

MINUTES OF MEETING OF CSU INSTITUTE BOARD

Chancellor's Office
401 Golden Shore, 6th Floor, Rm. 639
Long Beach, CA

October 12, 2011

1:30 pm – 1:45 pm

Board Directors Present

1. Charles Reed, Chairman
2. Benjamin F. Quillian, Treasurer
3. Ephraim P. Smith, Secretary

Staff Present

1. Lori Redfearn, Assistant Vice Chancellor, Systemwide Advancement, Chair, CSUI Audit Committee
2. George V. Ashkar, Assistant Vice Chancellor, Financial Services
3. Robert Eaton, Senior Director, Financing and Treasury
4. Kelly Cox, Associate Director, Financial Services - Accounting

Chairman Reed called the meeting to order at 1:30 pm.

Minutes were taken by staff (Robert Eaton).

Approval of Institute Board minutes of June 27, 2011 (action item)

Chairman Reed asked the Board if there were any questions regarding the Institute Board Minutes of June 27, 2011 and, as there were none, asked for a motion to approve the minutes. Treasurer Quillian so moved and Secretary Smith seconded the motion. The minutes were approved unanimously.

Approval of Institute Audit Committee Minutes of July 7, 2011 (action item)

Chairman Reed asked if the Audit committee's recommended changes to the footnotes for the FY 2010-11 Audited Financial statements had been made. Audit Committee Chair Lori Redfearn answered that the changes had been made. Chairman Reed asked the Board if there were any other questions regarding the Institute Audit Committee Minutes of July 7, 2011 and as there were none, asked for a motion to approve the minutes. Treasurer Quillian so moved and Secretary Smith seconded the motion. The minutes were approved unanimously.

Approval of Institute Audit Committee Minutes of September 26, 2011 (action item)

Chairman Reed asked the Board if there were any questions regarding the Institute Audit Committee Minutes of September 26, 2011 and as there were none, asked for a motion to approve the minutes. Treasurer Quillian so moved and Secretary Smith seconded the motion. The minutes were approved unanimously.

Presentation of an update of the California State University Institute's commercial paper program (information item)

Robert Eaton presented an information item regarding an update of the California State University Institute's Commercial Paper Program (Program).

Eaton stated that the Program's outstanding commercial paper balance is approximately \$141 million with a weighted average interest rate of about 17 basis points, down from the weighted average interest rate of about 24 basis points reported at the June 27 meeting. Approximately \$71 million of the commercial paper will be paid off on November 9 with proceeds from the recently completed Systemwide Revenue Bond sale.

Annual Contribution to CSU Foundation (information item)

Eaton informed the Board that the Institute had recently made its annual \$35,000 contribution to the CSU Foundation, consistent with the amount approved in the Institute's 2011-12 budget. Treasurer Quillian informed the Board that he would discuss the amount of future contributions to the CSU Foundation with Garrett Ashley, noting that, over the long term, an amount of \$35,000 is not sustainable because the Institute does not generate enough annual income to cover the amount and must use cash to make the contribution. Redfearn indicated that an adjustment to the amount could be made, and Chairman Reed noted that perhaps adjustments could be made on a systemwide basis to ensure that an adjustment in the amount of the Institute's contribution does adversely impact the CSU Foundation.

Presentation of the California State University Institute's FY 2010-11 Audited Financial Statements (action item)

Audit Committee Chair Redfearn informed the Board that she and Mike Redmond—the Audit Committee—had met with George Ashkar and Kelly Cox to review the Institute's FY 2010-11 Audited Financial Statements. Based on that meeting, the Audit Committee was comfortable with the financial statements. Ashkar also noted that the financial statements had received a clean opinion from KPMG.

Chairman Reed asked why the financial statements did not have a management letter. Ashkar noted that the Institute does not present a Management's Discussion and Analysis section in the financial statements, thus a management letter was not required.

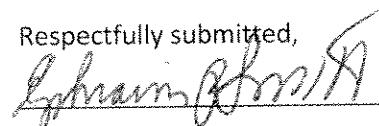
Treasurer Quillian asked about the significant change from FY 2010 to FY 2011 in the "Net cash provided by (used in) investing activities" on the Statements of Cash Flows. Ashkar noted the year-to-year swing was driven by the fact that in FY 2010, the CSU had completed a Systemwide Revenue Bond sale and retired Bond Anticipation Notes, the proceeds from which had paid off commercial paper by the end of the FY, whereas in FY 2011, the CSU did not have a Systemwide Revenue Bond sale and no significant proceeds from the retirement of Bond Anticipation Notes were received by the Institute.

Treasurer Quillian also inquired about the small amount of "BBB" securities in the Institute's investment portfolio as noted in the financial statement footnotes. Ashkar indicated that, at the time of purchase, the securities were well-rated and within investment policy guidelines, but that the securities were subsequently downgraded. In such an event, the Institute staff consults with the investment managers to determine if the security should be sold or held. Based on these discussions and ongoing monitoring, these particular securities continue to be held.

Chairman Reed asked the Board if there were any other questions and as there were none asked the Board for a motion to approve the financial statements. Treasurer Quillian so moved and Secretary Smith seconded the motion. The financial statements were approved unanimously.

Meeting was adjourned at 1:45 pm.

Respectfully submitted,



Ephraim P. Smith, Secretary

Date

11/14/2011