

Cal Poly Humboldt FOUNDATION

Minutes of the FINANCE & INVESTMENT COMMITTEE

September 29, 2023
ZOOM Teleconference Meeting

Members Present:

Ken Fulgham
Jason Carlson
Philip Anton
Frank Whitlatch

Members Absent:

Eden Donahue
Dan Johnson

Guests: Kevin Furtado, President Tom Jackson, Jr., Peter Lehman, Stacie Lyans, Jack McGurk, Angie Petroske, Jamie Rich, Sonia Ruiz, Guido Setton, Robin Smith, Lise Smith-Peters, Travis Williams, Teresa Wilmott

A meeting of the Cal Poly Humboldt Foundation Finance & Investment Committee was held on Friday, September 29, 2023 at 9:00 AM Pacific Time via Zoom Teleconference.

1. Call to Order/Roll Call

The meeting was called to order by the Finance & Investment Committee Co-Chair, Ken Fulgham, at 9:01 AM.

2. Public Comments

There were no public comments.

3. Acceptance of Minutes from the August 4, 2023 Meeting

Upon motion duly made (Ken Fulgham), seconded (Philip Anton), and unanimously carried, it was:

RESOLVED, that the Minutes of the August 4, 2023 meeting are accepted.

4. FYE 2023 Audited Financials

Frank Whitlatch, Executive Director, stated that Samantha Puentes, Cal Poly Humboldt Accountant, was unable to attend today's meeting to provide an overview of the audited financial statements and audit report and asked that members review the documents, directing any questions to him and Samantha.

It was noted that Moss Adams provided an unmodified (clean) opinion on the Financial Statements and found no instances of noncompliance or other matters on the GAGAS Internal Control and Compliance Report.

Frank explained to the committee that the \$290k liability appearing on the report was a result of a \$0.5 million pledge to be used for the purchase of a microscope. The University purchased the equipment in advance of the pledge being paid in full due to University Advancement's confidence in the donor.

5. Investment Portfolio Update

Sonia Ruiz, RVK, reviewed the Foundation's fiscal year-to-date (July 1, 2023 – August 31, 2023) investment portfolio performance and asset allocations. The return estimate for this period is +0.4%, even though the Fund's estimated market value has decreased from \$48.09 million to \$46.54 million. This decline was due entirely to the annual distribution occurring in the first quarter of fiscal year 2024. Sonia noted that the Finance & Investment Committee's approved investment manager transition plan was successfully implemented in August and all asset classes are currently within Investment Policy allowable ranges.

6. Investment Policy Update

Ken Fulgham, Co-Chair of the Finance & Investment Committee, provided an overview of the discussions by the Green Investing Review regarding updating Section VII of the Foundation's Investment Policy, "Environmentally & Socially Responsible Investing."

Summary of recommended changes:

- Full replacement of the original "SEROP" guidelines emphasizing negative screening and divestment of specific sectors and industries
- New guidelines referencing the University's long-standing commitment to environmental and social responsibility ("ESR")
- Positively-screened factors and themes
- Objective of 100% adoption within appropriate categories (equities and fixed income)
- Additional clarification on categories where ESR screening is not possible (real estate, TIPS, and cash)

The committee discussed the differences and connotations of both the terms ESG (Environmental and Social Governance) and ESR (Environmental and Social Responsibility).

After discussion and upon motion duly made (Ken Fulgham), seconded (Philip Anton), and unanimously carried, it was:

RESOLVED, that the Cal Poly Humboldt Foundation Finance & Investment Committee recommends the Board of Directors accept the redline changes to the Investment Policy, replacing Section VII's SEROP language with updated Environmental and Social Responsibility (ESR) language.

7. Current Market Value of Endowments as of June 30, 2023

Frank Whitlatch, Executive Director of the Foundation, presented a report detailing the current market value of each endowed fund held by the Foundation. This report includes contributions as endowments but not current use funds.

8. Endowment Distribution Rate for FYE 2025

Endowment funds are governed by the State of California Uniform Prudent Management of Institutional Fund Act ("UPMIFA") which requires the Board of Directors to invest and manage the Foundation's endowment funds in order to provide a consistent level of distribution for charitable purposes while preserving the capital value of the endowment over time. In order to determine the annual endowment distribution, the Board must take into account expected investment return, expected inflation, and the 1.5% service charge and balance these with the need to provide a payout amount which is meaningful to the students, programs, and departments that benefit from the endowment. The average market value (AMV) of the endowment over 12 quarters is used as a basis for comparison against the current market value (CMV) to mitigate for unusual market activity.

After discussion and upon motion duly made (Ken Fulgham), seconded (Philip Anton), and unanimously carried, it was:

RESOLVED, a recommendation to the Cal Poly Humboldt Foundation Board that the endowment distribution amount for fiscal year ending 2025 shall be based upon a rate of 4.5%.

9. Other Business

No other business was discussed.

10. Adjournment

Without objection, the meeting was adjourned at 10:00 AM.