

ASSOCIATED ARTISTS OF PITTSBURGH
Board of Directors Meeting
February 10, 2014, 6:30 PM - PCA Board Room

Board Members present: Ken Antol, Scott Hunter, John Lewis, Emily Meyer, David Stanger, Kathryn Stanko, Andy Urbach, Mia Tarducci Henry and Ann Thompson

Absent: Cecile Shellman, Cindy Busch

Guests: Juliana Morris, Executive Director, Tom Henry, Morgan Stanley representatives Alan Rank and Gayle Woodward.

The meeting was called to order at 6:35pm.

Review and Approval of January Board Minutes.

Minutes were sent to Directors via email prior to the meeting. John made a motion to approve the minutes and Scott seconded. The motion was approved unanimously.

Morgan Stanley Investment Performance Presentation

Mr. Rank and Ms. Woodward reported that Morgan Stanley has managed AAP investments since the mid-1990s, but that the last time that they had any significant contact with the AAP Board was when Mr. Beer was Board President, which they recall to have been around 2009-2010. They also brought the Investment Policy Statement from AAP which Mr. Beer developed when he was President.

The Board had several questions about the investment performance over the past several years, which appears to have significantly lagged relevant indices. For example, for the 6 year period ending January 31, 2014, total net returns were 2.4% annually, compared to a 60% stock/40% bond expected performance of 5.0%. There were also questions related to the fee schedule being charged to AAP.

After the Morgan Stanley representatives left the meeting, it was observed by several Board members that the long term underperformance has likely cost AAP a significant setback in AAP's endowment funds. Tom Henry attended this portion of the meeting due to his investment management background, and was very helpful in giving the Board guidance as to his observations. The Board decided to interview other investment management firms to determine whether it is prudent to consider other advisors at this time. Dr. Urbach and Scott Hunter agreed to contact professionals for recommendations of firms to interview.

Education Report.

Kathryn Stanko had previously circulated the Education Report in writing.

Executive Director's Report.

Juliana Morris had previously circulated the Executive Director's Report in writing.

Heinz Endowment and GPAC Meetings.

Mr. Lewis reported that the January meeting which he and Julianna Morris attended with Ms. Sarbaugh of the Heinz Endowments went well. Ms. Sarbaugh commended AAP for abandoning prior plans to invest significant funds in a permanent space, which she advised prior Board members to have been not a prudent use of funds. Ms. Sarbaugh was quite interested in AAP's progress towards the Business Plan, and seemed pleased that the AAP Board is focused on meeting the results in the Business Plan. She asked AAP to provide updated financial data, and for the Board to provide Heinz with certain "milestones" which it will accomplish in 2014. The milestones will be tied to building a balanced Board of community and artist members, rebuilding the Advisory Board, and establishing a plan for private donations. If the submissions are satisfactory, Heinz will reconsider its prior decision not to fund AAP, and will consider providing AAP with a grant for operating expenses.

In the meeting, Ms. Sarbaugh also asked about the disruption which she had heard about from certain "Friends of AAP", and Mr. Lewis reported that he believes that her questions were answered satisfactorily.

Mr. Lewis and Ms. Morris also met in January with Joe Smith of Dollar Bank, who is President of GPAC. Mr. Smith expressed an interest in AAP's Board having a greater connection to GPAC and being in line with GPAC's mission. It was agreed that AAP needs to have itself much more closely aligned with GPAC for purposes of participating in arts funding, and better fulfilling its mission to the arts community.

Completion of Building a Board.

The Board addressed the fact that the present Board of 11 representatives needs to experience full participation from all Board members, and needs to be built to approximately 15 members composed of a balance of community and artist members. The Board will reach out to 2 members who have had difficulty attending on a regular basis to determine whether they would prefer to be in an Advisory Board role.

Further, the Board discussed a calendar of interviewing multiple artist and community member candidates throughout the next 6 months, with the thought process of giving membership the open opportunity to vote on multiple candidates in the November 2014 election, and giving AAP membership the choice of more nominees than the number of seats which are open to fill.

There were reports by Board members about multiple candidates who had expressed an interest in serving on the Board.

Advisory Board Project.

There was a discussion about rebuilding the Advisory Board. Ms. Meyer has been spearheading this project, and asked each Board member to identify Advisory Board members with whom they are familiar. Laura Horner had resigned from the Advisory Board in December 2013, citing emails from Friends of AAP, but has recently agreed to rejoin the Advisory Board.

Fundraising Project. Mr. Lewis advised that he will circulate his preliminary outline on February 11 related to a suggested fundraising project for Board comment and input.

There was no further business, and the meeting was adjourned at 9:35 p.m.