

**MINUTES OF A MEETING OF THE
BOARD OF DIRECTORS OF FRIENDS OF THE ELEPHANT SEAL
JANUARY 16, 2013**

Present: Donovan Marley, Bill Goodger, Kathy Hurrell, Jim Brownell, Tim Postiff, Bette Bardeen, Brandt Kehoe and Sharkey Warrick and George Larson

Also Present: Marcella Boteilho, Bill Johnson, Christel Chesney, Brooke Gutierrez, Barry VanderKelen and Megg McNamee

A motion was made and carried to approve the minutes of the December meeting.

BARRY VANDRKELEN, executive director of the **SAN LUIS OBISPO COUNTY COMMUNITY FOUNDATION** presented the Board with a proposal and recommendations regarding the formation of an endowment fund for FES. The Foundation was formed in 1998 for the improvement the quality-of-life for San Luis Obispo residents. The Foundation has assets of 36 million dollars and has granted out more than 21 million to support the quality-of- life in SLO. Their function is to service non-profit organizations with endowment formation and support.

Non Profits and Finances: What are non-profit's obligations? Compliance with entities we would have to respond to: California Attorney General, California Secretary of State, County of SLO, BBB, IRS, FASB, Donors, GuideStar and AICPA. The Board of Directors must determine what is best for this organization and to make sure that everything is in order and moving forward. As the endowment grows in size there are more compliance requirements; above \$25,000/ year in annual income, longer IRS form 990 will be required; above \$100,000 more schedules will be added to the 990. All of that information is public and becomes a public document (www.GuideStar) lists all of the 990s via the IRS). Independent audit is required when annual income is over 2 million dollars. In accordance with the IRS Document Retention Policy, records have to be kept for a minimum of 1 year and some for as long as 3, 5 and 7 years and some permanently. It is the responsibility of The Board has to make sure records are properly kept in a "safe and secure location". The Value Proposition of a non-profit is that in exchange for taxes that would be paid on excess income (and other certain taxes like property taxes) the value of the services provided by the non-profit organization to the community is greater than what those taxes could provide. The Board must also make sure that the organization remains "for the public benefit". "The end must justify the means."

Barry used the analogy of a bucket (the endowment) as something you keep putting things (money) in to that you can eventually ladle out (money). Who owns the bucket? It would be an asset on the FES books and as such, FES would be responsible for dealing with all of the compliance regulations and issues. Also would be responsible for compliance with donor restrictions, i.e. if someone were to donate money for the sole purpose of enhancing the board walk or purchase of the new web cam or multi- language app.

Strategy considerations are whether FES would want long term (anything over one year) or short term money. What is an endowment? To a donor, an endowment is a sum of money given to a charity for charitable purposes, with only the "income" being spent and the "principal" being preserved. To an accountant, it is a fund which is "permanently" restricted. To a lawyer, it is an institutional fund not

wholly expendable on a current basis under the terms of the gift instrument. Types of endowments include: “*True*” endowment - a fund created by a donor that is restricted for some purpose, “*Quasi*” endowment – a fund created when a board takes unrestricted funds and imposes a spending restriction and “*Term*” endowment – a temporarily restricted fund until some future event. The Community Foundation currently handles only True and Quasi endowments.

Method of solicitation is important and must be recorded. Methods include direct mail, email, a special event and face-to-face. Face to face is the most difficult to track. A “gift instrument of record” should always be used and kept (a specific request for funding or a thank you letter acknowledging receipt of monies for a specific purpose) for 30 years.

Accounting requirements for having an endowment include FAS 117-1 *Classification of Assets* (important for form 990 and audit), FAS 124 *Accounting for Investments* and FAS 136 *Funds Held for Others*. If endowment exists for more than one year the Uniform Prudent Management of Institutional Funds Act dictates the need for an Investment Policy which includes: Investment Policy, Spending Policy, Fees and Gift Acceptance Policy (which enables refusal of an endowment fund if it doesn’t mesh with endowment purpose).

Strategies for growing the endowment include major gifts (real estate, cash, etc.), planned and deferred gifts (estate plans and trusts, charitable gift annuity, etc.) and investments. Investments are unreliable and fluctuate and not guaranteed to grow and are only used as stewardship of the money.

Barry reiterated the importance of good documentation and record keeping. Keep in mind that endowment funds are “not your money”. It is money that has been entrusted to us. If the original purpose of the endowment is no longer valid, there is a process to re-direct that money. People want to know if you will be a wise steward of their money. Transparency builds integrity, which builds reputation, which attracts donors.

