Public Meeting Notice
Michigan Health Endowment Fund Board Meeting
Wednesday, November 2, 2016
2:00 p.m.
Lansing Radisson
Michigan Rooms II & III
111 North Grand Avenue
Lansing, MI 48933
Michigan Health Endowment Fund Board Meeting
November 2, 2016
Lansing Radisson, Michigan Rooms II & III
111 North Grand Avenue, Lansing, Michigan 48933

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

2:00 p.m. - 2:10 p.m. Opening: Rob Fowler
• Call to order of Board Meeting
• Roll call
• Review of agenda, pages 1-2
• Review of July 27, 2016 minutes, pages 3-8

2:10 p.m. – 2:15 p.m. Public Comment
Public Comment: Five-minute limitation for a single representative of an organization; three minutes for individuals representing themselves

2:15 p.m. – 2:25 p.m. CEO Report: Paul Hillegonds

2:25 p.m. – 2:30 p.m. Medigap Update: Terry Gardner

2:30 p.m. – 2:35 p.m. Investment Committee: Tim Damschroder
• Investment Committee report, page 9
• Review of September 2016 financial statements, pages 10-15

2:35 p.m. – 2:50 p.m. Governance Committee: Michael Williams
• Governance Committee report, page 16
  1. Board Communications Policy, page 17
  2. Conflicts of Interest Policy, pages 18-19
  3. Amendments to Grants Policy, page 20
• Resolutions to approve each new or amended policy, page 23

2:50 p.m. – 2:55 p.m. Audit Committee: Keith Pretty
• Update on status of 2016 audit, page 24

2:55 p.m. – 3:10 p.m. Executive and Compensation Committee: Rob Fowler
• 2017 budget proposal, page 25
• Resolution to approve 2017 budget, page 26
• Resolution to allocate 2016 amounts to endowment and operating funds, page 27
3:10 p.m. – 3:50 p.m. **Grantmaking Committee: Sue Jandernoa**
- Consideration of Healthy Aging Grant Program applications
- Consideration of 2016 Special Projects and Emerging Ideas Program applications

3:50 p.m. – 4:00 p.m. **Other Business: Rob Fowler**

4:00 p.m. **Adjourn**
Call to order
The board meeting of the Michigan Health Endowment Fund ("MHEF") was called to order at 1:00 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
Tim Damschroder (by phone)
Sue Jandernoa
Keith Pretty
Michael Williams (arrived 1:05)
Alexis Wiley (arrived 2:03)

Absent:
James Murray
Cindy Estrada

Others present:
Paul Hillegonds
Terry Gardner
Julie Skubik
Laurie Solotorow
Becky Cienki
Kari Sederburg
Hayley Roberts
Megan Murphy
Duane Tarnacki – Clark Hill PLC

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

Agenda order revised until quorum present.

Public Comment:
There was no public comment.
CEO Report:
Mr. Hillegonds welcomed new Board Member Alexis Wiley to the Fund. Ms. Wiley serves as Chief of Staff to Detroit Mayor Mike Duggan. Ms. Wiley participated in a half-day orientation session with Chairman Fowler and staff and he indicated that this will be a practice for all incoming Board Members.

Mr. Hillegonds formally welcomed the new Fund staff members who have joined since the March Board Meeting; Senior Program Officer Kari Sederburg, Communications Officer Haley Roberts, Grants Manager Megan Murphy and Program Fellow Janet Olszewski. Janet Olszewski will help develop evaluation and learning strategies.

Mr. Hillegonds explained that the Healthy Aging grant cycle was announced in June and applications will be due August 15th. Proposals will be reviewed by the staff and the Grantmaking Committee in the fall, and recommendations will be made to the full Board at the November Board Meeting. The program officers are exploring partnerships with the Michigan Department of Health and Human Services for the Special Projects grant cycle. Applications will be due August 30th and proposals will be recommended at the November Board Meeting.

Mr. Hillegonds acknowledged the hard work of Terry Gardner in developing the Medigap Subsidy Program. Board Members, state government stakeholders, insurance carriers and senior advocacy groups were contacted before the launch of the program. He then called upon Mr. Gardner to give an update on the Medigap Subsidy Program. Mr. Gardner reported that the website and call center are up and running to assist customers. The online applications will be available October 1, 2016 thru the website, phone or mail. There are five insurance carriers participating in the plan and he is working to expand with additional carriers to expand participation.

