



***SURA Finance & Audit Committee
Final Report-Out***

**April 8, 2009
Washington, DC**

Committee's Activities, Discussions & Approvals



- ***Held a pre BOT meeting on April 2nd to review the 08 audit results with KPMG auditors***
 - ✓ **Clean opinion for SURA consolidated and stand alone JSA statements**
 - ✓ **No management letter comments**
 - ✓ **Audit completed ahead of 1/31/09 target date**
 - ✓ **Clean Government Auditing Standards (GAS) opinion**
-- **no material deficiencies in internal controls over financial reporting practices**
- **However, concerns were noted regarding the need for improved documentation regarding cyber security in the following areas:**

Committee's Activities, Discussions & Approvals (cont'd)



- ✓ Documentation of change management process related to application & system changes etc.
- ✓ More thorough documentation of on-site and off-site backup procedures
- ✓ Need for the development and periodic testing of an IT related business continuity plan

The Committee reviewed management's action plan to resolve these matters and an implementation timetable was agreed to

- **Reviewed status of action items from the November 08 BoT meeting**
 - ✓ **Sura's new internal auditors, Beers & Cutler (B&C), completed their risk assessment study of SURA's financial and general business operations and identified priorities for a 3 year audit plan**

Committee's Activities, Discussions & Approvals (cont'd)



- ✓ Sura doubled its debt paydown to \$600K in Q1 augmented by another \$300K as of 4/6/09
- ✓ SURA shifted 97% of its existing bank debt to its lower cost 3 yr. facility – current rate now 0.7%

- **Met with B&C to review details of the risk assessment study and accompanying 3 year audit priorities**
 - ✓ agreed that a review of “financial operations” and associated control framework would be a good starting point especially given time and budget constraints for the remainder of FY09

- **Reviewed February and March year-to-date investment performance with SmithBarney advisor, Bob Olson, and discussed various interim strategies for further reducing impact of continued market volatility**
 - ✓ agreed to reduce equity exposure from 64 % to 59% by moving \$1.1 mil to fixed income securities

Committee's Activities, Discussions & Approvals (cont'd)



- ✓ **Additional investment in bonds to be evenly split between government and corporate securities with targeted average yield of 4-6%**
- ✓ **As a further risk mitigation measure it was also agreed that in addition to the \$900K paydown of debt since 10/1/08, SURA would paydown another \$800K by 12/31/09 thus reducing bank debt to \$3.2 million**
- **Discussed the need/requirement for close coordination and linkage between the FY10 annual operating budget and the development of SURA's 5 year strategic plan and business model**
 - ✓ **Agreed that the annual budget planning process should be accelerated with the objective of delivering a draft FY10 operating budget to the EC by mid September**

**Feb 09 YTD Operating Results Close to Plan But
Dismal Economy & Volatile Market (@12 yr low)
Continue to Keep ROI Deep in Negative Territory**



	Actual FY09	Budget FY09	Variance
Revenues	1,410	1,510	(100)
Expenses			
Corporate G&A	1,536	1,603	
Program	1,232	1,241	
	2,768	2,844	76
Operating Loss	(1,358)	(1,334)	(24)
Net ROI	(6,529)	(2,511)	
Less: Interest Expense	47	65	
Change in Net Assets	(\$7,934)	(\$3,910)	(\$4,024)

Conservative Asset Allocation Strategy Helps Cushion Market Volatility – Overweight Fixed Inc. & Cash



Asset Class	9/30/08 Market Value			YTD Performance			
	Opening Balance	Restated for Liq/transfers	Weighted Average	Market Value 2/28/09	Performance from 9/30/08	Benchmark	Indices
Large Cap	\$15,960	\$14,343	\$15,308	\$9,233	-33.37%	-34.09%	Rus.1000 V/G & EAFE
Mid Cap	\$5,150	\$4,893	\$5,043	\$3,201	-33.55%	-32.03%	Rus. Mid Cap Value/Growth
Bonds	\$6,626	\$6,355	\$6,396	\$6,642	4.47%	3.80%	BC Int Gov't/Corp.
Total Portfolio	\$27,736	\$25,591	\$26,747 *	\$19,076 **	-23.74% ***	-25.73%	Composite

* Weighted average based on daily outstanding investment balance for the 5 month period.

** YTD mrk't value includes \$1.0 million in cash spread across all asset classes

*** Average annual growth target (net of advisory fees) budgeted at -5% for FY 09

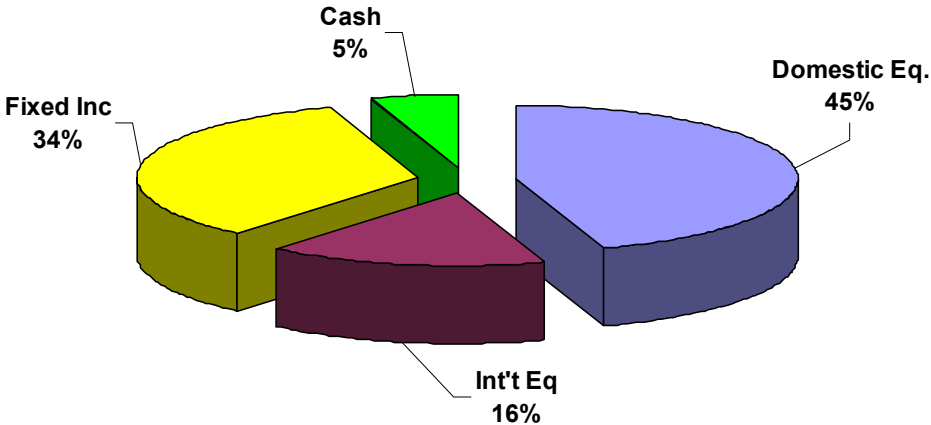
S&P performance over the same 5 month period -36.91%

