GEORGIA SOUTHERN UNIVERSITY FOUNDATION, INC.

Spring Board Meeting
Saturday, April 2, 2011 - 9:00 am
Georgia Southern University
Nessmith Lane Building – Room #2911

AGENDA

WELCOME and OPENING REMARKS........................................... Max Manack, Chair

APPROVAL OF BOARD MINUTES............................................ Max Manack, Chair

MEMBERSHIP COMMITTEE REPORT...................................... Jimmy Franklin, Chair

INVESTMENT COMMITTEE REPORT.................................Barbara Christmas, Chair
PRIME, BUCHHOLZ & ASSOCIATES PRESENTATION...........George Hauptfuhrer

CAPITAL CAMPAIGN FUNDING STRATEGIES

REVIEW OVERALL BUDGET REQUEST...............................Penny Scarpucci
Billy Griffis

FOUNDATION GENERATED FUNDING.................................Billy Griffis

STATE/TRUSTEE FUNDING..................................................Brooks Keel

UNIVERSITY UPDATE....................................................... Brooks Keel, President
Georgia Southern University

CLOSING COMMENTS AND ANNOUNCEMENTS...................... Max Manack, Chair

ADJOURN
The Board of Trustees of Georgia Southern University Foundation, Inc. met at 9:00 AM at the Nessmith Lane Building in Statesboro, GA. Trustees present were: Troy Athon, Pat Blanchard, Mike Carpenter, Harry Carter, Barbara Christmas, Tommy David, Margot Dawkins, Pat Douglas, Jimmy Franklin, Jenny Gentry, Carl Gooding, Billy Griffis, Caroline Harless, Billy Hickman, Brooks Keel, Mike Kennedy, Max Manack, Joe McGlamery, Rod Meadows, Martin NeSmith, Ricky Nessmith, Pat O’Connor, Wanda Parrish, and Mike Skinner. Trustees not present were: Wayne Akins, Tommy Bond, Derrick Brown, Charles Chandler, Jimmy Childre, Terry Coleman, Ron Core, Michael Curry, Tim Evans, Tracy Ham, Bill Hatcher, Lamar Hennon, Jimmy Hodges, Don Howard, Billy Jones, Kara Martin, Marshal Mize, Connell Stafford and Ric Tomlinson. Others present were: George Hauptfuhrer, Jodi Collins, Penny Scarpucci, Melanie Mosley and Samantha Nesmith.

Welcome and Opening Remarks: Mr. Manack welcomed everyone to the Spring Board Meeting of the Georgia Southern University Foundation. Mr. Manack asked that everyone stand for a moment of silence to remember Foundation Board member Eugene Bishop.

Approval of the Board Minutes: Mr. Manack referred Trustees to the minutes of the winter meeting and asked for any revisions or corrections. With none given, Ricky Nessmith made a motion that the minutes be accepted as presented. The motion was seconded by Martin NeSmith and it passed unanimously.

Membership Committee Report: Mr. Franklin began the Membership Committee Report by announcing the members that were renominated for another term. These members included Troy Athon, Pat Blanchard, Tommy Bond, Charles Chandler, Jimmy Hodges, Don Howard, Max Manack, Martin NeSmith and Pat O’Connor. All of these members accepted the renomination. Next, Mr. Franklin announced that Billy Jones will be retiring from the board. The Membership Committee recommended Dr. John George from Savannah for membership to the Board. Mr. Franklin gave brief background information on Dr. George and his connection to Georgia Southern. On behalf of the committee, Mr. Franklin made a motion to accept the renominations, retirement and recommendation of these members. Mr. Rod Meadows seconded the motion and it passed unanimously. Mr. Franklin continued his report by stating that Mr. Martin NeSmith had been nominated as Vice Chair, Dr. Barbara Christmas nominated as Chair Elect, and Mr. Tommy Bond nominated as Chair of the Board. He made a motion that these nominations be accepted by the Board. Mr. Rod Meadows seconded the motion and it passed unanimously.

