



**MINUTES
OF THE
FINANCE & INVESTMENT COMMITTEE**

MAY 11, 2017

Members Present:

Scott Hunt (via ZOOM)
Dan Johnson (via ZOOM)
Heidi Moore-Guynup (via ZOOM)
Duncan Robins
Jason Ramos
Craig Wruck

Absent:

Chuck Petrusha

Guests:

Mike Burghart
Dr. Peter Lehman (Schatz Energy Research Center)
Sylvia Shively-HSU Controller
Lola Alto
Jamie Rich

A meeting of the Humboldt State University Advancement Foundation Finance & Investment Committee was held on Thursday, May 11, 2017 at 10:00 AM in Nelson Hall West 213 on the University campus.

1. Call to order

The meeting was called to order by Committee Chair Jason Ramos at 10:00 AM.

2. Visitor comments

There were no visitor comments.

3. Approval of Minutes from the February 6, 2017 meeting

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

RESOLVED, that the Minutes of the February 6, 2017 meeting are approved.

4. Third Quarter Financial Review

Executive Director Craig Wruck reminded the committee that the Foundation's financial accounting includes three fund types: Unrestricted (Operations) Funds which the Foundation can use at its discretion, Permanently Restricted (Endowed) Funds which the Foundation has agreed to maintain as endowments, and Temporarily Restricted Funds where the donor has placed restrictions as to the use or timing of the use of the funds.

Mike Burghart, Humboldt State University Financial Services Accountant, provided a summary of the third quarter financial statements. The market value of the endowment investment portfolio has recovered with a \$1.0 million net unrealized gain year-to-date versus a \$1.2 million loss for fiscal year ending 2016. Net contributions included \$900,000 in new additions to the endowment. Current assets have increased by about \$300,000 over prior year, largely due to the early payoff of the Whitson mortgage note. Long-term assets have increased \$2.6 million over the prior year, mainly due to positive changes in the investment portfolio and additions to endowment accounts. Overall, the total net position has increased about \$2.7 million over prior year.

Burghart noted that due to an accounting error the \$1.675 million value of the Annex property was moved from the Permanently Restricted (Endowed) Fund to the Temporarily Restricted Fund. Although the error has been corrected and the asset itself was never moved out of the endowment, the accounting entries occurred over the March 31 quarter ending date and so the third quarter financial statements are affected. The error and correction will have no impact on the year-end financial statements and the endowment was not affected by the transactions.

5. Committee Roles and Responsibilities

The Committee reviewed the draft document. It was noted that, while the name has been changed to the "Finance and Investment Committee," the roles and responsibilities of the Committee have changed little except for reordering them to better reflect the Committee's priorities.

Upon motion duly made, seconded and with one abstention, it was:

RESOLVED, that the Roles and Responsibilities of the Finance & Investment Committee, as presented, be recommended to the Board.

6. Quasi-endowment Special Distributions

Wruck reported that there were two requests for special distribution from quasi-endowment funds related to the College of Professional Studies.

The first was a request of \$1,200 from the Alice Whitson Endowment to support a teacher's summit being held in July of 2017. The proposed use of funds would be in keeping with the purposes of the Whitson Endowment. The reason for the special distribution is that the Whitson Endowment has not been held long enough to make its first regular distribution.

The second request, made by the Dean of the College, is for a special distribution of \$60,000 from the Business Quasi-endowment Fund for use in the Business Program. Wruck explained that, in the past, departments had been encouraged to accumulate unspent funds in quasi-endowment accounts until such time as a need for the funds was identified.

There was discussion that the newly formed Donor Accountability Committee should be involved in these requests in order to ensure compliance with donor intent before being brought to the Finance & Investment Committee.

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

RESOLVED, that the Finance and Investment Committee recommend to the Board special distributions from the Alice Whitson Endowment and the Business Quasi-endowment as presented.

7. Annex and Samoa Boulevard Properties

Executive Director Wruck reviewed the current status of the Annex and Samoa Boulevard properties. He reported that Foundation legal counsel has been consulted and has referred a real estate attorney who is drafting a promissory note for the sale of the Annex to the Humboldt State University Real Estate Holdings (Holdings) as well as other legal documents necessary to transfer both the Annex and Samoa Boulevard properties.

Humboldt State University Vice President of Administrative Affairs Joyce Lopes and her team are working on proposed leases for the Properties once they are owned by Holdings.

In addition, Lopes reported that a new agreement has been negotiated with the California State University Risk Management Association (CSURMA) regarding the \$2.0 million promissory note related to the Samoa Boulevard property. The new agreement clarifies that the debt obligation is between the University and CSURMA. The University will make an additional principal payment of \$200,000, which it is prepared to do without the use of Foundation funds.

Auditors from CliftonLarsonAllen (CLA) met with representatives of the University and Executive Director Wruck to discuss the audit requirements related to the valuation of the properties for the purposes of these transactions. Wruck reminded the Committee that the priority is to protect the principal value

of the Permanent Endowment Fund throughout these transactions. It was suggested that CLA auditor Chris Knopik be invited to the next Property Working Group meeting so that discussion may continue about the valuation issues.

The goal remains to have the transactions for both properties completed before the end of the current fiscal year. The Executive Director will provide a report and update to the Board of Directors at its meeting in June.

8. Other Business

Wruck reminded the Committee that the next meeting is the RVK Investment Workshop scheduled for May 18, 2017 at 10:00 AM. The main topic will be asset allocation.

The Finance & Investment Committee will convene again on Tuesday, June 13, 2017 at 11:00 AM. The main topic will be the FY 2018 budget and the presentation to the Board of Directors at their meeting on Friday, June 16, 2017.

9. Adjournment

The meeting was adjourned at 11:13 AM.