

SAN FRANCISCO STATE UNIVERSITY FOUNDATION

Executive Committee Meeting



Wednesday, November 17, 2021
Via Zoom

Meeting Agenda

SAN FRANCISCO STATE UNIVERSITY FOUNDATION
EXECUTIVE COMMITTEE MEETING
Wednesday, November 17, 2021, 12:00 pm – 1:30 pm
Via Zoom: [Click Here](#)

Time	Description	Presenter	Action
12:00	Call to Order - Welcome & Introductions	Kimberly Brandon	
12:01	Review of Agenda - Additions/Deletions	Kimberly Brandon	Approve
12:02	Approval of Minutes - August 17, 2021	Kimberly Brandon	Approve
12:05	Operating Business		
	A. <i>Campus Update</i>	Jeff Jackanicz	Update
	B. <i>Financials for period ending Sept 30, 2021</i>	Venesia T-Ramsay	Review
	C. <i>Endowment Payout Timeline</i> <u>Recommended Action:</u> Recommend approval of new policy.	Venesia T-Ramsay	Approve
	D. <i>Quasi-Endowment</i> <u>Recommended Action:</u> Quasi-endow the bequest, per policy.	Venesia T-Ramsay	Approve
	E. <i>Tribute Artwork</i> <u>Recommended Action:</u> Approve purchase of artwork.	Jeff Jackanicz	Approve
	F. <i>December 16 Board Meeting Agenda</i>	Jeff Jackanicz	Review
12:45	Committee on Directors	Mary Huss	Report
12:50	Audit Committee	Don Nasser	Report
12:55	Committee on Athletics	Dennis O'Donnell/Ted Griggs	Report
1:00	Campaign Cabinet	John Gumas	Report

1 :05	Development Committee	Camilla Smith	Report
1:10	Investment Committee	Sheldon Gen	Report
1:15	Public Affairs Committee	David Serrano Sewell	Report
1:20	Other Business	All	
1:30	Adjournment	Kimberly Brandon	

Minutes

Operating Business

PART B

SAN FRANCISCO STATE UNIVERSITY FOUNDATION

Schedule of Net Assets

September 30, 2021

(for inclusion in the California State University)

Assets

Current Assets

Cash and Cash Equivalents	517,210.07
Short Term Investments	182,547,122.85
Accounts Receivable Net	58,281.10
Pledges Receivable Net	50,412.15
Prepaid Exp & Oth Assets	3,985.00
Total Current Assets	<u>183,177,011.17</u>

Non-Current Assets

Restricted Csh adn Csh Equiv	-
Pledge Receivable Net	-
Capital Assets Net	-
Other Assets	-
Total Non-Current Assets	<u>-</u>

Total ASSETS

183,177,011.17

Liabilities

Current Liabilities

Accounts Payable	(70,068.75)
Other Liabilities	(2,288,562.86)
Total Current Liabilities	<u>(2,358,631.61)</u>

Non-Current Liabilities

Deferred Revenue NC	
Debt LT Obligations NC	-
Capitalized Lease Oblig NC	-
Total Non-Current Liabilities	<u>-</u>

Deferred Inflow

(50,412.15)

Total LIABILITIES

(2,409,043.76)

Net Assets

Net Assets

Restrict Nonexpd - Endowments	(97,930,185.75)
Restrict Expend - Schol & Fell	(80,997,837.76)
Capital Campaign	(2,026,098.39)
Unrestricted Net Assets	(2,585,599.37)
Total Net Assets	<u>(183,539,721.27)</u>

* Chg in Net Assets

2,771,753.86

Total Net Assets

(180,767,967.41)

Total LIABILITY AND NET ASSETS

(183,177,011.17)

