

MINUTES OF THE UNIVERSITY OF LOUISVILLE FOUNDATION, INC.
BOARD OF DIRECTORS

In Open Session

March 29, 2004

The Board of Directors of the University of Louisville Foundation, Inc. met on Monday, March 29, 2004, at 3:00 p.m. in the Jefferson Room of Grawemeyer Hall, with members present and absent as follows:

Present: Mr. Malcolm Chancey, Jr., Chairman
Mr. Morris Borowitz
Mr. H. Scott Davis, Jr.
Mr. Burt Deutsch
Mr. Nathaniel E. Green
Mr. Larry Hayes
Mr. Frank Hower
Dr. Joe Kutz
Mr. Robert W. Rounsavall, III
Dr. James R. Ramsey
Ms. Sandy Metts Snowden
Mr. Frank Weisberg

Absent: Ms. Joyce Hagen
Mr. J. Chester Porter
Mr. William G. Wilcox

Foundation

Legal Counsel: Mr. Kennedy Helm, Stites & Harbison

From the

University: Dr. Shirley Willihnganz, Acting EVP and Provost
Mr. Mike Curtin, Assistant Treasurer, ULF
Mr. Larry Owsley, Vice President for Business Affairs
Mr. Joe Gahlinger, Office of the Controller
Ms. Cheri Jones, Audit Services
Mrs. Kathleen M. Smith, Assistant Secretary
Mrs. Debbie Dougherty, Board Liaison

Guests: Ms. Laura Combs, Creative Alliance
Ms. Nancy Wine', Creative Alliance
Ms. Sumedha Mandpe, Creative Alliance
Mr. Keith Williams, Courier-Journal
Mr. Michael Lindenberger, Courier Journal

I. Convene Meeting

Having determined a quorum present, Chairman Chancey called the meeting to order at 3:00 p.m. Chairman Chancey welcomed new board member Mr. Frank Hower.

II. Consent Agenda

Minutes, December 11, 2003

Mr. Chancey read the consent agenda item. Mr. Deutsch made a motion, which Mr. Davis seconded, to approve the consent agenda. Hearing no objection, Chairman Chancey declared the consent agenda approved.

III. Information Items

Investment Performance Reports

Vice President Curtin reviewed the Investment Performance Reports (copy available upon request). Mr. Curtin noted the endowment has performed exceptionally well, averaging a 26.4% annual return. A summary of the performance is as follows:

1 Year 1/1/03 – 12/31/03	3 Years 1/1/01-12/31/03	5 Years 1/1/99-12/31/03	7 Years 1/1/97-12/31/03
<u>Endowment Average Annual Compound Return</u>			
26.4%	3.4%	9.0%	12.2%
<u>Benchmark Index Blend</u>			
23.6%	-0.9%	1.5%	7.9%
<u>Cambridge Associates Endowment Median</u>			
22.4%	3.0%	5.8%	8.4%

Interim Financial Statements Through December 31, 2003

Mr. Curtin reviewed the Combined Statement of Financial Position and Combined Statement of Activities (copy available upon request). Mr. Curtin noted total investments increased about \$99 million. This figure includes capital appreciation and new monies. With respect to liabilities, bonds payable increased approximately \$13 million. Total assets increased approximately \$116 million. In response to Chairman Chancey's inquiry, Mr. Curtin stated that a summary of expense items are reported publicly.

IV. Action Item: Authorization to Finance Committee to Implement Cambridge Associates' Recommendations

Chairman Chancey reported the Finance Committee will meet in early April with money managers and a Cambridge Associates representative. For the Finance Committee to implement routine rebalancing recommendations discussed by Cambridge, the Board will need to authorize the Finance Committee to take final action when the Committee meets. Mr. Green made a motion, which Dr. Kutz seconded, to approve the

Chair's recommendation that the Board of Directors delegate to the Finance Committee a one-time authority to:

- **approve funding a 2% allocation from existing investments to global commodities, and**
- **approve the selection and hiring of a global commodities money manager(s), pending a satisfactory due diligence review of two prospective managers at the Finance Committee Meeting in early April 2004.**

The motion passed unanimously.

V. Action Item: Approval of Recommendation Concerning Banking Resolution

Chair Chancey stated this recommendation is routine in nature. With the approval of the President's reorganization effective July 1, 2003, changes to the existing signatory authority on the University of Louisville Foundation's bank accounts became necessary. These resolutions change only the signatory authorizations. Mr. Hower made a motion, which Mr. Weisberg seconded, to approve the

President's recommendation that the University of Louisville Foundation, Inc. Board of Directors adopt the attached resolutions relating to bank accounts at Republic Bank and Trust, Louisville, Kentucky and Republic Bank and Trust, Shelbyville, Kentucky (copy available upon request).

The motion passed unanimously.

V. Action Item: Approval of Establishment of the Alumni Association Scholarship Fund

President Ramsey announced the Alumni Association received more than \$146,000 from the sale of UofL Collegiate License Plates. The Board of Directors of the Alumni Association has asked that proceeds from the sale of these license plates go to an endowment that supports scholarships. President Ramsey expressed his support of this request. Mr. Deutsch made a motion, which Mr. Rounsavall seconded, to approve the

President's recommendation that the Board of Directors approves the endowment of a scholarship program by the Alumni Association

**funded with proceeds from the sale of University of Louisville
Collegiate License Plate Program.**

The motion passed unanimously.

