

**OLD DOMINION UNIVERSITY
BOARD OF VISITORS
EXECUTIVE COMMITTEE MEETING
Monday, 22 February 1999**

MINUTES

The Executive Committee of the Board of Visitors of Old Dominion University met on Monday, 22 February 1999 at 3:00 PM in the Board Room of Webb University Center. Present from the Committee were:

Edward L. Hamm, Jr, Rector
William M. Lechler

Also present from the Board of Visitors were:

Elizabeth W. Atkinson
J. Jack W. Hilgers
William E. Russell

Also present were:

James V. Koch, President
Mike Arendall (Student Senate)
John R. Broderick
Dana D. Burnett
Sharifa Charlery (Student Senate)
Nancy P. Coberly
Anthony Crenshaw (Student Senate)
Jo Ann M. Gora
Rena Gyorke (Witt, Mares & Co., LPC)
David F. Harnage
Denver Hicks (Witt, Mares & Co., LPC)
Richard A. Massey
Donna W. Meeks
Megan Rapisardi (Student Senate)
C. Jay Robbins
Cecelia T. Tucker
Hud Williams (Student Senate)

CALL TO ORDER AND APPROVAL OF MINUTES

The Rector called the meeting to order at 3:05 PM and asked for approval of the minutes of the Executive Committee meeting of 25 January 1999. Mr. Hamm noted that revisions had been made to the minutes. Mr. Hilgers commented that his suggested revisions were shown on page 5 of the minutes at each member's place. Mr. Lechler made a motion to approve the minutes as revised. The motion was seconded and unanimously approved.

RECTOR'S REPORT

Rector Hamm reported that he had discussed various issues with board members over the past month. He indicated that he and Mr. Lechler agreed that Dr. Hilgers and Mr. Lechler are the appointed representatives from the Board of Visitors to the Investment Committee of the Educational Foundation. If they cannot attend an Investment Committee meeting, they may notify a board member of their choosing to attend on their behalf. Both Mr. Beamer and Ms. Atkinson have expressed interest in attending; any others who are interested should inform Mr. Lechler. He cautioned that we should avoid having more than two Visitors at any particular meeting because of the public disclosure requirements.

Reverend Paige, chairman of the Student Affairs Committee, the Rector, and Vice President Harnage have had preliminary discussions on student housing and community impact issues, including use of the Old Dominion Inn, in preparation for future committee discussions.

Mr. Hamm reported that he attended the African-American Male Summit recently held at the University. The Summit was well attended by students, staff and senior officers of the University. A fair amount of women and Caucasians participated as well. He opined that discussions were positive and the Summit was a success.

Mr. Hamm noted that he attended the Lady Monarch's basketball game against Connecticut, and commented that it was the best game he's seen in fifteen years. The team is well supported by the alumni and the community, and the President and Athletic Director do a fine job of promoting the games. He encouraged board members to attend some of the games in the future.

PRESIDENT'S REPORT

The Rector called on President Koch for his report. President Koch indicated that members of the Student Senate Executive Committee were present, and asked each of them to introduce themselves. In attendance were Sharifa Charlery, President of the Student Senate and a senior Biology major from the Virgin Islands; Megan Rapisardi, Executive Vice President and a sophomore Communications major from Norfolk; Anthony Crenshaw, Administrative Vice President and a senior Business Management major from Richmond; Hud Williams, Academic Affairs Vice President and a sophomore Economics major from Danville and Washington, DC; and Mike Arendall, Finance Committee Chair and a freshman Political Science major from Richmond. The Rector welcomed the Student Senators to the meeting.

President Koch reported that a press conference is scheduled at 10:00 AM tomorrow to announce a major gift to the University, the details of which were previously discussed with Board members.

President Koch distributed three articles, including an editorial about Foundations from the *Richmond Times Dispatch*. The remaining two were written by him and deal with protectionism in higher education and many states' attempts to block distance learning courses from other states, and on Total Quality Management, in which he asserts that the concept of TQM does not work in higher education.

The President informed Board members of the upcoming men's and women's NCAA basketball tournaments, and asked them to let him know if they would like tickets to attend any of the games. He added that following the tournaments, the NCAA will announce pairings for its tournament, and it is likely that the women's team will be a second seed, enabling the University to host the first two games in the Fieldhouse. President Koch added that because the Fieldhouse floor sustained water damage during the recent fire, Scope has loaned the University its basketball floor.