Investment Committee Report: Dr. Barbara Christmas, chair of the Investment Committee began by thanking the committee members. She then introduced Mr. George Hauptfuhrer, the investment consultant from Prime Buchholz and Associates, to give an
update on the Foundation’s investments. He began by reviewing the Equity Market Valuations. The Russell 3000, the U.S. index for small, mid and large cap stocks, is a better guideline in the U.S. market compared to the S&P 500. He reviewed the Russell 3000 price/earnings ratio and then compared those with ratios from MSCI EAFE (Europe, Australia, Far East) and the MSCI EM (Emerging Markets). These comparisons show that the Emerging Market stocks are cheaper than the U.S. stocks. This is a major reason for the Foundation’s portfolio tilting into the international side. He reviewed several areas of the Foundation’s portfolio including the domestic equity, international equity, private capital, fixed income, inflation hedging, liquid capital and private capital. The total fund as of February 28, 2011 was at $42.8 million. After answering questions on his investment report, Mr. Hauptfuhrer concluded his presentation.

**Capital Campaign Funding Update:** Mrs. Penny Scarpucci from Marts & Lundy briefly reviewed the planning that has occurred up to this point in the Capital Campaign and the upcoming steps that will need to take place. Phase I of the campaign has been completed and included the Internal Readiness Assessment and the Georgia Southern University Strategic Visioning. This phase included internal reviews, material reviews, system/process reviews and the Capacity Analysis, which was presented to the Board at the February 1, 2011 meeting.

The Capital Campaign currently is in Phase II, which includes external testing. During this phase, the University will develop a prospectus outlining the vision and funding priorities that will be used in the external testing. Currently, the President is highly involved in creating this prospectus that will be released to those individuals involved in the Feasibility interviews. These interviews, with roughly 50 individuals, will give an idea as to whether there is support for the campaign and to what extent these individuals are willing to support its priorities with philanthropic investments. These interviews will take place in April, May and early June. After these feasibility interviews are completed, an online prospectus survey will be emailed to approximately 15,000 alumni, friends and donors. This phase is a very cultivational experience for individuals as they are asked to provide advice and counsel at such an early stage of the campaign planning. It is standard to receive feedback from 15% of the individuals who are surveyed. Based on the outcome of these surveys, the campaign will launch into its quiet phase. The upcoming September meeting will offer an opportunity to review the results of this current phase. Mrs. Scarpucci briefly reviewed the Marts & Lundy team and the role that each member has played to date and their roles in upcoming phases.

As reported in the Capacity Analysis, it is recommended that 14 new positions be added to the current staff. These positions will be essential to support the fundraisers, Deans, President and the Advancement team in raising money for the University.

Mrs. Scarpucci reviewed the Yield Analysis data that was reported in February. This analysis showed the philanthropic potential over the eight year campaign that could yield between $138 million and $210 million. Marts & Lundy feels comfortable testing a working target between $150 million and $175 million. She then stressed that these figures cannot be reached without initial investment. Marts & Lundy has found throughout the years that there are several methods that can be used in order to fund the initial investment, which should be between 5-10% of the ultimate campaign goal, above the current Foundation budget. Some of the methods used include:
− Increasing the operating budget from internal resources
− Use of undesignated funds, unrestricted bequests, quasi-endowments, board reserves.
− Gifts directed specifically to campaign expenses.
− Temporary investment of campaign expenses.
− Temporary increase in endowment earnings for operations.
− Tax on gifts.

Typically, combinations of these methods are used to raise funds to support the campaign. This concluded Penny’s portion of the presentation and she called on Billy Griffis.

