SSU Academic Foundation, Inc.

Sonoma State University
Town Hall
December 16, 2009
Evert B. Person Theatre
SSUAF Purpose

- The Foundation's mission is to secure, manage and distribute gifts that enhance and promote Sonoma State University's educational mission.
Governing Structure

- **Board of Directors**
  - Community members, University faculty/staff/students/alumni

- **Executive Committee of the Board of Directors**
  - SSUAF Chairman – Ruben Armiñana
  - SSUAF President – Patricia McNeill
  - SSUAF Vice President & COO – Larry Schlereth
  - SSUAF Secretary & CFO – Letitia Coate
Governing Structure

- Finance Committee (formerly Investment Committee)
  - Members of Board and University staff
  - Recommends investment managers, reviews staff recommendations and monitors investment performance
  - Recommends financial policies to the Board
Governing Structure

- **Audit Committee**
  - Consists solely of community members of the Board
  - Recommends independent auditor to the Board and reviews the annual audit
  - Reports to the Board

- **Compliance Review Committee**
  - Annually review expenditures from scholarship funds and expenditures for discretionary accounts
  - Reports to the Board
Funds Managed by the Foundation

All figures based on fair market value

6/30/1992

Endowment: $3.6M
Other Assets: $2.1M
Total Assets: $5.7M

6/30/2009

Endowment: $26.0M
Other Assets: $13.7M
Total Assets: $39.7M
OTHER ASSETS
Other Assets

- Charitable Remainder Trusts
- Charitable Gift Annuities
- Non Endowed Accounts
  - Scholarships
  - Campus Programs
  - Remaining GMC funds
Charitable Remainder Trusts

- CRTs – Funds are donated to SSU, but the donor (called the grantor) or beneficiaries continues to receive income from the gift. University receives the remainder once CRT matures/terminates.

- Foundation is trustee and responsible with investment management of assets

- Maximization of cash flow while maintaining value of the Trust
# Charitable Remainder Trusts (CRTs)

<table>
<thead>
<tr>
<th>Date</th>
<th>Quantity of CRTs</th>
<th>Trust’s Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/92</td>
<td>3</td>
<td>$516,000</td>
</tr>
<tr>
<td>6/30/03</td>
<td>20</td>
<td>$9.2 Million</td>
</tr>
<tr>
<td>6/30/09</td>
<td>17</td>
<td>$6.2 Million</td>
</tr>
</tbody>
</table>
Foundation’s Investment Policy

- Purpose – framework for investment of SSUAF assets
Primary Investment Manager & Advisor

- Commonfund
  - Large, not-for-profit investment firm supporting higher education foundations in U.S. and Canada
  - Other clients include:
    - Nine CSU campuses
    - State Colleges/Universities (ex. Michigan State)
    - Private Colleges/Universities (ex. Harvard, Stanford)
    - Community Colleges
    - Foundations/Non Profits (ex. San Francisco Foundation)
    - Healthcare
ENDOWMENT
Endowment

- **Pooled Endowment Funds** (invested with Commonfund):
  - Approx. 350 separate endowment accounts
  - Long-term investment horizon (Intergenerational Equity)
  - Return objective = inflation + 5%

- **Non-Pooled Endowment Funds**:
  - Separately invested per donor requirements
    - Ex. Osher Lifelong Learning Institute (OLLI)
## 2008 CSU Endowment Profile