SAN FRANCISCO STATE UNIVERSITY FOUNDATION

Statement of Revenue, Expense and Changes in Net Assets

September 30, 2021

Revenue		
Program Revenue		-
Other Revenue		-
Total Revenue		<u>-</u>
Expenditures		
Student Scholarships		-
Management and General		109,144.05
Total Expenditures		<u>109,144.05</u>
Operating (Gain)/Loss		<u>109,144.05</u>
Nonoperating (Revenues)Expense		
Contributions		(805,332.62)
Investment Income		74,046.62
Investment Fee		480,068.65
Admin Endowment Fees		-
Other Nonoperating Revs(Exps)		871,704.59
Total Nonoperating (Revenues)Expense		<u>620,487.24</u>
Income before Additions		729,631.29
Other Additions		
Capital Contributions		-
Additions to Permanent Endow		2,042,122.57
Total Other Additions		<u>2,042,122.57</u>
(Increase)/Decrease in Net Assets		<u>2,771,753.86</u>
Net Assets, beginning of the year		(183,539,721.27)
Net Assets, end of year		<u><u>(180,767,967.41)</u></u>

San Francisco State University Foundation
September 1, 2021 through September 30, 2021
With Approved Budget for FY 2021 - 2022

	FY 2021 - 2022 Approved Budget	July 1, 2021 through September 30, 2021 Actual	Percentage of Budget
Source of Funds			
Endowment Administration Fees (IDC)	2,065,175	-	0.00%
Revenue for Investment Management Fee	803,581	-	0.00%
Misc Revenue		(0)	
Total Funds Available from Operations:	2,868,757	(0)	0.00%
Uses of Funds			
Auxiliary Business Services Expenses	280,275	70,069	25.00%
University Advancement Support	500,000	-	0.00%
Legal	50,000	4,787	9.57%
Auditing and Tax Preparation	50,000	6,135	12.27%
Insurance	3,950	3,950	100.00%
Membership Fees	16,600	8,505	51.23%
Postage & Freight	500	-	0.00%
Printing	6,500	-	0.00%
Professional Services / Consultants	20,000	-	0.00%
Advertising	5,000	-	0.00%
Honoraria	2,500	-	0.00%
Out-of-State Travel	7,500	-	0.00%
In-State Travel	2,500	30	1.20%
Professional Development (Conference, registration, etc.)	5,000	-	0.00%
Supplies & Services	3,000	-	0.00%
Space & Equipment Rental (meetings, events)	6,500	-	0.00%
Hospitality	20,000	1,061	5.31%
Banking Fees	7,200	714	9.92%
Miscellaneous	15,000	-	0.00%
		-	
Total Operating Expenses	1,002,025	95,251	9.51%
Non Operating Sources and Uses			
Investment Management Fees, including OCIO	803,581	480,069	59.74%
Funds To University / U-Corp	110,000	13,893	12.63%
Cost Allocation / Recovery		-	
Operating Reserve	8,447	8,447	100.00%
Fundraising Workshop	93,000		0.00%
Taxes	75,000	-	0.00%
Total Non Operating Sources and Uses	1,090,028	502,409	46.09%
Net INCOME	776,704	(597,660)	-76.95%

PART C

SAN FRANCISCO STATE UNIVERSITY FOUNDATION

SECTION NO. **300**

POLICY STATEMENT

DOCUMENT NO. **301**

SECTION: **POLICY STATEMENT – ENDOWMENT AND INVESTMENT**

SUBJECT: **ENDOWMENT ESTABLISHMENT AND ADMINISTRATION**

PURPOSE: To provide general guidelines, policies and principles for the establishment and administration of endowment funds.

EFFECTIVE DATE: ~~June 20, 2019~~November 17, 2021 (Revision Date)

I. **BACKGROUND**

An endowment fund is defined as a single or combined pool of assets gifted to the San Francisco State University Foundation (“Foundation”) to provide resources for various activities consistent with the mission of San Francisco State University (“University”). The Foundation will serve as a trustee for these endowment funds and, therefore, has a fiduciary duty to the donor and the University to administer the assets consistent with the donor's wishes, the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and generally accepted financial standards. Since permanent endowments continue in perpetuity, it is very important that the Foundation maintain in all permanent records, a clear understanding of any donor restrictions.