At this time, Billy Griffis continued with the Capital Campaign presentation. Over the last several months, University Advancement and Marts & Lundy have worked together to put dollar amounts with the various areas that fund the positions, activities and events needed during this campaign. Approximately $8 million over the next 8 years will be needed to fund the salaries and fringe benefits of the 14 new positions. Year 1 will still be in the planning and preparation phases and years 2-8 will be in the silent phase of the campaign, when the University will be asking for gifts. This breaks down into roughly $1 million per year for 8 years of additional funding to provide salaries and fringe benefits for the new positions. Also, to satisfy equipment, operating and other expenses incurred, an additional $4.9 million will be needed as well. This breaks down to about $613,000 per year over 8 years. This brings the Grand total to $13 million of investment over the life of the campaign to cover the costs incurred by the new positions and all other expenses. Mr. Griffis then discussed how the Foundation suggests to internally generate the $613,000 per year needed to cover the equipment purchases, campaign operations and other campaign expenses. Detailed lists have been created to show events for alumni relations, events for donor relations, costs of prospectuses, and printed materials that will be needed throughout the campaign. The equipment purchases will cover the new computers and furniture for the new positions, as well as the computer software needed. The campaign operations will cover all printed materials, travel costs, supplies and support as well as alumni and donor events. The other campaign expenses include campaign counsel, donor recognition, kickoff and celebration events, and wrap-up costs. The total cost broken down by year, shows year 1 needing substantially more money to cover start-up costs; prospectuses, case statements, brochures, etc. In years 2 and 3, the totals drop below the average $613,000 only to rise again in year 4 when more advertising will take place for the public phase of the campaign.

Mr. Griffis then discussed how the $613,000 average per year can be internally generated within the Foundation. First, there is the Endowment Fee Assessment. Currently, within the Endowment Agreement, it states that “a management fee, not to exceed one percent of the value of the endowment, may be assessed annually.” Charging that 1%, based on the current endowments would generate $318,000 per year. This is based on 1% of a 3-year moving average of the endowment market value. Next item to be reviewed is the Gift Fee Percentages. After reviewing percentages ranging from 1%-8%,
a onetime gift fee assessment of 5% was selected as it gives $96,200 per year based on the gifts currently received. Mr. Griffis emphasized that the gift fee is different from the endowment fee. All endowed gifts will be charged the 1% Endowment Fee; all other gifts will be charged the onetime 5% Gift Fee. The total generated from both the endowment fees and the gift assessment would be approximately $414,200. This amount accounts for 2/3 of the amount needed internally per year. Mr. Griffis cited an article from NC State University, a college that has already implemented these same fees:

“To support our fund raising efforts and better align NC State with practices across the country, the university will implement a 5% gift assessment effective October 1, 2010 on gifts to support current operations and facilities. In addition to the gift assessment, the university will also charge a fee of about 1% to the earnings of its various endowments.” As well as, “many public universities with big aspirations and relatively small endowments use a gift assessment. For example, gift assessments at our peer institutions range from 2 percent to more than 8 percent.” The gift percentage Georgia Southern has suggested is 5%, which will account for about $96,200 per year.

