

MINUTES OF THE SPECIAL MEETING OF THE UNIVERSITY OF LOUISVILLE
FOUNDATION, INC.AND THE ULH, INC. BOARDS OF DIRECTORS

In Open Session

Members of the University of Louisville Foundation, Inc. Board of Directors met at 12:00 p.m. on July 18, 2017, in the ULF Boardroom at Cardinal Station, with members present and absent as follows:

Present: Ms. Diane B. Medley, Chair
Mr. Ronald Abrams
Mr. Mike Bowers
Ms. Laura Douglas
Mr. J. David Grissom
Ms. Donna Heitzman
Ms. Alice Houston
Dr. Mark Lynn
Mr. Tom Meeker
Dr. Greg Postel
Mr. Earl Reed
Mr. Nitin Sahney
Mr. Vincent Tyra

Via Phone: Mr. Paul Carrico

Via Video: Mr. John H. Schnatter

From the
Foundation: Mr. Keith Sherman, Interim Executive Director/COO
Mr. Jay Barbee, Administrative System Analyst
Mr. Mike Kramer, Director of Investment & Financial Management
Ms. Julie Kroger, Executive Assistant
Ms. Gina Lankswert, Project Manager
Mr. Justin Ruhl, Director of Accounting Operations

From Legal
Counsel: Mr. Franklin Jelsma, Wyatt Tarrant & Combs

From the
University: Ms. Susan Howarth, Interim CFO
Mr. Keith Inman, Vice President of Advancement
Mr. John Karman, Director of Media Relations

Guests: Ms. Katherine North, RunSwitch

I. Call to Order
Having determined a quorum present, Chair Medley called the meeting to order at 12:10 p.m.

II. Consent Agenda
Chair Medley read the consent agenda as follows:

Consent Agenda

- **Approval of Minutes, 6-22-2017**

Hearing no objection, Dr. Mark Lynn made a motion, which Mr. Vince Tyra seconded, to approve the Consent Agenda. The motion passed unanimously.

III. Report of the Nominating Committee Chair
Dr. Greg Postel, Chair of the ULF Nominating Committee, reported the committee unanimously recommends Mr. Tom Meeker be elected as an At-Large Director to the University of Louisville Foundation, Inc. and the ULH, Inc. for a full three-year term.

IV. Action Item: Elect At-Large Director
Mr. Earl Reed made a motion that Mr. Tom Meeker be elected to a three-year term expiring on June 30, 2020. Ms. Donna Heitzman seconded the motion. The motion passed with Mr. Meeker abstaining from voting.

V. Information Item: University Advancement Update
Mr. Keith Inman, UofL Vice President for Advancement, began by thanking the Board for the invitation to report on giving during the last fiscal year and what Advancement is doing to improve donor confidence. He acknowledged it was a difficult year. The **attached** PowerPoint provides specifics.

The inclusion of campus priorities (funds that are solicited with a charitable intent that do not qualify as a charitable gift pursuant to IRS regulations and/or CASE reporting guidelines) was discussed. An example of a campus priority is the money KY One gave the University as part of their partnership agreement. Mr. David Grissom requested campus priorities not be included in future reports.

The next discussion focused on the number of donors and their gift levels this past fiscal year compared to the previous fiscal year. Mr. Vince Tyra asked Mr. Inman to discuss anything significant or noteworthy that may not be obvious by just looking at the slides. Mr. Inman highlighted the following:

- The University is down about 1,900 total donors, however 33,000 people still gave.
- While concerned about major donors on the sidelines, many people continue to donate.
- The development officers made more visits last year than any year previously.

- No major donor has said they won't ever donate again.
- Annual fund had a good year.

Next, the Board discussed Advancement's operating budget received from the Foundation and the return on investment. It was noted the advancement staff includes fundraisers, advancement services, and alumni services.

Mr. Tom Meeker asked Mr. Inman to discuss restricted gifts and the process for handling such gifts. Mr. Inman indicated the donor dictates whether or not there are restrictions. Mr. Keith Sherman reported the Foundation is responsible for ensuring donor restrictions are followed. He indicated a compliance function was created and implemented approximately eighteen months ago.

