CAL POLY
FOUNDATION

EXECUTIVE COMMITTEE MEETING

October 27, 2015
Teleconference

MINUTES

Committee Members Present:

Mike Applegate	Peter Oppenheimer	Grant Trexler
Jeff Armstrong	John Ronca	Bob Wacker
Dick Bradshaw	Bill Swanson	

Staff:

Marc Benadiba	Stacy Cannon	Adam Jarman
Kevin Burns	Ericka Horn	Cindy Villa

Call to Order and Attendance

Chair Bill Swanson called the meeting to order and welcomed members. Mr. Swanson announced a quorum of directors present, and that the meeting, having been duly convened, was ready to proceed.

Approval of Minutes

Mr. Swanson asked members for corrections to the July 21, 2015, Executive Committee meeting minutes. None were identified; accordingly, a motion was made, seconded and approved to adopt the minutes.

Committee Reports

Governance

Governance Committee Chair John Ronca noted that the Governance Committee recommends extending the nomination period for new Board members from the September 1, 2015, deadline in an effort to create a diverse pool of candidates. He continued on to present the Slate of the Student Director nominee, Camille Lethcoe. President Armstrong provided an overview of the current process for selecting the student director nominee. He welcomed input from the Committee on the process for future nominations. Chair Swanson and Governance Chair Ronca expressed involvement by the Governance Committee would be ideal going forward. Mr. Ronca

will work with the Governance Committee to amend the current process for the Student Director nominee to include participation by the Governance Committee. A motion to approve the Slate of the Student Director was made, seconded and approved to move the slate forward to the full Board for consideration of approval.

Review of Board member terms & profile
Mr. Ronca then provided a review of current Board member terms ahead of the Annual Meeting in May 2016. A director made the observation that a majority of Board members have terms set to expire this year. Chair Swanson expressed that a process for evaluating each Board member's interest in continuing to serve is needed before the Annual Meeting. A determination was made that each Board member whose term is set to expire in May 2016 will be contacted by the Governance Committee chair prior to the end of the calendar year to evaluate interest in continuing to serve on the Cal Poly Foundation Board of Directors. Once interest is determined, the Governance Chair will consult with the Chair and Vice Chair of the Board to determine next steps.

He called attention to the Board Profile Summary report which was requested during the Governance Committee meeting on September 30, 2015, in order to evaluate the Board demographics versus the University as a whole to identify potential areas for increasing representation on the Board. Discussion ensued. A determination was made to include the summary in the Board of Directors materials for the November 7, 2015 meeting.

Referring to Board Assessment summary, which is a topline review of the survey Board members completed since the last Board of Directors meeting, Mr. Ronca noted that this document would be provided to the Board for review and discussion at the Board of Directors meeting in November.

Referring to the draft Fast Start Program agenda, which was provided via email prior to the meeting, Mr. Ronca recommended that the program be altered to a long working lunch if attendance was lower than expected as a more efficient use of Board members' time. Mr. Swanson supported this approach at Governance Chair Ronca's discretion.

Audit
Audit Committee Chair Mike Applegate referred to the Audited Financial Statement as prepared by Glenn Burdette and reviewed by the Audit Committee at their September 10, 2015, meeting. Glenn Burdette reported that the audit went smoothly.

Dr. Trexler reviewed the Recommendations to Management by auditors Glenn Burdette for the year-ended June 30, 2015. He noted that the audit of the Foundation resulted in Glenn Burdette's identification that certain corporate bonds that were not properly marked to their market value in the Statement of Net Position. These securities were being accounted for under the cost basis method, due to our intent to hold the securities to maturity. However, non-profit organization accounting requires all investments to be marked to market with unrealized gains and losses recorded through the statement of activity Statement of Net Position. The identified difference of $388,000 was recorded

and posted into the June 30, 2015, financial statements. The external auditor recommends that accounting staff continue to monitor and reconcile investments monthly, and that all instruments classified as investments be recorded at their fair market value in the Statement of Net Position.

