

Minutes of the Finance Committee of the
Board of Directors of the University of Louisville Foundation, Inc.

The Finance Committee of the University of Louisville Foundation, Inc. met on Wednesday, December 5, 2001 at 12 Noon in the Mary Bingham Room of the University Club, with members present and absent as follows:

Present: Mr. Burt Deutsch, Chairman
Mr. H. Scott Davis
Mr. Nathaniel Green
Mr. William Wilcox

Absent: Mr. Robert W. Rounsavall, III

From the
University: Mr. Larry Owsley, Vice President for Finance & Administration
Ms. Angela Koshewa, University Counsel
Mr. Mike Curtin, Director of Planning & Budget
Mrs. Susan Magness, Associate Controller
Mrs. Susan Wilhelm, Controller's Office
Mr. Joe Gahlinger, Office of the Vice President for Finance & Administration
Mrs. Kathleen Smith, Assistant Secretary
Mrs. Debbie Dougherty, Board Liaison

Foundation
Legal
Counsel: Ms. Leslie Vidra, Stites & Harbison

Others
Present: Mr. Kent Meyers, Cambridge Associates
Mr. John Tyler, Cambridge Associates
Mr. Bernie Backert, Deloitte & Touche
Mrs. Mary McKinley, Deloitte & Touche
Mr. Jim Carpenter, Deloitte & Touche

I. Call to Order

Having determined a quorum present, Chairman Deutsch called the meeting to order at 12:20 p.m.

II. Approval of Minutes

Mr. Green made a motion, which Mr. Wilcox seconded to approve the minutes of the September 26, 2001 meeting. The motion passed. In response to Chairman Deutsch regarding the investment statement contained in Item IV of the September 26, 2001 minutes, Mr. Meyers noted that out of the endowment universe Cambridge manages (180 universities), the UofL Foundation portfolio achieved top performance. Chairman Deutsch praised this success and requested it receive appropriate publicity. Vice President Owsley reported he was in the process of working with Inside UofL. The

Chair recommended the publicity effort be more broadly than Inside UofL. Chairman Deutsch also offered his congratulations to university staff and Cambridge Associates.

Vice President Owsley introduced John Tyler. Mr. Tyler is an associate with Cambridge and has serviced the Foundation's account for approximately 1 ½ years. The Finance Committee thanked Mr. Tyler for his assistance.

III. Action Item: Approval of Financial Statements for Year Ending June 30, 2001

Vice President Owlsey introduced Jim Carpenter, Mary McKinley, and Bernie Backert from Deloitte & Touche. Mr. Carpenter reported a clean and unqualified audit. He noted that ULF net assets have grown from \$498 Million to \$558 Million as of June 30, 2001.

Mr. Backert updated the Committee regarding the future impact of ULF financial statements as a result of changes by the Governmental Accounting Standards Board (GASB). GASB 14 originally permitted an inclusive report; but GASB now requires greater separation of financial data and more disclosure. The full GASB board will adopt recommendations in April 2002. Any reporting changes will take effect in 2003-04, or a year later to assist governmental agencies with the transition.

In response to Ms. Vidra's question concerning the impact of GASB 14 as it relates to FASB (Financial Accounting Standards Board) 136, Mr. Backert stated it really had no impact on the financial statements of the Foundation. He will, however, obtain D&T legal and accounting review concerning this issue.

Mr. Wilcox made a motion, which Mr. Green seconded to approve the

President's recommendation that the Finance committee accept the audit report for the University of Louisville Foundation, Inc. for the year ended June 30, 2001 as prepared by Deloitte & Touche (copy attached).

The motion passed.

IV. Information Item: Semi-Annual Statement of Adjustments

Mr. Mike Curtin shared the following information (attached) from the Semi-Annual Statement of Adjustments for the period of July 2001 through November 2001:

- William Mercer Salary Study, authorized by Chair Chancey
- Miscellaneous Legal Fees and Expenses related to the Open Records Request
- President's Home Renovation, approved by the Property Committee and full board
- Washington Bureau – which is a request from the Governor to support the staffing of a Washington office for Kentucky. Presidents Shumaker and Todd have agreed to contribute to the operation. The Office is operable.

Mr. Curtin further reported on one budget adjustment from the President's Venture Fund to augment the contract for the PriceWaterhouse staff salary study in the amount of \$78,000.

V. Information Item: Investment Performance Summary

Vice President Owsley noted the total assets as of September 30, 2001 was \$411M; as of November 30, 2001, the total assets are \$443 Million.

Mr. Meyers noted the decision of the Committee from the September 2001 meeting regarding the transfer of funds from the fixed income to equities was a profitable action with approximately \$1 Million gained. Mr. Meyers commented concerning the attached report.

In response to Vice President Owsley's question about the processing of Lonestar's commitment, Mr. Meyers and Mr. Gahlinger noted they would provide an update at the December Board meeting.

VI. Information Item: Segregation of Unitrust Funds

Vice President Owsley noted the segregation of unitrust funds in the Foundation's financial statements. This is a change in presentation suggested during an external review.

VII. Venture Capital Money Manager Presentations

The Finance Committee heard presentations from the following money managers:

- Limestone Associates
- Academy Venture Funds

VIII. Discussion

The Finance Committee agreed to make its recommendations on the following money managers to the full Board on December 19:

- Chrysalis
- Marshall Capital Management Group
- Ariel Capital Management
- EARNEST Partners

IX. Adjournment

There being no further business to discuss, Chair Deutsch adjourned the meeting at 2:30 p.m.

BOARD ACTION:

Passed X
Did not pass
Other

Asst. Secretary Katalin M. Smith