Mr. David Grissom asked what steps have been taken to prevent a recurrence of what happened with the Owsley Brown Frazier gift. Specifically, he asked if it could happen again. Mr. Sherman indicated three changes make it virtually impossible: the Board changed the Bylaws so the president of the University can't be the president of the Foundation; the Finance Committee monitors the endowment and its spending on a monthly basis; and the compliance function within the Foundation ensures the schools/units use gifts in accordance with donor intention. Ms. Medley also added that the spending policy had been changed.

Chair Medley raised the question of spending and overspending. Mr. Sherman indicated the Special Committee to Address the A&M Report will have policy recommendations for the Board at a later date that will address several areas, including spending.

Mr. Inman concluded his report by addressing restoring donor confidence. He indicated the University's administration is articulating a clear and consistent vision with a focus of putting students first.

VI. Report of the Governance and Organizational Structure Committee Chair

Ms. Alice Houston, Chair of the ULF Governance and Organizational Committee announced the Memorandum of Understanding between the Foundation and the University had been finalized and in effect since July 1.

The next step for the committee is to revise the bylaws to comport with the MOU and to ensure the bylaws represent best practices. The Association of Governing Boards of Universities and Colleges will be assisting with these next steps.

VII. Report of the Finance Committee Chair

Mr. Vince Tyra, Chair of the ULF Finance Committee, told the Board the Finance Committee reviewed preliminary June financials at their last meeting on July 14. He reported the Foundation continues to benefit from good market returns.

He also informed the Board that the Committee has directed Foundation staff to develop a specific proposal to be considered by the full Board of Directors related to recommended

adjustments to its 2017 financial statements. This proposal and resolution will include any potential impact these adjustments could have on the endowment's market value.

VIII. Report of the Audit Committee Chair

Ms. Donna Heitzman, Chair of the ULF Audit Committee, reported they had a great planning meeting with Ernst & Young on July 10. She said they are in the early stages of providing auditing services for the fiscal year ending June 30, 2017 for:

1. UofL Foundation, Inc.
2. UofL Real Estate Foundation, Inc.
3. The Nucleus Real Properties, Inc., a consolidated affiliate of the UofL Foundation, Inc.
4. ULH, Inc., a consolidated affiliate of the UofL Foundation, Inc.

IX. Report of the UofL Real Estate Foundation, Inc. (ULREF) Chair

Mr. Earl Reed, Chair of ULREF, reported the ULREF Board met that morning and discussed the future acquisition and sale of real property in an executive session. He said the ULREF Board is undergoing a review of all their assets and that some overtures have been made regarding them. The ULREF Board is not yet prepared to take any action.

X. Report of the Special Committee to Address the A&M Report Chair

Mr. Earl Reed, Chair of the ad hoc Special Committee to Address the A&M Report, told the Board the committee had their second meeting this morning. They reviewed proposed actions and their target completion dates. He reported the Committee has the framework to continue to evaluate and work through issues raised by the A&M report.

XI. Report of the Chair

Ms. Diane Medley informed the Board that on June 29 she chaired the annual meetings of University Holdings, Inc. and The Nucleus Real Properties, Inc. Their boards are comprised of the Executive Committee of the ULF Board.

University Holdings, Inc. and The Nucleus Real Properties, Inc. elected officers for 2017-18, amended their respective bylaws so they no longer state that the university president shall serve as chairman of the executive committee, and passed signatory authority for the two boards.

The Executive Committee of the ULH, Inc. board met that day as well. They passed signature and banking authority resolutions.

The final meeting that day was the Executive Committee of the ULF Board. The only action taken was the approval of the minutes from its last meeting on November 29, 2016.

XII. Executive Session to Discuss Personnel Matters and Potential Litigation Pursuant to KRS 61.810(1)(f) and KRS 61.810(1)(c)

Chair Medley asked for a motion to go into executive session to discuss personnel matters and potential litigation pursuant to KRS 61.810(1)(f) and KRS 61.810(1)(c).

Mr. Ron Abrams made the motion, which Mr. Mike Bowers seconded, to go into executive session at 12:54 p.m. The motion passed.

