

**College of the Siskiyous Auxiliary Foundation Board of Directors
Special Board Meeting
Minutes of September 9, 2019**

Foundation Board Members Present:

Dawnie Slabaugh	Stephen Schoonmaker	Denny Sbarbaro	Amy Lanier
Bruce Deutsch	Robert Winston	Denise Mannion	Ronda Gubetta
Greg Messer	Rennie Cleland	Ron Slabbinck	Kathy Koon
Sue Boston	Darlene Melby	Margaret Dean	David Clarno

Foundation Board Members Absent:

Madeleine Ayres	Karen Copsey	David Gault	Linda Romaine
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ACTION ITEMS

Item 1: **Call to Order and Attendance**
President Greg Messer called the meeting to order at 5:30 p.m.

Regular Agenda:

Item 2: **Eagle's Nest Financial Report Update**
The Foundation Board reviewed and discussed the financial condition of the Eagle's Nest Shop. Dr. Schoonmaker and Ms. Slabaugh shared updated reports for 2018/2019 and projections for 2019/2020.

Eagles Nest Revenue and Expense Sheet														
2018-2019														
REVENUES														
Month	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL	AVG
Total Sales	\$ 10,864.32	\$ 13,448.16	\$ 10,858.35	\$ 15,011.79	\$ 13,534.45	\$ 10,695.93	\$ 11,154.81	\$ 9,026.60	\$ 11,678.30	\$ 11,768.92	\$ 12,819.55	\$ 13,061.00	\$ 143,922.18	\$ 11,993.52
EXPENSES														
Month	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL	AVG
Manager Salary	\$ 4,957.25	\$ 4,957.25	\$ 4,957.25	\$ 4,166.66	\$ 4,957.25	\$ 4,957.25	\$ 4,957.25	\$ 4,957.25	\$ 4,957.25	\$ 4,957.25	\$ 4,957.25	\$ 4,957.25	\$ 58,696.41	\$ 4,891.37
Employee Taxes	\$ 1,460.46	\$ 1,460.46	\$ 1,460.46	\$ 1,370.35	\$ 1,460.46	\$ 1,460.46	\$ 1,460.46	\$ 1,460.46	\$ 1,460.46	\$ 1,460.46	\$ 1,460.46	\$ 1,460.46	\$ 17,435.41	\$ 1,452.95
District HWB	\$ 1,288.25	\$ 1,288.25	\$ 1,288.25	\$ 1,288.25	\$ 1,288.25	\$ 1,288.25	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 19,612.02	\$ 1,634.34
Sub-Total	\$ 7,705.96	\$ 7,705.96	\$ 7,705.96	\$ 6,825.26	\$ 7,705.96	\$ 7,705.96	\$ 8,398.13	\$ 8,398.13	\$ 8,398.13	\$ 8,398.13	\$ 8,398.13	\$ 8,398.13	\$ 95,743.84	\$ 7,978.65
Percent Revenue	70.93%	57.30%	70.97%	45.47%	56.94%	72.05%	75.29%	93.04%	71.91%	71.36%	65.51%	64.30%	66.52%	66.52%
Percent Expense	68.85%	66.26%	65.23%	62.14%	64.10%	68.36%	69.69%	72.57%	69.93%	68.40%	67.26%	69.18%	67.69%	67.69%
Other Expenses	\$ 3,486.20	\$ 3,923.67	\$ 4,107.84	\$ 4,158.61	\$ 4,315.00	\$ 3,567.36	\$ 3,652.30	\$ 3,174.72	\$ 3,610.53	\$ 3,879.94	\$ 4,088.64	\$ 3,741.58	\$ 45,706.39	\$ 3,808.87
Percent Revenue	32.09%	29.18%	37.83%	27.70%	31.88%	33.35%	32.74%	35.17%	30.92%	32.97%	31.89%	28.65%	31.76%	31.76%
Percent Expense	31.15%	33.74%	34.77%	37.86%	35.90%	31.64%	30.31%	27.43%	30.07%	31.60%	32.74%	30.82%	32.31%	32.31%
TOTAL EXPENSES	\$ 11,192.16	\$ 11,629.63	\$ 11,813.80	\$ 10,983.87	\$ 12,020.96	\$ 11,273.32	\$ 12,050.43	\$ 11,572.85	\$ 12,008.66	\$ 12,278.07	\$ 12,486.77	\$ 12,139.71	\$ 141,450.23	\$ 11,787.52
BALANCE	\$ (327.84)	\$ 1,818.53	\$ (955.45)	\$ 4,027.92	\$ 1,513.49	\$ (577.39)	\$ (895.62)	\$ (2,546.25)	\$ (330.36)	\$ (509.15)	\$ 332.78	\$ 921.29	\$ 2,471.95	\$ 206.00
													Percent Revenue	1.72%
	\$ 7,705.95		\$ 1,499.10				\$ 692.17	\$ 692.17	\$ 692.17	\$ 692.17	\$ 692.17	\$ 692.17	\$ 4,153.02	
Manager Benefits	\$ 2,748.70												\$ 141,432.11	
HR Benefits	\$ 2,748.71												\$ 58,696.41	
													Full Salary	\$ 59,487.00
													Whole HWB	\$ 32,984.40
													(minus Jan '19 adj.)	\$ 92,471.40
														\$ 95,743.84

