MEMBERS PRESENT: Chelsea Schaefer, Angela Sanborn, Sadie Erickson (phone), Holly Jacoby (phone), Michael McDaniels (phone),

MEMBER ABSENT: David Byers

GUESTS PRESENT: Brian Hughes (Northern Trust) and Jan Winters (Northern Trust)

STAFF PRESENT: Karen Monroe, Steve Recker, Rebecca Long, Laurie Mullennix, Jessica Johnson, Brandon Watson, Grace Thuo, Justin Rhodes, Jessica Beeby, Kim Cross

The meeting was convened at 12:01 pm by Chelsea Schaefer

APPROVAL OF OCTOBER MINUTES

Minutes of the Finance Committee meeting of December 18, 2018 were approved by motion of Holly Jacoby, supported by Michael McDaniels and carried unanimously.

NORTHERN TRUST INVESTMENT REVIEW

Mr. Hughes presented the Investment Review from Northern Trust.

He provided background on the performance of the markets in the fourth quarter of 2018, as well as the current trends.

Dwelling Place Foundation Portfolio

Mr. Hughes noted we were within range across all of the asset classes and described how the portfolio can be divided into three basic areas that are meant to do different things: equities, alternatives, and fixed income. He explained that equities tend to do well when the economy is growing, but has low inflationary environments. Alternatives are the hedge against inflation spikes. Fixed income does well when economies are weak and inflation is low. In periods of severe crisis, these different areas will allow the portfolio to work for itself.

In reviewing the returns for the Foundation, Mr. Hughes focused on the longest term where the portfolio shows it’s up 6.64% per year before fees and about 21% cumulative growth since 2016. The Dwelling Place Foundation portfolio has a $212,000 total gain. Each $1.00 brought to Northern Trust in 2016 is worth a $1.20 as of January 2019.

Non-Profit Housing Corporation Portfolio

The NPHC portfolio mirrors the Foundation portfolio in asset allocation unless there has been a large trade error. The NPHC portfolio is up 4% per year compared to the Foundation’s 6% increase. The total gain in this portfolio is $423,946. Mr. Hughes noted that it’s a much larger portfolio thus the higher gain is from a pure dollar standpoint as NPHC started out more conservative. Mr. Recker added cash had been deposited into the account over time and there had been a deposit last year. The portfolio’s cumulative growth is 11% or $1.11 to the original $1.00.
Mr. Recker noted the markets were trending up for February and asked what Northern Trust sees coming down the road and how might it affect the portfolios? Mr. Hughes responded in the short term or approximately one year, Northern Trust expects to see better, more solid economic growth in the US. He briefly discussed the major events that will affect outside markets in the short term: Brexit and tariff wars with China. For a long term outlook or about five years, Northern Trust estimates a 5.8% per year return; the opposite of what they feel in the near term is because markets are cheaper outside of the US and there’s lots of volatility around that average.

Ms. Schaefer asked if Northern Trust reviewed previous projections compared to the actual performance. Mr. Hughes confirmed that they do, but they focus less on the percentage and more so on the overall direction. He could provide that information to the Committee if there is interest. Ms. Jacoby stated that she would like to review that information.

Ms. Mullennix presented the revisions to the Accounting Policies and Procedures Manual from the last meeting. On page 20, Mr. Sturtevant requested revisions related to major real estate acquisition. Additional language was drafted regarding purchasing for HUD properties. Page 22 was updated to include language regarding accounting standards updates and liquidity management since the auditors noted that HUD properties could not follow those policies.

Mr. McDaniels asked questions about funds outside the operating budget (pages 21 &22). Mr. Recker explained that there aren’t any, but we had to address them per accounting standards.

There was further discussion about expenditures not related to real estate above and below $250,000. If the amount is over $250,000, it would go to the Real Estate Development and Asset Management Committee for approval. All amounts under $250,000 are outlined in the procurement policy.

**Changes to the Accounting Policies and Procedures Manual and to have the Manual presented to the Full Board for approval were approved by motion of Angela Sanborn, supported by Michael McDaniels and carried unanimously.**

The committee did not discuss any updates or announcements.

**The next Finance Committee meeting will be held on Wednesday, March 27, 2019 at 12:00 pm.**

The Finance Committee meeting was adjourned at 12:38 pm by Chelsea Schaefer.