XIII. Reconvene Open Session

After open session was reconvened at 1:47 p.m., Chair Medley reported that personnel matters and potential litigation were discussed during the executive session. The Board discussed terminating Mr. Jason Tomlinson's employment. She asked for a motion and a second. Dr. Mark Lynn made a motion to terminate Mr. Jason Tomlinson's employment effective immediately and have it done by Mr. Keith Sherman. Mr. Mike Bowers seconded the motion. The motion passed.

XIV. Adjournment

Having no other business before the Board, Chair Medley asked for a motion to adjourn. Dr. Lynn made a motion to adjourn, which Mr. Reed seconded. The motion passed. Meeting adjourned at 2:51 p.m.

Approved by: *Signature on file*

Secretary



University Advancement Report

Presented to the UofL Foundation Board

July 18, 2017



A Starting Point

Terms & Definitions

PHILANTHROPY: A combination of Outright Gifts, Matching Gifts, and New Pledges

CASH: Actual money received through Outright Gifts, Matching Gifts, and Pledge Payments

PLEDGES: Commitment to make a gift over specific period of time with scheduled monthly, quarterly, semi-annual, or annual payments

CAMPUS PRIORITIES: Funds that are solicited with a charitable intent that do not qualify as a charitable gift pursuant to IRS regulations and/or CASE reporting guidelines. These are considered, on a case by case basis as a "Campus Priority" and will only be added to the overall philanthropy total.

RESEARCH GRANTS: Gifts that are non-exchange, donor receives nothing of value, i.e. no services or benefit

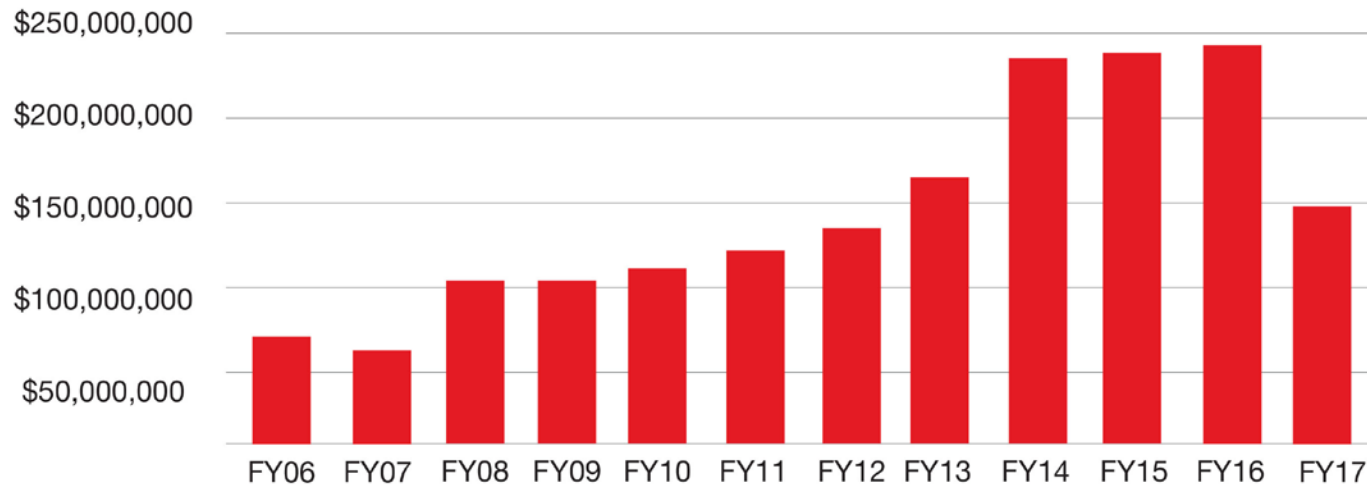
OUTRIGHT GIFTS: A donation of cash or other assets such as stock, real estate, or personal property that is not linked to a pledge commitment