Eagles Nest Revenue and Expense Sheet															
2019-2020 Projections															
REVENUES															
Month	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL	AVG	
Total Sales	\$15,259.17	\$14,500.00	\$10,858.35	\$15,011.79	\$13,534.45	\$10,695.45	\$11,154.81	\$ 9,026.60	\$11,678.30	\$11,768.92	\$12,819.55	\$ 13,061.00	\$149,368.39	\$12,447.37	
EXPENSES															
Month	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL	AVG	
Manager Salary	\$ 5,205.17	\$ 5,205.17	\$ 5,205.17	\$ 5,205.17	\$ 5,205.17	\$ 5,205.17	\$ 5,205.17	\$ 5,205.17	\$ 5,205.17	\$ 5,205.17	\$ 5,205.17	\$ 5,205.17	\$ 62,462.04	\$ 5,205.17	
Employee Taxes	\$ 1,624.95	\$ 1,624.95	\$ 1,624.95	\$ 1,624.95	\$ 1,624.95	\$ 1,624.95	\$ 1,624.95	\$ 1,624.95	\$ 1,624.95	\$ 1,624.95	\$ 1,624.95	\$ 1,624.95	\$ 19,499.40	\$ 1,624.95	
District HWB	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 1,980.42	\$ 23,765.04	\$ 1,980.42	
Sub-Total	\$ 8,810.54	\$ 8,810.54	\$ 8,810.54	\$ 8,810.54	\$ 8,810.54	\$ 8,810.54	\$ 8,810.54	\$ 8,810.54	\$ 8,810.54	\$ 8,810.54	\$ 8,810.54	\$ 8,810.54	\$105,726.48	\$ 8,810.54	
Percent Revenue	57.74%	60.76%	81.14%	58.69%	65.10%	82.38%	78.98%	97.61%	75.44%	74.86%	68.73%	67.46%	70.78%	70.78%	
Percent Expense	70.05%	69.19%	68.20%	67.93%	67.13%	71.18%	70.69%	73.51%	70.93%	69.43%	68.30%	70.19%	69.69%	69.69%	
Other Expenses	\$ 3,767.61	\$ 3,923.67	\$ 4,107.84	\$ 4,158.61	\$ 4,315.00	\$ 3,567.36	\$ 3,652.30	\$ 3,174.72	\$ 3,610.53	\$ 3,879.94	\$ 4,088.64	\$ 3,741.58	\$ 45,987.80	\$ 3,832.32	
Percent Revenue	24.69%	27.06%	37.83%	27.70%	31.88%	33.35%	32.74%	35.17%	30.92%	32.97%	31.89%	28.65%	30.79%	30.79%	
Percent Expense	29.95%	30.81%	31.80%	32.07%	32.87%	28.82%	29.31%	26.49%	29.07%	30.57%	31.70%	29.81%	30.31%	30.31%	
TOTAL EXPENSES	\$12,578.15	\$12,734.21	\$12,918.38	\$12,969.15	\$13,125.54	\$12,377.90	\$12,462.84	\$11,985.26	\$12,421.07	\$12,690.48	\$12,899.18	\$ 12,552.12	\$151,714.28	\$12,642.86	
BALANCE	\$ 2,681.02	\$ 1,765.79	\$ (2,060.03)	\$ 2,042.64	\$ 408.91	\$ (1,682.45)	\$ (1,308.03)	\$ (2,958.66)	\$ (742.77)	\$ (921.56)	\$ (79.63)	\$ 508.88	\$ (2,345.89)	\$ (195.49)	
													Percent Revenue	-1.57%	
	\$ 8,810.65														
Manager Benefits	\$ 3,605.48												Full Salary	\$ 62,462.04	\$ 62,462.04
HR Benefits	\$ 3,605.37												Whole HWB	\$ 43,265.76	\$ 43,264.44
														\$105,727.80	\$105,726.48