The Rector asked Dr. Hilgers for a report on Educational Foundation Investment Committee meeting. Dr. Hilgers reported that the February 18th meeting was preceded by a training session which focused on investment performance reporting. At the meeting which followed, the Foundation's investment performance was reviewed. It was pointed out that the University's investments have done very well, particularly during the last four years when it earned \$30 million for a total of \$66 million. This year's earnings were down, not only because of the August/September "slump," but also because the Investment Committee made a decision early in the year to diversify, which will have positive long-term effects. In addition, the Committee is investigating the possibility of a student-managed portfolio for undergraduate and graduate students in the College of Business. Disadvantages of such a project include a lack of continuity over the summer breaks and the fact that many graduate students attend part-time. Professor Bruce Rubin from the Department of Finance is working with the Committee on this issue. Mr. Hamm asked if the students would be paid for their efforts and Dr. Hilgers commented that this would be done for the experience only.

Ms. Atkinson asked about the status of the search for the investment consultant. Dr. Hilgers commented that the Committee sent RFPs to 15 agencies. Nine have responded and five will be selected for interview during the month of May.

OLD DOMINION UNIVERSITY FOUNDATIONS

President Koch commented that since university-related foundations have been the subject of a lot of discussion statewide, he and the Rector wanted to spend this meeting discussing Old Dominion University's foundations. He called on Ms. Nancy Coberly, Executive Director of the Educational and Intercollegiate Foundations.

Ms. Coberly reported that there are four foundations associated with Old Dominion University: the Educational Foundation, Intercollegiate Foundation, Real Estate Foundation and the Research Foundation. All of these foundations have separate boards and are designated as 501c3, tax-exempt foundations. She is executive director of the Educational and Intercollegiate Foundations, David Harnage is executive director of the Real Estate Foundation, and Bob Wolfson is executive director of the Research Foundation. Today's discussion will focus primarily on the Educational Foundation.

The Educational Foundation was founded in 1955 and during its first year raised \$62,000 in cash, \$16,000 in pledges and \$21,000 in books for the library. The purpose of the Educational Foundation, included in both its Charter and the Affiliation Agreement with the University, is to "receive, administer and distribute funds and property of all kinds exclusively in furtherance of the educational activities and objectives of Old Dominion University." Several documents provide structure to the

Educational Foundations, including the Charter (signed April 14, 1955 by Frank Batten, John Alfriend and Charles Kaufman), the Affiliation Agreement, Bylaws, Articles of Incorporation, and written policies and procedures.

The Affiliation Agreement includes several stipulations with which the Educational Foundation must comply. Among these are the requirements that the President and Vice President for Institutional Advancement of Old Dominion serve as ex-officio members of the board; all fund-raising must be in accordance with the University's development policies; the Foundation must provide the President of Old Dominion University with the audited financial statements, 990 tax forms, current listing of all trustees and officers, schedule of investments, and any written notice of litigation; the Foundation cannot present itself as the University and cannot offer seminars, classes, or workshops which might mislead the public into thinking that it is the University; the Commonwealth of Virginia and the University are not responsible or held liable for Foundation contracts or torts; and the Foundation is required to follow all applicable University policies.

The current officers of the Foundation are George Consolvo (President), Barbara Gornto (Vice Chairman), James Bishop (Secretary), and Morgan Davis (Treasurer). There can be up to 50 members on the Board; currently there are 45 members. Members are elected to a 3-year term. The Board has five committees: Executive, Development, Trustees (which serves as the Nominating Committee), Finance and Audit, and Investments.

Several former Visitors have served on the Board of Trustees of the Educational Foundation, including five former Rectors. In addition, two former Visitors - Charles Rotert and Jo Ann Blair-Davis - have been nominated for appointment to the Board of Trustees this year. This overlap is an excellent way for the Educational Foundation to take advantage of the collective wisdom of those who have served on the Board of Visitors. Likewise, two former Educational Foundation trustees - Betsy Atkinson and Lewis Warren - are now members of the Board of Visitors. Mr. Lechler and Dr. Hilgers represent the Board of Visitors on the Investment Committee.

Ms. Coberly reviewed the process by which Trustees are selected. The Committee on Trustees solicits nominations from existing board members, alumni, staff, community leaders and other sources. Special consideration is given to former Visitors, major donors, prominent alumni and community leaders. A profile of the ideal Trustee has been developed for use by the Committee in considering appointments. One of the criteria is the capability and inclination to give at a minimum of \$2,500 per year and to raise additional funds on the University's behalf.

