



330 Marshall Street, Lansing, MI 48912 • 517-374-0031 • Mhealthfund.com

Public Meeting Notice
Michigan Health Endowment Fund Board Meeting
Wednesday, December 16, 2015
1:00 p.m.
Lansing Center
Governor's Room
333 East Michigan Avenue
Lansing, MI 48933

Board of Directors
Rob Fowler, Chairman
Lynn Alexander
Timothy Damschroder

Susan Jandernoa
Cindy Estrada
James Murray
Keith Pretty

Marge Robinson
Michael Williams
Chief Executive Officer
Paul Hillegonds

Michigan Health Endowment Fund Board Meeting

December 16, 2015

Lansing Center, Governor's Room
333 East Michigan Avenue, Lansing, Michigan 48933

The mission of the Michigan Health Endowment Fund is to improve the health of Michigan residents and reduce the cost of health care with special emphasis on the health and wellness of children and seniors.

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|-----------------------|---|
| 1:00 p.m. - 1:10 p.m. | <p>Opening – Rob Fowler</p> <ul style="list-style-type: none"> • Call to order of Board Meeting • Roll call • Review of agenda, page 2 • Review of September 21, 2015 minutes, pages 3-6 |
| 1:10 p.m. – 1:15 p.m. | <p>Public Comment</p> <p>Public Comment: Five-minute limitation for a single representative of an organization; three minutes for individuals representing themselves</p> |
| 1:15 p.m. – 1:25 p.m. | <p>CEO Report: Paul Hillegonds</p> |
| 1:25 p.m. – 1:30 p.m. | <p>Audit Committee: Keith Pretty</p> <ul style="list-style-type: none"> • Report, page 7 |
| 1:30 p.m. – 1:35 p.m. | <p>Governance Committee: Michael Williams</p> <ul style="list-style-type: none"> • Report, page 8 |
| 1:35 p.m. – 1:40 p.m. | <p>Investment Committee: Tim Damschroder</p> <ul style="list-style-type: none"> • Review of financial statements and investment consultant search, pages 9-12 |
| 1:40 p.m. – 2:00 p.m. | <p>Executive and Compensation Committee: Rob Fowler</p> <ul style="list-style-type: none"> • Resolution to approve 2016 budget, page 13-14 • Resolution to allocate 2015 amounts to endowment and operating funds, page 15 • Discussion of MHEF strategic planning process |
| 2:00 p.m. – 2:55 p.m. | <p>Grantmaking Committee: Sue Jandernoa</p> <ul style="list-style-type: none"> • Consideration of Community Foundation Grant Program applications, page 16 • Consideration of Michigan Association of Community Mental Health Boards' application • Local Impact Grant Program applications update • 2014 Grantee update- Phil Knight, Executive Director, Food Bank Council of Michigan |
| 2:55 p.m. – 3:00 p.m. | <p>New Business – Rob Fowler</p> |
| 3:00 p.m. | <p>Adjourn</p> |

Michigan Health Endowment Fund
Board Meeting
Monday, September 21, 2015
Lansing Center, 333 East Michigan Avenue, Lansing, MI 48933

Meeting Minutes

Call to order

The board meeting of the Michigan Health Endowment Fund was called to order at 2:00 p.m. by Chairman Robert Fowler.

Roll call

A quorum was determined based on the presence of the following Board Members:

Board Members present:

Rob Fowler
Lynn Alexander
Sue Jandernoa
Cindy Estrada
James Murray
Keith Pretty

Participating by phone:

Tim Damschroder

Absent:

Marge Robinson
Michael Williams

Others present:

Paul Hillegonds
Terry Gardner
Julie Skubik
Duane Tarnacki
Mark Neithercut (by phone)
Laurie Solotorow (by phone)

Approval of agenda:

Chairman Fowler asked if there were any comments regarding the agenda, which was approved without objection.

Review and approval of the minutes from the previous meetings:

Board Member Pretty moved to approve the minutes from the July 23, 2015, Board Meeting. Board Member Alexander seconded. Motion passed seven to zero.

