

MSUF Foundation, Inc.
Board of Trustees Meeting Minutes
12:52 PM Riggle Room
November 7, 2014

Present: Bob Albert, Perry Allen, Wayne Andrews, Steve Hicks, Jim Shaw, Buck Hinkle, Gerald DeMoss, Steve Thieme, Brett Traver, Willi Walker, Steve Pack, Denny Dorton, Paul Stokes, Beth Patrick, Ed Strosnider, Ron Griffith, Susan Martin, Nate Bishop, Bob Neff, Mindy Highley, Sandi Rùth and Jenna Sprangel. Cherie Rebar joined via conference call and special guest Clyde James was present.

Absent: Dava Rice and Bill Hesch.

Call to Order

Steve Hicks called the Foundation Board meeting to order at 12:52 PM and asked Sandi Ruth to call roll. Steve declared a quorum and the minutes from the June 20, 2014 meeting were presented. Perry Allen motioned to accept the minutes as presented and Brett Traver seconded – motion passed.

Comments from the President – Dr. Wayne Andrews

Dr. Andrews briefed the Board on the current state of campus affairs.

- The University will proceed with selling bonds in 2015 to build new residence halls. We will break ground in the spring creating 550 new beds – suite style. All of the parking around Alumni Tower will be taken to build the new \$35M residence hall supported through the agency bonds. Student housing payments will pay back the bond liability.
- Two buildings with 50 new beds will be built at the MSU Farm.
- Waterfield Hall has been demolished and will be the site of a new 400 unit parking garage combined with a new dining facility. Private parking reserve funds and institutional funds will support this project. Aramark has agreed to contribute \$6M but we are in talks to possibly obtain \$10M from Aramark towards this project.
- MSU is committed to improving our facilities for our students. Since 2007, six residence halls have been renovated. Cooper and Butler Halls may come down. Cartmel will probably be renovated.
- The University has endured 10 years of state imposed budget cuts. In the 2002-2004 budget, MSU received funds toward Phase I for the expansion and renovation of the Adron Doran University Center (ADUC). The State has approved Phase II funding. This includes adding 80,000 square feet to the east end of ADUC, upgrading the heating, cooling and electrical as well as new food service and a possible one-stop shop for students by including housing, enrollment services, financial aid and the registrar under the same roof.

- Craft Academy for Excellence in Math and Science will launch in the fall of 2015 with 60 high school juniors. Senator Stivers was very instrumental in pursuing this for Eastern Kentucky to benefit from an early college “Gatton Academy” style program. A legislative committee was formed, including Rocky Adkins, and they agreed to \$3.2M a year to support this project starting in July of 2015. It will be a residential dual credit high school program open to 60 qualified juniors and 60 qualified seniors. The students will be housed in Grote-Thompson Hall. It will take about \$500K to prepare the residence hall for the program including carpet, bathrooms, paint and an electronic lock system. Dr. Carol Christian has been selected as the Director of the Craft Academy. Tim Rhodes is the Director of Admissions. Mid-February acceptance letters will go out to students. Joe Craft gave \$4M in \$250K installments each year towards the Academy. The curriculum will focus on STEM, entrepreneurship and community service
- The Space Science Program offers one of only five Baccalaureate degrees in space science in the U.S. They continue to grow and have several exciting projects in the works.

Investment Report/Portfolio Summary – Dr. Bob Albert

Dr. Albert briefed the Board on the Finance committee’s meeting with Jason Brinks, Jim Mahoney and Tim Wittenbrook from Oxford.