Learning Presentation:
Peter Pratt, President, Public Sector Consultants, made a presentation to the Board on the results of the scan of health care philanthropy in the state of Michigan. He noted that the Fund will become the largest health care funder in Michigan within the next 3-5 years. A copy of the report can be found at: http://healthendowmentfund.org/news/research-and-publications.

Chairman Fowler noted that a quorum was present.

Review and approval of the minutes from the previous meetings:
Board Member Alexander moved to approve the minutes from the Board Meeting of March 24, 2016 with one correction. Randy Walainis is a citizen of Michigan and not representing Metro Health Foundation as stated during the Public Comment section. Board Member Jandernoa seconded. Motion passed six to zero.

Board Member Alexander moved to approve the minutes from the Board Meeting of June 29, 2016. Board Member Jandernoa seconded. Motion passed six to zero.

Board Member Damschroder departed the meeting.

Learning Presentation:
Brett Tillander and presenters from the Michigan Alliance of Boy & Girls Clubs reported to the Board the findings and successes of the 2014 grant. Several Board Members asked questions of the presenters, including the organization’s engagement in the Flint community, the impact of the lead issues in Flint, underlying causes of the poor vaccination rates in certain areas served by clubs, and the focus of the Boys & Girls Clubs through the remainder of the grant period. The materials can be found at (will post hyperlink).
The following people presented to the Board:
Tauzzari Robinson, Boy & Girls Clubs of Greater Flint
Brian Saxton, Boys & Girls Clubs of Benton Harbor
Dr. Dirk Hightower, Children’s Institute
Dr. Elliott Attisha, Henry Ford Health System
Sandra Walden, Bay Mills Boys & Girls Club
Dr. Terry Gordon, Healthy Michigan Today, Volunteer Consultant
Steve Gustafson, DDS, Michigan Alliance of Boys & Girls Clubs

Investment Committee:
Mr. Gardner, on behalf of Committee Chair Damschroder, reported to the Board the results of the
Investment Committee meeting and financial statements, which were included in the board material. Mr.
Gardner reported that the Committee held its first quarterly meeting with Northern Trust since they were
hired in April. The implementation of the investment strategy is proceeding as planned, and the portfolio
is up almost $2 million since implementation. Mr. Gardner also reported on the status of the financial
statements and the monthly meetings between himself and Mr. Damschroder.

Board Member Wiley joined the meeting.

Executive and Compensation Committee:
Chairman Fowler welcomed new Board Member Alexis Wiley. The following motion was made by
Board Member Alexander and seconded by Mr. Williams:

RESOLVED, that Alexis Wiley, be and she hereby is, appointed to serve as a voting member of
the Governance and Investment Committees, to serve for a term commencing with her appointment and
continuing until the next annual meeting of the Fund or until her resignation or removal by the Board.

The vote passed six to zero.

Chairman Fowler reported that the Board is in the process of developing a CEO evaluation. A formal
evaluation will be complete by year end.

Grantmaking Committee:
Committee chair Jandernoa reported the Grantmaking Committee met on June 29, 2016 to review a total
of 131 proposals. The review process included input from subject matter experts from various disciplines,
with adherence to the criteria outlined in the RFP. The Grantmaking Committee looked for behavioral
health projects that focused on health integration and workforce capacity building, innovative models and
a strong potential for sustainability. There were 60 Behavioral Health Grant proposals received and 11
were recommended for approval. The Grantmaking Committee recommended a total of $4,670,000 in
funding which will allow an additional $330,000 to be used for behavioral health related projects under
the Special Projects and Emerging Ideas Grant Opportunity in the next grant cycle. The list of
recommendations were:

1. Behavioral Health Home Replication/ Kent County CMH Authority d/b/a Network180
2. Brief Strategic Family Therapy/ Easter Seals Michigan
3. Coordinated Care for the Homeless: An Interdisciplinary Approach/ Volunteers of America
   Michigan
   University of Michigan
5. Psychiatric Services for Youth through Community Healthcare (PSYCH)/ The Corner Health
   Center
Chairman Fowler asked all Board Members to identify any potential grants where he/she might have a conflict of interest with the 11 proposals. There were no conflicts.