The reports presented were updated following the last regular Foundation Board meeting and reflect all costs of the Eagle’s Nest including salary and benefits. As noted by Dr. Schoonmaker, last December 2018, Ms. Keen was married and her spouse became eligible to begin receiving health benefits. Not only was this a change to the employee contribution cost, but it also increased the district contribution paid. Dr. Schoonmaker shared with the Board the increase of the district contribution for the cost of premium was unknown to Ms. Keen and was not reflected on the financial reports she has been sharing during the monthly meetings.

Dr. Schoonmaker highlighted the Eagle’s Nest did really well with 2018/2019 gross sales totaling \$143,922.18. However, because of the increase to benefits the ending balance for the year was much lower than originally reported. The net revenue for the 2018/2019 year is \$2,471.95 (or 1.72% revenue). The Board then reviewed the 2019/2020 expense and revenue projection worksheet. Dr. Schoonmaker explained the sales revenues as well as other expenses shown are based upon sales and expenses for 2018/2019. The salary and benefits section reflects the increased costs in 2019/2020. He pointed out the sales for the month of July and August 2019 were outstanding. However, when projected out for the year, the net revenue is projected to be a loss at year-end (-\$2,345.89 / -1.57%). Bringing this information to the Board at this time is important and shows why there is such a concern regarding the operations and sustainability of the Shop.

Mr. Denny Sbarbaro said he has thoughts on how this situation can be a ‘win-win-win’ for all (Eagle’s Nest Supervisor, Foundation, and College). He noted there are three options for profitability:

- 1) Increase revenue – develop a yearly marketing plan and set goals. Start selling items which are revenue generating such as specialty waxes, jewelry, and scarves. Dr. Schoonmaker announced the Eagle’s Nest Supervisor has been given authorization to proceed with resale items in order to bring in additional revenue.
- 2) Reduce expenses – all expenses have been cut to the minimum with the exception of salary and benefits which are set by the District. Only way to change is to replace the position at lower cost. Mr. Sbarbaro does support keeping the salary as near to current as possible.
- 3) Move the Eagle’s Nest to the new Enterprise Foundation and the Supervisor becomes the Director of the Enterprise Foundation and also oversees coordination of Eagle’s Nest operations while building the Enterprise Foundation and its activities.

Mr. Messer commented and said there is no reason why benefits could not be offered as part of the salary package for the Director. The Enterprise Task Force committee has done extensive projections for the future of the Shop and maximizing the profits on the Eagle’s Nest through the Enterprise Foundation. The long-term goal of establishing an Independent Foundation is that it is self-sustaining and provides ongoing and long term financial support to the College and students.

In creating or establishing the Enterprise Foundation there is the option to create a Memorandum of Understanding with the District wherein the District would provide services that would offset costs of the new Foundation such as office space, accounting, etc. This will establish and provide a connection with the College. In ‘moving’ the Eagle’s Nest from being a part of the auxiliary foundation it will have more flexibility in its operations.

Item 3.

Establishment of the COS Enterprise (Independent) Foundation

At the last regular meeting of the Foundation Board of Directors (held August 20, 2019), there was much discussion regarding establishment of an Enterprise (Independent) Foundation and the effect it would have on the Eagle’s Nest and the Resale Shop Supervisor. Following the meeting, it became apparent to the Director of the College Foundation and College President, a special meeting of the Auxiliary Foundation Board of Directors was needed in order to provide clarification of why the establishment of an Enterprise (Independent) Foundation has been proposed and how it would provide support for the College.

