

Minutes of the Finance Committee of the University of Louisville Foundation
Board of Directors

In Open Session

Members of the University of Louisville Foundation Finance Committee met on Wednesday, May 31, 2006, at 12 Noon in the Alumni Board Room of the Chancey Center with members present and absent as follows:

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

Absent: Mr. Nathaniel Green
Mr. Robert W. Rounsavall, III

From the University: Mr. Mike Curtin, Vice President for Finance
Mrs. Susan Howarth, Budget Director
Mrs. Susan Magness, Controller's Office
Mr. Joe Gahlinger, Controller's Office
Mr. Rex Davidson, Controller's Office
Ms. Marie Mathison, CFA, Controller's Office
Mrs. Kathleen Smith, Assistant Secretary
Mrs. Debbie Dougherty, Board Liaison

Others Present: Mr. John Tyler, Cambridge Associates
Mr. John Fox, Cambridge Associates

I. Convene Meeting

Having determined a quorum present, Chair Deutsch called the meeting to order at 12:05 p.m.

Approval of Minutes, February 27, 2006 and May 2, 2006

Mr. Davis made a motion, which Mr. Wilcox seconded, to approve the minutes of February 27, 2006, and May 2, 2006. The motion passed unanimously.

Mr. Gahlinger introduced Marie Mathison. Ms. Mathison serves as assistant cash manager. The Committee welcomed Ms. Mathison to this and future meetings.

II. Action Item: Approval of Operating Budget for 2006-07

Vice President Curtin reviewed highlights of the 2006-07 Operating Budget. The recommended budget was projected at \$77 million. This represents a \$15 million increase, which was a direct result of increased philanthropic support for the University.

Chairman Deutsch stated that all board members received this material prior to the meeting which allowed them the opportunity to review it in detail. He confirmed there are three components to the budget: Unrestricted Funds, which the Board of Directors will approve or change; Restricted Endowment Funds, which represent funds carrying a stipulation that the gift's principal will be held inviolate and invested for the purpose of producing income; and Gifts, which represent accounts established from unrestricted donations. Mr. Davis made a motion, which Mr. Wilcox seconded, to approve the

President's recommendation that the Finance Committee approve the proposed operating budget for the fiscal year 2006-2007 for the University of Louisville Foundation, Inc. as specified in the attached budget document and supporting schedules; and

That the President be authorized to make adjustments for discretionary programmatic expenditures from budgeted reserves up to the balance available in the reserve. All such adjustments shall be reported to the Board quarterly.

The motion passed unanimously. Chairman Deutsch thanked Vice President Curtin, Ms. Howarth and their staff for an excellent job with the operating budget.

III. Information Updates:

Interim Financial Statements through March 31, 2006

Mr. Davidson reviewed the interim financial statements through period ending March 31, 2006 and 2005 (copy available upon request). The Foundation remains in a strong financial position with assets of \$865.5 million and net assets of \$748.9 million. With respect to investments: 1) market value (including short-term investments) increased approximately \$94.9 million over March 31, 2005. This 16.3% increase reflects the investment policy of the Foundation. The market value of the Foundation's endowment fund rose to another all-time high of \$689.0 million. This represents a 13.4% increase over the June 30, 2005 market value of \$607.6 million. Net assets increased 14.2% over March 31, 2005. Total revenues were approximately \$124.1 million. Gain on investments represented 60% of total revenues; while gifts represented 29% of total revenues (\$36.5 million). Chair Deutsch thanked Mr. Davidson for an excellent report.

Investment Performance Report

Mr. Gahlinger reviewed the Investment Summary Report following the materials provided (copy available upon request). Mr. Gahlinger noted that since 1995, the Foundation's portfolio has added \$155.9 million more wealth compared to the Cambridge Associates College and University Median and \$127.4 million compared to the Dynamic Benchmark. As of March 31, 2006, the ending market value was \$650.9 million. Chairman Deutsch thanked Mr. Gahlinger for an excellent report and requested staff to compile a list of gifts for the next meeting. This list would be helpful as the Foundation focuses on additional fundraising.

Messrs. Tyler and Fox discussed investment performance.

IV. Action Item: Approval of Revised Investment Objectives and Guidelines

Chairman Deutsch reported the various draft components of this policy was distributed at last several committee meetings. Mr. Deutsch summarized the color coded set of guidelines, noting the progression from the current guidelines. The streamlining of the process made the document more comparable to a charter. Mr. Davis made a motion, which Mr. Wilcox seconded, to approve the

Recommendations to adopt the attached revised "Statement of Investment Objectives and Guidelines."

The motion passed unanimously. Chairman Deutsch thanked Mr. Helm, Cambridge Associates, Mr. Curtin and Mr. Gahlinger for spending a lot of time reviewing this document in its various stages of development. The Committee took a short break at 1:05 p.m.

V. Large Cap Value Manager Presentations

The Committee heard presentations from Mayo Capital and Harris Associates.

VI. Cambridge Portfolio Review

VII. Other Business

There was no other business.

VIII. Adjournment

The meeting adjourned at 4:00 p.m.

BOARD ACTION:

Passed _____X_____

Did not pass _____

Other _____

Asst. Secretary Katalin M. Smith