Next, Mr. Griffis discussed where the final 1/3 would be generated from. Over a period of years, the unrestricted giving less the unrestricted money spent has built an unrestricted reserve that currently totals $3.8 million. This amount varies because it is invested by Prime Buchholz and Associates and fluctuates based on the market, but typically averages $3.8 million. Roughly $200,000-$400,000 can be used to supplement the gift fee and endowment fee to generate the money needed for that year (i.e. Year 1-$801,000, Year 2-$589,000, Year 3-$574,000, etc.). Mr. Griffis then explained why the entire amount needed could not come from the unrestricted reserve alone. Earnings from the Unrestricted Reserve contribute 25% or more of the current Unrestricted Budget used for alumni events, 1906 Society Gala, Admissions recruiting, etc. The use of all of the Unrestricted Reserve would decimate the current unrestricted budget. After a lot of research, it was felt that taking $200,000-$400,000 as needed per year over the 8 year period would not negatively impact the current Unrestricted Budget. Rod Meadows asked during the 8 year period, would the regular budget anticipate that it would continue to set aside money for the reserve? Mr. Griffis answered that each year the current income is budgeted so that a surplus is left to build up the reserve. However, through this campaign, all of the surplus would probably be needed, because the $613,000 needed is in addition to what is already spent out of the Unrestricted Budget such as A Day for Southern, Phon-a-thon calls, and Admissions recruiting events. Harry Carter asked if there is any projected increase in Unrestricted Giving over the 8 year period. Mr. Griffis replied that it is hopeful that there will be an increase in unrestricted giving, but generally during a campaign most gifts are designated to a specific area. Mr. Griffis summarized that the internally generated money would come from the 1% Endowment Fee ($318,000), the 5% Gift Fee Assessment ($96,200), and the remaining amount that will fluctuate from year to year would come from the Unrestricted Reserve ($200,000-$400,000). Pat O’Connor asked if the 14 new positions would be employed by the Foundation. Mr. Griffis answered that they would be employees of the University and that the Foundation would reimburse the University for these expenses. He explained to the Board that it is becoming increasingly expected of Foundations to become more self-sufficient and less reliant on State funds. Martin NeSmith asked if these 14 positions would work only for the 8 year campaign or if they would be permanent employees. Mr. Griffis answered it is
the plan that as the University grows in its endowments and gifts, that the staff would need to grow as well. As the University moves into future campaigns, the goals will be set higher and higher, so the need for adequate staffing will continue to increase as well. These new positions will support the infrastructure of University Advancement. They are not all frontline fundraisers, but are essential to the research, advertising, and development areas that support the fundraisers. At this time, Dr. Christmas made a motion to approve the 1% Endowment Assessment effective July 1, 2011 and the Gift Assessment of 5% on non-endowed gifts beginning July 1, 2011 and to use a portion of the Unrestricted Reserve each year to bring the total funding up to the amounts needed to fund various activities as outlined to conduct a major successful Capital Campaign. This motion would be effective until at least the end of the Capital Campaign or until revised or rescinded by the Foundation Board of Trustees. This motion was seconded by Caroline Harless. Mrs. Wanda Parrish, Chair of the Georgia Southern Athletic Foundation, asked if these positions were strictly used by the Georgia Southern Foundation. Mr. Griffis answered that many of these new employees will be beneficial to all areas including Athletic personnel and the Deans, as well as University Advancement, in researching and accessing data on potential prospects. Dr. Keel included as well that the Athletic Foundation is preparing to hire some of their own additional staff to assist in their fundraising efforts. The goal of the entire Capital Campaign will cover all areas - Athletics, Georgia Southern Foundation, individual colleges, Wildlife Center, Botanical Gardens, the PAC, etc. Pat O’Connor asked how these new fees would be communicated to the prospective givers. Mr. Griffis answered that the Endowment Agreement that is signed has always disclosed that a 1% Endowment Fee could be charged annually. The Gift Assessments, however, are slightly different. When gifts are solicited, a proposal is given to the donor and in this proposal the 5% Gift Assessment will be disclosed. Dr. Christmas asked if all 14 positions need to be full-time employees, or could any, such as web designer, be contracted out to another company. Penny Scarpucci answered that these would need to be full-time staff within the institution. A goal of this campaign is to build the institution’s capacity to raise money in the future. Upon Marts & Lundy’s assessment, they found that several areas were currently underfunded in terms of operations. Current staff members simply are not able to do the work required, especially when starting a big campaign. Many institutions have at least one, if not more, web designers to satisfy electronic communications. Mrs. Scarpucci stressed the importance of positions such as the Corporate/Foundation Director and the Director of Donor Relations. Good Stewardship from donor relations is vitally important to building the strong long-term relationships with donors. A major goal for Marts & Lundy is to make sure that the University has the strength to not only get through this campaign, but to maintain that same level of philanthropic investment as it moves into the future. Harry Carter stated that it is very important to communicate the long term benefits that are projected coming from the 5% gift fee. If it is just talked about as a tax, most people will not like it. People will accept it better if the University communicates the long term goals. He asked President Keel if he was comfortable with the slow drain of the Unrestricted Reserve over the life of the campaign. Dr. Keel answered by saying he would not be comfortable with that if we were not using it to mount a Capital Campaign that will generate a tremendous amount of wealth for the University. He stated that the majority of the final goal will be endowed gifts, but there should be an increase in unrestricted giving as well. He feels that
if events work accordingly, that the current $3.8 million Unrestricted Reserve, while still being used, should also increase proportionately by the end of the 8 years. He feels very comfortable using these funds to build an organization and infrastructure that will generate a substantial amount of money both restricted and unrestricted. Carl Gooding stated that it would be beneficial to stress to the Deans that the 5% Gift Fee will only be issued one time and not annually. Dr. Keel replied that the Deans will be held accountable, now more than ever, to set goals and fundraise for their individual colleges. Although the 5% will be taken from their gifts, the Deans will still see the effects of that by being able to use the new positions to help them research potential prospects and by having a proposal writer write the proposals that they will use. Currently, the amount of time that Deans spend fundraising is extremely low. The Deans need to increase the amount of time spent on fundraising, and with the help of their own in-house development officers and the new positions discussed, their goals will be more achievable. They will also be supported with the necessary training from Marts & Lundy and from additional travel monies. Currently, there are 65,000 living alumni, mostly in Georgia, but many are across the country and the Deans need to be able to reach out to those individuals. Martin NeSmith asked if the main focus is on the alumni. Mrs. Scarpucci answered that the greatest potential is with alumni and corporations/foundations. However, there is a lot of support from the community, who recognize the value of this institution and the effects it has as an economic engine. A goal of all institutions as they grow is to have more alumni participation. This is the reason for an Alumni Relations division, to build those relationships. Mike Kennedy asked if the A Day for Southern campaign would continue its annual event during the Capital Campaign. Mr. Griffis said that the A Day for Southern campaign does not include any endowment-size gifts, but is a compilation of smaller gifts. It has been around for 35 years and usually has participation from individuals that give annual gifts. The ADFS campaign is very centralized as it is almost entirely within Bulloch County. The Capital Campaign intends on reaching outside of the city and even outside of the state of Georgia. After the discussion, Dr. Christmas’ motion passed unanimously.