Ms. Coberly indicated that a very specific, formal, written process has been developed by which funds are released from the Foundation to the University. Restricted gifts are gifts that are earmarked by the donor for a specific purpose. They can be either endowment or annual funds. If it is an endowment, the spendable amount is determined by policy. Donor restricted accounts are set up for designated specific purposes. In 1997, the Foundation provided more than \$3 million to Old Dominion to support the University's educational programs. Unrestricted fund expenditures must be approved by the Board of Trustees

Gift income for 1997 totaled over \$7 million, with approximately \$164,000 designated as unrestricted funds. The trend was similar for 1998. President Koch commented that there's a notion

by the public that Foundations and/or Presidents have available to them a “slush fund” consisting of large amounts of unrestricted funds. However, as illustrated here, not only is a small portion of the money coming into the Foundation unrestricted, but all expenditures of that money must first be approved by the Board.

In response to a question by the Rector, Ms. Coberly indicated that of the \$66 million held in the fund, approximately \$12 million is University money and a small portion belongs to the Intercollegiate Foundation. Of the Foundation money, a very small portion of the funds (perhaps 1% or less) is unrestricted.

Mr. Hamm asked if there is any interest in increasing the amount of unrestricted gifts to the Foundation in order to provide the University more flexibility. Ms. Coberly commented that one of her goals when she was hired was to do just that, and the University has made major strides in that regard. Several measures have been taken to train volunteers to encourage more unrestricted gifts to the University. However, success is sometimes very difficult, especially with larger gifts, when the donor tends to want to have a say in how that gift is spent.

Ms. Coberly displayed a graph depicting the growth of net assets of the Foundation, inclusive of Real Estate Foundation assets. She pointed out that the growth curve corresponds closely with the timeframe of the Capital Campaign. The large growth in the endowment over the last four years is also attributable to the success of the Capital Campaign.

Ms. Coberly introduced Rena Gyorke and Denver Hicks, certified public accounts and consultants with Witt, Mares & Co. She explained that the Foundations are subject to a financial audit each year and Witt Mares performed the 1997 audit and will also conduct the 1998 audit. Their purpose today is to present information from the 1997 audit and IRS 990 tax returns for the Educational and Real Estate Foundations.

Mr. Hicks explained that not-for-profit entities are operated somewhat differently than most businesses. The Educational and Real Estate Foundations, while separate entities, are shown in one financial statement. The American Institute of Certified Public Accounts (AICPA) requires not-for-profits to be consolidated for financial statement purposes if they meet certain criteria. The fact that the Educational Foundation has control over appointments to the Real Estate Foundation is one of those criteria. While other items trigger consolidation, there are certain criteria, such as economic interest without control or control without economic interest, which require disclosure but not necessarily consolidation. The mandatory provision for consolidation involves both economic interest and control, which is true of the Educational and Real Estate Foundations. Each Foundation is a separate entity and has its own Federal ID number, Bylaws and Articles of Incorporation.

Mr. Hicks reviewed the balance sheet and the IRS 990 tax return for the Foundations. He commented that, by law, the IRS 990 must be available to the public. He indicated that the balance sheet separates out the portion of the funds attributable to each Foundation. Assets are classified as unrestricted, temporarily restricted and agency funds. Agency funds are the funds held for the University and cannot be used by the Foundation at their discretion. They are, therefore, not considered assets of the Foundation and are not reflected on the tax returns. Reclassifications are

made from the financial statement to the tax returns as allowance for uncollectible pledges. In addition, an adjustment is made for profits on investments, which are stated at cost on the tax returns.

Ms. Gyorke reviewed the controls in place for the receipt of funds. A separation of duties is established as part of those controls. A gift processing section receives all checks received and prepares deposit slips. Another individual deposits the checks and yet another individual makes the journal entries. Disbursements are handled in a similar manner, with no two functions being performed by the same individual. The accountant receives the invoice which is approved for payment by the Foundation Manager and then the Board.

Ms. Gyorke indicated that a restricted donation received by the Foundation is shown only as an agency transaction on the financial statement. Unrestricted contributions may be used to cover operating expenses of the Foundation.

The Rector asked how monthly bank statements are handled. Mr. Massey, Foundations Manager, indicated that monthly statements are opened by the accounting manager. Checks are prepared by the accountant and approved by the Foundations Manager. Any check above \$1000 must be co-signed by either Ms. Coberly or Vice President Harnage. While Ms. Gyorke indicated that she is comfortable with that procedure, Mr. Hamm commented that the Foundation may want to consider having someone at a higher level than the accounting manager open the monthly statements as an extra safeguard. Mr. Hamm added that, normally auditors recommend that a responsible manager, other than the one who oversees check preparation, should open and review bank statements.

