MINUTES – September 18, 2009

I. Call to order. Ruben Armíñana determined that a quorum was present and opened the meeting. He noted that Nathan Halverson, staff writer from the Press Democrat was attending the meeting as a guest and recording the meeting. (Refer to Record of Attendance for September 18, 2009)

- Approval of the June 19, 2009 Board Minutes:
  - Approved unanimously.

- Current Foundation Board and Committee Membership:
  - An updated membership list for 2009/2010 was provided in the packet.

II. Board Responsibilities/Conflict of Interest and Non-Profit Integrity Act
(See September 18, 2009 Agenda packet for these documents)

Jeremy Olsan presented and discussed his annual letter to the Board:
- The letter provides information to Board members regarding their legal responsibilities to the SSUAF, conflict of interest provisions, and the Non-Profit Integrity Act.
- Olsan discussed the main obligations of the members:
  - Act in good faith.
  - Do not use the Foundation for own financial gain.
  - Exercise reasonable care in the conduct of Foundation Business.
  - Always follow fiduciary duties when making decisions.
  - Perform due diligence in assessing the reliability of officers and committee members.
  - To vote accordingly.
  - Conflict of Interest – alert the Board of any decisions made by the Board of transactions personally affecting you as a member.
- The California Education Code outlines legal responsibilities.
- Current law includes conditions, requirements, and exceptions as it relates to a conflict of interest transaction with an interested director (Board member).
- Details of the California Non Profit Integrity Act were also provided.
- This document is to be signed by all members and will be mailed out to all absent members for signature.
Schlereth noted that although the education code provides legal guidance, it may be appropriate to create a campus committee to review and develop a policy applicable to all four campus auxiliaries. The committee would decide whether it is appropriate to establish parameters that go beyond the law. He invited any member of the Board interested in participating alongside a group of faculty, staff, and students.

III. University President’s Report

Armiñana discussed the status of the CSU budget and the outlook for the 2010/11 fiscal year budget of the University.

- The CSU budget has been reduced approximately $626M in total in 09/10. SSU’s share of this cut is over $15M, or about 17% of the General Fund budget. In response to this cut the following items have been implemented:
  - Nearly all employees of the University are being furloughed two days each month (equated to approximately 9.3% of salary). Furloughs are for a one-year period only, ending on 6/30/10.
  - Enrollment reductions are being implemented. During the 09/10 and 10/11 years, the CSU system will not accept 40,000 eligible students. SSU’s enrollment target has been reduced from 7,500 FTES to 7,050 FTES. This has contributed to a lower than usual occupancy rate in student housing. The University will be closed for admissions in the Spring semester.
  - Student fees have been increased by over 30%.
- All of the commitments to scholarships at SSU have been met and there is no expectation for scholarships to be impacted at this time.
- If it had not been for the Federal Stimulus funds, the reduction to the CSU would have been about $1.2B, about double the current cut. Very little or no stimulus funds are expected in 10/11 and the State budget is already anticipated to be in deficit. The expected budget in 10/11 is unknown at this point and will depend greatly on commitments that have been made to restore the budget.

IV. Vice President for University Development’s Report

(See September 18, 2009 Agenda packet for these documents)

*Introduction of new Associate Vice President for Development – Erik Greeny*

Patricia McNeill introduced Erik Greeny, recently appointed AVP for Development. Greeny is filling Robin Draper’s position. He is coming from San
Jose State University, where he served as the Senior Director of Development for the College of Business, and worked at Stanford previous to his role at SJSU.

Development Report – 3 year review
Patricia McNeill announced that this is the time of year for completing the VSE survey and CSU productivity report. These reports have different reporting standards than GAAP and thus do not match with the numbers reflected in the audited financials. McNeill then described a sheet providing a comparison of fundraising efforts over the last three years (06/07, 07/08, 08/09) in terms of funds received for the GMC and other campus activities. Armiñana noted that CSU Trustees have set a fundraising goal for campuses to be 15% of the General Operating Fund.

Campus Town Hall Meeting on the Foundation
Patricia McNeill noted that Dan Condron has been developing and scheduling a set of campus Town Hall meetings over the last year or so. Condron noted that the campus Town Hall on the Foundation will be occurring in the near future. Town Halls are open to community, staff, faculty and students and may be held once a month or more depending on the number of topics to be discussed. Any Board member who wishes to attend or participate in the Foundation Town Hall is welcome.

V. Chief Operating/Financial Officer’s Report
(See September 18, 2009 Agenda packet for these documents)

Status of the Endowment Investments with Commonfund
Letitia Coate referred to Ian Hannah to discuss the status of the Endowment Investments with the Commonfund. Hannah referenced a sheet outlining the endowment investment returns with the Commonfund. Fiscal year returns as of 6/30/09 (net of fees) for both the pooled endowment and the OLLI endowment were -22.7% and -15.4% respectively. The -22.7% return for the SSUAF is the value to be reported in the annual NACUBO-Commonfund Endowment Study and compares to investment losses reported in the news of -27% for Harvard, -25% for Yale, and -23.7% for CalPERS for the same time period. The financial markets have since been recovering and some of the recent investment losses of the endowment have been improving.