NASDAQ performance over the same 5 month period -34.13%



Investment Portfolio in line with prescribed Asset Allocation Guidelines, but additional allocations to Fixed Income under consideration

**Asset Allocation 2/28/09
\$19.1 Million**

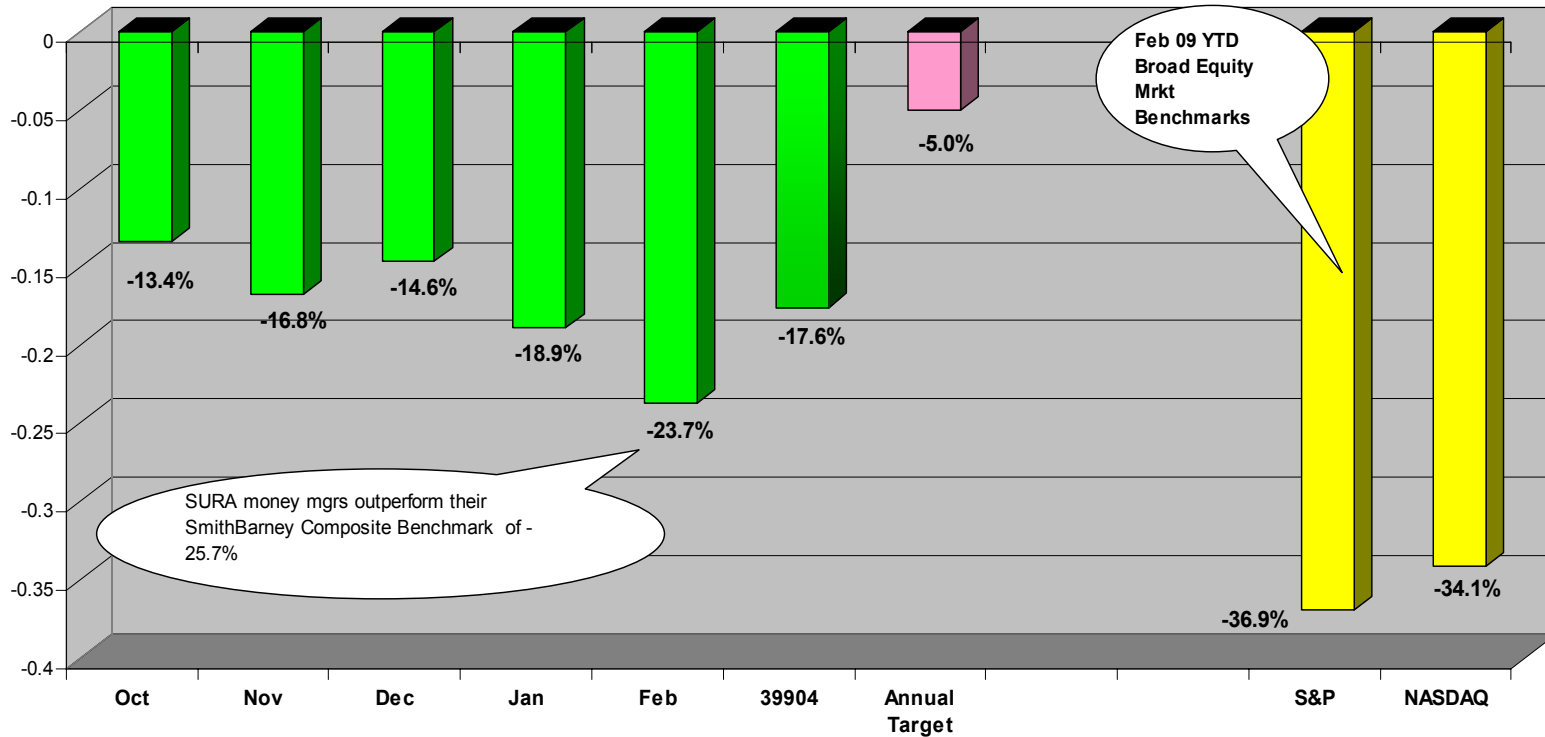


Asset Allocation Limits
Fixed Inc 45% Cash 10% Domestic & Int'l Equities 75%

Despite the lows of February the market rebounds significantly as global government efforts to restore credit availability and provide economic stimulus increase



FY09 Cumulative Monthly ROI Performance
Feb 09 YTD + COB April 3, 2009



Investment Balance Reflects Impact of Severe Mrkt Volatility, But Rebounds End of Q2



Five Months Ended 2/28/09
Actual Budget Variance

Beginning balance at 10/1/08	\$27.7	\$27.7	
ROI net of money mgr. fees	<u>(6.5)</u>	<u>(2.5)</u>	
	\$21.2	\$25.2	(4.0)
Withdrawals			
Working capital	(1.5)	(1.1)	(0.4)
Paydown on debt	<u>(0.6)</u>	<u>(0.8)</u>	0.2
	(2.1)	(1.9)	(0.2)
Ending Investment Balance	<u>\$19.1</u>	<u>\$23.3</u>	<u>(\$4.2)</u>

Post February mrkt rebound recovers \$1.5 million as of Apr 3rd