



**MINUTES  
OF THE  
FINANCE COMMITTEE**

**NOVEMBER 19, 2015**

**Members Present:**

Duncan Robins (Chair)  
Guy Aronoff  
Heidi Moore  
Chuck Petrusha (by phone)  
Jason Ramos

**Guests:**

Aisha Cissna  
Mary Kay Hartman  
Peter Lehman  
Joyce Lopes  
Brian Mitchell  
Kimberley Pittman-Schulz  
Craig Wruck

A meeting of the Humboldt State University Advancement Foundation Finance Committee was held on Thursday, November 19, 2015 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 Duncan Robins at 10:02 a.m.

2. Visitor comments

There were no visitor comments

3. Approval of Minutes from the August 31, 2015 meeting

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

RESOLVED, that the Minutes of the August 31, 2015 meeting are approved.

4. First quarter financial review

HSU Director of Financial Services Brian Mitchell presented the financial statements for the first quarter of FYE 2015. Charitable contributions for this quarter are \$468,439, reflecting 19% of the \$2.5 million budgeted amount. Current assets have increased approximately \$2 million and long-term assets have decreased nearly \$2 million since a year ago, leaving a net positive variance of \$60,000 in total assets from the prior year, due largely to investment losses.

Mitchell noted that the Foundation's tax return was filed timely with no need for an extension. This is the second year in a row the return has been filed timely.

He reported that the transition to Wells Fargo is in progress with an anticipated cut over in December.

5. Green investments

Chair Duncan Robins reviewed the Board mandate to shift 10% of Foundation's investments to a green funds noting that approximately 5%, representing 10% of total equities, has already been shifted. Robins indicated that it has been challenging to find acceptable green alternatives for bond and fixed income investments due to higher cost, lower performance, and short track records. He noted that the Board's 10% mandate could be fulfilled by simply increasing the investments with Parnassus Endeavor, but that this would result unacceptable consolidation with nearly 20% of the Foundation's equities invested in one fund. We will continue to work with RVK to identify other alternatives.

6. United Nations Principles of Responsible Investing

Executive Director Craig Wruck reported that the Foundation has been invited to sign the United Nations Principles of Responsible Investment (UNPRI). The Principles acknowledge the relevance of environmental, social and corporate governance (ESG) in investment management and encourage investors to incorporate ESG issues into their investment practices. Historically, the Foundation's investment practices have been in keeping with the UNPRI and formally becoming a signatory would recognize the Foundation's leadership in this area, affirm its long-standing commitment, and provide increased visibility. The cost would be \$475 per year which includes access to UNPRI research and materials.

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

RESOLVED, that the Finance Committee recommend to the Executive Committee that the Foundation become a signatory to the United Nations Principles of Responsible Investing.

7. Real estate subsidiary

Executive Director Craig Wruck and HSU Vice President of Administrative Affairs Joyce Lopes reviewed the Foundation's real estate holdings and the issues involved with two properties that the University requested the Foundation acquire some years ago:

The Foundation acquired 1340 C Street ("the Annex") in 2008 at the request of the University with the intention that ownership would be transferred to the University. The Annex is owned an asset of the Foundation's permanent endowment and is carried at a value of \$1.675 million, which was the purchase price in 2008. The facility is leased to the University and requires the University to pay to the Foundation an annual rent of \$139,200 in and an administrative fee of \$6,000 per year. The rental income is recognized as investment return by the permanent endowment and the administrative fee is operating income. The lease expires in August, 2018.

At the request of the University the Foundation acquired the property at 1601 Samoa Boulevard ("Samoa Blvd") in 2008 with the intention that the University would relocate its corporation yard. The Foundation financed the entire purchase of the property with a \$2.535 million loan from CSURMA, the CSU insurance exchange. The loan has a variable interest rate and requires interest only payments of approximately \$20,000 per year. In 2013 the University made a principal payment of \$535,000 on the loan, leaving a balance of \$2.0 million which is due in full in October of 2017. The University leases Samoa Blvd from the Foundation for an annual rent payment of \$138,000, and the University has made substantial expenditures for capital maintenance on the property. The lease expires in August 2018.

In order to better manage these and other real properties, the University has asked the Foundation to create subsidiary corporation was discussed, a so-called "supporting organization," under Section 509(a)(3) of the Internal Revenue Code. The intent is to transfer ownership of most real estate into the supporting organization in order hold and isolate expenses and liabilities and protect the endowment and other Foundation activities. Wruck noted that a supporting organization would help distinguish between real estate held for programmatic purposes from real estate investments as an asset class in the endowment.

There was discussion of the Annex. It an 8% fixed income investment of the permanent endowment and that this income stream will change in 2018 when the lease expires. There is concern that the book value may be adjusted to market value which could affect the value of endowment principal.

There was discussion of Samoa Blvd and that the balloon payment will come due prior to the expiration of the University lease.

Although no action was required, the Committee was favorably disposed to the creation of a supporting organization to hold non-investment real estate. Executive Director Wruck will discuss this topic with President Rossbacher and to bring it to the Executive Committee for action. .

8. Special distribution from Schatz Quasi-endowment

Executive Director Wruck reminded the Committee of the difference between a permanent endowment, restricted by the donor so that principal is protected, and a quasi-endowment, where principal may be expended at the discretion of the Foundation.

The Schatz Energy Research Center (SERC) is planning a capital construction project and has asked the Foundation to distribute a portion of the Schatz Quasi-endowment principal to provide partial funding for the project. The expansion will be architecturally similar to the existing building and used for student work space and offices allowing the existing building to revert to lab space, which was its intended purpose. SERC's research and education activities have increased dramatically and they have outgrown the existing space.

Vice President Joyce noted that the University believes that this is a very positive expansion and that the new building will also be environmentally strong, as is the existing building. She added that it is preferable to pay cash for the building rather than to accrue debt.

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

RESOLVED, that the Finance Committee recommend the Executive Committee approve a special distribution from the Schatz Quasi-endowment, known as the Hydrogen Demonstration Account, of up to \$550,000 for the building of the Schatz Energy Research Center Annex.

9. Other business

Executive Director Wruck reported that the CSU has secured approval of the Attorney General to transfer a number of State owned endowment accounts to the Foundation.

10. Adjournment

The meeting was adjourned at 11:27 a.m.