



SONOMA STATE UNIVERSITY Academic Foundation, Inc.

Board of Director's Meeting

MINUTES – April 4, 2008

- I. Call to order. Dr. Armiñana was absent. Ms. Patricia McNeill determined that a quorum was present and opened the meeting.
(Refer to Record of Attendance for April 4, 2008)

- ❖ Approval of the December 14, 2007 Board Minutes
 - Approved unanimously.

- II. Endowment Distribution Utilization Presentation
(See April 4, 2008 Agenda packet for these documents)

Mr. Ian Hannah referenced a PowerPoint presentation describing the breakout of the endowment earnings distribution for 2007/08 to the various schools or departments. Of the 07/08 pooled endowment distribution of just over \$1M, approximately 30% supports various scholarship accounts and 70% is distributed to various campus program accounts, based on donor intent. The majority of the distributed scholarship funds are managed and disbursed from the Scholarship Office. Additional distributions from various non-pooled endowment funds were also provided.

Representatives from various schools or departments which receive funding from the endowment distribution were present to discuss how these monies were to be utilized in 07/08.

Ms. Laurie Ogg, Scholarship Coordinator, discussed the distribution to the SSU Scholarship Office. She stated that SSU has a merit based program as opposed to need based. A campus scholarship committee evaluates each applicant and creates a score and ranking system to determine the award recipients each year. The total distribution for 07/08 of approximately \$245,000 is used to award 277 separate student scholarships at an average amount of over \$800.

Ms. Ogg reviewed an analysis of how these 277 awards were disseminated to students by: county of residence, grade point average, class level, gender, and major. The average scholarship amount covers approximately 20% of the annual SSU student fees. Dr. Andrea Neves asked what is the institutional criteria for



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GPA requirements and if data was available for recipients by ethnicity. Ms. Ogg replied that the Scholarship Committee sets the GPA guidelines and that she would include the additional data by ethnicity in future reports of this nature.

Dr. Saeid Rahimi, Dean of the School of Science & Technology provided details on the utilization of the almost \$257,000 that was distributed to his School. The majority of these funds are utilized for support of the Masters Program in Computer and Engineering Science (MSCES) in addition to support for the Galbreath Wildlands Preserve (GWP) and various departmental distributions. Dr. Rahimi mentioned that the original endowment gift of \$1M for the GWP also included the land of over 3,600 acres in southern Mendocino County, California. The distribution from this endowment covers the GWP Director's time buyout, land stewardship, road repairs and improvements, materials, vehicle maintenance and cell phone service.

Dr. Barbara Butler, Dean of the University Library & Schulz Information Center described the use of the roughly \$148,000 that was distributed to her area in 07/08. The distribution consists primarily of funds from the Jean & Charles Schulz Endowment, which designates that two thirds be provided to support operations of the University Library & Schulz Information Center and the other one third be provided to support Information Technology operations. Resources received from the Schulz Endowment distribution in 07/08 are being used for program improvement and innovation through support for costs (construction, furniture, laptops) associated with the Learning and Teaching Center, located on the 2nd floor of the University Library. Dr. Butler also provided a handout of information relating to the Center. Remaining funds are being used to purchase spare parts inventory for the Automated Retrieval System (ARS). The ARS provides quick access to additional items housed in a three-story, computer-managed shelving system located within the library building.

Additional endowment funds, including the Leaven Endowment, provide funding for library acquisitions. These funds help the library strengthen and refresh its collection through a variety of information materials, across a range of disciplines and in various formats.

Mr. Sam Scalise, SSU Chief Information Officer, was unable to attend the meeting and consequently Mr. Larry Schlereth, SSU Chief Financial Officer, discussed the utilization of the distribution designated for Information Technology (IT). The total distribution to IT in 07/08 was just under \$64,000



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and is sourced primarily from the aforementioned Schulz Endowment. The remaining funds are distributed from the Phillip J. Peterson Endowment, which provides resources for paid SSU student assistantships in the IT department.

Funding from the Schulz Endowment to IT in 07/08 is being used for operational support of WebCT, Sonoma's Learning Management System. WebCT allows students to view a web page and access information for all of their courses for the term. Mr. Schlereth turned to Mr. Hannah to provide an overview of the use of WebCT and to describe his prior experience as a user of the system while attending SSU as a student. Mr. Hannah provided screenshots of WebCT for a visual reference and described its use for accessing information related to each course for which a student is enrolled. The level of information available is mainly dictated by the level of functionality each instructor chooses for an individual class. If made available, WebCT allows students to view reading materials, access the course syllabus or assignments, participate in online discussion groups, view grades, view the class roster, and other benefits. Dr. Eduardo Ochoa added that the difficulty to fully utilize the system's capabilities exists in providing proper training for faculty members to allow for better understanding of the functionality of the system.

Dr. William Babula, Dean of the School of Arts and Humanities and Mr. Jeff Langley, Artistic Director for the Center for Performing Arts, Theatre Arts and Music departments of SSU, were present to discuss the close to \$287,000 in total endowment distributions which support the School of Arts and Humanities. The largest components of this distribution include the Person Arts Endowment and the Federated Indians of Graton Endowment. There are also approximately 30 additional endowment funds which support various scholarships and programs in Arts and Humanities.