The following was provided as a written report and distributed for review prior to the September 9 Special Foundation Board Meeting:

‘Establishing the College of the Siskiyou Enterprise Foundation’

ISSUE: Whether the College of the Siskiyou Auxiliary Foundation should recommend to the Siskiyou Joint Community College District (SJCCD) the formation of an Independent 501(c)3 Foundation? The purposes for the new Independent Foundation is to provide oversight and support to various Enterprise Operations in order to raise funds in support of the SJCCD mission and ongoing operations, including support for College of the Siskiyou students.

BACKGROUND: At the February, 2018, Foundation Executive Committee meeting Foundation Board President Greg Messer presented the idea of changing the status of the College of the Siskiyous Auxiliary Foundation to an Independent Foundation in order to have more flexibility in the operations of Foundation Enterprise Operations (including the Eagles Nest). The Executive Committee directed the Foundation Director, Ms. Dawnie Slabaugh, to investigate.

Ms. Slabaugh sent an email to other California Community College Foundation Directors inquiring whether they operate Auxiliary or Independent Foundations. Most Community College Foundations in California are currently Auxiliaries. Several Independent Foundations indicated a consideration to become an Auxiliary, or were already transitioning to an Auxiliary. One respondent indicated their Community College (District) had both an Auxiliary Foundation for regular activities, and an Independent Foundation to operate enterprise activities.

Upon reporting this information back to the Foundation Executive Committee, it was suggested legal counsel be consulted to determine if multiple Foundations at College of the Siskiyous were a possibility, and to confer with Human Resources about potential impacts to existing personnel by shifting from an Auxiliary to Independent Foundation.

This proposal was also presented to the full Foundation Board during their August 14, 2018, regular quarterly meeting, indicating the District was awaiting legal advice.

ANALYSIS: On August 16, 2018, Dr. Stephen Schoonmaker, Darlene Melby, and Dawnie Slabaugh held a phone conference with Erin Kunze, an Associate with the District's legal counsel Liebert Cassidy Whitmore (LCW), to discuss the possible establishment of an Independent Foundation as a separate 501(c)(3), and possible impact to the Auxiliary Foundation. From that meeting, District personnel gleaned the following:

- The College (or anyone) can establish a new nonprofit organization for the College's benefit. There were examples of other nonprofits that have 'spun-off' new nonprofit organizations in this manner.
- The Foundation can establish a new, stand-alone nonprofit to run Enterprise Operations for the College's benefit, as long as there are no prohibitions of such action in the Foundation's bylaws or operational documents, or within the College's policies. None were found.
- Legal Counsel advised checking the College's policies and procedures to determine whether existing College employment through the Auxiliary Foundation and/or the College would confer rights to employees regarding change in employment status. In checking with Human Resources, employees in Administrative Support Management (ASM) – the only classification of employees potentially affected by this proposal – have, according to the state's Ed Code, likely retreat rights within the College if there is a change in employment status.
- By establishing a new, Independent 501(c)3 Foundation, this new entity would require its own Board of Directors, By-Laws, Memorandum of Understanding with the College/District and/or the Foundation, etc. The new Independent Foundation would receive a new tax identification number (please note: it would be up to this

new Board of Directors to direct the operation of all Enterprises, including the Eagles Nest).

- Employees of the Independent Foundation would be considered non-College employees; as such, they would not be subject to the salaries, working conditions and benefit comparable to College employees performing similar services (as required by Ed. Code, s. 72672). In addition, other District policies/restrictions would not apply unless incorporated in associated MOUs or Operational documents. However, any enterprise operation(s) operating as an independent entity would be required to comply with prevailing wage and benefit statutes applicable to nonprofit corporations; this includes state wage and hour laws not applicable to public entities. Also, since the income produced by a nonprofit cannot be assigned to any individual as their profit from the enterprise, nonprofit staff must still have their salaries/benefits set by a Board (or Board designee) based on comparable wages paid for like positions at like organizations, rather than based on shares of the enterprise or profit generated.

After receiving this information, it seemed logical to move forward with the concept of establishing an Independent Foundation for Enterprise Operations. First, as a mechanism to maximize the proceeds from any fund-raising activities towards the mission of any Foundation by using comparable wage and hour for like positions rather than being bound by the limitations – and the expenses – of employment through the College. Second, to encourage the expansion of enterprise ideas, innovations, and opportunities without the constraints of long-term investments in personnel that might deter short-term entrepreneurial efforts.

