

HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

FOUNDATION

Minutes
Finance Committee Meeting
October 26, 2018
Held at the Harbor Branch Oceanographic Institute

PRESENT: John Papa*; Michael O'Reilly*; Marjorie Raines*, Chair; Mike Toner*

ALSO PRESENT: Kyle Bobinski*, The Atlanta Consulting Group; Debbie Dutton, Director of Operations; Katha Kissman*, President & CEO; Ed Michelson*, The Atlanta Consulting Group

Call to Order

Chair Raines called the meeting to order at 2:00 pm.

Approval of Minutes

The motion to approve the minutes of the August 17, 2018 meeting was approved unanimously.

Investment Report

Ed Michelson and Kyle Bobinski provided an overview of the portfolio as of September 30, 2018 as well as an update of portfolio returns dated October 25, 2018. Of note:

- The Investment Portfolio has outperformed its CPI+5% benchmark in the third quarter and YTD, 2018.
- Outperformance for the third quarter was attributed primarily to asset allocation.
- Based on an historical analysis provided by ACG, the Foundation outperformed the percentage of comparable US foundations:
 - 90% --Year to Date
 - 96% -- 1 year
 - 94% -- 3 years
 - 88% -- 5 years
 - 79% -- 10 years
- The Investment Portfolio was rebalanced slightly in October to meet cash needs of the Foundation.
- ACG had no recommendations for the Investment Portfolio.

Following ACG's presentation and the Committee's discussion, the following motion was made:

The investment portfolio would be rebalanced through reducing the equity allocation by 6% to 70% and increasing the fixed income allocation by 6% to 27% through the following:

- Sell 2% allocation in the Vanguard Institutional Index Fund (VINIX)
- Sell a 1% allocation in the Vanguard Russell 2000 ETF (VTWO)
- Sell a 1% allocation in the iShares Core S&P Small-Cap ETF (IJR)
- Sell a 2% allocation in the American Funds Europacific Growth Fund (AEPFX)
- Buy (increase) the PIMCO Short Term Fund's (PTSHX) allocation 6%.

The international equity allocation will be restructured to 50% active management and 50% passive management through the following:

- Sell 50% of the American Funds Europacific Growth Fund ((AEPFX)

- Buy with the proceeds the Vanguard FTSE Developed Markets ETF (VEA)

Motion carried unanimously.

Current Financials

Katha Kissman reported the 1st Quarter Compiled Financials and noted no expected budget variances on the September 30, 2018 P&L. Kissman also provided a report on the Foundation's Financial Capacity and Efficiency Metrics Benchmarking. Benchmarks were taken from the AFP IRC workshop "Tax and Accounting Implications for Nonprofits" on May 10, 2018. While certain benchmarking was not directly applicable to the Foundation, the benchmarking of the FY17 Audited Financial Statements and the FY18 Draft Financial Statements showed the Foundation to be within the benchmarks.

Update on 401K Transfer

Paychex was notified. The surrender fee was \$1,500 rather than the originally anticipated up to \$2,500. Plan participants have been notified of a blackout period between 11/26/18 and 12/10/18 as Paychex implements the transfer of plan assets to Morgan Stanley. The restated plan for the remainder of this year and the Safe Harbor amendment beginning January 1 have been signed with AimPoint Pension, the third party vendor working with Morgan Stanley. Morgan Stanley's Mike Kanner is meeting with each staff member individually next week to discuss investment options. Mr. Kanner has also contacted the two former employees to discuss their options for moving out of our plan.

Change in FAU Invoicing

Kissman confirmed that FAU will be able to meet our 10th of the month following the quarter deadline for invoices.

Kissman went over the October 24, 2018 email to the Board regarding SLP invoicing, SLP CY19 PFW and PWD awards, and certain cash on hand in FAU Award Accounts. It was noted by the Committee that the Foundation was never provided an answer as to where the interest went on the FAU SLP Holding Accounts or where it may go for cash on hand held in the individual FAU Award Accounts funded in advance of use. It was also noted that the Foundation's ability to independently monitor grant payments, grant activities, and reporting over grants (currently at 17 active SLP grants and 8 active Discretionary grants) could not be done efficiently without dedicated staff and other operational resources.

Adjournment

There being no further business, the meeting was adjourned at 3:15 pm.