[MARKLUND
MINUTES OF THE FINANCE COMMITTEE MEETING
Thursday, April 6, 5:30 P.M.
Marklund Hyde Center
Geneva, IL

CALL TO ORDER
Mike Herlihy called the meeting to order at 5:38 p.m.

ALSO PRESENT
Gerry Estes, Dan Foley, Frank Murnane

NOT PRESENT
Jeff Blanchette, Bill Dolen, George Webster, John Wick

STAFF
Kudus Badmus, Gil Fonger, Kelly Kramer

GUEST SPEAKERS
Tom Egan (TCI)

PREVIOUS MINTUES
Mike H. asked for a motion to approve the meeting minutes of 01/26/2017. Frank M. motioned, Gerry E. seconded. All were in favor and the minutes were approved without exception.

FINANCIAL STATEMENTS
Kudus B. first called the committee's attention to a correction in the Summary Comments for REST. YTD the program has trained 130 Trainers – not 41 as stated in the comments. The program trained a total of 58 Trainers for FY16. Moving on to the balance sheet, Kudus B. noted receipt of $2.2M from the state in February, as well as a reduction in A/R between January and February. The A/R Balance by month (March 2015 – February 2017) reflects an off-trend spike in January 2017, with an A/R Balance of $4M. Frank M. asked if the build-up was due to lack of payment from the state. Kudus B. replied yes. Gil F. noted the court order ensures continuous - though sometimes reduced - payments from the state. The court order will end in June. In February, Marklund paid $400K of the $800K note we assumed during the acquisition of Little Angels. This resulted in an interest savings of $200K (loan is at 6%). The balance owed to Little Angels is $373K. There is a set-off of $250K. The goal is to pay off the 10 year note by November 2017. There is no penalty for early payment. Reviewing the Income Statement, Kudus B. noted the school is $225K over budget. For the month of February, the school was just $3K over budget. Kudus B. noted full census for all Marklund sites (including MWC), with the school just under budget at 58 students (vs budget of 60). We expect enrollment to slow down between now and end of year. REST continues to do well at $74K better than budget. Frank M. asked if the site acronyms could be added to the Board section of the website. Gil F. agreed to that request. On the Expense side, salaries and agency combined are just under 90K better than budget. YTD Occupancy is $37K better than budget, largely due to the mild winter. YTD Administrative expenses are $65K over budget, with REST books, classroom supplies, and acquisition costs accounting for much of the overage. Overall YTD loss of $421K vs budget of $757 – better than budget by $337K.

IRS 990 Discussion

Kudus B. asked the committee if there were any questions regarding the current 990 posted on the website. There were none.

ENDOWMENT UPDATE

Tom Egan (TCI) shared that anticipated changes in tax policy, increased infrastructure spending, and regulation roll-backs under president Trump could have a positive impact on the market. Frank M. cautioned against irrational exuberance, noting the tendency of incoming administrations to overpromise. Tom E. shared the view that it is more unlikely than likely that things will happen as promised. The stock market is up 10% for the year. Emerging markets up 13%. The bond market is up 1% for the year. The market continues to be expensive, but positive overall. He continued to review account activity, noting primarily positive performance. After review of the account, discussion ensued regarding risk / return of current asset allocation of 4%, vs 4.5%. Gerry E. feels the increase of .5% is acceptable, with only a slight increase in risk and a significant expected return. Frank M. agreed. Mike H. shared his change to a more conservative view, vs. his original inclination to increase to 5%. He feels CPI +4.5% is best. Gil F. agreed it is a good balance of risk and reward. Mike H. asked to draw a consensus that the recommendation is to follow CPI + 4.5%. All agreed. Tom E. will present the actual dollar amount to Kudus, and the change will be implemented from there. Mike H. would like to accomplish the transition by June.

INVESTMENT POLICY UPDATE - Action Required

Mike H. called the committee's attention to the language in section E of the current investment policy. In addition to adopting an expected return goal of CPI +4.5%, he suggests a rolling period of three years, as opposed to the current spread of 3-5 years. Gerry E. also agreed to the three year rolling period. Mike H. further suggested eliminating an unnecessary follow-up sentence regarding the return period. Mike H. also noted the need to change the Target Return of the Investment Policy Statement to 4.5%.

OTHER BUSINESS

Frank M. asked about the possibility of someday moving to digital versions of the finance / board packets. Gil F. responded that we can certainly begin uploading the packets to the Board Portal of the website, but will continue to send printed copies as well – unless otherwise requested.

ADJOURNMENT

With no further business, Mike H. called for a motion to adjourn. Gerry E. motioned, Frank M. seconded, and the meeting was adjourned at 6:33 p.m.