

CSUSB FOUNDATION

Building a Culture of Philanthropy

Investment & Finance Committee Meeting

Friday, September 5, 2025

9:00 – 11:00 am

Zoom

MINUTES

Members Present: Gary McBride (Chair), Debbie Brown, Monica Alejandre, Kevin Morningstar, Tom Pierce, Diego Rendon, Juan Sibrian, Sam Sudhakar, Ed Teyber, Ray Watts, Ellen Weisser

Members Absent: William Stevenson

I. Call to Order and Approval of Minutes

Chair Gary McBride called the meeting to order at 9:02 a.m.

Motion: *Approval of the May 16, 2025, Investment & Finance Committee minutes.*
(Unanimous)

II. Second Quarter Portfolio Performance and Economic Outlook

McBride provided a report on the Foundation's Q2 portfolio performance, noting a 6.6% return, slightly trailing the 7.9% benchmark. He attributed the performance gap to small-cap underperformance and international market strength. Tom Pierce added context on macroeconomic trends, highlighting inflation remaining in the 2.8–2.9% range, unemployment at 4.3%, and a 5–11% decline in the U.S. dollar. The Federal Reserve is expected to reduce rates by 25 basis points. Both McBride and Pierce agreed that the market is expected to remain volatile.

III. Investment Policy Statement (IPS) Approval

McBride provided a side-by-side comparison of Beacon Pointe's current allocations and Graystone's target portfolio under the new OCIO model. He noted that only minor adjustments are being made to align with Graystone's approach, with equities increasing slightly, fixed income decreasing, and alternatives rising modestly.

McBride also explained that even under the new OCIO model, multiple layers of guardrails remain in place within the Foundation's Investment Policy Statement (IPS) to ensure prudent management and control. The IPS establishes parameters of 40–70% equities, a minimum of 10% fixed income, and up to 15% per alternative category, with at least 50% liquidity.

He emphasized that while the OCIO model provides flexibility to adjust allocations within established ranges, the policy strictly limits how far those adjustments can go. McBride noted that these constraints prevent any extreme repositioning of the portfolio and protect the Foundation from overexposure to illiquid or high-risk asset classes.

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He also reassured the committee that any major move into alternatives would occur gradually, since such transactions involve extensive due diligence, legal review, and multi-step documentation.

As the endowment grows, McBride expects the alternatives allocation to increase modestly and proportionately to improve long-term balance and stability. He explained that alternatives are non-correlated assets, meaning they don't move in tandem with stocks or bonds. This lack of correlation helps smooth out performance over time, resulting in steadier spending rates and less volatility for the Foundation's operating support.

Sam Sudhakar noted that with the transition he receives daily notifications of trade activity and expressed concern about who was monitoring the transactions. McBride clarified that the daily movement was temporary and related to Graystone's initial reallocation process as they transitioned assets from Beacon Pointe's investment lineup to their own model. He explained that once the transition is complete, transaction frequency will normalize, and activity will primarily occur in connection with major inflows, withdrawals, or quarterly fee adjustments.

Kevin Morningstar raised the issue of tracking performance and costs during the transition. The committee should have clear visibility into realized gains and losses on assets being sold, as well as the cost basis and valuation of new investments being purchased. Morningstar also underscored the importance of maintaining a defined baseline for each position to evaluate Graystone's performance over time. Without that, it would be difficult for the committee to distinguish between portfolio growth due to market performance and that due to portfolio turnover. He requested that Graystone or staff provide a reconciliation of each asset's sale, gain/loss outcome, and starting point for the new holdings. Sudhakar agreed and added that it is also important to understand any transactional or trading fees incurred during the conversion process. He asked that such fees be tracked and reported back to the committee to ensure full transparency.

McBride acknowledged both concerns and agreed that the committee should receive a detailed report summarizing realized gains and losses, trading activity, and fees once the transition is complete.

Alejandre confirmed she would work with Graystone to provide the requested documentation and coordinate ongoing transaction-level reporting during the first year of the new OCIO relationship. She also mentioned that she would share meeting dates and reporting expectations with Graystone and ensure this information is available for the Audit Committee's review in connection with next year's audit.