- October 7th Foundation’s Oxford investment portfolio value was \$42.7M.
- Oxford portfolio return for fiscal 2014 was 13.5%
- NACUBO Higher Ed average return was 15.3%. In 2008, Foundation portfolio took a big hit. Board made choice to be over-weighted in fixed income bonds. In the Finance Committee meeting, the Committee talked about our risk adverse approach to protect against downside risk and maintain liquidity, thereby losing some of the upside returns.
- Once the Foundation Reserve fund is well-established, we can maybe choose a different risk exposure for our portfolio.
- On October 1st, the Committee held a conference call with Rob Twitchell from Oxford. Rob called an emergency meeting to move quickly on exiting our position in PIMCO due to the abrupt departure of Bill Gross, which the Committee voted unanimously to approve and then make further adjustments to the portfolio at the November 7th meeting.
- During the Committee meeting, Oxford recommended the Foundation eliminate the position in E.I.I. Global Fund because they are losing two senior managers in leadership roles and also exit two MLP’s; UBS & JP Morgan Alerian. Oxford suggested moving the \$1.3M from the E.I.I. divestiture into Fixed Income splitting it up in equal amounts in Dodge & Scout and with the elimination of UBS and JP Morgan Alerian move it into RS Global and a new position in JP Morgan Inflation Bond.
- The Foundation’s portfolio is moving to 26% in fixed income. There isn’t much upside potential in fixed income so the Committee agreed to move some out of fixed income and into private equity within the next couple of weeks via an email vote. Oxford will be

sending a follow-up email discussion on information on Private Equity fund managers in Real Estate and Energy.

- The Committee discussed the fund manager Watch List reviewing fund manager returns relative to benchmarks and risk. E.I.I. was one of the fund managers on the Watch List that the Committee agreed to eliminate.
- The Committee discussed at length the Foundation's portfolio performance and our experience with Oxford as our investment consultant over the past few years. The Committee is very satisfied with Oxford. They have been taking their cues from the Finance Committee and doing a good job in identifying appropriate fund managers that align with our goals and risk tolerance.

Finance Report - Jenna Sprangel

Jenna Sprangel shared financial highlights from fiscal year 2014 with the Board.

- Total assets at 6.30.14 were \$51,310,072 which is \$9.3 million more than at 6.30.13
- Oxford investment portfolio at 6.30.14 was \$43,694,644 which includes endowed and non-endowed funds. The Oxford portfolio makes up 85% of the Foundation's total assets
- Annual investment return at 6.30.14 was 13.86%
- The Foundation's Support to MSU Programs and Strategic Initiatives for fiscal year 2014 was \$2,980,335
- Scholarship support during fiscal year 2014 was \$486,418
- Operating budget surplus at 6.30.14 was \$96,937 which was approved at the June Board meeting to be transferred to the Foundation Operating Reserve
- Endowment growth has increased from \$23.4 million in June 2009 to \$43 million in June 2014
- \$9.2 million in contribution and pledges were received during fiscal 2014
 - \$5 million more in 2014 than 2013
 - \$4 million for Craft Academy for Excellence pledge
 - \$500K from James Graham Brown Foundation pledge
 - \$584K Little contribution
 - \$100K from charitable gift annuity
 - \$100K gift for scholarship endowment
- \$1 million increase in fiscal 2014 over fiscal 2013 in support to MSU
 - \$460K for MSU intramural soccer field from Campaign Unrestricted
 - \$150K towards fundraising personnel from approved Operating Budget
 - \$115K planning and design costs for the Performing Arts and Education Center from Campaign Unrestricted
 - \$100K for the University Document Management System from the MSU Needs List
 - \$75K towards software expenses from the approved Operating Budget
 - \$36K for the Governor's Scholar's Program from restricted gifts

Audit Update – Denny Dorton

Denny Dorton asked the Board to turn to the audit report that came with their Board packet.

Denny continued, stating that he and Steve Pack met with the Foundation's independent auditors,

David Richard and Justin Hubbard, from Dean Dorton Allen Ford, PLLC. Denny announced that there were no surprises that arose out of this year's annual audit. Denny referred members to page 2 for the audit opinion. He said that overall, the Foundation had a very successful year and a very successful audit.

Steve Hicks prompted the Board to accept the Finance & Investment report as well as the Audit Committee report as presented. All Board members accepted – reports approved.