Dr. Keel began his portion of the Capital Campaign presentation to the Board. He stated that the funds that Mr. Griffis has reviewed only funds about 1/3 of what is needed to have a successful campaign. He briefly reviewed the positions that need to be created. These positions include:

- CIT Development Officer
- Accountant
- Corporation/Foundation Relations Director
- Director, Donor Relations
- Annual Giving (larger gifts)
- Alumni Relations Position
- Prospect Researcher #1
- Prospect Researcher #2
- Business Analyst
- IT Programmer
- Proposal Writer
Dr. Keel restated that it will take roughly $1 million per year for 8 years totaling $8 million to fund these positions. These positions are stepping stones for the University to grow, so the next Capital Campaign can be even larger. Currently, the State E&G budget pays $2.37 million a year for the existing Foundation and Advancement operations. An additional $1 million per year is needed, which is where help is needed from the Board of Trustees. Dr. Keel then laid out his proposal for funding the $1 million, which splits the costs in half. E&G funding will account for $500,000, which will take a significant contribution from the University which has received a reduction of 35% in state funding over the last 3 years. The other $500,000 Dr. Keel asked to come from the Board of Trustees, which equally breaks down to $12,500 per year, per board member equaling a total commitment of $100,000 per member over the 8 year Capital Campaign. Dr. Keel recognized that this is a large number, but a very important component. This $12,500 does not have to come straight from each board member personally, but can be a collection of gifts from each member’s friends, colleagues, contacts, former classmates, etc. The one stipulation is that this $12,500 must be in unrestricted cash, and that this must be made clear to those donors who contribute. These unrestricted gifts will be separate from any endowment gifts that will be made. Dr. Keel stated that he had great confidence in the Board, each member has expressed their love for the University, but that these goals simply cannot be met without these personal contributions, not just fiscal but physical contributions as well. Martin NeSmith asked if there would be someone to help solicit those funds if the members could provide a list of those names. Dr. Keel expressed that a significant part of his job is to help raise money whenever he can. Mr. Griffis also stated his willingness to assist, but that generally the expectation is for the Board to generate or give the $12,500, as all Development Staff have full time obligations working on a large list of potential donors at the Major Gifts level of $20,000 and above. Dr. Keel continued his presentation by stating that the new positions being discussed currently have no funding and have not been filled. The money received from the Board members will be used to pay the first few months of payroll. However, researchers will be available to provide background information on any potential prospects that the board members wish to contact. It is each member’s responsibility to collect the $12,500 to give to the University. At this time, Max Manack asked for a motion to be made that each member would be responsible for giving $12,500 per year for 8 years beginning July 1, 2011. Billy Hickman made a motion and it was seconded by Martin NeSmith. Mr. NeSmith stated that he knows that this goal can be reached, but it will take more effort from each member than has ever been expected in the past. Troy Athon stated that he thought it should be a condition of membership that each member obtains the $12,500. He asked to amend the motion and make this a condition of membership on the Board. Martin NeSmith expressed his concern of that amendment. Margot Dawkins expressed the difficulty she has making such a huge commitment at this time with the July 1, 2011 due date. She knows she can contribute in other ways, but does not agree with making this a condition of membership. Mr. NeSmith felt that adopting this condition would result in the loss of members. By letting members know ahead of
time that this will be mandatory, it may give members a better chance of achieving the $12,500 goal that is expected of them. He felt that there was not enough time between April 2 and July 1. Mr. Athon decided to withdraw his amendment, but felt that it was clearly pointed out that funds are needed by July 1 in order to move forward with the campaign. He felt that by listening to the discussion that the members were not fully on board with this commitment. Dr. Carter expressed the importance that the Board be able to guarantee some amount to the University. He stated that the institution must be able to move forward and cannot be held back by the lack of funds. Many of the new positions are very significant and will require some time to find suitable candidates. He also recommended that the University contact members individually and find out what each member intends to do or what their feelings are towards this commitment, especially members that were not present for the meeting. Caroline Harless expressed her concern over the short time period, in which the first payment of $12,500 was needed. Pat O’Connor agreed that the short amount of time could be an issue. He felt that if members were given notice now with a mandatory first payment due January 2012, that responses might be considerably better. Mr. Manack then stated that the original motion be accepted, taking Dr. Carter’s suggestion to contact members, especially absent members, for an update. Members agreed with this, so with the motion made and seconded, the proposal passed, with a few abstentions. Mr. Manack spoke briefly of the discussion and reminded the Board that the end result of the campaign is to benefit students and the future of Georgia Southern University.