VI. Report of the President

President Ramsey expressed his deep appreciation to those personnel who worked on the state audit. Last week, Crit Luallen, Kentucky's Auditor of Public Accounts, issued a third audit of the expenditures of former president John W. Shumaker. The audit, like the previous two, found no instances of abuse, fraud, misuse of funds, or inappropriate benefit to John Shumaker. Throughout these audits, the Office of the President made available to the state auditor's office the following:

- 100% of the quarterly reports filed by President Shumaker detailing travel and reimbursement expenditures for Dr. and Mrs. Shumaker;
- The Foundation's discretionary budgets for FY 2000, FY 2001, and FY 2002;
- All the expenditures made on behalf of Dr. and Mrs. Shumaker and paid from state, UofL Research Foundation, and UofL Foundation funds;
- All personal services contracts (PSC's) paid from state and Foundation funds for FY 2001 and FY 2002;
- All procard expenses paid from Foundation funds;
- All operating expenditures for Amelia Place for FY 2001 and FY 2002;
- Inventory schedules for Amelia Place from 1999 through 2002;
- All direct vendor payments from the UofL Foundation ledger as budgeted in the Office of the President, and selected according to subcodes identified by the state auditor;
- Opportunity to interview staff that worked with Dr. Shumaker;
- Access to Amelia Place for on site inspection of inventory;
- Foundation travel and expense policies;
- OAG 82-520 exempting the Foundation from the state's model procurement code procedures, and
- All supporting documents for any expense or contractual item requested.

President Ramsey reported the University and the UofL Foundation have cooperated with the Office of the State Auditor throughout the examination of these records. Dr. Ramsey referred to a handout (copy available upon request) which reflected the recommendations and findings of the four audits. He stressed there was no evidence of fraud, abuse, misuse or inappropriate benefit to Dr. Shumaker from the expenditure of these funds. The audit produced four recommendations that could impact policy. He asked that the Finance Committee discuss these recommendations and bring proposals forward when appropriate.

Dr. Ramsey welcomed the media to these board meetings. The Foundation, at the President's request on December 1, decided to open voluntarily its board

meetings. Dr. Ramsey noted the work of the Foundation has created the margin of excellence that is so essential for UofL to achieve preeminence. President Ramsey encouraged and challenged the media to assist in communicating the Board's good work, openness and dedicated support of the Foundation's donors.

Dr. Ramsey observed the media coverage throughout the audit process was intense. He invited Ms. Laura Coomes, Creative Alliance, to present a summary of the publicity related to the Luallen audit report. Ms. Coomes said the Foundation has done a good job relating to audit interviews and presented materials depicting the media coverage. Chair Chancey thanked Ms. Coomes and her staff for their work and the excellent presentation.

Dr. Ramsey reported on the five administrative searches underway. The provost search was nearing completion.

Dr Ramsey reported applications for admission are up about 8% and admission of African-American students are up about 13%.

Dr. Ramsey stated the Cardiovascular Innovation Institute has held three board meetings and the Board is off to an excellent start.

Dr. Ramsey stated the groundbreaking for the Library expansion will be next month.

At the December 2003 Board meeting, the Board recommended the establishment of a website and preparation of an Annual Report. Dr. Ramsey asked Ms. Nancy Wine' to share the draft copy of the Foundation's website and first annual report. Mr. Deutsch observed the Annual Report looked very professional.

VII. Report of the Chair

Chair Chancey recognized Dr. Ramsey and his staff's investment of over 1000 hours of work related to the audits. He noted the state auditor's staff invested an equivalent amount. Although the cost has been high, he affirmed the Board's pleasure as the results validated to the public and donors that the Foundation takes stewardship of its assets very seriously. He confirmed the Board's appreciation of the State Auditor's recommendation and noted the Foundation will respond to the proposals Dr. Ramsey brings to the Board. Vice President Owsley stated that when President Shumaker left, there were no missing pieces of furniture at Amelia Place. Chair Chancey said it was great for the University to have a president with a family and the Foundation would create guidelines related to appropriate reimbursement for family expenses. Mr. Deutsch noted the state audits found no misuse or misappropriation. He acknowledged the President's Office did a tremendous job of documentation. The Board applauded the President and his staff. Ms. Snowden stated that as a trustee director, she was

proud of the policies and procedures in place. She concurred that the Board implement a policy to encourage the President to bring his minor children to university events.

Chair Chancey recognized Dr. Ramsey and his staff for their diligent work throughout this audit process. Mr. Chancey read the following

RESOLUTION

WHEREAS, the Chair acknowledges the Board's deep appreciation for the leadership of President Ramsey and his staff, Debbie Dougherty, Vicky Hibbs, Susan Magness, Aria Razavi, Kathleen Smith, and Mike Curtin for their excellent work in responding to the recent series of audits (3) by Kentucky's Auditor of Public Accounts.

WHEREAS, the State Auditor reviewed more than \$2.2 million in expenditures (including all personal service contracts) and examined in specific detail 86% of the transactions.

WHEREAS, the state auditor recognized in her report of March 24, 2004, that the UofL Foundation had voluntarily cooperated with the audits and had made available any and all records her staff had requested.

WHEREAS, the President and his staff have implemented nearly all the recommendations resulting from these audits, and will bring specific proposals for policy changes back to this board at its next meeting.

NOW THEREFORE BE IT RESOLVED, that the Chair requests the President send a letter on behalf of the Foundation to all the employees involved with these audits that expresses the Board's appreciation for their excellent work.

Mr. Deutsch made a motion, which Mr. Borowitz seconded, to approve the adoption of the above resolution. The motion passed unanimously.

VIII. Executive Session

Mr. Borowitz made a motion, which Mr. Green seconded, to go into executive session at 4:15 p.m. The motion passed unanimously.

IX. Open Session Reconvenes