Public Comment:

Gabriel Schneider introduced his company, Northern Strategies 360, which represents Munson Healthcare in Traverse City.

CEO Report:

Mr. Hillegonds thanked Chairman Fowler, Board Members, and TPI for their participation in the first strategic planning session. Mr. Hillegonds reported on the following topics: Environmental scan of Michigan grantmakers in health, meeting with DHHS Director Nick Lyon and Governor's health policy advisor Chris Priest, 2014 Grantee Collaboration Meeting, Medigap status, and grants program staff update.

Audit Committee:

Committee Chair Pretty reported that the audit is complete and introduced Mike Nicholas from George Johnson and Company who presented. Mr. Nicholas reported to the Board the results from their firm's audit of the Michigan Health Endowment Fund's financial statements. Mr. Nicholas noted that the audit report will be "clean" that there are no exceptions noted in the financial statements. Additionally, Mr. Nicholas reported on a number of matters that under auditing standards are required to be reported to boards by the audit firm. No unusual items were noted in those matters required to be reported. Board Member Pretty moved to accept and approve the audit report and financial statements. Board Member Murray seconded. Motion passed seven to zero.

Governance Committee:

Board Member Murray deferred to General Counsel Duane Tarnacki who reported the following from the Governance Committee.

1. The Committee recommended an amendment to the Bylaws providing that the Board may authorize the Executive Director or his designee to employ staff and consultants and enter into contract consistent with a budget approved by the Board. Mr. Tarnacki explained that this amendment to the Bylaws is necessary to make the Bylaws consistent with the resolution passed by the Board at the July 23, 2015 Board Meeting. Board Member Murray moved to approve. Board Member Estrada seconded. Motion passed seven to zero.
2. The Committee recommended that minutes from the Executive Committee should be posted on the MHEP website as anticipated by current Bylaws. Chairman Fowler discussed the history of this provision in the policy manual. After discussion by the Board, it was decided to leave this policy in place.
3. The Committee recommended a revision to the policy manual providing that the Executive Committee will set the Executive Director's compensation and that the Executive Director will determine staff compensation and benefits consistent with the Board approved budget. Mr. Tarnacki explained that this provision is consistent with provision number 1 described above. Board Member Murray moved to approve. Board Member Alexander seconded. Motion passed seven to zero.
4. The Bylaws provide that committee meetings be held in the same manner as Board meetings. The Governance Committee recommended that uniform committee policies and procedures be implemented regarding what constitutes a quorum, whether voting for a recommendation to the Board should be required, and whether committee minutes should be kept. Chairman Fowler described the history of the organization and

implementation of the committees and noted that while they are following the Bylaws there is a degree of inconsistency between the committees. Discussion was held by the Board regarding conduct of committee meetings. It was acknowledged that committee meetings are not held in the same manner provided in the Bylaws for meetings of the Board. It was decided that clarification by the Governance Committee may be warranted. Chairman Fowler asked Mr. Hillegonds to work with the Governance Committee to determine if any clarifications to the policy are necessary.

5. The Committee recommended that the number of board members on each committee should be capped at 5 (recognizing that committees may have non-board members) but that the Policy Manual need not specify the size of each committee. Board Member Murray moved to approve. Board Member Pretty seconded. Motion passed seven to zero.
6. The Committee recommended that Board learning, development, and grantmaking plans not be included in the Policy Manual but rather presented as part of an annual business plan. Board Member Murray moved to approve. Board Member Alexander seconded. Motion passed seven to zero.

Staff agreed to work with legal counsel to make the necessary changes to the Bylaws and Policy Manual for re-distribution to the Board.

Investment Committee:

Committee Chair Damschroder reported that the financial statements included in the packet are up to date and welcomed any questions. There were no questions. Board Member Alexander moved to approve the financial statement and invest report. Board Member Murray seconded. Motion passed seven to zero.