**University Update from the President:** Dr. Keel briefly talked about the new events taking place. The University recently purchased the old Southern Links Golf Course that will allow expansion of the recreational facilities. The 167 acres was purchased using reserve funds raised from the RAC fees, essentially the land was purchased with student fees for new facilities that will be used by students. Also, the University is looking into purchasing Campus Club Apartments that will add over 980 beds of the 2,000 beds needed for on-campus housing. There is also a plan to purchase land owned by the Brannen-Tillman-Lane family that is across the bypass between Akins Boulevard and Lanier Drive. This will provide for the only expansion opportunity for Georgia Southern in the long-term, as the university is currently landlocked by the Bypass. There is also discussion taking place with the City of Statesboro and Bulloch County of a joint City-County-Georgia Southern Civic Center/Arena project that will be highly beneficial to the entire region.

Huge steps have been taken towards the football expansion. This includes a 50,000 square foot facility in the scoreboard end zone that will house the locker rooms, weight rooms and coaches offices at Paulson Stadium. It is hopeful to break ground this football season.

The new Provost, Dr. Ted Moore, began April 1, 2011. He was the Vice President at the University of South Carolina and brings tremendous experience in university administration. As for the state budgets, the University is looking at another 8% cut. The Governor has also recommended no increase in formula-funding for increased enrollment. There is also debate over increasing tuition in addition to the reduction in the HOPE Scholarship. The University received $15 million for Phase I of the new Biology Building. There is now $21 million in the budget for Phase II of the building. The
University is hopeful to break ground in June of 2011. This ended Dr. Keel’s University update and with no questions from the Board, the presentation was concluded.

**Committee List:** Mr. Manack encouraged everyone to review the Committee assignments. With no further business, the meeting was adjourned.

*All meetings of the Foundation Board are recorded. The proceeding represents a synopsis of the proceedings. Any Trustee who wishes may come to the Advancement office and listen to the complete recording of any meeting.*