

NWFSC Foundation Finance Committee Meeting
July 20, 2016 8:00 a.m.
Arpke Room 315, Costa Leadership Institute

Members Present:

Bo Arnold
Wayne Campbell
David Costa
Chad Hamilton (Phoned In)

Don Litke
Steve Wills
Steve Wolfrom
Dewayne Youngblood

Staff Present:

Serena Brown
Cristie Kedroski
Jason Masters

Carla Reinlie
Julie Sartori

Others Present:

Ray McGovern
Shane O'Dell

Absent:

Dennis Peters

Call to Order:

Ms. Kedroski called the meeting to order at 7:56 a.m. and welcomed new board members and new staff members.

Approve Chad Hamilton Attendance by Conference Call:

Mr. Hamilton arranged to sit in the committee meeting via conference call.

Finance Committee Orientation

Ms. Brown gave a brief presentation of the general workings of the Foundation to familiarize new committee members of their roles and responsibility in the Finance Committee. She covered the Review of Investment Policy, Endowment Spending Policy, Foundation Financials, Assets, and Audit. Ms. Cristie also noted that if there were any questions about the financials of the Foundation that the committee members are free to ask the staff.

Review and Approval of June 30, 2016 Financials and Checks over \$5,000:

Ms. Brown presented the Statement of Financial Position, Statement of Activities and Investment Report as of June 30, 2016. Total assets are \$45,273,528 and Total Liabilities are \$63,591, bringing the Total Fund Balance to \$45,209,936. The Statement of Activities reflected \$453,394 in Revenues and \$2,930,551 in Expenditures for a total Net Decrease in Fund balance of (\$2,477,157). Combined investment holdings with Merrill Lynch and Vanguard Wellington total \$40,257,355, allocated as 4.35% Cash & Cash Equivalents, 60.53% Equity, 11.17% Alternative Investments and 23.95% Fixed Income. Ms. Brown also presented a listing of checks over \$5,000 from May 1 – June 30, 2016 and an update on the foundation's fiscal year 2016 annual goal. The goal for fiscal year 2016 was to raise \$767,887 and as of year to date, \$526,834 had been raised, representing 69% of the goal. Ms. Kedroski noted that these are month end financials – not year-end – as depreciation, prepaid insurance and a few other transfers related to year-end are not yet completed. She also noted that year-end financials would be made

available at the August board meeting. Ms. Kedroski also walked through the Statement of Activities for new members to point out line items that are relevant and of interest to the committee.

Motion to approve financials and checks over \$5000, Maj. Gen Litke; Second, Mr. Wills. Motion carried unanimously.

Investment Report by the McGovern Group – Merrill Lynch:

Mr. McGovern presented a portfolio review as of June 30, 2016. In the past twelve months, the total portfolio is down 2.2%. Current holdings stand at 60.48 percent in equity, 24.05 percent in fixed income, 4.22 percent in cash and 11.25 percent in alternative investments. Mr. McGovern also presented the custom benchmark report from Blackrock which reflected a market value of \$34,275,479 as of June 30, 2016. The total Blackrock portfolio is up 1.80 percent year to date and up 6.36 percent since its inception on February 26, 2013. Mr. McGovern noted that the market has been in decline since the beginning of this year due to increased volatility but over the last couple of months there has been considerable improvement. He noted that there has been 1-2 percent growth in the market recently and that stocks are the assets of choice even though returns are more subdued. He also noted that the portfolio's position has been muddling along and remained largely the same since May's finance committee meeting. Following discussion at the last committee meeting on the Jackson Annuity, Mr. O'Dell noted that the Foundation can add an additional \$1.5 million to the annuity contract without having to seek any approvals. He noted that this investment would be grandfathered into the old terms of the contract and that the rate of return would stay at 6%. The McGovern group sought approval from the board to move \$1.5 million from the equity side of the investment portfolio to put in the annuity.

Motion to approve the reallocation of \$1.5 million into the Jackson Annuity and accept the investment report, Mr. Campbell; Second, Mr. Youngblood. Motion carried unanimously.

Professional Services Contract Schedule:

Ms. Brown presented the current professional services contract schedule to the committee and noted that this fiscal year, it is necessary to bid the audit contract, currently held by Mauldin & Jenkins. She noted that a request for proposal (RFP) will be drafted to address the audit contract and reminded members that the current firm audits both the Foundation and Collegiate High School. She also noted that staff will work with the college's purchasing department to release the RFP in the coming month or two. Ms. Kedroski noted that a committee is to be assembled that consists of Serena Brown (Foundation Accountant), one Foundation director, and college representative(s). She asked for a finance committee member to engage in the committee and Mr. Hamilton volunteered to participate.

Profit/Loss Analysis of College Apartments:

Ms. Brown gave a brief update on the background of the college apartments and provided a chart that outlines the profit/ (loss) of the College Apartments. She noted every year since 2008, the Foundation has distributed 2% interest to the funds in the investment pool and that a total of four principal payments on the 30-year amortization schedule have been made, bringing the total balance of the internal loan from \$4,907,029 to \$4,408,488. She also noted that the principal payment is expensed from the rental apartment line annually and provided a complete loan amortization schedule for the committee members to see. Ms. Kedroski told the committee to be mindful of the amortization schedule of the apartments because if there are any large unforeseen maintenance cost incurred it could use up the pool of cash set aside for the apartments.