Executive and Compensation Committee:

Chairman Fowler reported that the Board is working with consultant, TPI, on the strategic planning process and procedures. He anticipates that the process will be completed in March 2016 and that a five year plan will be rolled out for the organization.

Grantmaking Committee:

Committee Chair Jandernoa described the 2015 Grantmaking Plan. The proposed plan includes two components; the first utilizes Michigan's community foundation network and the second is a relatively open, competitive program for smaller nonprofits that were not able to apply in 2014. Ms. Jandernoa explained that 103 letters of intent (LOIs) from non-profit organizations were received and the Grantmaking Committee recommended 32 of these projects be invited to submit applications. Terry Gardner explained the LOI review process and asked if there were any questions. There were no questions. Ms. Jandernoa moved on behalf of the Grantmaking Committee that 32 organizations be invited to move forward and apply for Local Impact Grants. Board Member Pretty seconded. Motion passed seven to zero.

New Business:

Chairman Fowler asked if there were any new business to consider. There being none, a motion was requested to adjourn the meeting.

Adjournment

Board Member Murray moved to adjourn the meeting. Board Member Pretty seconded. Motion passed by a vote of 7-0. Meeting was adjourned at 2:50 pm.

Respectfully submitted,

Julie Skubik
Secretary of the meeting

TO: MHEF Board Members
FROM: Keith Pretty
DATE: December 4, 2015
RE: Audit Committee Report

The Audit Committee did not meet this quarter, however, I would like to provide a follow up from the last Board Meeting on September 21, 2015. Since that time, the audit report has been finalized consistent with the presentation at the last Board Meeting, and the report is posted to the Fund's website. The initial tax return for the Fund was timely filed with the IRS after being made available to the board members for review. Planning has begun for the audit of the Fund's 2015 financial statements, which is currently scheduled for January 2016.

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TO: MHEF Board Members
FROM: Michael Williams
DATE: December 4, 2015
RE: Governance Committee Report

The Governance Committee held a phone meeting on November 2, 2015 to finalize the MHEF Policy Manual as a follow up to the matters that were approved at the September 21, 2015 Board Meeting. A quorum was not present; as a result, no business was conducted. Outside counsel presented the amended and restated Policy Manual reflecting all the changes approved at the September 21, 2015 Board meeting. The final amended and restated Policy Manual will be presented to the Board as an informational item on December 16, 2015.

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TO: MHEF Board Members
FROM: Tim Damschroder
DATE: December 4, 2015
RE: Investment Committee Report

The Investment Committee did not meet formally this quarter, however, the members have been actively involved in evaluating responses to our RFP from the 14 investment consulting firms which were invited to respond. Over the course of the quarter we have reviewed the responses, provided feedback to the CFO, and narrowed the number of respondents to a finals group of three. The finalists will make formal presentations to the Committee at a meeting on the morning of December 16, 2015. A report of the results of the Investment Committee meeting on December 16 will be made that afternoon at the regularly scheduled Board Meeting.