Q&A: Does the level of endowment go down if there is a bad year for investments? Yes. If we get monies for a certain purpose how do we separate them? Monies can be put into separate funds/accounts or can be co-mingled within the endowment fund as long as proper paper work/record keeping makes it clear where monies came from and how dedicated monies are to be spent. **What happens if the Community Foundation folds?** The assets must (by law) go to the “closest related purpose as possible”. Their board can disperse the endowments to the intended beneficiaries OR more likely, will partner with the Santa Barbara County, Monterey County or Kern County Foundations. In other words, it would continue but be under different management foundation. **What happens if FES folds?** Does the State of California (Parks) get our assets? We can give the State 90 day notice to cancel our arrangement with the State. The endowment would most likely go to the “closest related purpose” If the original purpose is no longer practicable then a closely related purpose has to be found and will involve a filing with a notification to the State Attorney General’s office. If funds languish for 10 years and total less than \$100,000, a letter gets sent to the Attorney General notifying that the endowment is going to be re-directed to as closely related as purpose as can be found. The same rule applies for funds greater than \$100,000 but is a “bit more delicate”. **Do we have a similar option to terminate our arrangement the Community Foundation as we do with State Parks?** If we set up an *Agency Fund* it can be terminated. If we set up a *Designated Fund* it cannot be terminated. An Agency Fund will be on our books (with all the accompanying responsibilities and obligations) and are just co-mingling our money with the Foundation’s endowment pool. If it is a Designated Fund then it is an asset on the Foundation’s books. An Agency Fund leaves the “variance power” with FES and a Designated Fun does not. **What is**

the composition of the Foundation's board? Currently there are 14 members and they are recruiting the 15th (Board has a maximum of 15). They recruit intentionally for geographic representation throughout the county, for gender balance and for diversity of perspective and experience. Some board members serve on other boards, some have funds with the Foundation and some do not and are meticulous about avoiding conflicts of interest. How many separate endowment funds? There are over 300 separate funds that are managed by the Foundation; 70% are endowments equal to 31 million dollars. What reports should we expect? When the Investment Committee meets they send out a quarterly report of their activities. Fund Statements are sent out twice a year (snapshot of what is happening inside the fund). Is there any restriction on the frequency or amount of transfers to the fund? No. Are we ready for this? What do we have to ask ourselves before making this decision? He responded by asking the board: Can you put money away that you will not have access to? Are there enough ready reserves (3 - 6 months operating cash) to get FES through a difficult period? Is this board committed to this? Do we have the institutional will to work on this? Consider delayed gratification; Endowments typically to take time to build and during that time people are paying attention to see if their legacy is being properly treated. It usually takes 7 years to see any significant payoff. Do we need an attorney? Probably not a bad idea but not a necessity at this point in time.

BOARD DECISION: A motion was made and carried to take the next step with San Luis Obispo County Community Foundation by requesting a proposal to undertake to establish a designated fund under the provisions of a True Fund starting with a \$30,000 initial investment. It was further agreed to let Nick Franco with State Parks know what we are doing and what our intentions are.

STATE PARKS: Brooke Gutierrez reported that the two panels needing replacement at VP3 are awaiting personnel to install them. It has been reported that there is a large hole in the fence just south of VP3 near the dunes and the no parking signs. People are starting to park there again. State Parks is repairing the fence as well as addressing the signage issue along with Robin Chase and Lisa Remington. She requested that we call them if cars start to park there again. E Seal newsletters are in and she will arrange to have them delivered to the office asap. We also discussed the need to have someone (in uniform) at the windsurfer beach. Brooke will contact the park seasonal aides in the hopes of getting the beach "manned".

OFFICE REPORT: Marcella reported that the special pins and awards have been ordered for the Docent Appreciation Dinner. She also needs help putting this dinner together; set up being the most demanding. Need to designate an emcee and create a script for the evening. Supposed to be a "board-driven-event". Set up should start at 4. Several board members agreed to be there for set up. It was also agreed to purchase desert as Boni's doesn't include desert in their catering service. Marcella also mentioned that she is having trouble reconciling the savings account (due to Pay Pal) because of the way Heritage Oaks sends their statements. Apparently they only send monthly statements if PayPal is being used, otherwise statements are sent quarterly which makes it difficult to reconcile. The Bank suggested that we change the savings account to a money market account with statements being sent out every month whether or not Pay Pal is being used. It was decided to hold a special meeting in order to expedite the process.

Meeting recessed.

Special meeting convened: A motion was made and carried to authorize Marcella to open a new money market account in lieu of a savings account. The savings account will be closed and all monies in

the savings account will be transferred to the new money market account. All three signees will have to go to the bank to sign the new documents.

Previous meeting re-convened: Marcella asked if Sharkey had written a response to the teacher from Foothill Elementary school. Sharkey sent the letter plus a check for \$350 (out of his own account). His letter stated that FES is not yet in the position to subsidize schools visits but we hope to in the future. The money he sent will not be reimbursed because of Board policy already established. The topic was left open for further discussion later.