VI. Action Items
(See September 18, 2009 Agenda packet for these documents)
09/10 Pooled Endowment Distribution
Schlereth stated that the Finance Committee is recommending to the Board that no distribution from the pooled endowment be made in 09/10 due to the fact that it is underwater. This will not have an impact on scholarships however, because these funds are accumulated for distribution a year in arrears. Schlereth added that having no distribution provides a hardship for those areas which tend to rely on those funds. An attempt is therefore being made for the University to provide support to those funds which require a distribution in order to maintain operations. A motion was made and seconded to make no distribution in the current fiscal year from the pooled endowment. This motion was unanimously approved.

Motion: Approval of no distribution from the pooled endowment for 09/10 per recommendation by the Finance Committee

Action: Unanimously approved

09/10 SSUAF General Fund Budget
Coate discussed the proposed 2009/10 SSUAF General Fund budget per recommendation of the Finance Committee. This budget essentially represents all operational costs for the Foundation, which in typical years is funded from an assessment to endowment earnings. Due to the decline in the market and its effect on the endowment, the Foundation had to look at alternative resources to fund these costs in 09/10. Total Revenues are expected to equal total Expenses of $239,800.

Wally Lowry mentioned of the intent to increase this fund balance over time to equal at least one year of operating costs.

Motion: Approval of General Fund Budget proposal for 2009/10 per recommendation by the Finance Committee

Action: Unanimously approved

Financial Audit by Moss-Adams LLP
Dan Lanahan discussed the Financial Audit by Moss-Adams, LLP. An RFP process is conducted to hire the independent audit firm. Moss Adams of Eugene
Oregon works with many non-profit and educational institutions. The Audit Committee met with Jim Lanzarotta, Partner at Moss Adams, to deliver and review the draft audited financial statements. Lanahan added that each year the Audit Committee develops special areas of interest and this year they have requested that the auditors review the Foundation’s management of split interest agreements, which include Charitable Remainder Trusts (CRTs).

Lanahan introduced Lanzarotta to provide a presentation of the financials for the year ending June 30, 2009.

- Overall, SSUAF received an unqualified opinion.
- Lanzarotta discussed the numerous new accounting and auditing standards, areas of audit emphasis, and significant SSUAF events or transactions.
- Lanzarotta highlighted a positive review of CRTs which was conducted this year.
- A review of financial highlights was provided via charts which showed investment returns and annual values in assets, liabilities, net assets, revenues, university support and investment returns.
- Lanzarotta gave thanks to Foundation staff, the Audit Committee and the Board for their assistance in the audit process.

Lowry reminded the Board that the general public will see a copy of the financial statements but not the presentation being made to the Board with additional descriptions and clarifying information. He then noted that much of the investment loss sustained and noted in the financials was unrealized rather than realized and thus may come back when the market improves.

Lanahan submitted the report for approval by the Board on behalf of the Audit Committee.

**Motion:** Approval of Financial Audit by Moss-Adams LLP

**Action:** Unanimously approved

VII. New Business

No new business.
SONOMA STATE UNIVERSITY
Academic Foundation, Inc.
Board of Director's Meeting

Meeting adjourned by Armiñana at 2:10 p.m.

Minutes Approved by:
Letitia Coate
Chief Financial Officer, SSUAF

Minutes Prepared by:
Ian Hannah
University Associate Treasurer, SSU
## Record of Attendance

**September 18, 2009**

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<tr>
<td>1</td>
<td>Dr. Ruben</td>
<td>Armiñana</td>
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<tr>
<td>2</td>
<td>Ms. Patricia</td>
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<td>Mr. Laurence</td>
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<td>4</td>
<td>Ms. Letitia</td>
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<td>5</td>
<td>Ms. Jeannette</td>
<td>Anglin</td>
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<td>6</td>
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<td>7</td>
<td>Mr. Sanford</td>
<td>Bressick</td>
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<td>9</td>
<td>Dr. Barbara</td>
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<td>Ms. Anita</td>
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<td>21</td>
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<td>Ms. Stephanie</td>
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<td>32</td>
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<td>Troy</td>
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**Members Present**: 20  
**Members Absent**: 12  
**Board Quorum**: 13  

*Article II, Section 1(a), Bylaws*

**Staff/Guests Present:**  
- Mr. Erik Greeny – Associate Vice President for Development, SSU  
- Mr. Nathan Halverson – Staff Writer, Press Democrat  
- Mr. Kent Porter – Photographer, Press Democrat  
- Mr. Ian Hannah – University Associate Treasurer, SSU  
- Mr. Jim Lanzarotta – Partner, Moss Adams LLP  
- Ms. Susan Kashack – Associate Vice President for Communications and Marketing, SSU  
- Mr. Jeremy Olsan – SSUAF Counsel - Perry, Johnson, Anderson, Miller, & Moskowitz