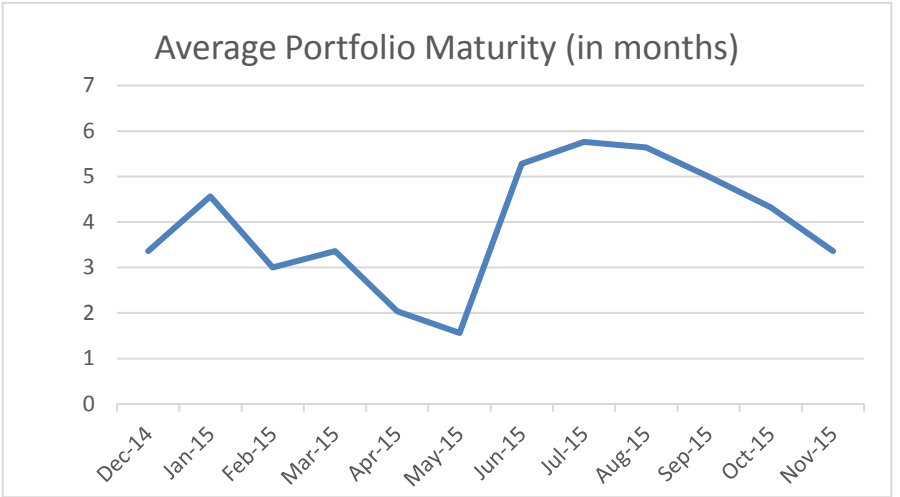
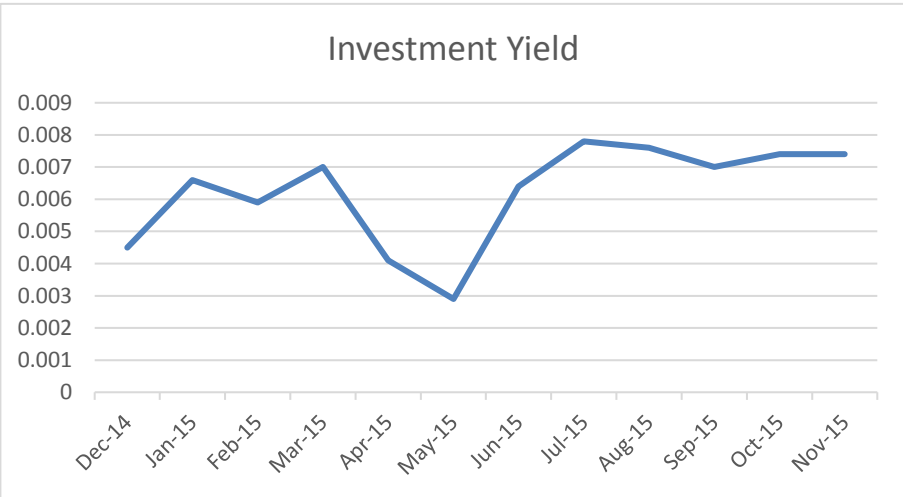
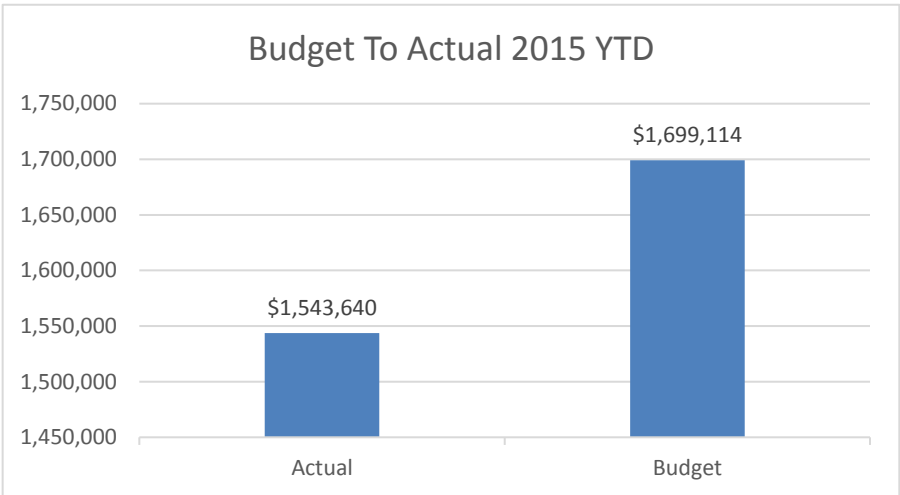
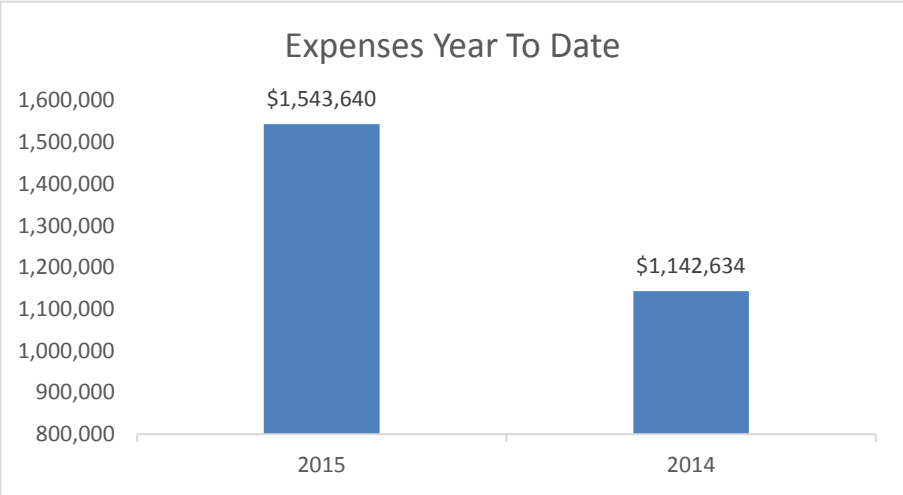
The Treasurer and the CFO continue to meet monthly to review financial statements, budget status, and current operational matters.

