

Cal Poly Humboldt FOUNDATION

Minutes of the FINANCE & INVESTMENT COMMITTEE May 30, 2025

Members Present:

Jason Carlson
Ken Fulgham
Philip Anton
Mark Johnson
Jack McGurk
Robin Smith

Members Absent:

Mike Fisher

Guests: Kelly Ayala, Kevin Furtado, Arne Jacobson, Angie Petroske, Kyle Plitt, Samantha Puentes, Jamie Rich, and Carla Wharton

A regular meeting of the Cal Poly Humboldt Foundation Finance & Investment Committee was held on Friday, May 30, 2025 at 10:00 AM via Zoom Teleconference.

1. Call to Order/Roll Call

The meeting was called to order by Finance & Investment Committee Co-Chair, Ken Fulgham, at 10:01 AM.

2. Public Comments

There were no public comments.

3. Acceptance of Minutes from the March 7, 2025 Meeting

After discussion and upon motion duly made (Ken Fulgham), seconded (Jack McGurk), and unanimously carried, it was:

RESOLVED, that the Minutes of the March 7, 2025 meeting are accepted.

4. Q3 Financial Statements

Kelly Ayala and Samantha Puentes, Cal Poly Humboldt Accountants, provided a review of the FY 2024-25 Quarter 3 (Q3) Cal Poly Humboldt Foundation unaudited financial statements through 3/31/25.

Through Q3, the Foundation's overall cash position increased by \$3.4M, or 40.6% compared to last year. Contributing factors include the opening of a short-term investment account to increase the interest income earnings on current use cash, the implementation of an updated scholarship policy under which cash from donor-funded scholarship funds are held by the Foundation rather than the University until the funds are dispersed to students, the infusion of a large estate gift, and overall receipts outpacing expenditures during the one-year period.

The market value of the endowment pooled investment increased \$1.3M, or 2.9%, from the prior year due to new endowment gifts, realized gains, unrealized gains and interest income. Unlike the overall investment portfolio reported on by RVK, this investment value excludes UC funds.

The Land & Buildings value increased by \$22k over the one-year period due to the transfer of the L.W. Schatz building from the Sponsored Programs Foundation and the \$32k decrease in the equipment asset category represents depreciation of the 2023 Winnebago RV.

Pledges Receivable is the primary component of Accounts Receivable, and the main factor in the \$1.5M, or 31.1%, increase over the prior year.

Total operating revenue was \$734.9k, an increase of \$102.2k, or 16.2%, over the prior year. As of March 31, 2025, the Foundation has earned 87.5% of the total operating revenue budgeted for the fiscal year.

Compared to the same period in the prior fiscal year, total non-operating revenue has increased \$1.7M, or 30.8%, and has reached 117.8% of the budget. Due to a new procedure implemented in fiscal year 2024-25, there is a \$854.5K increase in funds transferred from operations to other trust funds for Foundation and Advancement Division operations intended to support the Foundation's mission. This differs from prior years when expenses were incurred on the University side and the Foundation transferred support funds to the University to cover those expenses.

The Foundation is actively developing and refining processes, reporting, and communications with University partners to encourage robust and timely utilization of current use funds. These ongoing efforts have already led to improved visibility of available resources through the monthly current use fund report, enabling college

leadership to make more informed decisions. Additionally, the introduction of spending plans supports proactive planning and collaboration among departments and stakeholders to strategically deploy resources in support of student educational outcomes. In addition, the committee's review process, whereby five funds are randomly selected each month for a comprehensive review, provides assurance that all donations received are being used in accordance with donor intent.

5. Investment Update & Asset Allocation Recommendation

Kyle Plitt, RVK Investment Advisor, reviewed the Foundation's investment portfolio performance for the month of April, 2025 in addition to providing an asset allocation analysis.

The fiscal year quarterly report was reviewed during the "workshop" on May 23, 2025. As of April 30, 2025, The Foundation's investment portfolio reflected a 3.72% net of fees return with an ending marketing value of \$52.91M. This figure includes \$6.18M of UC investments.