Table report: 2011 total was \$33,942 and a goal was set to double that amount in 2012. 2012 tables produced \$62,974. 2011 approximate profit was \$26,918 and the 2012 approximate profit was \$43,919. Profit consists of 100% of contributions from the table and 60% of sales from the table. Sales comparisons year to date are \$2,726 and \$4,069 respectively.

RESIDENT'S REPORT: Brandt said that there was no progress in the multi-use language app. Brandt indicated an interest in having more people operate the camera. He would like to have a meeting in the office to educate/encourage docents on how it is done from their home computers.

TREASURER'S REPORT: Bill emailed the updated 2013 Budget to include the adjusted salary for the new docent coordinator. That adjustment leaves a net income balance of \$1,595. Current balance in Checking Account is \$29,617.51 and Savings Account is \$48,845.15. Three CDs currently have \$10,010.30, \$20,043.29 and \$20,056.90. Marcella will transfer money from the checking account to the savings account to reflect a balance of \$10,000 - \$12,000 in the checking account.

INTERNSHIP REPORT: Bill reported that there will be a course at the Marine Mammal Center on stranding and rescues. Bill discussed research and study options for the interns such as data mining, the recent twinning question, etc. He also contacted Brian Hatfield to see if he had anything in particular he would like to see pursued. Donovan suggested the data mining regarding rescues would be of great interest. There was lots of discussion on accurately counting the seals but no method or solution was determined.

MEMBERSHIP REPORT: Donovan said that we currently buy the Acquisition Brochures 10,000 at a time and are paying a "sheet feed" rate. If we could buy a year's supply (100,000) at once it would cut the cost almost in half.

Last year there were 594 members with an average donation of \$90.70 for a total membership income of this year \$53,873. This year-to-date there are 24 new members we have received a total of \$1,825. \$745 of that is from people who mailed in their year-end tax donation that was delivered after the first of the year. This amount is approximately the same as last year. Average donation is down so far but he expects that to come up. Expenses are 137% of income. That will also change.

TRAINING COMMITTEE: Bette reported that the Training Committee would be meeting on January 26th with last years' docent class. The purpose is to get informal feedback on the last training. There will also be a Spring Training on March 23rd. New docents were encouraged to attend the seminars and many have volunteered to do so. The Ano Nuevo Ranger/Interpreter in charge of their docent program will (hopefully) come sometime in February to meet with our

Training Committee. Bette will be gone the whole month of February so Barbara will handle those arrangements. Bette will set up a table (at the bluff) for the January 19th Underwater Parks celebration. Posters, information pamphlets and cookies will be supplied by the Sanctuary Foundation. Bette and Kathy Hurrle will stay at the table on that day.

OLD BUSINESS: Kathy Hurrle reported that Ellen Stoner was selected for the new position of Docent Coordinator. A motion was made and carried to offer Ellen Stoner the position. It was also agreed to offer Diana Teetzel the new position of Outreach Coordinator. Both positions can be fine-tuned as they are developed.

Kathy offered to prepare an option paper outlining how FES could create and run a viable program that provides funding for school groups visiting the bluff. She suggested we use the percentage of children in a school receiving free or reduced price lunches as our primary basis in determining which schools we fund and how much we give. She contacted Gillian Cocker, superintendent for this area who told her that this would be the best gauge for trying to figure out what the economic problems the school populace. The Board will have to figure out how much money to budget for this new program. The Board unanimously agreed that Kathy should continue with this project.

ITEMS FOR DOCENT LETTER: Announce Ellen Stoner as new Docent Coordinator, Diana Teetzel as Outreach Coordinator (which will include staffing the school groups). Announce that Jim Brownell and George Larson will be ending their terms on the Board.

CLOSED SESSION: A motion was made and passed that Christel Chesney and Dave Bauer be elected to the Board for a two year term beginning February 1, 2013.

Respectfully submitted by Megg McNamee, secretary

Attached: 2013 Revised Budget

NEXT MEETING WILL BE ON FEBRUARY 20, 2013 AT 1:00 PM

SAVINGS ACCT: \$47,605.
 CHECKING ACCT: \$16,748.
 CD: \$50,000.