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Michigan Health Endowment Fund
 Key Financial Indicators
 November 30, 2015



Michigan Health Endowment Fund
Statement of Financial Position
November 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current assets		
Checking - Chemical Bank	\$ 4,957,037.55	\$ 7,050,148.37
Huntington Investments, at FMV	120,250,376.18	89,737,195.02
Accrued interest receivable	494,694.49	358,104.79
Prepaid expenses	<u>25,157.01</u>	<u>13,535.00</u>
Total current assets	<u>125,727,265.23</u>	<u>97,158,983.18</u>
Furniture and equipment	<u>3,574.66</u>	<u>-</u>
Other assets		
Security Deposits	<u>843.97</u>	<u>-</u>
	<u>\$ 125,731,683.86</u>	<u>\$ 97,158,983.18</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 39,138.79	\$ 180,440.33
Other current liabilities	<u>99,792.21</u>	<u>-</u>
Total current liabilities	<u>138,931.00</u>	<u>180,440.33</u>
Other liabilities		
Grants payable	<u>15,206,972.89</u>	<u>-</u>
Total liabilities	<u>15,345,903.89</u>	<u>180,440.33</u>
Net assets		
Permanently restricted net assets	30,000,000.00	20,000,000.00
Temporarily restricted net assets	27,578,587.00	-
Unrestricted net assets	13,621,235.20	-
Current year income (loss)	<u>39,185,957.77</u>	<u>76,978,542.85</u>
Total net assets	<u>110,385,779.97</u>	<u>96,978,542.85</u>
	<u>\$ 125,731,683.86</u>	<u>\$ 97,158,983.18</u>

Michigan Health Endowment Fund
Statement of Activities
For the eleven months ending November 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>
Revenue			
Direct Public Support	\$ 50,000,000.00	\$ 100,000,000.00	\$ (50,000,000.00)
Investment income	729,597.32	121,177.31	608,420.01
Total revenue	<u>50,729,597.32</u>	<u>100,121,177.31</u>	<u>(49,391,579.99)</u>
Expenses			
Grants	358,346.89	2,000,000.00	(1,641,653.11)
Grant program support	432,872.01	941,088.44	(508,216.43)
Legal and accounting fees	165,270.86	150,976.82	14,294.04
Outside contract services	95,166.93	-	95,166.93
Salaries and benefits	397,083.85	-	397,083.85
Office related expenses	10,177.03	-	10,177.03
Insurance expense	19,268.94	2,707.00	16,561.94
Office supplies and misc	17,566.89	2,590.91	14,975.98
Membership and dues	27,288.46	24,650.00	2,638.46
Travel and meetings	20,597.69	20,621.29	(23.60)
Total expenses	<u>1,543,639.55</u>	<u>3,142,634.46</u>	<u>(1,598,994.91)</u>
Other Expense			
Transfer to Endowment	<u>10,000,000.00</u>	<u>20,000,000.00</u>	<u>(10,000,000.00)</u>
Change in net assets	<u>\$ 39,185,957.77</u>	<u>\$ 76,978,542.85</u>	<u>\$ (37,792,585.08)</u>