Mr. Langley indicated that the Person Arts Endowment was established in 1990, with the intent to facilitate a conservatory environment, with more one on one attention and special workshops for Performing Arts students. Everet and Norma Person set particular guidelines for the uses of the distribution from this endowment and continue to stay actively involved in the process. The annual distribution is shared equally between the Music and Theatre Arts Departments. Fifty percent of the funds are disbursed as student scholarships and the other half are used for curriculum and program support.



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III. Action Items

(See April 4, 2008 Agenda packet for these documents)

Ms. Letitia Coate announced that the Finance Committee has endorsed a recommendation from the Commonfund to change the asset allocation of the Pooled Endowment.

Ms. Sarah Clark, Managing Director and Head of the Commonfund Strategic Solutions Group, called in to discuss the details and rationale for recommending the changes to the Foundation's endowment asset allocation. Ms. Clark referenced a sheet provided in the agenda packet which outlines the current and recommended asset allocation percentages.

The recommendation provides that the Foundation commit a greater share to international equities and to alternatives. The current asset allocation of the SSUAF pooled endowment portfolio includes 53.5% Domestic Equity, 8.0% International Equity, 18.5% Alternatives, and 20.0% Fixed Income. The recommended long term allocation involved a breakout of 33.5% Domestic Equity, 21.5% International Equity, 34.0% Alternatives, and 11.0% Fixed Income. The Foundation does have some current exposure to alternative investments via allocations to Hedged Equity and Private Real Estate, however, additional alternative asset classes were recommended. The recommended portfolio would provide for greater diversification of risk and reduced volatility.

Some discussion ensued related to the implications of an allocation to hedge funds. Ms. Clark indicated that hedge funds provide for good downside risk management and diversification, with only modest volatility. She added that in terms of liquidity, the hedged fund accounts have lock-up periods (90 days) to allow for risk analysis and review. Ms. Clark added that the endowment would be invested in hedge fund portfolios with around 20 different managers in each fund, to reduce manager specific risk.

The projected 20 year median return of the Foundation's current asset mix is 8.9% with a standard deviation of 11.1%, whereas the recommended allocation would provide for a higher projected median return of 9.7% with a lower standard deviation of 10.9%. Dr. Ochoa asked how this 20 year projection was calculated. Ms. Clark responded that Commonfund uses an Allocation Planning Model (APM) which they also refer to as the "Monte Carlo Simulation".



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Commonfund's APM is a financial simulation tool to help understand the expected outcomes and potential risks of an investment strategy.

Mr. Irv Rothenburg asked why the recommended allocation to Small Cap Equity is only 0.5%. Ms. Clark stated that this provides a placeholder for this asset class. In addition, a 12% target is recommended in the All Cap Equity category which allows for an opportunistic, unconstrained portfolio allowing managers to determine where value can be added at a company level.

Mr. Schlereth informed the Board that the Finance Committee reviewed and discussed the asset allocation changes in two prior meetings and has now brought this forth as a recommendation for approval.

The Investment Policy was revised accordingly to incorporate the recommended changes. The main changes included revisions to section I (C and D) and section III (D and E) to address guidelines for investments in alternative investments, new asset allocation targets and ranges, and a modified rebalancing policy.

Motion: Approval of revised SSUAF Investment Policy.

Action: Unanimously approved.

Dr. Wally Lowry spoke on behalf of the Audit Committee to discuss the committee's recommendation of awarding Moss Adams LLP the independent audit services contract for 2007/08. Dr. Lowry described how the Audit Committee met and scored the proposals of the various interested firms. Moss Adams received the highest score. Ms. Jeannette Anglin asked if it was not prudent to rotate auditors. Mr. Hannah indicated that the contract has been set up as a one year engagement, with an option to renew for up to two additional years to provide for this flexibility. Dr. Lowry added that it is difficult to find interested auditing companies if the firm feels it will not be retained for the longer term.

Motion: Approval of Audit Committee recommendation of Moss Adams as independent auditor.

Action: Unanimously approved.



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Mr. Schlereth mentioned that the resolution provided in the packet authorizes the Foundation to use the assets of the Green Charitable Remainder Trust (CRT) to fund construction/financing of the Green Music Center. The Foundation received an independent legal opinion that indicates this item will not expose the Foundation to any liability. The Greens will be foregoing any future interest earning payouts on the CRT. The total current value of the CRT is approximately \$2.8M but about \$1M of this is actually now owned by the Foundation. Approval of this resolution would cause the Foundation's portion of these CRT assets to be applied as a Tier One donation to the GMC, reducing the letter of credit commitment. Mr. Michael Sullivan asked, for clarification, that since the CRT had been set up to fund a GMC Endowment Fund, in essence this resolution would be accelerating the timing of the funds going to the GMC. Schlereth responded yes.

Motion: Approval of dissolution of the Green CRT to apply to the construction/financing of the Green Music Center.

