



**MINUTES
OF THE
FINANCE COMMITTEE**

May 25, 2016

Members Present:

Duncan Robins (Chair)
Guy Aronoff
Heidi Moore-Guynup
Jason Ramos
Craig Wruck

Absent:

Chuck Petrusha
Heather Bernikoff

Guests:

Peter Lehman (Schatz Energy Lab)
Mike Burghart-HSU Director of Finance/Risk Management
Joyce Lopes-HSU VP of Admin Affairs
Brian Frasher-HSU Accountant
Lola Alto-HSUAF Board Coordinator
Jamie Rich-HSU University Advancement Budget Analyst

A meeting of the Humboldt State University Advancement Foundation Finance Committee was held on Wednesday, May 25, 2016 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 1:31 PM.

2. Visitor comments

Dr. Peter Lehman spoke to the Committee about the Schatz Energy Lab building construction project that was partially funded with a \$550,000 distribution of quasi-endowment principal. The estimated cost of the project has increased and is now estimated to be \$900,000. Schatz intends to proceed with the project and expects bring a request for additional distributions from the quasi-endowment. Executive Director Craig Wruck reminded the Committee that the Schatz Fund (A6000 Hydrogen Demonstration) is a quasi-endowment and that the Board of Directors has the authority to authorize expenditure of principal. He also noted that a distribution of this size would require liquidation of investments and, because the quasi-endowment is invested in the stock market, timing of the distribution should be carefully

considered in order to minimize market losses. The request would come before the Finance Committee which would make a recommendation to the Board to distribute quasi-endowment principal. Finance Chair Duncan Robins requested that Dr. Lehman bring forth a proposal to be presented at the upcoming June 1, 2016 Finance Committee.

3. Approval of Minutes from the March 11, 2016 meeting

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

RESOLVED, that the Minutes of the March 11, 2016 meeting are approved.

4. Third quarter financial review – Gifts through March 31, 2016

Executive Director Craig Wruck lead the Committee through the third quarter financial review. He introduced a new summary of the detailed financial statements that includes staff projections of year-end results. He emphasized the importance of consistent terminology when referring to the Foundation's three fund types: Unrestricted (Foundation Operations), Permanently Restricted (Endowments) and Temporarily Restricted (Non-Endowments).

5. FYE 17 Budget

Executive Director Craig Wruck presented an overview of the proposed budget for fiscal year 2016-17. He reviewed the HSU Division of University Advancement budget in order to provide context for the Committee, noting that there has been on-going confusion about the relationship between University Advancement – a major business unit of the University – and the Advancement Foundation – an independent nonprofit organization that accepts, manages, and distributes charitable contributions raised as a result of the efforts of University Advancement.

The Committee discussed the Business Services Agreement between the University and the Foundation which allows the Foundation to purchase accounting and administrative services from the University. State law and CSU policy require the University to be fully reimbursed for services that it provides to any of its auxiliary organizations or self-support enterprises. Vice President of Administrative Affairs Joyce Lopes explained that, until recently, the University had been absorbing many of these costs and has moved to more accurately calculate the value of the services based upon actual usage. The result has been an increase in the reimbursement amount that must be paid to the University. The University has agreed to implement the increase over a period of three years in order to allow the Foundation and other auxiliary organizations and self-support enterprises time to accommodate the additional expenses.

Executive Director Wruck noted that the 5% Contribution Administration Fee was introduced in order to help cover the anticipated increase. He pointed out that the 5% fee

does not fully cover the cost of processing contributions and reported that while the shift from the old 4% back-end fee to the 5% front-end fee was controversial, the new 5% fee is more transparent to donors and easier for programs and departments to manage.

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

RESOLVED, that the Proposed Budget for fiscal year 2016-17 be recommended to the Board of Directors.

6. Annex and Samoa Boulevard Properties.

Executive Director Craig Wruck reported that the Real Estate Working Group appointed by the Committee has completed its work and is recommending several steps to resolve the issues surrounding the Annex and Samoa Boulevard properties.

He reported that, at the direction of the Executive Committee, a supporting organization called Humboldt State University Real Estate Holdings (HSUREH) has been chartered under State law and has applied for 501(c)(3) Federal tax exemption as a public charity under Section 509(a)(3) of the Internal Revenue Code. The HSUREH will own real estate acquired and held for programmatic purposes and will help to isolate expenses and liabilities and protect the endowment and other Foundation assets from the risks involved in real estate. Wruck noted that HSUREH will help distinguish between real estate held for programmatic purposes and real estate investments as an asset class in the endowment. The HSUREH can make distributions only to the Foundation and unlimited distributions are allowed between the Foundation and HSUREH. It is planned that the HSUREH will provide a vehicle for future properties owned by the University and its auxiliaries.

Wruck provided a chart outlining the proposed steps to address the Samoa Blvd and Annex properties as both properties pose different challenges for the University and the HSUAF. The Committee thanked Wruck for communicating with each of them on a one on one basis on this very detailed issue. Wruck indicated that the Executive Committee as well as the University President and Vice Presidents had also reviewed and endorsed the proposals.

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

RESOLVED, that the proposals of the Real Estate Working Group be recommended to the Board of Directors.

7. Other Business

There was no other business to come before the Committee.

8. Adjournment

The meeting was adjourned at 3:07 P.M