**Michigan Health Endowment Fund
Projected Statement of Activities
For the year ending December 31, 2015 and Budgeted 2016**

	Projected Year Ending 12/31/15	Budget Year Ending 12/31/15	Projected 2015 \$ Over (Under) Budget	Budget 2016
Revenue				
Direct Public Support	50,000,000	50,000,000	0	60,000,000
Investment income	775,000	500,000	275,000	350,000
Total revenue	<u>50,775,000</u>	<u>50,500,000</u>	<u>275,000</u>	<u>60,350,000</u>
Expenses				
Grants	13,400,000	14,400,000	(1,000,000)	27,100,000
Grant program support	475,000	484,000	(9,000)	190,000
Legal and accounting fees	190,000	187,000	3,000	192,000
Outside contract services	110,000	276,000	(166,000)	177,000
Medigap Servicing				**
Salaries and benefits	478,000	494,000	(16,000)	970,000
Office related expenses	12,000	16,000	(4,000)	24,000
Insurance expense	22,000	25,000	(3,000)	28,000
Office supplies and misc	19,000	20,000	(1,000)	24,000
Membership and dues	28,000	26,000	2,000	30,000
Travel and meetings	22,000	40,000	(18,000)	40,000
Total expenses	<u>14,756,000</u>	<u>15,968,000</u>	<u>(1,212,000)</u>	<u>28,775,000</u>
Other Expense				
Transfer to Endowment	10,000,000	10,000,000	0	12,000,000
Change in net assets	<u><u>26,019,000</u></u>	<u><u>24,532,000</u></u>	<u><u>1,487,000</u></u>	<u><u>19,575,000</u></u>

MICHIGAN HEALTH ENDOWMENT FUND**RESOLUTION
TO APPROVE 2016 BUDGET**

RESOLVED, that the budget for 2016, as presented to the Board, be, and it hereby is, ratified, adopted and approved.

MICHIGAN HEALTH ENDOWMENT FUND (the “Fund”)

RESOLUTION

2015 ALLOCATION TO ENDOWMENT AND SPENDABLE ACCOUNTS

WHEREAS, the Fund’s Spending and Endowment Fund Policy allows the Fund to expend a portion of the money contributed to it in an amount up to the Maximum Spending Allowance which for year 2 is 80%;

WHEREAS, the Fund received total contributions in 2015 of \$50 million; and

WHEREAS, the Act requires that \$10 million be allocated to the Endowment Fund for purposes of meeting and complying with the Act’s Accumulated Principal Goal.

NOW, THEREFORE, BE IT:

RESOLVED, that \$10 million be allocated to the Fund’s Endowment Fund; and

RESOLVED, that the Board has reviewed the amounts spent for the year to date and the Fund has not spent and it is not anticipated to spend, the Maximum Spending Allowance for 2015, therefore, the Board hereby allocates to the “Spendable Account” the remaining amount of the Maximum Spending Allowance for 2015 to be made available for spending in the balance of the current year and future years, and such amount allocated to the Spendable Account for 2015 may be designated to specific programs at the January 2016 Annual Board Meeting or thereafter.

TO: MHEF Board Members
FROM: Sue Jandernoa
DATE: December 8, 2015
RE: Grantmaking Committee Report

The Grantmaking Committee met on November 30th and reviewed 33 grant applications that were submitted by Community Foundations throughout the state. The committee decided to recommend 30 projects to the board for funding and 3 projects for decline. The committee is also recommending an application submitted by the Michigan Association of Community Mental Health Boards be considered for funding. The board will vote on those recommendations at the December 16th meeting. There are a wide variety of projects including those that address access to healthy food, wellness and fitness, access to mental health services, non-emergency medical transportation, services for adopted and foster care children and support of families with infants and small children.

The Local Impact Grant Program applications have been received and are currently under review. The Grantmaking Committee will meet on February 17th to review the projects and determine recommendations for funding. There are 30 applications for this program.

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