Campus Master Plan Update – Beth Patrick

- Strategic Plan surrounding the ASPIRE 2014-2018
- Campus Technology Plan
- Campus Master Plan
 - 2008 demolished Wilson and Regent Halls in 2014 Demolished Waterfield
 - Nunn, Alumni Tower, Mignon Tower, E. Mignon & W. Mignon have all been renovated
 - Selling bonds for new residence hall on the backside of Alumni Tower facing Space Science building with plans to be open Fall 2016 with 550 new beds and 50 new beds at the MSU Farm
 - \$17M scope for 400 space parking garage and 30K square foot dining commons on the site where Waterfield used to sit
 - Campus Entrance planning and Alumni Welcome Center
 - The Central Campus will become a Campus Boulevard pedestrian walkway with no parking or general traffic - only emergency vehicle access
 - Renovation of ADUC Phase II - \$49M 80,000 square foot addition and renovation/upgrades summer of 2015
 - South Campus across by-pass – 12 hour shuttle service each day
 - \$31M in Campaign, but need an additional \$10M to help meet these goals

CEO Update– Jim Shaw

Jim Shaw discussed the reorganization of University Advancement due to the retirement of Tami Jones as Director of Alumni & Constituent Relations. Development and Alumni Relations has been combined into one unit called Alumni Relations and Development with Mindy Highley as the Director.

Comprehensive Campaign Update – Mindy Highley

Mindy Highley walked through the most recent status of the Comprehensive Campaign.

- \$1.4M thru September 30, 2014 – 1st quarter normally \$500-\$750K
- Alumni participation rate was 3.86% at 9.30.14 – our goal is to reach 9 or 10% by 6.30.15 – we were at 8% last year – we have 53,000 alumni contacts and a 3.68% participation rate in the 1st three months, so we should be able to reach our participation goal

- The Development team sent an invitation to Homecoming to ALL Alumni contacts - it had been 12 years since that had been done - the response to become and active alumni by making a gift was very encouraging
- In total, \$32M has been obtained towards Campaign priorities – we are \$5M short of reaching the original Campaign priorities – we need an additional \$5M for the new priority of the Performing Arts & Education Center

New Business

Jim Shaw discussed the annual budget referencing the Opportunity Reserve fund with \$300-350K available. Jim disclosed that \$50K will be used towards Eagle Trace, \$150K towards Volleyball facility renovation and up to \$100K may be needed towards the James Graham Brown Foundation match of \$500K. Jim Shaw, Dr. Andrews, Mindy Highley and Dr. Zargari have been on numerous donor visits to satisfy this matching gift obligation. We currently may require \$100K of Opportunity Reserve funding to meet the December 2014 deadline, but we are anticipating that number to decrease as the date approaches.

Steve Hicks proposed the Board approve creating an ad-hoc committee to take a deeper look into the Foundation's By-Laws and Financial Management and Investment Policy for final Board approval. The ad-hoc committee would consist of 7-9 members with at least three members from the Board. Steve is proposing that we set aside \$10K to seek outside advisors to consult with the Board on this initiative. Paul Stokes agreed that it is a good idea to make sure all Foundation documents including by-laws, memorandums of understanding & governing documents are in agreement and not contradictory. Bob Neff asked if they were suggesting we have an outside attorney with Foundational expertise look at our by-laws. Dr. Andrews suggested that we gather by-law examples of non-affiliated higher-ed foundations across the state to compare with our documents and learn from what is already out there. We may want to consider foundations with \$100M endowments since our goal is to strive for that in the near term. Reviewing institutions at that level will give us an idea of how they operate and govern to provide a sense of where we should be. Steve Pack stated that when you grow, you change. We should strengthen this organization so that we can grow and evolve into a \$100M Foundation. Steve suggested we table this and have Foundation staff gather information on state and private institutions with \$100M endowments. Jim Shaw said he will gather information and send a recommended course of action at the next meeting.

Perry Allen motioned to adjourn. Beth Patrick 2nd the motion. Meeting adjourned at 3:36 p.m.

Created by Jenna Sprangel
Reviewed by Sandi Ruth
Approved by Jim Shaw