<table>
<thead>
<tr>
<th>10 Largest CSU Endowments</th>
<th>Rank</th>
<th>Endowment $ per FTES</th>
<th>Rank</th>
<th>June 30, 2008 Endowment Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Luis Obispo</td>
<td>1</td>
<td>$8,813</td>
<td>1</td>
<td>$166.2 M</td>
</tr>
<tr>
<td>Fresno</td>
<td>2</td>
<td>$5,498</td>
<td>3</td>
<td>$104.7 M</td>
</tr>
<tr>
<td><strong>Sonoma</strong></td>
<td>3</td>
<td><strong>$4,492</strong></td>
<td>8</td>
<td><strong>$35.6 M</strong></td>
</tr>
<tr>
<td>San Diego</td>
<td>4</td>
<td>$3,643</td>
<td>2</td>
<td>$115.1 M</td>
</tr>
<tr>
<td>Chico</td>
<td>8</td>
<td>$2,186</td>
<td>9</td>
<td>$34.6 M</td>
</tr>
<tr>
<td>Northridge</td>
<td>10</td>
<td>$1,966</td>
<td>4</td>
<td>$55.3 M</td>
</tr>
<tr>
<td>San Jose</td>
<td>11</td>
<td>$1,945</td>
<td>5</td>
<td>$50.1 M</td>
</tr>
<tr>
<td>San Francisco</td>
<td>12</td>
<td>$1,844</td>
<td>6</td>
<td>$47.2 M</td>
</tr>
<tr>
<td>Pomona</td>
<td>15</td>
<td>$1,724</td>
<td>10</td>
<td>$33.2 M</td>
</tr>
<tr>
<td>Long Beach</td>
<td>17</td>
<td>$1,190</td>
<td>7</td>
<td>$36.6 M</td>
</tr>
</tbody>
</table>
Endowment Performance
Average Investment Return
Period ending 6/30/08

<table>
<thead>
<tr>
<th>Investment Pool Assets</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; $25 m to &lt;= $50 m (All NACUBO)</td>
<td>-4.3%</td>
<td>6.6%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Sonoma State University</td>
<td>-3.9%</td>
<td>8.0%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

Returns as reported in 2008 NACUBO Endowment Survey
Net of Management Fees and Expenses
Recent Endowment Investment Performance

For period 7/1/08 thru 6/30/09 (FY 08/09)
- SSUAF Endowment with Commonfund: -23%
- Harvard: -27%
- Yale: -25%
- CalPERS: -24%
- Princeton: -24%

For period 7/1/09 thru 11/30/09 (last 5 months)
- SSUAF Endowment with Commonfund: +14%
- Investment appreciation of approx. $3M
- SSUAF Endowment currently “underwater” by $1.5M
Pooled Endowment Distribution – 5 Years

Approx. 30% of annual total is distributed to scholarship accounts

Total Annual Distribution

- 2004-2005: $305,000
- 2005-2006: $884,126
- 2006-2007: $977,398
- 2007-2008: $1,028,612
- 2008-2009: $1,144,259
Pooled Endowment Distribution – 5 Years

*Primarily Supports Information/Instructional Technology  ** Primarily Supports Athletic Scholarships

*Year 2004-2005: $305,000*  *Year 2005-2006: $884,126*  *Year 2006-2007: $977,398*  *Year 2007-2008: $1,028,612*  *Year 2008-2009: $1,144,259*
Non Endowed Accounts

- Account balances as of 9/30/09:
  - Scholarships*
    - Approx. $500,000
  - Campus Programs*
    - Approx. $3,600,000 (non GMC)
  - SSUAF General Fund
    - Approx. $200,000
      - Operating Costs: Audit, Legal, Insurance etc.

*Use restricted to donor requirements
AUDITS
Audits of the Foundation

- Annual CPA financial statement audit
  - Audits SSUAF financial statements and transactions
  - Consistently received highest audit opinion
  - Audit Committee responsibilities
  - All audit reports publicly available

- CSU Auxiliary Audit
  - Reviews internal compliance and internal controls
  - Coordinated by CSU Office of the University Auditor
  - Triennial Audit – 2009 audit will be completed soon
  - All audit reports publicly available
Audits of the Foundation

- Internal Compliance Audit
  - Review scholarships to ensure they follow donor restrictions
  - Chaired by community member of the Board
  - All audit reports publicly available

- Other External Audits
  - Current Audit by the Attorney General
CONCLUSION
Concluding Remarks

- Endowment growth from $3.6M to $26M since 1992
  - Ranks 3\textsuperscript{rd} highest in Endowment $ per FTES among CSU campuses
  - Outperformed NACUBO average investment returns for 1, 3, and 5 year periods
  - Pooled Endowment distribution totals $4.3M over a five year period

- Independently audited, publicly available financial statements
  - Meets highest audit standards
  - Verification of competent administration and oversight of donor funds
  - Verification funds spent according to donor agreements
  - Verification investment practices consistent with sound fiscal management

- Ad-hoc Conflict of Interest Committee formed
- Full cooperation with Attorney General Audit