

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**

**November 14, 2013
Corbett Conference Room**

Present:

Ken Davlin
Nick Frank
Joyce Lopes
Chuck Petrusha (by phone)

Not present:

Guy Aronoff
Patrick Cleary
Dan Johnson
Duncan Robins

Guests:

Mary Kay Hartman
Arne Jacobson
Ron Klotter (by phone)
Kyle Plitt (by phone)
Teal Sexton
Craig Wruck

1. Call to order

The meeting was called to order by Committee Chair Ken Davlin at 1:33 p.m.

2. Visitor Comments

There were no visitor comments.

3. Approval of Minutes from September 9, 2013 meeting

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

RESOLVED, that the Minutes of the September 9, 2013 meeting are approved.

4. Recommendation to change investment manager

Ron Klotter and Kyle Plitt from RV Kuhns provided background on the search for a new investment manager and why they are recommending a change from Iron Bridge. Iron Bridge costs have increased and its performance has lagged. They recommend either DFA or Vanguard Explorer, either of which are about one-third the cost of Iron Bridge, but with a comparable performance. Both are domestic and international small-cap funds. Both funds are extremely diversified with several hundred holdings each. RV Kuhns prefers DFA, because it has notably less tracking error. Divestment of Iron Bridge to move into one of these funds would maintain the Foundation's allocation goals of 10% domestic small-cap companies.

After discussion, the Committee decided to make the investment manager change. There was discussion as to whether or not the termination of an investment manager requires Board approval. Staff confirmed that the Investment Policy delegates to the Finance Committee the authority to select and terminate investment managers.

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

RESOLVED, that the Advancement Foundation divest from Iron Bridge investment managers and move into DFA Fund.

5. Quarterly financial update and fund types discussion

The Executive Director, along with Teal Sexton from the Budget Office, provided educational information on fund and gift terminology. A synopsis of the terminology is attached as Exhibit A to the Minutes. There was discussion about the distinction between funds raised (the results of current period fundraising efforts) and funds received (collections of funds raised) and the fact that the two totals do not necessarily match. Funds raised are reported according to standards established by the Council for the Advancement and Support of Education (CASE). At a future meeting the Executive Director will brief the Committee on the CASE standards.

Teal Sexton gave a report on the budget for 2013-14. We have realized 42% of the donations budget due to a large endowment gift this year. The Foundation is performing under budget in expense categories for the year. Charitable distributions to the campus are running higher, which means the campus is putting donors' contributions to work. This is viewed as a positive indicator for the Foundation because it means we are doing more charitable work.

6. Fossil fuel divestment discussion

The Committee is not yet ready to make a recommendation to the Board of Directors. There has long been a Socially Responsible Investments report included in the Foundation investment information, which shows that the Foundation's holdings in the tracked categories is approximately 4% compared to about 12% for the market as a whole. During the discussion, it was acknowledged that it is not possible to reduce the tracked holdings to 0% due to the fact that our investments are in institutional funds, but the Foundation's long-standing commitment to

minimizing problematic investments now to include fossil fuels companies was reaffirmed. The issue of defining a “fossil fuel investment” was discussed at some length. As an initial step, RV Kuhns and staff will work together to add a category to the SIR report, including the “Filthy 15” companies. Staff will consult with Peter Lehman and others as to which companies ought to be considered as fossil fuels investments and provide more information to the Committee. It was agreed that it is important to strike a balance between being environmentally responsible and yielding a return high enough to sustain investment performance, and not jeopardize the charitable purposes of the endowment.

The meeting was adjourned at 3:06 p.m.