GIFT IN KIND: A non-cash donation of materials, goods, services, and property



Year-Over-Year Comparisons

Philanthropic Support FY06 – FY17

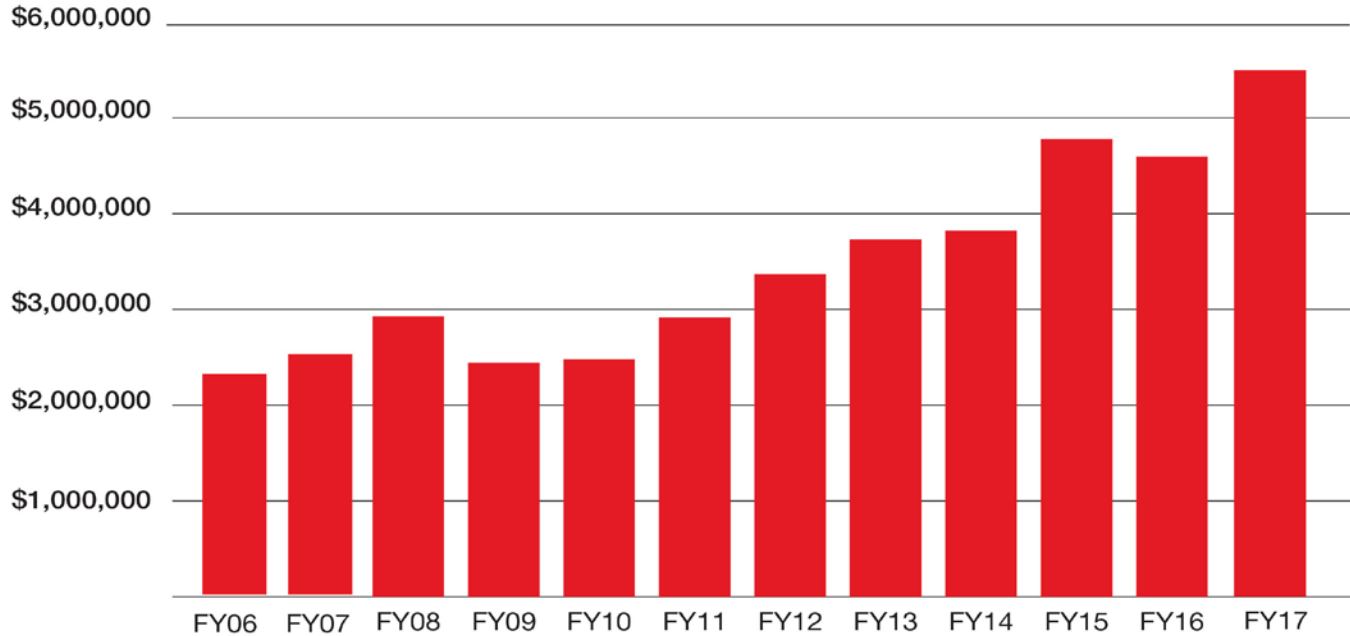


FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
\$77,715,468	\$62,977,936	\$105,028,572	\$105,324,803	\$120,435,625	\$139,647,741	\$144,931,137	\$161,827,978	\$234,384,978	\$237,865,674	\$241,956,933	\$148,196,561