The Foundation's asset allocation as of March 31, 2025 is skewed by an unusually high allocation to local real estate. Currently, the policy target allocation to real estate is 20% versus a 19% actual allocation. Both are substantially higher than the peer median of 4% and reflect a deliberate ongoing investment in local property. RVK recommends amending the Foundation's Investment Policy to exclude local properties from its target allocations. This change would allow more flexibility and control over allocations regardless of local, short-term transactions. Diversified real estate funds (16%) will continue to offer meaningful diversification and inflation-hedging.

Additionally, it is recommended the Foundation minimally decrease its exposure to equities, updating targets by style, in seeking to correspond with global benchmark weights.

Lastly, fixed income yields (and thus future expected returns) have increased significantly in recent years and remain elevated today, making these strategies relatively compelling, prompting a recommendation to increase the target allocation to this area.

After discussion and upon motion duly made (Ken Fulgham & Jason Carlson, simultaneously), seconded (Robin Smith), and unanimously carried, it was:

RESOLVED, that the Cal Poly Humboldt Foundation Finance & Investment Committee recommends the Board of Directors accept the changes to the target asset allocation in the Foundation's Investment Policy as presented to exclude local properties.

| | Current Target | Recommended Target (Ex. Local Real Estate) | Difference |
|--|----------------|---|------------|
| Large/Mid Cap US Equity | 30 | 31 | +1 |
| Small Cap US Equity | 3 | 2 | -1 |
| Broad International Equity | 23 | 22 | -1 |
| US Agg Fixed Income | 24 | 29 | +5 |
| Real Estate | 20 | 16 | -4 |
| Total | 100 | 100 | -- |
| Capital Appreciation | | | |
| Capital Appreciation | 56 | 55 | -1 |
| Capital Preservation | 24 | 29 | +5 |
| Alpha | 0 | 0 | -- |
| Inflation | 20 | 16 | -4 |
| ESR Allocation* | | | |
| ESR Allocation* | 72 | 74 | +2 |
| Expected Arithmetic Return | | | |
| Expected Arithmetic Return | 6.4 | 6.3 | -0.1 |
| Expected Risk (Standard Deviation) | | | |
| Expected Risk (Standard Deviation) | 10.7 | 10.4 | -0.3 |
| Expected Compound Return | | | |
| Expected Compound Return | 5.9 | 5.8 | -0.1 |
| "Worst Case" (1st Percentile) 1-Year Return | | | |
| "Worst Case" (1st Percentile) 1-Year Return | -26.1 | -25.3 | -0.8 |

Reminder: RVK's capital market assumptions are considered conservative relative to index history.

RVK does not advocate for a change in the Foundation's distribution rate.

**ESR allocation does not account for local real estate and thus will be lower at a total portfolio level. Allocation includes Parnassus, Brown, Calvert Int'l Equity, Kennedy, Touchstone, and Calvert Green Bond.*



6. FY 2025-26 Budget

Kevin Furtado, Foundation Business Analyst, reviewed the proposed FY 2025-26 Foundation Budget. Revenue is expected to be roughly 25% higher than what was budgeted in FY 2024-25. Operating Expenses include support for the Advancement Division, e.g. funding for Directors of Development and Alumni Relations operations, specifically in regard to the Mobile Alumni Center (RV). The FY 2025-26 proposed budget is more realistic regarding expenses than the previous budget in that it accounts

for inflation and software cost increases. The reserve policy remains intact while maintaining a balance above the reserve requirement for future operational investment.

After discussion and upon motion duly made (Ken Fulgham), seconded (Philip Anton & Jason Carlson, simultaneously), and unanimously approved, it was:

RESOLVED, that the proposed Foundation Budget for fiscal year 2025-2026 is approved and should be transmitted to the Executive Committee for review and approval.

7. Other Business

No other business was discussed.

8. Humboldt Loyalty Fund

The Committee moved into closed session at 11:15 AM to discuss funding for the Humboldt Loyalty Fund and Parent & Family Fund.

The Committee returned to open session at 11:37 AM.

Committee Co-Chair Ken Fulgham reported that an action was taken during closed session regarding funding for the Humboldt Loyalty Fund and the Parent & Family Fund.

9. Adjournment

Without objection, the meeting was adjourned at 11:38 AM.