

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**

**May 22, 2014
Corbett Conference Room**

Present:

Guy Aronoff
Patrick Cleary
Ken Davlin
Nick Frank
Dan Johnson
Joyce Lopes
Duncan Robins

Not present:

Chuck Petrusha

Guests:

Ken Fulgham
Mary Kay Hartman
Peter Lehman
Kimberley Pittman-Schulz
Kyle Plitt, RVK
Jamie Rich
Teal Sexton
Neil Woodward, RVK
Craig Wruck

1. Call to order

The meeting was called to order by Committee Chair Ken Davlin at 1:31 p.m.

2. Visitor comments

Ken Fulgham provided an update on the Jacoby Creek property.

3. Approval of Minutes from the April 11, 2014 meeting

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

RESOLVED, that the Minutes of the April 11, 2014 meeting are approved, with one abstention.

4. Third quarter financial statements

Teal Sexton gave an update on the 2013-14 third quarter financial statements of the Advancement Foundation. The Foundation has received more contributions than anticipated. The expense of the audit was higher than expected due to additional work needed to prepare extra schedules related to the Foundation's Form 990. Operations Support for Campus will be transferred at the budgeted amount over the course of the year.

5. FYE 2015 Budget proposal

The proposed revenue budget is an increase of \$11,000 over the previous year. Service charge revenue and management fees are projected to be the same as the previous year. The interest on trust accounts and processing revenue from trusts have been increased based on the previous year.

The proposed expense budget reflects an overall decrease from the previous year due largely to anticipated savings in audit expenses.

After some discussion and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the proposed Budget for 2014-15 is accepted and will be recommended to the Board for approval.

6. Revised Reserve Policy

The existing policy requires a one year reserve for both Working Capital and Current Operations. The proposed policy sets a six-month reserve for Working Capital and a three month reserve for Current Operations. In addition, language has been inserted citing California State University Policy regarding auxiliary organization reserves.

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

RESOLVED, that the HSU Advancement Foundation Operating Reserve Policy Proposed at Finance Committee Meeting May 22, 2014 be accepted and recommended to the Board of Directors for approval.

7. Quasi-endowment Funds Policy

The Foundation has not had a policy governing quasi-endowments. It has instead relied on staff to make decisions regarding the creation, funding, and liquidation of quasi-endowment funds. Staff proposed a policy to bring consistency and rigor to the operation of the Foundation's quasi-endowments. Of particular concern is the practice by some University programs to "park" current funds in a quasi-endowment fund in order to gain investment returns without regard to

the risk of market loss. The Committee agreed that the Foundation would be well served by a policy that clarifies the appropriate use of quasi-endowment funds and reserves authority for the Board. There was discussion that this policy is a substantial change to established practice and that both staff and the Finance Committee would work with University programs to ease the transition.

A typographical error in the numbering of the Sections was noted and corrected.

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

RESOLVED, that the HSU Advancement Foundation Quasi-endowment Funds Policy, with the typographical correction, be accepted and recommended to the Board of Directors for approval.

The Executive Director noted that, following previous practice, Ken Fulgham had presented requests to create a new \$60,000 quasi-endowment for Forestry and to liquidate and distribute \$50,000 from the Schatz Tree Farm quasi-endowment. It was noted that under the new policy, these requests would properly be presented to the Finance Committee.

After discussion and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that a quasi-endowment be created in the amount of \$60,000 for the Forestry Department.

FURTHER RESOLVED, that a special distribution in the amount of \$50,000 be made from the Schatz Tree Farm quasi-endowment.

8. Implementation of SEROP

RV Kuhns has begun researching green fund alternatives for the Foundation's institutional investment funds. They are focusing only on those with more than three years of performance history and \$250 million in assets under management. In general, they have found that such funds are somewhat more expensive than a typical US equity fund and that returns may lag the aggregate market, which could impair the Foundation's ability to meet its investment policy growth target.

Duncan Robins articulated the trade-offs the Board will have to consider if money is shifted into green investments. There is increased cost and a lower return with greater volatility. RV Kuhns will refine its research and quantify these trade-offs as an estimated cost in terms of total return. Preliminary estimates are indicating that the cost could be underperformance of as much as 1.0%. Ultimately, the Board will need to determine how large a stake in green investments can be justified while still fulfilling its fiduciary obligations to its donors and the University.

9. Other business

Joyce Lopes gave an update on the status of some of the real property owned by the Foundation. The Samoa Boulevard property (IESCO) has been seismically retrofitted and the roof has been

replaced at the University's expense. The University has determined that it is not feasible to move its corporate yard facilities to the site. Discussions are underway with a potential tenant for a significant portion of the building. The University has taken steps to secure the Annex property and sequester the environmental issues. The University is working with the City to gather community input on possible uses of the site. Potential uses must fit the greater strategic plan for the University

The Committee asked that the general topic of real estate investments be included in a future agenda.

10. Adjournment

The meeting was adjourned at 3:40 p.m.