Generally, when there are donor restrictions, a separate account to track the expenses is established. If a donor deposits restricted funds at the Foundation and these funds are later transferred to the University, fiduciary responsibilities follow the funds. Special care must be taken to insure that the donor's wishes are followed; this includes establishing a separate account, if needed, to comply with donor restrictions.

II. **POLICY**

A. **Types of Endowments**

Endowments are classified as permanent, quasi, or term endowments. Funds can be either restricted or unrestricted within each of these classifications. Restricted endowment funds are funds for which the donor specifies how the endowed income will be used. Unrestricted endowment funds are funds for which the annual earnings are used at the discretion of the Board of Directors of the Foundation.

1. **Permanent Endowments:** Permanent endowment funds are those which are intended to have a perpetual life. Only the income of the fund, as defined in UPMIFA, may be expended.

- the duration and preservation of the fund;
- the purposes of the Foundation and the fund;
- general economic conditions;
- possible effects of inflation or deflation;
- the expected total return from income and appreciation of investments;
- other resources of the Foundation; and
- the Foundation's Investment Policy for Restricted Funds.

Except as otherwise provided in this policy statement, it shall be the Foundation's general policy to pay out annually, 4% of a 12-quarter moving average market value of the endowment pool as of December 31st.¹ ~~The approved distribution will be transferred immediately to the spending account at the beginning of the fiscal year. For endowments that have been established for fewer less than 12 months as of December 31st of any year, the distribution will be prorated on a [according to number of monthly basis in existence]ence????? Permanent and quasi endowments shall be established for at least one year before making a payout distribution. The approved distribution will be transferred immediately to the spending account at the beginning of the fiscal year.~~

- i) Income Determination - Interest, dividends, and realized gains or losses on investments will be allocated to endowment spending accounts, on a pro-rata basis calculated on the average cash balance of the endowment compared to the total average balance of the investment pool.
- ii) Basis and Timing of Appropriations - The endowment spending amount will be distributed to participating projects on a quarterly basis.
- iii) Investment Reserves - The payout rate is designed to provide for the spending needs of participating projects; the Board recognizes that stability is not to be relied upon a dynamic market and to reverse any negative effects of a downward trend in the market, cash income and market value adjustments over and above the current payout rate will not be distributed to cover spending needs but will be earmarked as investment reserves. The purpose of these reserves is to ensure an even income stream and lessen the project's reliance on economic forces in making decision in its budgetary process.
- iv) Corpus – Per UPMIFA, the Foundation reserves the right to appropriate a portion of the corpus of an endowed fund if it deemed prudent to do so.

For permanently endowed funds, which have a fair market value of less than \$25,000, the Foundation may consider accumulating (instead of expending) the amount otherwise distributable under this policy statement until such time as its balance equals or exceeds \$25,000, in no case to exceed five (5) years, and in each case except as otherwise specified in the endowment gift instrument. In making this determination on a case by case basis, the Foundation shall balance the purpose of such permanent endowment with the preservation of such fund, consider the need to grow the fund so that its distributions are meaningful in amount, assess the Foundation's current needs

¹ For clarity, the average fair market value of the endowment pool shall be calculated on the basis of the fair market values for the twelve calendar quarters, determined at the end of such quarters, ending with the last quarter of the previous calendar year. This figure is proportionally allocated to all endowed funds.

**SAN FRANCISCO STATE UNIVERSITY FOUNDATION
ENDOWMENT DISTRIBUTION POLICY**

CURRENT POLICY

Under the current policy, we receive a gift of \$100,000 in September 2021. The gift must wait until September 2022 to mature. The first distribution would occur, as always, at the beginning of the fiscal year. As such, the first distribution would occur in July 2023 in the amount of about \$4,000.