Action: Unanimously approved.
(Abstentions from Mr. Rothenberg and Mr. Sullivan)

IV. Development Report

(See April 4, 2008 Agenda packet for these documents)

Ms. Patricia McNeill provided a presentation titled Measuring Advancement. This presentation was essentially a CSU productivity report relating to advancement efforts in the CSU that were discussed at a recent meeting of campus Vice Presidents for Advancement. Ms. McNeill discussed the promising signs in CSU Advancement as well as the challenges of maintaining momentum.

SSU is placed in the Group II category by the CSU system. This category includes campuses that generally have between 5,000 and 10,000 individual donors, between 10 and 20 full-time professional fundraisers, and between \$25M and \$50M in endowment market value. Gift commitment levels were compared in each of the three peer groups, which may include cash, verifiable pledges, and bequest commitments. SSU ranks well in terms of gift commitments as a percent of the State General Fund, the cost to raise a dollar, gift commitments raised per FTE fundraiser, total fundraising investment as a percent of State General Fund, and net return on investment. SSU has also shown a considerable increase in gift commitments between FY 06/07 and FY 07/08 (Q1 and Q2 comparison).



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V. Chief Operating Officer's Report

(See April 4, 2008 Agenda packet for these documents)

Mr. Larry Schlereth discussed the following items:

- ❖ A letter was provided in the packet which provides that Mr. Jeremy Olsan, SSUAF Counsel, has changed law firms and now will work with the law firm of Perry, Johnson, Anderson, Miller and Moskowitz. It is the intention of the Foundation to have Mr. Olsan continue handling its legal matters. Upon Mr. Olsan's recommendation, the Foundation also intends to continue its relationship with tax attorney David Bjornstrom, at the law firm of Anderson, Zeigler, Disharoon, Gallagher and Gray.
- ❖ A Code of Ethics Statement in Financial Management has been created for the SSU campus community. This Statement also references officers of campus-based Auxiliary organizations and thus has been presented as an information item.
- ❖ Mr. Schlereth provided an update on the Larry Moore Trust litigation. The Board of Trustees of the Moore Trust has signed a petition against the decision of the judge and the charity agreement in an effort to change the mix of charity recipients of the Trust. Therefore, this process which previously seemed to be reaching completion will remain on-going.

VI. Chief Financial Officer's Report

(See April 4, 2008 Agenda packet for these documents)

Ms. Coate discussed the financial activity of the Foundation as of 12/31/07 in the form of a Statement of Revenues, Expenses and Changes in Net Assets and a Schedule of Net Assets. As of 12/31/07, the SSUAF had total assets of \$85.8M and total liabilities of \$17.3M, for a total net assets figure of \$68.5M.



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VII. Open Items

No new business or additional items were reported.

Meeting adjourned at 2:05 p.m.

Letitia Coate
Secretary/Chief Financial Officer,
SSUAF

Minutes Prepared by:
Ian Hannah
Management Trainee –
Administrative Services and
Foundation Operations, SSU



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Record of Attendance
April 4, 2008

		<i>First</i>	<i>Last</i>	<i>In Attendance</i>
1	Dr.	Ruben	Armiñana	Present
2	Ms.	Patricia	McNeill	Present
3	Mr.	Laurence	Furukawa-Schlereth	Present
4	Ms.	Letitia	Coate	Present
5	Ms.	Jeannette	Anglin	Present
6	Mr.	Herm	Benedetti	Absent
7	Mr.	Sanford	Bressick	Absent
8	Dr.	Barbara	Butler	Present
9	Dr.	Jean Bee	Chan	Present
10	Ms.	Anita	Christmas	Absent
11	Mr.	Dan	Condrón	Present
12	Dr.	Carmen	Finley	Present
13	Mr.	Tom	Gillespie	Present (tele.)
14	Ms.	Rachel	Hersh	Present
15	Dr.	Alan	Johnson	Absent
16	Mr.	Dan	Lanahan	Absent
17	Mr.	Dan	Libarle	Absent
18	Dr.	Wallace	Lowry	Present
19	Dr.	Andrea	Neves	Present
20	Ms.	Delphine	Newman	Present
21	Dr.	Eduardo	Ochoa	Present
22	Mr.	Randy	Pennington	Absent
23	Mr.	Jim	Perez	Absent
24	Dr.	Saeid	Rahimi	Present
25	Ms.	Beth	Robertson	Present
26	Mr.	Irwin S.	Rothenberg	Present
27	Dr.	Robert	Schultz	Absent
28	Mr.	Michael	Sullivan	Present
29	Dr.	Liz	Thach	Present
30	Mr.	Michael	Troy	Present



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Members Present	21	
Members Absent	9	
Board Quorum	12	<i>Article II, Section 1(a), Bylaws</i>

Staff/Guests Present:

Ms. Robin Draper – *Associate Vice President for Development, SSU*

Mr. Ian Hannah – *Management Trainee - Administrative Services and
Foundation Operations, SSU*

Mr. Jeff Wilson – *Sr. Accountant – Endowment & Foundation Accounting, SSU*

Ms. Laurie Ogg – *Scholarship Coordinator, SSU*

Dr. William Babula – *Dean, School of Arts and Humanities, SSU*

Mr. Jeff Langley – *Dean, School of Arts and Humanities, SSU*