

HUMBOLDT STATE UNIVERSITY FOUNDATION

MINUTES OF THE FINANCE & INVESTMENT COMMITTEE

MARCH 4, 2021
ZOOM TELECONFERENCE MEETING

Members Present:

Robin Bailie
Ken Fulgham, Ph.D.
Scott Hunt
Heidi Moore-Guynup
Frank Whitlatch

Absent:

Dan Johnson

Guests:

Gary Blatnick, Robin Smith, Jay Bower, Peter Lehman, Ph.D, Kyle Plitt, Sarah Long, Michael Fisher, Deirdre Clem, Deb Rice, Peggy Mecham-Carlotti, Jamie Rich and Lola Alto.

A meeting of the Humboldt State University Foundation Finance & Investment Committee was held on Thursday, March 4, 2021 at 2:30 PM via ZOOM Teleconference.

1. Call to order

The meeting was called to order by Finance & Investment Committee Chair, Ken Fulgham, Ph.D. at 2:30 PM

2. Public comments

Dr. Peter Lehman reported that the [Redwood Coast Airport Microgrid](#) had received its ground lease and federal and state approvals and was tentatively set to begin operations November 2021. This project has been 3 years in the making.

3. Acceptance of Minutes from the January 15, 2021 meeting

Upon motion duly made (Moore-Guynup), seconded (Bailie) and unanimously carried, it was

RESOLVED, that the Minutes of the January 15, 2021 meeting are accepted.

4. Financial Statement ending December 31, 2020

Sarah Long, HSU Associate Director of Auxiliary Accounting, lead the review of the HSUF Financials for the period ending December 31, 2020. She reminded the committee that the Humboldt State University Foundation (HSUF) consists of three primary reporting segments: General Operations, Endowments and Trusts. General Operations consists of a single unrestricted fund. Endowments consists of over 200 individual funds and are reflected at fair value using quoted market prices when available. Endowment funds include true endowment funds, restricted and unrestricted quasi-endowments, and term endowments. Trusts consist of over 240 individual funds established for a variety of purposes and may be unrestricted or restricted.

Cash-Each of the three reporting segments maintain a cash balance. Total cash across all segments increased 1% primarily due to a transfer of \$879K to Real Estate Holdings (REH) for rental income earned on the Samoa Property offset by an increase in current year contributions of \$1.2M. Approximately \$4.7M of total cash is currently held in the Local Agency Investment Fund (LAIF) which earns interest on a quarterly basis. Total cash as of December 31, 2020 was \$5,973,068.

Investments-The endowment pooled investments market value increased approximately 4% or \$1.3M from the prior year due to an increase in current year contributions and significant gains offset by the use of available cash to invest in real estate. The Endowment pooled investment market value as of December 31, 2020 was \$33,890,706.

Land-In October 2020 the Foundation purchased the Craftsman Mall properties on St. Louis Road, Arcata, California for \$4.08M. In January 2021 the HSUF Executive Committee agreed to a resolution to transfer the properties to REH and establish a note receivable from REH for the total cost. HSUF will receive quarterly interest only payments (6.5%) on the note which will be reinvested into the endowment pool. The land value as of December 31, 2020 was \$4,556,323.00.

Revenues-Operating Revenue-The HSUF General Operations generates revenue by earning a 5% contribution administration fee on all contributions received as well as a 1.5% endowment service fee on a quarterly market value of the endowment pooled investments. The total fee revenue increased 31% vs. prior year due to an increase in contributions and ending market value of the pooled investments. As of December 31, 2020, HSUF has earned approximately 64% of the total fee revenue budgeted for the fiscal year. The total fee revenue for October 1 through December 31, 2020 was \$361,816.00.

Revenues-Non-Operating Revenue-The HSUF non-operation revenue consist of contributions to endowments and trusts as well as an annual transfer of endowment earnings to trusts. Endowment earnings are also distributed to scholarships which are held on the Campus books and not reflected in the report. As of December 31, 2020, HSUF received \$1.43M or 85% of the endowment contributions budgeted for this fiscal year. HSUF received 60% of the budgeted trust contributions as of Q2 of FY2021. This includes the annual distribution from endowment earnings of \$846K. Total contributions increased approximately 51% from the prior year primarily due to the final \$1.0M to the St. Joseph Health Nursing Endowment and \$422K to the HSU Catalyst fund. Total contributions for October 1 through December 31, 2020 were \$3,541,062.00.