Ordinary Income/Expense

Just Between Friends

Use Where Most Needed

Endowment Fund

Translation System

Total Just Between Friends

State Comp Dividend

Royalties

NIAC Dividend Payment

Soupabration Fundraiser

Soup Bank

Auction(taxable sales)

Contributions_Soupabration

Soupabration Sponsor

Food Sales

Ticket/Wine Tasting Sales

Raffle-Premium

Raffle-Potluck

Total Soupabration Fundraiser

Misc Contributions

Table Contributions

Tubes Contributions

Membership Campaign-2011

Merch Sold - NonTax Shop

Membership Campaign-2012

Adopt a Poll Webcam

Donations End of Year

Donations

Hearst Theater Fundraiser

Merch Sold-Taxable-FES Shop

Merch Sold Taxable - Table

Refund

Bus Tours

Savings Acct. Interest

Shipping Income

PowerPt Presentations

CD Interest

Total Net Income

Total Cost of Goods

Gross Profit

Jan 1 - Dec 16, 12	2013 Budget
1,205.00	
125.00	
25.00	
1,355.00	
47.68	\$0.00
730.32	\$800.00
251.34	\$250.00
1,860.00	
3,528.26	
4,620.00	
175.00	
2,685.00	
7,194.00	
1,520.00	
586.00	
22,168.26	
2,427.62	\$2,500.00
14,587.25	\$15,000.00
16,590.75	\$15,000.00
900.00	\$900.00
72.00	\$0.00
41,039.50	\$45,000.00
1,113.00	\$0.00
155.00	\$0.00
1,550.00	\$2,000.00
1,550.00	\$0.00
10,844.50	\$10,000.00
44,325.00	\$50,000.00
242.91	\$0.00
614.00	\$200.00
13.17	\$20.00
67.50	\$50.00
50.00	\$50.00
	\$350.00
160,694.80	\$142,120.00
27,315.18	\$35,000.00
27,315.18	\$35,000.00
133,379.62	\$107,120.00
	2013 Budget

SAVINGS ACCT: \$47,605.
 CHECKING ACCT: \$16,748.
 CD: \$50,000.

	Jan 1 - Dec 16, 12	2013 Budget
Advertising	2,525.00	\$0.00
Professional Fees - Accounting	1,450.00	\$1,450.00
Webcam Stream	6,998.00	\$6,000.00
Pay Pal Service Charges	59.70	\$150.00
Bank Cards Discount	615.69	\$600.00
Contract Labor	1,250.00	\$1,300.00
Docent Supplies	4,275.81	\$4,500.00
Docent Event Expense	2,408.66	\$2,500.00
Docent Training Expense(includes \$1700. for speakers)	5,091.07	\$5,500.00
Dues and Subscriptions	508.00	\$600.00
Equipment, Office/Bluff	354.60	\$500.00
Filing Fees	45.00	\$45.00
Fundraising Expense		
Office Supplies 2013 Campaign	89.47	
Hearst Theater Fundraiser Expen	539.66	\$0.00
Cost ofMembr Gifts-SalesTx incl	475.10	
Cost of Goods for 2012 Campaign	2,324.72	
Office Supplies-2012 Campaign	547.57	
Postage-2012 Campaign	759.99	
Printing 2012 Campaign	7,596.98	
Total Fundraising Expense	12,333.49	\$14,500.00
Insurance		
Commercial Property	418.00	
Insurance- Workers Compensation	1,127.33	
Insurance - D & O Insurance	1,200.00	
Insurance - General Liability	900.00	
Total Insurance	3,645.33	\$3,700.00
Licenses and Permits	50.00	\$50.00
Office		
Supplies	3,269.34	
Gifts	78.87	
Total Office	3,348.21	\$3,300.00
Cal Poly Internship		\$3,000.00
Shark Surveillance		\$0.00
Telepone Ap		\$0.00
Outreach Program		
Education & Training	670.96	\$1,000.00
Internet & Website Connection	797.50	\$900.00
Interpretive Displays	10.50	\$0.00
Total Outreach Program	1,478.96	\$1,900.00
Payroll		
Payroll Gross	22,408.00	
Payroll Tax Expense	2,295.98	
Total Payroll	24,703.98	\$37,000.00
Postage and Delivery		
Shipping Expense	196.60	

SAVINGS ACCT: \$47,605.
 CHECKING ACCT: \$16,748.
 CD: \$50,000.

	Jan 1 - Dec 16, 12	2013 Budget
Post Office Box Expense	64.00	
Postage and Delivery - Other	612.14	
Total Postage and Delivery	872.74	\$1,200.00
Printing and Reproduction		
Membership Newsltr	1,102.39	
Brochures	442.60	
Newsletters	2,205.26	
Printing and Reproduction - Other	274.93	
Total Printing and Reproduction	4,025.18	\$4,400.00
Program Expense	319.92	\$480.00
Rent	4,400.00	\$4,800.00
Repairs		
Computer/Equip Repairs	135.00	
Total Repairs	135.00	\$650.00
Taxes		
Sales Tax	4,349.00	
Total Taxes	4,349.00	\$4,600.00
Telephone	1,027.32	\$1,000.00
Travel & Ent		
Meals	126.74	
Travel	315.62	
Total Travel & Ent	442.36	\$600.00
Utilities	1,158.93	\$1,200.00
Total Expenses	87,871.95	\$105,525.00
Net Income	45,507.67	\$1,595.00