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Ellen Weisser questioned how the committee would monitor the level of portfolio activity going forward. McBride explained that, while the OCIO model allows more autonomy, the guardrails in the IPS—such as minimum and maximum allocations for each asset class and liquidity requirements—would prevent excessive trading or risk-taking. He reiterated that the Foundation had not hired Graystone to be an “active trader” but rather to execute a disciplined, long-term investment strategy within clearly defined parameters.

Ray Watts added that the committee retains full fiduciary authority to request any level of reporting or transparency it deems necessary. He supported the idea of receiving a detailed first-year transition report and suggested reviewing Graystone’s transaction activity at the next quarterly meeting to ensure alignment with the policy.

Motion: *Approval of the new Investment Policy Statement.*
(Teyber/Pierce/Unanimous)

IV. OCIO Transition Update

Alejandro reported that the transition from Beacon Pointe to Graystone is nearly complete, except for the charitable remainder trusts and a \$2 million Cliffwater interval fund. Final transition is expected by December. Beacon Pointe successfully liquidated most alternative investments without significant loss.

V. FY 2025–26 Operating Budget Review and Approval

Alejandro reviewed the Foundation’s FY 2024–25 budget report, reporting total revenues of approximately \$1.4 million, operating expenses of \$609,000, and a resulting net operating income of \$782,000. Total reserves at year-end stood at approximately \$1.6 million, putting the Foundation above the required 12-month reserve target.

For FY 2025–26, projected revenues are estimated at \$1.2 million to account for ongoing adjustments with the transition to Graystone. Major expense changes include an additional \$200,000 in scholarship funding to directly support student recruitment and enrollment initiatives, as well as a \$100,000 increase in University Advancement support to support alumni and donor engagement as well as fundraising operations.

Watts explained that the additional scholarship allocation reflects the Foundation’s core mission of student access and success, particularly considering statewide enrollment challenges. He noted that while endowed scholarships continue to provide long-term aid, the Foundation’s central operating funds can play a critical short-term role in bridging financial gaps and attracting new students. He emphasized that the campus’ Vice President for Enrollment Management, David Dufault Hunter, currently has limited

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discretionary funds to offer recruitment incentives, and this budget adjustment seeks to help address that gap.

Watts further stated that the Foundation's reserves, while healthy, should not simply accumulate and should support strategic campus priorities.

Morningstar urged a measured and conservative rollout of new spending while the Foundation evaluates Graystone's first-year investment performance. He recommended monitoring revenues closely and revisiting scholarship allocations midyear if investment results differ from expectations. McBride clarified that the proposed scholarship funding would come from existing reserves, not projected revenues, ensuring that the increase represents a one-time investment rather than a structural budget change. Alejandro proposed reflecting this adjustment by categorizing the \$200,000 as a reserve draw rather than an operational line item. Debbie Brown supported the scholarship initiative but recommended developing a tracking framework to measure the impact of additional funds on student enrollment, retention, and success. She suggested that data from this initiative could later support fundraising or marketing efforts to create a dedicated recruitment scholarship fund for donors. Juan Sibrian endorsed the proposed increase, noting from personal experience the transformative impact of scholarship support. He recommended providing smaller, distributed awards to reach a greater number of students and using the outcomes as a storytelling tool for donor engagement. Watts agreed, explaining that recruitment scholarships typically involve modest awards (e.g., \$1,000 grants) that can influence a student's decision to enroll, particularly among middle-income students who may not qualify for full need-based aid.

***Motion:** Approval of the 25/26 Foundation Operating Budget.
(Morningstar/Pierce/Unanimous)*

VI. Executive Director Report

Watts reported new gifts and pledges totaling \$3.5 million. He reaffirmed the goal of growing the Foundation's endowment to \$100 million through new gifts and commended the committee's focus on transparency and student support.

VII. Open Discussion

No open discussion.

VIII. Adjournment

The meeting was adjourned at approximately 9:55 a.m.

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Approval of Minutes
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Signature: Monica Alejandre

Date: 11/7/2025

Print Name: Monica Alejandre Board Position: Secretary