Expenses-Operating Expenses-HSUF incorporated the previous year's Business Services Agreement and Support to Philanthropy budget line items into a newly designated budget line item, called Support to Advancement Division. This budget line item allows for more resources and flexibility to support HSUF's mission including current fundraising efforts. Supplies and Services/Other Operation Expenses are in line with the budget at approximately 44% spent to budget. Total Operating Expenses for October 1 through December 31, 2020 was \$270,286.00.

Expenses-Non-Operating Expenses-HSUF utilized charitable funds from endowments and trusts totaling approximately \$2.03M as of Q2 of FY2021, a decrease of \$169K or 8% from the prior year Q2. However, total funds utilized as of Q2 of FY2021 are in line with budget at 51% spent to budget. During FY2020 HSUF implemented a Committee Fund Review process whereby it reviews, at random, five funds per month to ensure all donations received were utilized as intended by the donors. Total Utilization of Charitable Funds for October 1 through December 31, 2020 was \$2,037,680.00.

Upon motion duly made (Hunt), seconded (Bailie) and unanimously carried, it was:

RESOLVED, that the HSUF Finance & Investment Committee accepts the 2nd Quarter (October 1-December 31) Financials and Endowment Report.

5. Portfolio Review-Period ending February 28, 2021

Kyle Plitt, RVK Investment Manager, reviewed the HSUF Endowment Portfolio which was presented at the Finance & Investment Committee's RVK Workshop on February 19, 2021.

The Fund's estimated market value had increased from \$37.9 million (December 31, 2020) to \$39.2 million. The fiscal year to date estimate of return was 21.0% and the calendar year to date estimate was 2.9%. During February 2021, \$750K was

distributed to RREEF and rebalanced across the portfolio. On April 1, 2021 a capital call of \$300K is due to RREEF. In spring 2021 the Finance & Investment Committee will address Asset Allocation.

Upon motion duly made (Hunt), seconded (Moore-Guynup) and unanimously carried, it was:

RESOLVED, that the HSUF Portfolio Review from RVK was accepted as presented.

6.Support for Fundraising & Campaign Fundraising/Tracking

Due to limited time the committee addressed the Support for Fundraising and will table the Campaign Fundraising/Tracking topic for a future meeting.

Executive Director Frank Whitlatch thanked Study Group Chair Scott Hunt for leading this group in such a quick and through manner. After an extensive discussion he was seeking a recommendation from the HSUF Finance and Investment Committee to the HSUF Board to provide additional support to the campaign. He provided the resolution and Final Report provided by the Study Group as supporting documentation.

The Study Group on Support for Fundraising made their final report dated December 18, 2020. Their resolution stated:

The HSU Foundation's Study Group on Support for Fundraising has examined the intertwined support for fundraising within the HSU Foundation and University Advancement Division. The Study Group finds it permissible and reasonable for the HSU Foundation to provide direct support for additional fundraising efforts, including the campaign endorsed by the HSU Foundation Board. The Study Group encourages the Board to consider additional information from its final report in considering such support. If such support is given, the Study Group encourages the Board to prioritize one-time funding specifically for the planned campaign and to include an expectation of additional University stateside investment in fundraising.

Upon motion duly made (Hunt), seconded (Bailie) and unanimously carried, it was:

RESOLVED, that the HSUF Finance and Investment Committee accept the report as submitted from the Study Group on Support for Fundraising, along with the updated Campaign Financial Plan spreadsheet dated January 2021, and recommends to the HSUF Executive Committee and HSUF Board to support the campaign with the investment of funds in excess of the maximum reserve level.

7. Other Business

There was no further business to discuss.

8. Closed Session

The committee entered the closed session at 4:01 PM. The members discussed a new property acquisition issue. The committee returned from the closed session at 4:25PM.

9. Adjournment

Without objection, the meeting was adjourned at 4:26PM