real estate.

President Rossbacher has written a letter to the Foundation indicating the University's interest in creating a supporting organization and asking the Foundation to consider this plan. In response to the Executive Committee's questions, Craig Wruck indicated that the cost to create the supporting organization would likely be several thousand dollars and that accumulated temporarily restricted funds would be used for these start-up costs. The supporting organization's on-going expenses would be borne by the organization itself. David Kalb asked about the structure of the supporting organization and whether or not current Board members and members of the governing body of the new entity would be indemnified. Craig Wruck explained that the attorney would advise as to whether the supporting organization should be organized as a trust or a corporation and that the governing documents would ensure indemnification of directors as provided by law.

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

RESOLVED, that the Board of Directors create a supporting organization under Internal Revenue Code Section 509(a)(3) to receive and hold property for the Advancement Foundation.

6. Special Distribution from Schatz Quasi-endowment

Executive Director Craig Wruck reminded the Committee that quasi-endowments are designed to allow principal to be distributed. The Schatz Energy Research Center (SERC) is launching a capital construction project and has requested a distribution of a portion of its quasi-endowment funds to pay for some of the expenses. Foundation policy requires Foundation approval of any request for distribution of quasi-endowment principal.

The Finance Committee has recommended that the Foundation approve a distribution of up to \$550,000 in quasi-endowment principal for the SERC project. SERC has provided a construction timeline and RVK is prepared to ensure liquidity to meet the needs.

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

RESOLVED, that the recommendation of the Finance Committee be approved to distribute up to \$550,000 in quasi-endowment principal for the Schatz Energy Research Center construction project.

7. Bylaws amendment regarding Committee membership

Governance Committee Chair David Kalb presented a proposed modification of the Bylaws to allow non-Board members to serve on committees including draft language modifying "Article IX, Section 1. Committees" to clarify ambiguities in the existing provision.

The Executive Director reminded the Committee that the full Board must approve amendments to the Bylaws and that written approval from the President is required. There was discussion as to whether to call a special meeting or to vote electronically to amend the Bylaws. It was noted that an electronic vote requires unanimous consent.

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

RESOLVED, that staff will draft an amendment to Article IX, Section 1 of the Bylaws to present to the Board for approval via electronic ballot.

8. Five-year Business Plan

President Rossbacher has asked all of the University's self-support operations and auxiliary organizations, including the Advancement Foundation, to develop five-year business plans to ensure the work of these organizations is integrated with the execution of the University's strategic plan. Staff created a discussion draft.

The President indicated that the sustainability and viability of the auxiliaries and other organizations is part of the impetus for the request and that some of the organizations have been challenged to be self-supporting without the resources to accomplish the task. She noted that this is not a concern for the Advancement Foundation, but that the business plan exercise is valuable for reviewing the Foundation's plan going forward.

Executive Director Craig Wruck asked the Committee for input on the draft. At the Committee's suggestion he will submit the draft plan to the entire Board and seek feedback in advance of the due date of January 4, 2016.

9. Executive Director's Report

The Executive Director reported on the following three items:

1. A few years ago, several permanent endowment funds owned by the University were transferred to the Foundation but then had to be returned to the University when it was realized that the University lacked the legal authority to make the transfers. Since then the CSU has received legal approval to permanently transfer these endowment funds to the Foundation.
2. The Sponsored Programs Foundation has asked the Foundation to consider providing it with a line of credit in the amount of \$1 million. The Finance Committee will consider this request and make a recommendation.
3. Some donors have questioned the information provided to them in the endowment report for fiscal year ending 2015. There was a systematic error in the reports which caused the reported ending balances to be smaller than actual. Staff is following up with endowment donors to explain the error and plans have been made to improve the reporting for next year.

10. Other Business

There was no other business to come before the Committee.

The meeting was adjourned at 2:13 p.m.