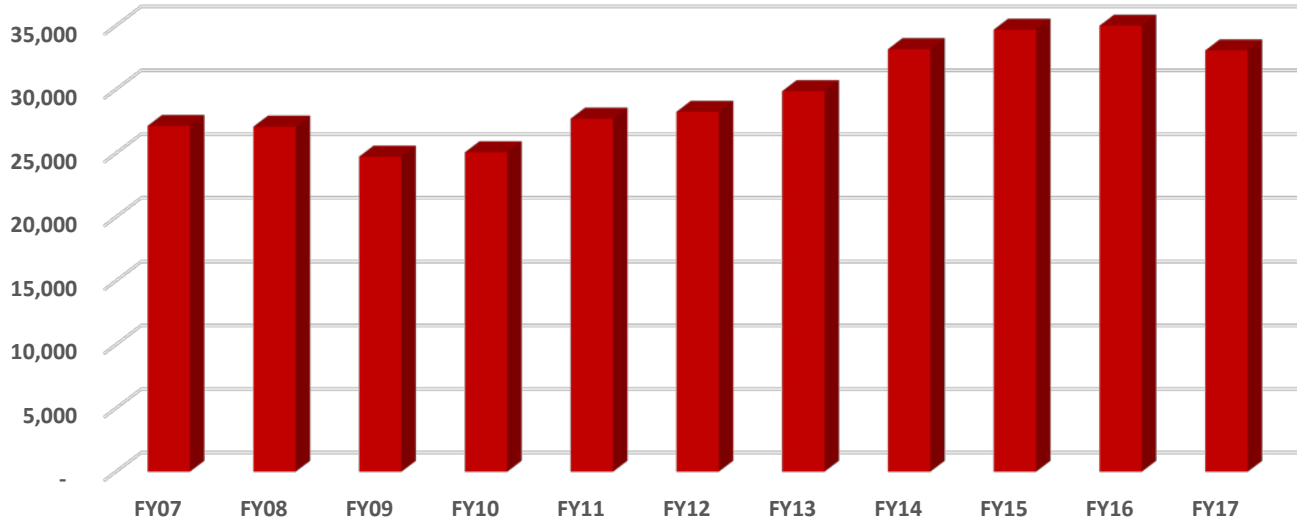
Annual Fund Dollars FY06 – FY17

The basis for UofL's philanthropic initiatives, Annual Giving is responsible for soliciting restricted and unrestricted gifts for the university at \$25,000 and below.



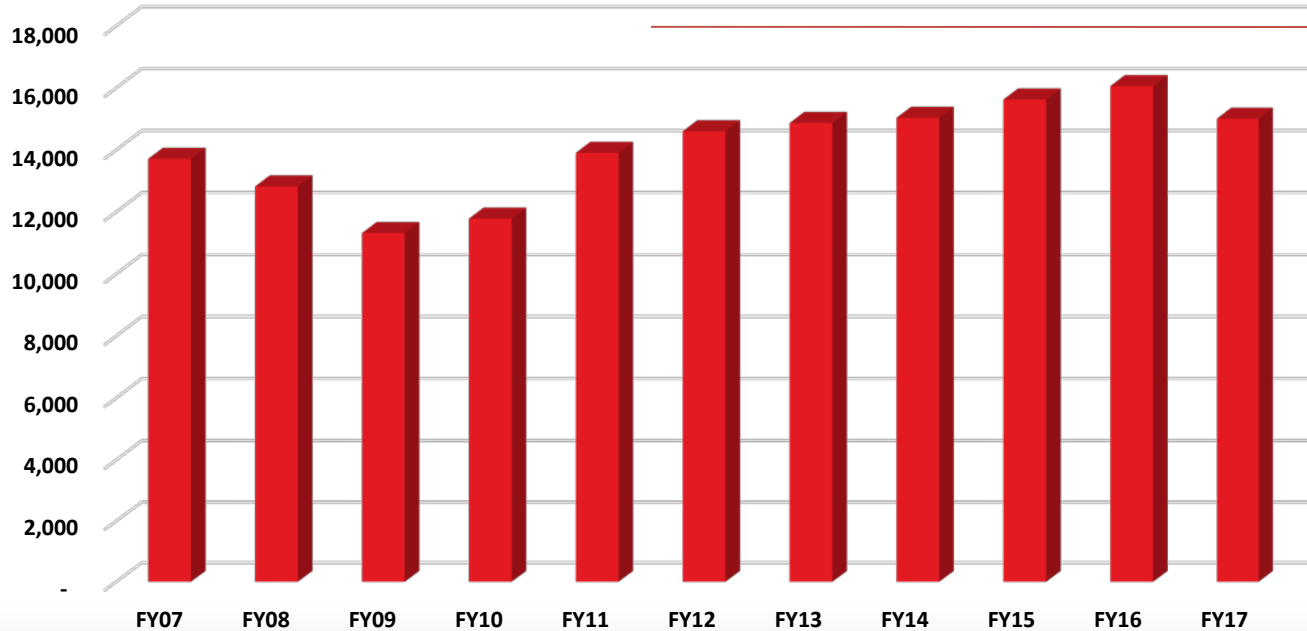
FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
\$2,477,432	\$2,637,618	\$2,930,086	\$2,446,630	\$2,484,245	\$2,921,574	\$3,369,555	\$3,733,238	\$3,825,304	\$4,783,204	\$4,629,492	\$5,531,843

