

HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

FOUNDATION

Finance Committee Meeting August 29, 2014

COMMITTEE MEMBERS PRESENT: Marilyn C. Link (ex-officio)*, Mike O'Reilly (Chair)*, Sherry Plymale*, Karl Steene*, Mike Toner*

ALSO PRESENT: Ed Michelson*, Matt Bauder*, Katha Kissman, Colleen Brennan

*participated telephonically

Call To Order

The meeting was called by Chair O'Reilly to order at 8:35 am.

Approval of Minutes

The motion to approve the minutes of the May 30, 2014 meeting was approved unanimously.

Investments Report

Ed Michelson provided a report on investments based on the 2nd Quarter report from The Atlantic Group as well as the July 31, 2014 Scorecard (documents provided). The portfolio stood at \$67,038,049 as of June 30, 2014 and \$65,910,860 as of July 31, 2014. Michelson walked through each fund's performance against the indices and also discussed performance of each as related to overall market conditions.

Investments Discussion

Continuing the Committee's previous discussions on investment fees and risk/return with regards to how to best maximize the total rate of return, Michelson and Matt Bauder, Atlanta Consulting Group Investment Analyst, provided requested information on HBOIF's asset allocation. O'Reilly clarified that the Committee was intent on understanding if we are actually getting what we want through our individual fund investments and under our Investment Policy.

Discussion of Kornitzer Capital in the small cap equity area took place. Its performance as it relates to the benchmark (Russell 2000) has been in question for the past year. Additionally, the Committee was also concerned about the volatility of their investment style relative to the same benchmark. Due to both of these important two factors a motion to terminate Kornitzer passed unanimously.

After a discussion of risk, return and cost of management, the Committee addressed the performance of hedge funds Archstone Offshore and Collins Diversified Offshore in the alternative area. The Committee was less concerned about volatility and principal loss. The Committee's intent is to maintain the same level of risk but through a more efficient and cheaper way than paying hedge fund fees. A motion to terminate HBOIF's position in Archstone Offshore and Collins Diversified Offshore passed unanimously.

In reallocating assets from the above mentioned changes the following will take place. Kornitzer's proceeds will move to an index fund of the Russell 2000. Prior to Archstone and Collins' proceeds being received for reinvestment, a discussion and decision from the committee will take place as to determine the future direction.

Following this discussion, Ed Michelson and Matt Bauder left the call.

Review of Current Financials

Kissman provided Committee members in advance:

- HBOIF Budget vs Actual as of 6/30/14 (FY14 year end; draft only, subject to audit adjustments)
- HBOIF Balance Sheet as of 6/30/14 (FY14 year end; draft only, subject to audit adjustments)

Kissman reported that the FY14 Audit commences next week. Thanks to Colleen Brennan, we made our deadline to provide FAU with our draft year end financials and we are on schedule for an on time and clean audit, meeting FAU's moved up deadlines, for audit completion.

- HBOIF Budget vs Actual as of 7/31/14
- HBOIF Balance Sheet as of 7/31/14
- SLP Budget vs Actual as of 7/31/14
- SLP Balance Sheet as of 7/31/14

Kissman noted that HBOIF operations and HBOIF SLP will be tracked separately beginning in FY15 as per the reports provided. While Kissman explained that the above reports will be the sole official financial reports for HBOIF going forward in FY15, Link requested a "bottom line" report for FY14 as operations and SLP were not broken out last fiscal year.

Kissman reported on the resolution of a stock sale of MetLife stock after discussion with O'Reilly and consistent with the Board-adopted Financial Policies and Procedures. On Aug 22, 2014, we authorized the Atlantic Consulting Group to sell 323 shares of Met Life (MET) at a market price of \$53.733/share. The total proceeds from the sale were \$17,012.34. These have been invested in our portfolio.

Kissman provided in advance a memo on an issue with SLP Marketing Residual from FY13 which will be addressed in the FY14 Audit as well as an overpayment of SLP funds to FAU Sponsored Research in FY14. After discussions with our auditors (Berger, Toombs), the Chair of HBOIF's Audit Committee (Michael Minton), and our accountants (Kmetz, Nuttall), she reported that it was the auditor's intention to reclassify any overpayment in FY14 as an unrestricted grant to FAU. This will zero out SLP for FY14 as needed. Michael Minton, Chair of the Audit Committee, confirms that there have been previous instances of HBOIF covering SLP overages in order to zero out the SLP account out at year end during the audit. This should be the last remaining "clean up" of previous issues of HBOIF doing so because of the SLP accounting procedures that he had helped to implement with HBOI (building up program fund accounts per plate so as not to overspend) as well as the internal bookkeeping procedures that we have now implemented for HBOIF accounting which now requires real time deposits and payments monthly with supporting documentation per plate. So this should not be an issue going forward. Michael asked that we make the Finance Committee aware of this. Should you have any questions, please contact me directly.

Report on Grant Awards

Kissman provided in advance a written report on current HBOIF Grant Awards to HBOI.

Adjournment

There being no further business, the meeting was adjourned at 10:10 am.