PROPOSED POLICY

Under the proposed policy, we receive a gift of \$100,000 in September 2021. There is no longer a 12 month wait so the first distribution would occur in July 2022 and because it is being prorated, the payout would be about \$1,000. **This change is consistent with industry practices, and allows donors to have a more immediate impact without compromising the corpus of their endowed fund.**

Policy Comparison	Gift Amount	Receipt Date	Payout Period	Amount
Current	\$100,000	Sept 2021	July 2023	~ \$4,000
Proposed	\$100,000	Sept 2021	July 2022	~ \$1,000

PART D

PART E

PART F

**SAN FRANCISCO STATE UNIVERSITY FOUNDATION
BOARD MEETING
SF STATE CAMPUS, SEVEN HILLS CONFERENCE ROOM**

DECEMBER 16, 2021 – 3:00 P.M.

Zoom Link:

Time	Description	Presenter	Action
3:00	Call to Order <ul style="list-style-type: none"> Chair Remarks 	Kimberly Brandon	
3:05	Approval of Agenda (Tab 1) <ul style="list-style-type: none"> Additions/Deletions 	Kimberly Brandon	Approve
3:07	Consent Agenda (Tab 2) <ul style="list-style-type: none"> September 22, 2021 Meeting Minutes 	Kimberly Brandon	Approve
3:10	Purple & Gold Nuggets	Neda Nobari	Update
3:15	San Francisco State University Report	Lynn Mahoney	Update
3:30	San Francisco State Student Report	James Aguilar/Joshua Ochoa	Update
3:45	Foundation President's Report (Tab 3) <ul style="list-style-type: none"> Ratification of Funding for Vaccine Program (Action Item) 	Jeff Jackanicz	Approve
4:00	LFCOB Presentation (Tab 4)	Eugene Sivadas	Presentation
4:25	Campus Housing (Tab 5)	Jason Porth	Presentation
4:45	Directors' Open Forum	Kimberly Brandon	Discussion
4:59	Written Committee Reports (Tab 6)	Kimberly Brandon	
5:00	Adjournment	Kimberly Brandon	Approve

Audit Committee

Financial Audit

Attached as a Separate Document

Endowment Audit

Audit and Advisory Services
401 Golden Shore
Long Beach, CA 90802-4210

Vlad Marinescu
Vice Chancellor and
Chief Audit Officer
562-951-4430
vmarinescu@calstate.edu

November 2, 2021

Dr. Lynn Mahoney, President
San Francisco State University
1600 Holloway Avenue
San Francisco, CA 94132

Dear Dr. Mahoney:

Subject: Audit Report 21-02, Endowment Administration, San Francisco State University

We have completed an audit of *Endowment Administration* as part of our 2021-2022 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

There were no reportable observations revealed during the review. The final audit report will be posted to Audit and Advisory Services' website.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Vlad Marinescu
Vice Chancellor and Chief Audit Officer

c: Joseph I. Castro, Chancellor
Adam Day, Chair, Committee on Audit
Jane W. Carney, Vice Chair, Committee on Audit

CSU Campuses

Bakersfield • Channel Islands • Chico • Dominguez Hills • East Bay • Fresno • Fullerton • Humboldt • Long Beach • Los Angeles • Maritime Academy • Monterey Bay
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ENDOWMENT ADMINISTRATION

San Francisco State University

Audit Report 21-02
November 2, 2021

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to endowment administration and to ensure compliance with relevant federal and state regulations; Trustee policy; Office of the Chancellor (CO) directives; and campus procedures.

CONCLUSION

Based upon the results of the work performed within the scope of the audit, the operational, administrative, and financial controls for endowment administration as of September 10, 2021, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

There were no reportable observations revealed during the review.

GENERAL INFORMATION

BACKGROUND

In fiscal year (FY) 2019/20, the value of California State University (CSU) endowments reached a record high of \$1.89 billion. During that FY, the CSU received \$94.6 million in additional endowment funds and distributed \$65 million from proceeds. Endowment funds, the principal of which cannot be expended by the university, are generally established with a donor-directed designation for the spending of the proceeds. More than half of the CSU's endowments are designated for student scholarships; others support academic programs, such as nursing and agriculture, and student enrichment programs, such as study abroad.