Total Donors FY07 – FY17



FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
27,145	27,084	24,737	25,073	27,712	28,249	29,869	33,157	34,688	34,993	33,062

Alumni Donors FY07 – FY17

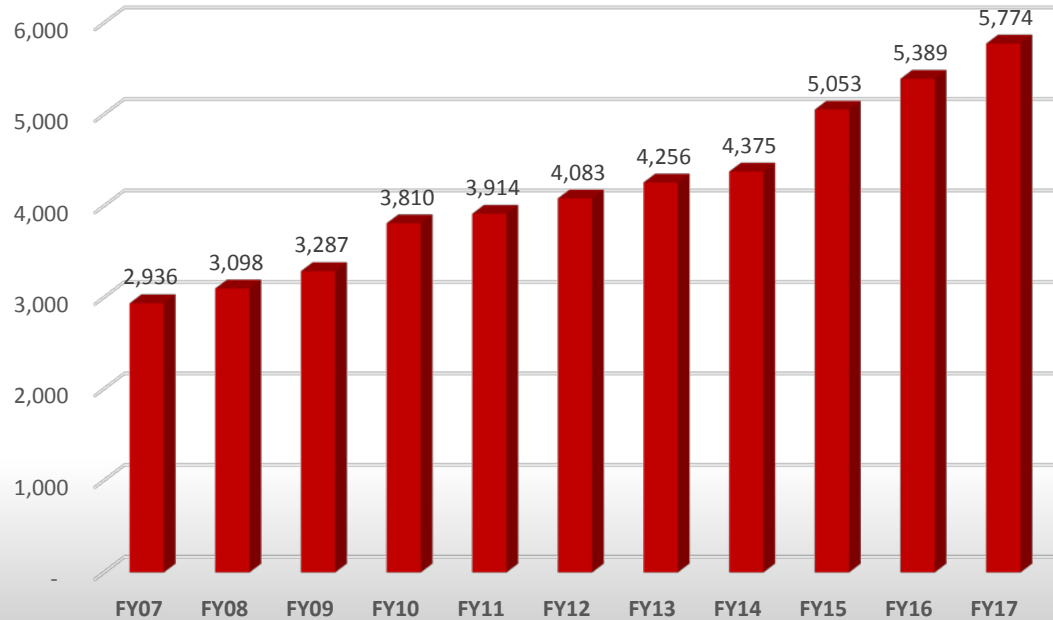


Fiscal Year	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Donors	13,714	12,823	11,319	11,784	13,907	14,603	14,870	15,037	15,628	16,060	15,008

Active Do Not Solicit Totals By Fiscal Year

1/1/2007 thru 6/30/2017

Numbers reflect "do not solicit ever" coded entities



*49%
increase
from FY07
to FY17*

Major Giving

FY16 v FY17 comparison

Total Major Gifts

GIFT RANGE LEVEL	FY16	FY17
\$25K - \$100K	120	113
\$100K - \$250K	55	45
\$250K - \$500K	30	20
\$500K - \$1M	13	7
\$1M+	16	8
TOTAL	234	193



Breakout of FY17 Giving

By the Numbers 7/1/2016 thru 6/30/2017

GIFT CATEGORY	Outright Gifts	Matching (Cash Only)	Pledges	Campus Priorities	Philanthropy Amount
Athletics	\$27,600,021.29	\$118,850.00	\$14,451,514.73		\$42,170,386.02
Bequests/Insurance	\$171,652.49		\$11,220,640.46		\$11,392,292.95
Gifts-in-Kind	\$1,473,178.10		\$105,000.00	\$21,448,181.00	\$23,026,359.10
Grants	\$981,567.04		\$3,096,941.93	\$19,448,719.00	\$4,078,508.97
ULF	\$15,506,857.04	\$157,338.29	\$32,318,059.92	\$98,040.00	\$67,529,014.25
TOTAL	\$45,733,275.96	\$276,188.29	\$61,192,157.04	\$40,994,940.00	\$148,196,561.29



Looking Forward

Building Donor Confidence

- **Articulate a clear & consistent vision**
- **Talk about the positive too – impact is key**
- **Visible & significant gifts from Boards**

