

MINUTES OF THE REGULAR MEETING OF THE UNIVERSITY OF LOUISVILLE
FOUNDATION FINANCE COMMITTEE

In Open Session

Members of the University of Louisville Foundation Finance Committee met on Monday, June 11, 2007, 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. Nathaniel Green
Ms. Joyce Hagen
Mr. Harry Jones
Mr. Robert W. Rounsavall, III
Mr. Frank Weisberg
Mr. William Wilcox

From the University: Mr. Mike Curtin, Vice President for Finance
Mr. Keith Inman, Vice President for University Advancement
Ms. Susan Ingram, Director of Budgets
Ms. Susan Magness, Controller's Office
Mr. Joe Gahlinger, Controller's Office
Mr. Rex Davidson, Controller's Office
Mrs. Kathleen M. Smith, Assistant Secretary
Mrs. Debbie Dougherty, Board Liaison

Others Present: Mr. John Tyler, Cambridge Associates
Mr. Jamie Perencevich, Cambridge Associates

I. Convene Meeting

Having determined a quorum present, Chair Deutsch called the meeting to order at 12:05 p.m. Chair Deutsch welcomed Mr. Perencevich, from Cambridge Associates.

Action to approve minutes, March 15, 2007

Ms. Hagen made a motion, which Mr. Green seconded, to approve the minutes of March 15, 2007. The motion passed unanimously.

II. Development Presentation

Chair Deutsch noted approximately 5 ½ years ago, the Foundation began funding of the development activities from its endowment. In order to utilize efficiently the unrestricted and

restricted endowment as well as fund programs, University administration requested an increase in the support for development activities. The proposal took the ½ percent to 1 ¼ percent in 2007-08, and then to 1 ½ % in 2008-09. This strategic increase represents infusion of aid needed for the upcoming capital campaign. Chair Deutsch asked Vice President Inman to update the Committee on development activities.

Vice President Inman noted that House Bill 1 mandated the University of Louisville shall become a premier metropolitan research university. He summarized University Advancement’s goals:

- Provide financial support for university goals and priorities
- Grow Foundation assets to provide secure, long term funding
Increase alumni giving in both numbers and size of gift
- Increase financial support to schools & colleges
- Create brand, brand strategy
- Enhance advocacy activities to support university goals and priorities
- Improve and strengthen alumni activities and outreach
- Prepare for the “third century” campaign

Mr. Inman said to meet those goals, tactics included:

1. Increase advancement staff to
 - Increase growth in schools
 - Have focused development staffing for universities priorities
 - Create more volunteer activities
 - Increased marketing and communications support centered around advocacy
2. Move development activities from passive to aggressive
3. Improve accountability standards
4. Improve communication opportunities through
 - Branding
 - Technology
 - Alumni Outreach
5. Involve legislators more to move University priorities forward

Mr. Inman compared UofL’s philanthropy funding to benchmark institutions, noting:

University of Louisville

Philanthropy Five Year Average (less Athletics)	\$35,966.029
Fundraisers (Development Office)	22

Benchmark Institutions (2006)

Average Philanthropy for Benchmarks	\$91,000,000
Average number of Fundraisers (Development Officers)	45

Vice President Inman referenced the current budget (FY 2007) and funding scenarios for the recommended phased increases. Mr. Inman commended Vice President Curtin and Ms. Ingram for their work on his budget. In response to Mr. Green’s inquiry about the Library, Vice President Inman explained its unique classification as a school/college, stating that everyone is a

Library constituent. In response to Ms. Hagen's inquiry as to how the percentage increase was determined, Mr. Inman noted the current return of income is 5.5% and with the targeted outcome to remain at 7%, appropriate incremental adjustments were calculated for annual increases. Mr. Rounsavall inquired regarding comparison with benchmarks in terms of people and assets. Mr. Inman noted institutions averaged between 3.3% and 6%. Chair Deutsch has requested Mr. Tyler to research how other universities fund development activities. Mr. Tyler will make his report at a future meeting.

II. Information Updates

Interim Financial Statements through March 31, 2007

Mr. Davidson reviewed the interim financial statements through March 31, 2007, noting the following highlights:

- The statement reflects the stable position of the Foundation. During the first nine months of the fiscal year, the Foundation increased net assets by \$78.9 million to a total of \$823.6 million. This represents a 10.6% increase over total net assets at June 30, 2006 and a 10.0% increase over total net assets at March 31, 2006.
- The market value of Foundation custody investments increased 11.7% over March 31, 2006 to approximately \$80.8 million.
- The market value of the Foundation's endowment fund rose to \$768.3 million at March 31, 2007. This represents a 12.9% increase over the June 30, 2006 market value of \$680.3 million.
- Total revenues of the Foundation were approximately \$124.1 million for the period ended March 31, 2007. Gain on investments account for 68% (\$84.7 million) of total revenues, while new gifts to the Foundation account for 19% (\$23.1 million). Chair Deutsch thanked Mr. Davidson for an excellent report.

Chair Deutsch thanked Mr. Davidson for an excellent update.

Endowment Performance

Mr. Gahlinger reviewed the Investment Performance Summary, Alternative Investments Summary, and Quarterly Investment Performance Report. Since 1995, the Foundation's diversified portfolio has added \$165.1 million in wealth compared to the Cambridge Associates' College and University Median and \$129.4 million compared to the Actual Allocation Benchmark. Chair Deutsch noted the investments have reinvested 5.5% of the endowment into wealth. Chair Deutsch thanked Mr. Gahlinger for an excellent report.

2006 NACUBO Endowment Study Comparison

Mr. Gahlinger reviewed the NACUBO Endowment Study and Asset Allocations reports. The Foundation's market value ranked 91st out of 765 benchmark institutions. The Foundation has

ranked in the top 100 for the past 12 years. The Foundation's nominal returns ranked 21st out of 477 benchmark institutions.

Investment Performance & Manager Update

Messrs. Perencevich and Tyler discussed investment performance.

III. Approval of FY08 Operating Budget

Vice President Curtin presented the FY 08 Operating Budget. Mr. Green made a motion, which Ms. Hagen seconded, to approve the

President's recommendation that the Board of Directors approve the proposed operating budget for the fiscal year 2007-2008 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.

IV. Discussion Regarding Rebalancing Suggestions

Mr. Tyler discussed proposed changes for rebalancing allocations.

The Committee took a brief break at 1:25 p.m.

V. Presentation of Money Managers

Sands Capital Management: Michael Hotchkiss

The Committee heard a presentation by Mr. Michael Hotchkiss.

VI. Best Investment Practices of Leading Endowments

The Committee discussed best investment practices of leading endowments.

VII. Introduction to Investing in Asia

The Committee discussed investment options in Asia.

VIII. Proposed Topics for 2007 Meetings

Mr. Tyler discussed proposed topics for Finance Committee meetings in 2007.

IX. Adjournment

The meeting adjourned at 3:30 p.m.

BOARD ACTION:

Passed X

Did not pass

Other

Asst. Secretary Katalin M. Smith