



**MINUTES
OF THE
FINANCE COMMITTEE**

September 26, 2016

Members Present:

Chuck Petrusha (via phone)
Duncan Robins (Chair)
Jason Ramos (via phone)
Craig Wruck

Absent:

Guy Aronoff
Heidi Moore-Guynup

Guests:

Mike Burghart-HSU Director of Finance/Risk Management
Brian Frasher
Peter Lehman (Schatz Energy Research Center)
Joyce Lopes-HSU VP of Admin Affairs
Lola Alto
Jamie Rich

A meeting of the Humboldt State University Advancement Foundation Finance Committee was held on Monday, September 26, 2016 at 9:00 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 9:06 AM.

2. Visitor comments

There were no visitor comments.

3. Approval of Minutes from the June 1, 2016 meeting

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

RESOLVED, that the Minutes of the June 1, 2016 meeting are approved.

4. Review of June 30, 2016 Financial Statements

Brian Frasher, HSU Financial Services Accountant, presented the FY 2015-16 4th quarter financial summary. Executive Director Craig Wruck reminded the committee of the definitions of the three categories of funds-Unrestricted (Operations), Permanently Restricted (Endowed) and Temporary Restricted. Wruck noted that investment return on the endowment was flat for the year because markets were down on June 30, 2016 due to the BREXIT news but that values have rebounded since then. He also noted that the Foundation ended the year well within its financial reserve requirements.

5. Quasi-Endowment distribution for Schatz Lab construction project

At its meeting on November 19, 2015, the Finance Committee approved a special distribution from the Schatz quasi-endowment fund of up to \$550,000 for a capital expansion project at the Schatz Energy Research Center (SERC).

The project cost has increased as building plans have been finalized. As outlined in a memorandum from Dr. Peter Lehman, the SERC is now requesting an additional \$350,000 distribution (a total of \$900,000) from the quasi endowment.

Staff has verified this request with the Office of Academic Affairs and recommends approval of the additional distribution. Special distributions from quasi endowment funds require approval of the Board of Directors.

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

RESOLVED, that the Finance Committee recommends approval of an additional special distribution, of up to \$350,000 for the building of the Schatz Energy Research Center Annex.

6. Proposed policy to sell contributed securities upon receipt

The Foundation currently has no policy regarding the disposition of contributions of securities. Wruck reported that when a charitable organization receives a contribution of securities, standard practice is to sell the securities at market price for cash as soon as possible after ownership by the charitable organization is established. This practice helps minimize the vagaries of market prices and

ensures that funds are immediately available to pursue charitable purposes and fulfill the donor's intentions. Exceptions can be made under certain unusual circumstances when it is advisable to retain contributed securities.

Wruck proposed a policy providing that contributed securities will be sold by the Foundation at current market prices as soon as practical after ownership is established by the Foundation. The Executive Director would have the discretion, in consultation with the Treasurer, to hold contributed securities if it is advantageous for the Foundation. In such cases the Executive Director will report to the Finance Committee the details of contributions of securities including the charitable deduction amount and the price received.

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

RESOLVED, that the Finance Committee recommend that the Board of Directors adopt the proposed Policy Governing the Disposition of Contributions of Securities.

7. Transfer of Annex and Samoa properties to HSUREH

At its meeting on June 3, 2016, the Board of Directors accepted the recommendations of the Finance Committee regarding plans for the disposition of the Annex and Samoa Boulevard properties.

The Foundation has created the Humboldt State University Real Estate Holdings (HSUREH), a California nonprofit corporation organized as a supporting organization of the Foundation under Section 509(a)(3) of the Internal Revenue Code, in order to accept, hold, and manage real property on behalf of the Foundation and the University. HSUREH is governed by a Board of Directors, all of whom are appointed by the Foundation. HSUREH is allowed to make distributions only to the Foundation.

A bank account has been opened for HSUREH and arrangements for accounting services have been made with Humboldt State University. Application has been made to the Internal Revenue Service for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. HSUREH is permitted to begin operation as a tax exempt nonprofit while its tax-exempt application is under review.

The committee reviewed the spreadsheet outlining the history of these properties, the advantages of the HSUREH holding the properties instead of the Foundation.

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

RESOLVED, that the Finance Committee recommends that the Board of Directors authorize the Executive Committee to negotiate, with the Humboldt State University Real Estate Holdings (HSUREH) and Humboldt State University (HSU), the transfer of the Annex and Samoa Boulevard properties to the HSUREH.

8. Endowment payout rate for FY 2017-18

Wruck presented a chart diagramming the flow of funds through the Foundation and showing the role of endowment distributions and temporarily restricted funds in supporting the University and highlighting the critical level of unrestricted funds in providing for the operating expenses of the Foundation. He also provided an Endowment Distribution Timeline illustrating the multi-year impact of setting the distribution payout percentage so far in advance of actual payouts. Wruck reminded the Committee that the actual distribution amount is based upon a 12-quarter rolling average of ending market values that is designed to smooth the ups and downs in the market such as the recent BREXIT drop.

When selecting the distribution percentage the Committee considers expected investment return and expected inflation as well as the 1.5% service charge. Wruck noted that the Foundation is charged with distributing the maximum amount possible to students, departments and programs while protecting the principal value against inflationary loss and honoring the donors' intent when the endowment was created. After discussion and in consideration of expected investment returns and anticipated inflation, it was suggested that the distribution rate remain the same as last year (4.4%). In light of the current political climate, it was noted that the recommended rate is subject to review and amendment if circumstances warrant.

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

RESOLVED, that the endowment distribution rate for fiscal year ending 2018 should be 4.4%.

9. Other Business

VP of Administrative Affairs, Joyce Lopes reported that Humboldt State University Sponsored Programs Foundation has chosen to acquire a Line of Credit from Redwood Capital Bank and is withdrawing the request that the Foundation consider extending a Line of Credit to Sponsored Programs.

10. Adjournment

The meeting was adjourned at 10:30 AM