



***SURA Finance Committee
Report-out***

**Thursday March 11, 2010
Duke University, Durham, NC**

Q1 Gains of \$550K (2.7%) Virtually Erased by the January Market Reversal – But Market Continues its Upward Trend With Full recovery in Early March



Four Months Ended January 31, 2010
(\$000's)

Asset Class	9/30/09 Market Value			YTD Performance (1)			
	Opening Balance	Restated for Liq/transfers	Weighted Average	Market Value 1/31/10	Performance from 9/30/09	Benchmark	Indices
Large Cap	\$11,134	\$10,464	\$10,887	\$10,504	0.36%	1.15%	Rus.1000 V/G & EAFE
Mid Cap	\$4,349	\$4,142	\$4,208	\$4,027	-2.73%	2.94%	Rus. Mid Cap Value/Growth
Bonds	\$7,059	\$6,766	\$6,962	\$6,885	1.71%	1.70%	BC Int Gov't/Corp.
Total Portfolio	\$22,542	\$21,372	\$22,057 *	\$21,416 **	0.38% ***	1.55%	Composite

* Weighted average based on daily outstanding investment balance for the 4 month period.

** YTD mrk't value includes ~\$0.6 million in cash spread across all asset classes

*** Average annual growth target (net of advisory fees) budgeted at 7% for FY 10

Note 1: Asset class benchmark ROI percentage calculations have been adjusted to more closely reflect the SmithBarney calculations

S&P performance over the same 4 month period	1.60%
NASDAQ performance over the same 4 month period	1.17%

Committee's Activities, Discussions & Approvals



- Reviewed January and February year-to-date investment performance with SmithBarney advisor, Bob Olson, and discussed outlook for the remainder of the year
 - ✓ *ROI flat through 1/31/10 despite 2.7% gain through Q1, but market has since recovered with a 4.3% gain through early March (i.e.3/10/10)*
 - ✓ *Despite the twists and turns in the market there is a growing belief that we are turning the corner and that the threat of a double dip is unlikely -- cautiously optimistic of meeting our FY10 7% ROI target*
- Reviewed and approved Bob Olson's proposal for moving forward with a Tactical Fund designed to capitalize more aggressively on post recession opportunities

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



- ✓ ***Basic strategy is to complement the core investment fund with a more diversified asset allocation using 10% of the core portfolio***
- ✓ ***Target asset classes within the Fund would be high growth potential small cap equities (40%), emerging market equities(30%), high quality sovereign bonds (20%) and commodities (10%)***
- ✓ ***The fund would be comprised of 5 highly rated ETF/Mutual funds***
- ✓ ***Based on an 8 year historical analysis the targeted annual yield enhancement to SURA's overall portfolio ROI is expected to be roughly 1.0% or ~\$210K***
- ✓ ***Rebalancing under 10% permitted on a discretionary basis, but 10% or more requires approval by the Finance Chair and CEO***
- ✓ ***All rebalancing will be reported in the monthly CEO ExCom report***

Committee's Activities, Discussions & Approvals



- **Teleconferenced with KPMG auditors to review the 09 audit results -- overall clean bill of health**
 - ✓ ***Clean opinion for SURA consolidated and stand alone JSA statements***
 - ✓ ***No management letter comments***
 - ✓ ***Audit completed ahead of 1/31/09 target date***
- **Followed up on status of prior year KPMG recommendations regarding adequacy of Finance systems continuity and disaster recovery capabilities and procedures**
 - ✓ ***Process, documentation and validation now in place providing for on site and off site backup capabilities***

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



- ✓ ***Completed testing and documentation for semi-annual verification of capability to download offsite data backups, restore files to an offsite server and remotely process transactions and generate reports***
- **Reviewed work completed on implementation of internal audit recommendations for improving effectiveness and efficiency of SURA's financial operations**
 - ✓ ***SURA is well underway with a 75 action item workplan covering 5 thematic areas for improvement***
 - ✓ ***Completion is targeted for May 31, 2010, however, the convergence of recent regulatory reviews and audits has caused some scheduling slippage that could delay project completion by one to two months***

Balance Sheet Stays Close to Plan and is Financially Sound, But Acceleration of Debt Pay-downs is Needed to Meet FY10 Target Balance of \$1.8 Mil.



	<u>1/31/2010 (\$000's)</u>	
	<u>Actual</u>	<u>Budget</u>
Assets		
Cash	\$99	\$213
Accts. Rec, Prepays, Other	356	629
Net Property & Equip.	1,015	1,060
Investments	21,436	21,529
Investment in JSA	523	385
Total assets	<u>\$23,429</u>	<u>\$23,816</u>
Liabilities & Net Assets		
Accts Payables & Accrued Liab.	\$417	\$691
Deferred Liab.	130	336
Bank Debt (1)	<u>3,440</u>	<u>3,050</u>
Total Liabilities	3,987	4,077
Unrestricted Net Assets	<u>19,442</u>	<u>19,739</u>
Total Liab. & Net Assets	<u>\$23,429</u>	<u>\$23,816</u>

Note 1: Bank debt is \$3,370 at 2/28/2010

Lower Spend Rates in FY10 Keep Operating Results Ahead of Plan Despite Revenue Shortfall, But ROI suffers Temporary Setback From January Market Reversal



	4 Months Ended 1/31/2010		
	Actual	Budget	Variance
Revenues	761	859	(98)
Expenses			
Corporate G&A	1,091	1,149	58
Program	414	526	112
	1,505	1,675	170
Operating Loss	(744)	(816)	72
Net ROI	25	505	(480)
Less: Net Interest exp	7	15	8
	18	490	(472)
Change in Net Assets	(\$712)	(\$296)	(\$400)

(\$000's)

***FY10 Shows Major Improvement Over FY09 –
Pre ROI Operating Performance on Track for
Targeted ~25% Improvement over FY09 -- ROI
Expected to Turn the Corner as Well***



	4 Months Ended January		
	FY10	FY09	Variance
Revenues	761	1,229	(468)
Expenses			
Corporate G&A	1,091	1,208	117
Program	414	1,050	636
	1,505	2,258	753
Operating Loss	(744)	(1,029)	285
Net ROI	25	(5,311)	5,336
Less: Net Interest exp	7	45	38
	18	(5,356)	5,374
Change in Net Assets	(\$712)	(\$6,295)	\$5,659

(\$000's)

Funding Requirements Will Continue to Weigh Heavily on the Portfolio Until Bank Debt is Eliminated and Operating Results are Normalized at a Much Lower Level



	January YTD (\$M)		Full Yr Budget
	Actual	Budget	
Beginning Investment Balance	22.54	22.54	22.54
CF from Operations	(0.97)	(0.95)	(2.25)
LOC paydown	(0.21)	(0.60)	(1.80)
ROI	0.03	0.50	1.55
Net Activity	(1.15)	(1.05)	(2.50)
Ending Investment Balance	21.39	21.49	20.04

Despite Setback in January The Market Continues its Upward Trend, Albeit with Sharp Twists and Turns



**FY10 Cumulative Monthly ROI Performance
COB March 3, 2010**