At the January 2019, regular Foundation Board of Directors meeting, the Board formed a task force group to conduct a feasibility study regarding the viability and sustainability of establishing a new Independent Foundation. The group, chaired by President Greg Messer, has met monthly to consider costs associated with the start-up and financial support needed; legal/tax implications and needs; and, identify potential enterprise operations.

In July 2019, the task force met with Lynn Teuscher, a partner with Aiello, Goodrich, and Teuscher (AGT) in Mt. Shasta. Lynn provided insight from both a tax and legal perspective; including that establishing an Independent Foundation to manage enterprises is legal, and there is considerable flexibility within the operations of various endeavors the new Independent Foundation might pursue.

Additionally, meetings with the College's CTE Dean, Mark Klever, and Director of Noncredit Education, Dr. Kim Freeze, produced several ideas and concepts that could provide opportunities for partnerships and student training. Some of these included enterprise operations through the College's Law Enforcement program, Welding, and Business. From the generation of these ideas, it became clear that while an Independent Enterprise Foundation may start with just the one enterprise of the Eagles Nest, there were many ideas – and likely opportunities – for this new Foundation to expand beyond just one enterprise to several.

BUDGET IMPLICATIONS: Starting a new Independent Foundation, just like starting any new organization, will require financial investment. The task force has spent considerable time discussing potential costs – and options – to successfully launching this new Foundation.

LCW estimated the costs for them to assist in establishing a new 501(c)3 Foundation to range between \$8,100-\$9,400. This would cover preparation of incorporating documents and related filings with the State Franchise Tax Board and IRS. These costs could be lowered by utilizing local legal services.

LCW also estimated the cost for preparing an agreement between the new Independent Foundation and the District at \$3,000. The resulting agreement would be similar to a “master agreement” a college typically has with its auxiliary organizations, but with more limited restrictions.

There are additional startup and ongoing costs to be considered in the creation of an Independent Foundation, which include:

- daily accounting and fiscal reporting,
- staffing, both paid and volunteer
- facility and costs to operate the entity
- quarterly or annual auditing and filing requirements for nonprofit organizations, etc.

While these costs could become extensive, initial support could be written into a Memorandum of Understanding with the College.

Options for how we manage the costs associated with the launch of this new Independent Foundation include:

1. Borrow funds from the Auxiliary. If we pursued this option, a memorandum of understanding between the two Foundations would need to be developed.
2. Move the Eagle’s Nest and its operations to the Independent Foundation as soon as legally feasible to fund the start-up costs. Concurrently, the Supervisor of the Eagle’s Nest would assume the duties of directing the activities of the new Independent Foundation along with supervising the day-to-day operations of the Eagle’s Nest Shop.

While not directly related to budget implications, another important item to consider is board membership and staffing/coordination of activities for the new Independent Foundation. As this support needs to be separate from existing college operations, the District must first solicit board membership for the Independent Foundation, and collectively work with the newly formed board on identifying a Coordinator or Director of the Independent Foundation. After these steps are completed, this first employee for the new Independent Foundation would begin planning and coordinating activities, with the goal of generating sufficient fund-raising to financially support the College – especially the students through increased scholarship resources – as well as aligning with the mission of the College and District.

Please find attached to this report a diagram that outlines the potential relationship structure between SJCCD (as the District), our existing College Auxiliary Foundation, and the proposed new Independent Enterprise Foundation.

RECOMMENDATION: While not without risk, launching a new Independent Foundation provides the following benefits:

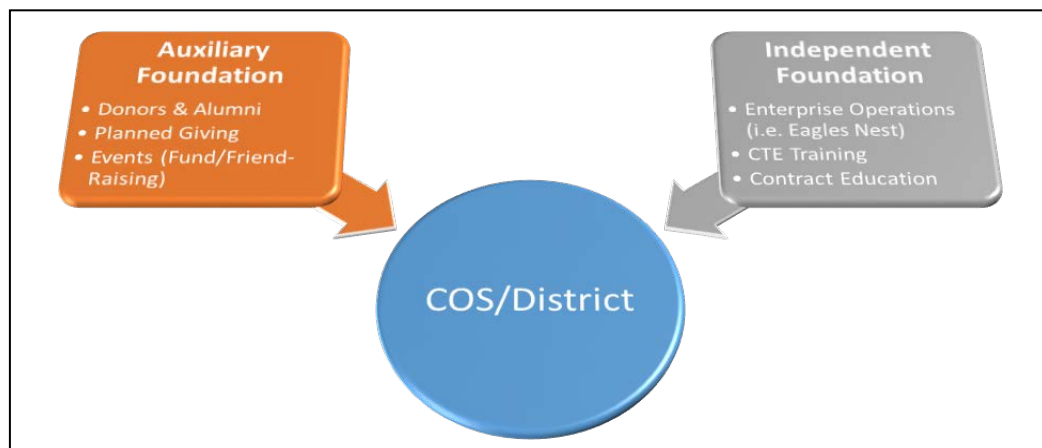
1. Moving foundation fund-raising activities such as the Eagles Nest out from under the employment requirements of the College will enable more of the revenues generated to be placed back into supporting the College and the District.
2. Launching new enterprise operations – whether long-term (e.g., the Eagles Nest), or short-term (e.g., a seasonal effort to supply welding opportunities for the College’s welding program) – will be maximized by having a new Independent Foundation dedicated to those types of entrepreneurial activities.

Therefore, it is recommended that the College of the Siskiyous Auxiliary Foundation communicate to the SJCCD its support to proceed with the establishment an Independent 501 (c)(3) Enterprise Foundation. (End of Written Report)

Ms. Slabaugh said most of the confusion regarding the establishment of the Enterprise Foundation is really about ‘who’ should be establishing the Enterprise Foundation. The District is the entity who will be establishing the Enterprise Foundation, not the Auxiliary Foundation. The Auxiliary Foundation has researched and provided information to determine if establishing an Independent Foundation for the purpose of supporting enterprise operations (such as the Eagle’s Nest) is feasible and self-sustainable long-term. It is not the role of the Auxiliary Foundation to establish an Independent Foundation, but the District’s should the Board of Trustees accept recommendation to proceed. Below is a diagram that outlines the potential relationship structure between SJCCD (as the District), the existing College Auxiliary Foundation, and the proposed new Independent Enterprise Foundation. Each Foundation has its own specific role and structure as well as board of directors. Mr. Deutsch asked if possible for current Auxiliary Foundation Board members to serve on the new Independent Board and the answer is yes. Any current member who would like to serve on the new board is welcome to make that choice. However, it may be a conflict of interest to serve on both boards at the same time. Ms. Slabaugh said she would be sad to lose any current members to the new board, but will understand if anyone is interested in making the change.

Ms. Slabaugh said she envisions the two entities not only having a relationship with the District, but with each other working together in collaboration to support the College and its students rather than against each other.

Proposed Structure for both Foundations:



The Board spoke at length about how moving the Eagle’s Nest from the Auxiliary Foundation to the Enterprise Foundation would be perceived by the community... would it be noticed? Ms. Ronda Gubetta compared last years’ experience with Scott Valley Bank merging with Mechanics Bank. As long as the service provided and people associated with the Shop don’t change, there shouldn’t be a problem. The transition from auxiliary to enterprise is not expected to be ‘public’ if transitioned smoothly. Other concerns discussed were regarding ‘next steps’ such as drafting of the By Laws and paperwork needed for establishing the new Foundation, soliciting board membership for the Independent Foundation, and collectively work with the newly formed board on identifying a permanent Coordinator or Director of the Independent Foundation. Ms. Slabaugh suggested Ms. Keen serve as the first employee for the new Independent Foundation and she would begin planning and coordinating activities (including oversight of the Eagle’s Nest), with the goal of generating sufficient fund-raising to financially support the College – especially the students through increased scholarship resources – as well as aligning with the mission of the College and District. In moving recommendation forward to the District, it relieves the Auxiliary Foundation of any further responsibility or role in the establishment of the new Foundation.

Motion was made (Sbarbaro / Clarno) the College of the Siskiyou Auxiliary Foundation Board of Directors communicate to the SJCCD its support to proceed with the establishment of an Independent 501(c)3 Enterprise Foundation. Motion passed. (unanimous vote)

Item 4. **Adjournment & Next Meeting Date**
Meeting was adjourned at 7:33 p.m.

Prepared By and Respectfully Submitted:

Dawnie Slabaugh, Director
Public Relations & College Foundation