

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

In Open Session

Members of the University of Louisville Foundation, Inc. and ULH, Inc. Board of Directors met at 12:19 p.m. on February 27, 2018, in the ULF Boardroom at Cardinal Station, with members present and absent as follows:

Present: Mr. Earl Reed, Chair  
Mr. Ronald Abrams  
Mr. Mike Bowers  
Mr. Paul Carrico  
Ms. Donna Heitzman  
Mr. Tom Meeker  
Mr. John H. Schnatter (via phone)

Absent: Ms. Laura Douglas  
Ms. Sandra Frazier  
Mr. J. David Grissom  
Dr. Mark Lynn  
Dr. Greg Postel  
Mr. Nitin Sahney

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

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

Guests: Mr. John Karman, UofL Director of Media Relations  
Ms. Katherine North, RunSwitch

I. Call to Order

Noting the lack of a quorum Chair Earl Reed called the meeting to order at 12:15 p.m. He stated no actions would be taken unless a quorum was obtained.

- II. Report of Audit, Compliance and Risk Management Committee Chair  
Committee Chair Donna Heitzman reported the Committee met on February 27 to discuss a service provider for financial statement audit services for the fiscal year ending June 30, 2018 for the following entities:
1. UofL Foundation, Inc.
  2. UofL Real Estate Foundation, Inc.
  3. The Nucleus Real Properties, Inc., a consolidated affiliate of the UofL Foundation, Inc., and
  4. ULH, Inc., a consolidated affiliate of the UofL Foundation, Inc.

The Committee voted to recommend the Board engage Ernst and Young to provide these services.

Mr. Keith Sherman introduced Mr. Frank Farris, Chief Financial Consultant, hired by Mr. Sherman as authorized by the Board at its January meeting. Mr. Farris will assist the Foundation on a part-time basis to ensure it complies with its financial processes, reporting and compliance obligations.

- III. Report of Finance Committee Chair  
Committee Chair Mike Bowers reported investment returns through January continue to be strong. The current asset allocation seems to be working. Cambridge Associates will attend the Finance Committee meeting in March at which time the asset allocation will be reviewed.

Mr. Bowers informed the Board a simplified draft of the spending policy has been crafted. He noted it has already been shared with Dr. Greg Postel and Ms. Susan Howarth who were pleased. It will be reviewed by the Board at an upcoming meeting.

- IV. Overview of Preliminary January Financials  
Mr. Meeker inquired about whether or not advancement would receive funding from the spending policy. Mr. Sherman indicated it's still being discussed.

Mr. Meeker inquired if there was a contingency included for legal and professional fees. Mr. Sherman indicated there is not, but the Foundation has the cash to pay the expenses.

Mr. Carrico requested more detailed reporting on legal expenditures by the Foundation. Mr. Sherman stated several items, including legal fees and Cambridge Associates fees, should have been included in the budget approved for FY18 but were not. He assured the Board these expenses will be included in the FY19 budget proposal they will consider at their April meeting. He added that budget and 990 workshops will be held in advance of that meeting. The Finance Committee will review the proposed budget as well.

Mr. Meeker asked Mr. Sherman to share the process for approving the spending policy. Mr. Sherman stated the order is: Foundation staff, Foundation Finance Committee, University and then the Foundation Board. The Foundation Board will approve a cash amount for the spending policy. The University could request more, however the Foundation board will make the final decision. He added Cambridge Associates has also reviewed the spending policy.

Mr. Meeker inquired about the existence of carry-over funds after this fiscal year. Mr. Sherman stated carry-overs will no longer be in the endowment, nor are they part of the spending policy calculation for FY19. In the past, current-use gifts and endowment carry-over funds were in the endowment, but now they are in a separate account.

Mr. Bowers expressed his appreciation to Mr. Sherman. He noted trying to make something this complex simple is difficult. Ultimately, the Foundation will decide the spending policy and the University will determine how they spend it.

Mr. Meeker stated the cash gift chart on page seven of the **attached** financial presentation concerns him. He asked when the Board will receive its next update from Advancement. Mr. Sherman stated that Mr. Bryan Robinson, interim vice president for University Advancement, has resigned from the University. He also stated January is typically a low donation month; however January 2018 was better than January 2017. February has also been a strong month to date. During the brief discussion that followed, Mr. Sherman stated that Dr. Postel is responsible for fundraising at the University.

Mr. Sherman reviewed the dashboard on page two of the **attached** financial presentation. The Board discussed possible options for the \$59mm in current use gifts the University has not spent. It is currently in long-term treasury and will remain so for now. Mr. Sherman stated the Foundation is working with the University to help them determine how they can spend these funds. Mr. Reed inquired if it may be time for the Foundation to put some of the money in a higher-return vehicle with Cambridge Associates. After a brief discussion, Mr. Sherman stated he would explore possible options with Cambridge Associates.

Mr. Sherman added the Foundation is working with the University to shift the practice of what money is spent when. The goal is to spend current-use gifts first, endowment funds second and general funds third. The recently created gift library is aiding in this process of helping deans be aware of their gifts.

V. Report of ULREF Board Chair

Mr. Earl Reed reported the ULREF Board elected officers at their meeting on February 27, 2018:

Ken Payne	Chair
Steve Gault	Vice Chair
Craig Hawley	Secretary

Mr. Reed reported the ULREF Board continues to analyze and explore which properties may no longer meet the strategic needs of the University. The Board voted to list nine properties for sale that don't support the strategic needs of the University.

VI. Report of the Chair

Mr. Earl Reed expressed his appreciation for the Board's confidence in him.

He stated the Board has two at-large vacancies. The vacancies were created by the resignations of Vince Tyra and Alice Houston. Mr. Reed stated there is one nominee the Board deferred action on at the last meeting because of the new process to be considered at an upcoming meeting. Names of potential candidates for the second opening are currently being gathered for consideration.

Mr. Meeker asked about the timeline for populating the committees, specifically if that would be delayed until after the proposed changes to the Bylaws have been considered. Mr. Reed indicated his plan is to have the committees populated by July 1, 2018. He stated he may ask advisors who are not Board members to serve on some of the committees. The Board needs people who are passionate about the University and people that are national experts in their field, however there are not many people that belong to both categories. Mr. Reed anticipated the advisers will also go through the Nominating Committee process.

Mr. Reed stated he believes Board members should have an affinity for the University, they should donate to the University to the degree that they can, and they must be committed to serving and attending meetings.

VII. Adjournment

Having no other business before the Board, the meeting adjourned at 1:00 p.m.

Approved by:

*Signature of File*

Laura Douglas, Secretary  
UofL Foundation, Inc. and ULH, Inc.