Treasurer Grant Trexler notified the Committee that the CSU Scholarship Audit resulted in no Foundation-related findings. The University had one finding related to departmental administration of scholarship funds. At the request of the CSU Chancellor's Office, Cal Poly was the first CSU to complete the audit.

Investment

Revised Endowment Payout Rate as covered in Investment Policy 400-411
Investment Committee Chair Bob Wacker referred to a draft memo provided in the meeting materials and called on Dr. Trexler to provide a summary. The memo from Investment Committee Chair Bob Wacker recommends amending Investment Policy 411 to reflect a reduction in the endowment payout rate by 0.25%. Noting that the Investment Committee had previously made a recommendation to the Board at the August 2015 meeting to reduce the endowment payout rate by 0.25%, the resolution will amend the policy and adjust the rate. A motion was made, and seconded to forward the resolution to the Board for consideration of approval.

Development
Committee Chair Peter Oppenheimer provided an update on fundraising totals as outlined in the Productivity Report. He expressed his intent to ask each Dean, the Athletic Director, and Vice President for Student Affairs to present needs in their respective areas as well as an intent to encourage each Board member to find their appropriate and preferred method for engaging and helping with fundraising efforts.

Mr. Oppenheimer informed the Board that the Orfalea College of Business Development sub-committee had met and agreed to support the business building upgrade as one of their primary campaign initiatives.

Assistant Vice President for University Advancement Adam Jarman presented an overview of the Productivity Report and other forecasting measures. As of September 30, 2015, total productivity for the fiscal year was $8.6 million, which is 12% of the annual goal. The cumulative campaign total is $172.3 million towards the current goal of $500 million.

Review of Quarterly Financial Statements

Treasurer Grant Trexler reviewed highlights from the Quarterly Financial Report for the period, noting that the Foundation's total net position was $254.0 million at September 30, 2015. This is a decrease of $15.0 million or -5.6% from June 30, 2015, due to a $14.1 million decrease in the endowment fund and $0.8 million in unrealized losses on Campus Programs mutual fund assets and bond investments. Cash and cash

equivalents of $8.1 million at September 30, 2015, an increase of $0.7 million or 9.0% from June 30, 2015, primarily due to the movement of short-term investments to cash equivalents.

Endowment investments declined to $174.4 million at September 30, 2015, a decrease of $15.6 million or 8.2% compared to the June 30, 2015, balance of $190.0 million. The decrease was primarily due to market value losses of $12.8 million, offset by income of $1.1 million, and additional gifts and transfers to the endowment of $0.3 million. Payouts were $3.2 million and fees $0.8 million.

Contributions receivable of $16.1 million were consistent with the June 30, 2015, balance as new pledges of $1.3 million offset pledge payments.

Dr. Trexler noted that the Foundation's revenues were on budget even with the poor returns to the endowment during the quarter while expenses were approximately $19,000 under budget as salary reimbursements were below budget due to slower than anticipated hiring of new staff.

As of September 30, 2015, the Foundation managed 824 endowments which are managed in a unitized investment pool. There were 761 endowments at September 30, 2014. On October 20, 2015, the Foundation received a "recommendation for approval" from the State Superior Court in Los Angeles to transfer nine endowments totaling approximately $2.8 million from the University to the Foundation. Dr. Trexler anticipates these funds being transferred in November.

Review Draft Agendas

Chair Swanson asked for comments or changes to the November 7, 2015, Board of Directors meeting agenda. Mr. Ronca noted with the inclusion of the Profile Summary and update of on Nominations should be added under the Governance Committee report. No further comments were recorded; accordingly, a motion was made and seconded to approve the agenda with the aforementioned addition.

Adjournment

With no further business to discuss, the meeting adjourned at 5:17 p.m.

Respectfully submitted,

Bill Swanson
Executive Committee Chair
Cal Poly Foundation Board