The state of California adopted the Uniform Prudent Management of Institution Funds Act (UPMIFA), the standards of care for both managing and investing endowments, in 2009. UPMIFA and its predecessor, the Uniform Management of Institutional Funds Act (UMIFA), clarified and revised historic interpretations of income from endowment funds and provided both a duty to ensure the growth of the principal to maintain spending power and a right to distribute from the corpus when the actions taken are prudent for the purposes for which the fund was established. UPMIFA also imposed a duty to diversify; allowed for the delegation of investment decisions to an outside professional entity; and suggested a percentage limit for annual spend beyond which any spending would be presumptively imprudent.

The market value of endowments held at San Francisco State University during academic year 2019/20 was \$140.8 million, a 2.68 percent gain from the previous year value of \$137.1 million. The campus distributed \$5.5 million from endowment proceeds for scholarships and various programs, such as supporting the campus television production curriculum, growing a campus non-credit program for people over 50 years of age, and funding faculty research. Funds are held at the San Francisco State Foundation (Foundation), and administrative and investment oversight is provided by the Foundation board of directors. The board-established policies that govern the investment activities are carried out by an outside investment firm, and the fund distributions are calculated and processed at the Foundation. Once the annual distributions are made to the designated department for the funds, it is the responsibility of that department to ensure that expenditures align with the donor intent for the endowment.

SCOPE

Due to temporary operating procedures and limitations resulting from the COVID-19 public health emergency, we performed fieldwork remotely from July 6, 2021, through September 10, 2021. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. The audit focused on procedures in effect from January 1, 2020, through September 10, 2021.

Specifically, we reviewed and tested:

- Foundation and campus policies and procedures for the receipt and administration of endowments to determine whether they are current, comprehensive, and aligned with relevant state and federal regulations, Trustee policies, and CO directives.

- Clear lines of organizational authority and responsibility in the acceptance, administration, and expenditure of endowment funds.
- Processes to establish and implement investment policies, including oversight of third-party providers and communication between the board of directors, the vendor, and Foundation staff.
- Processes to establish and implement spend policies, including the determination of the spend rate and allocation of the distribution among the funds in the investment pool.
- Processes to allocate investment gains and losses among the funds in the investment pool.
- Review of contracts with third-party providers to ensure they are current, reflective of the established policies, properly delegated, and inclusive of the roles and responsibilities of all parties.
- Compliance with donor intent and/or agreement restrictions.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

Our testing and methodology, which was designed to provide a review of key operational, administrative, and financial controls, included interviews and detailed testing on certain aspects of endowment administration. Our review was limited to gaining reasonable assurance that essential elements of endowment administration were in place and did not examine all aspects of the program.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance; Trustee policy; Office of the Chancellor directives; campus and auxiliary procedures; and sound administrative practices and consideration of the potential impact of significant risks. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- Executive Order (EO) 676, *Delegation of Gift Evaluation and Acceptance*
- EO 1059, *Utilization of Campus Auxiliary Organizations*
- Integrated California State University Administrative Manual §8060.00, *Access Controls*
- CSU Auxiliary Organizations Sound Business Practices, Section 3.0, *Donations, Program Service Fees, Other Income*
- CSU Auxiliary Organizations Compliance Guide
- CSU Auxiliary Organizations Sound Business Practices Guidelines
- Probate Code §18501-18510, *Uniform Prudent Management of Institutional Funds Act*
- Council for Advancement and Support of Education guidelines

- San Francisco State University, *Receipt, Acceptance, and Administration of Gifts University Executive Directive #UED 95-19*
- San Francisco State University Foundation Policy Statement, *Endowment Establishment and Administration*
- San Francisco State University Foundation, *Investment Policy for Restricted Funds*
- Operating Agreement Between California State University and University Corporation, San Francisco State
- The University Corporation, San Francisco State, *Gift Acceptance Policy, Deposit Procedures*

AUDIT TEAM

Senior Audit Manager: Ann Hough
Senior Auditor: Kyle Ishii