Mr. Hamm asked if the University would be liable, should the Foundation be sued, because of the consolidated financial statement which includes University funds. Ms. Gyorke indicated that the financial statements contain footnotes which clearly identify which funds are University funds. Vice President Harnage added that the Foundation is under contract with the University to perform investment and asset management in order to avoid the University having to replicate those services. This contractual relationship recognizes that those funds belong to the University.

Mr. Hamm commented that he raised these questions so that board members, particularly Messrs. Lechler and Hilgers as representatives to the Investment Committee, are mindful of these issues. He asked Mr. Lechler to advise him if any issues need further discussion by the Board.

Mr. Lechler asked Ms. Coberly to re-address the issue of torts. Ms. Coberly replied that the Affiliation Agreement clearly states that the University and the Commonwealth are not responsible for any contracts or torts of the Foundation. Mr. Lechler requested a copy of the Affiliation Agreement.

Ms. Coberly suggested the following as possible topics for future meetings: determination of projects for which Capital Campaign funds are raised; planned giving - wills, trust and annuities; the Investment Policy; understanding investment performance reporting; operational policies and procedures; prospect development; and specific presentations on one of the other Foundations. The Rector asked Mr. Lechler to advise him or the President as to what he feels the Board should discuss further. President Koch suggested that these topics could be included on the agenda of a regular Board meeting to allow more Board members to participate.

OLD BUSINESS

Mr. Lechler commented that he and President Koch discussed the possibility of using TELETECHNET as a vehicle for teaching the Japanese language to young Japanese students in Virginia schools with professors from Japan. President Koch said that this could be done once the logistics were worked out, with the biggest obstacle being the time zone difference.

NEW BUSINESS

The Rector distributed a proposed resolution in support of the Governor's tuition and fee reduction. He stated that although he agrees with the Governor's position on this particular issue, he questioned whether the Board should take a position at all on a political issue. Dr. Hilgers commented that two universities have already taken this course of action and two others are anticipating doing the same. This has been a bipartisan effort and he therefore feels that this would not put the Board in the position of taking sides on a political issue. He added that the Board's support of this resolution would demonstrate the Board's initiative for accounting for the taxpayers' money and would reinforce that the University is behind the Governor. President Koch commented that he agrees with the substance of the resolution and recognizes that it has become a bipartisan issue. However, he cautioned the Board from adopting resolutions on partisan issues in the future.

The Rector suggested that the Board give the President the authority to proceed after consulting with other members of the Executive Committee. Mr. Russell made a motion that the Executive Committee authorizes the President to solicit input from the other members of the Executive Committee and, should there not be any substantial disagreement, to forward the Resolution to the Governor's Office, at his discretion, including revisions to the language in the proposed resolution, also at his discretion. The motion was seconded and unanimously approved. The proposed resolution reads as follows:

RESOLUTION OLD DOMINION UNIVERSITY BOARD OF VISITORS

WHEREAS, Governor Jim Gilmore has proposed a 20 percent reduction in mandatory educational and general tuition and fees for in-state undergraduate students attending Virginia's public institutions of higher education; and,

WHEREAS, the Governor's proposal would result in savings of approximately \$550 per year for each in-state undergraduate student at Old Dominion University; and,

WHEREAS, the Governor's budget includes a general fund appropriation to Old Dominion University of \$5,001,700 to compensate the University for reduced tuition and fee collections; and,

WHEREAS, it is the Governor's intent in future budgets that he submits to the General Assembly to continue to reimburse Old Dominion University for reduced tuition and fee collections; and,

WHEREAS, the goal of offering a quality education at an affordable price to Virginia citizens is an important and laudable public policy objective.

BE IT THEREFORE RESOLVED THAT the Board of Visitors of Old Dominion University endorse and support Governor Gilmore's tuition and fee reduction as an appropriate and necessary action.

Ms. Atkinson expressed concern that attendance at the legislative reception on Wednesday may be low because of last minute General Assembly business. President Koch indicated that many have responded that they will attend.

Dr. Hilgers indicated that he and Mr. Beamer felt that it would be appropriate for the Board to recognize Mills E. Godwin in some way, as an Old Dominion alumnus. President Koch said that he would follow up on this.

With no further business to be discussed, the meeting was adjourned at 4:10 PM