Ms. Jandernoa moved to approve all 11 grant recommendations as listed above and Mr. Pretty seconded. The vote passed six to zero.

Next, Ms. Jandernoa reported that 71 Responsive Grant proposals were received and reviewed. The Fund placed an emphasis on projects that related to infant mortality and health access for foster and adopted children. Proposals were received that addressed all eight focus areas of the Fund. The following 37 proposals were recommended by the Grantmaking Committee for funding consideration totaling $3,002,271.00:

1. A Healthy Start at Life/ St. Joseph Mercy Health System
2. Addressing Infant Mortality Disparities by In-depth Pregnancy Assessment/ Michigan State University
3. BE Nutritious Banks and Pantries/ Barry-Eaton District Health Department
4. Centering Pregnancy/ Michigan Health Improvement Alliance
5. Community-based Doula Accreditation Program (CBDAP)/ Black Mothers' Breastfeeding Association
6. dCare - Improving the Health of Care Managers/ Area Agency on Aging 1-B
7. Desde el Primer Momento/ MHP Salud
8. Detroit Food Academy School-Based Program/ Detroit Food & Entrepreneurship Academy
9. Developing Accessible Health-Related Training for Kinship Caregivers/ Michigan State University School of Social Work
10. Double Up Food Bucks - Flint Expansion/ Fair Food Network
11. Enhancing Awareness of and Services to Treat Pre-diabetes Across the UP/ UPCAP Services, Inc.
12. Enhancing Perinatal Father Engagement in Health Care Settings/ University of Michigan
13. Flint Water Crisis Recovery Effort/ Community Foundation of Greater Flint
14. Foster CARE (Coordinating Access to Resources and Education)/ Macomb Children's Healthcare Access Program
15. Grandparent-raised Support Services/ Genesee Health Plan
16. Growing Healthy Seniors/ Growing Hope
17. Growing Urban Farms in Detroit/ Central Detroit Christian Community Development Corporation
18. Healthy Mothers on the Move/Madres Saludables en Movimiento/ Community Health and Social Services (CHASS)
19. Improving Access to Healthy, Fresh Food for Kids in Northwest Michigan/ Groundwork Center for Resilient Communities
20. Improving Health Outcomes for Foster Children and Youth/ Pediatric Foundation of Michigan
Chairman Fowler asked all Board Members to identify any potential grants where he/she might have a conflict of interest with the 37 proposals. There were no conflicts.

Mr. Williams moved to approve all 37 grant recommendations as listed above and Ms. Jandernoa seconded.

The vote passed six to zero.

The next item was consideration of a resolution relating to the United Way for Southeastern Michigan Detroit Water Fund emergency grant in 2014. Ms. Alexander made the following motion and Mr. Williams seconded.

RESOLVED, that the United Way for Southeastern Michigan be and it hereby is authorized to distribute to Wayne Metro Community Action Agency uncommitted funds from the 2014 grant and to distribute an amount equal to committed but unpaid assistance to Detroit Water and Sewerage Department, in the amounts of $240,896 and $235,748, respectively, or such other amounts as determined through final reconciliation, and that any further responsibilities of United Way of Southeastern Michigan under the 2014 grant be and they hereby are terminated; and

BE IT FURTHER RESOLVED that the appropriate officers of MHEF are hereby directed and authorized to enter into an agreement with Wayne Metro Community Action Agency regarding the final reporting of the sub grant funds from United Way of Southeastern Michigan and to take such other actions and execute such documents as they deem necessary or appropriate to effectuate the above resolutions.
The vote passed five to zero. Ms. Wiley abstained.

The Board thanked the applicants and encouraged those not successful in this grant round to continue ongoing conversations with the Fund.

**New Business:**
Chairman Fowler asked if there were any new business to consider. There being none, the meeting was adjourned.

**Adjournment**
The meeting was adjourned at 2:21 p.m.

Respectfully submitted,

_____________________________
Julie Skubik
Secretary of the meeting
TO: MHEF Board Members  
FROM: Tim Damschroder, Board Treasurer  
DATE: October 26, 2016  
RE: Investment Committee Report

The Investment Committee will meet on November 2, 2016 to review the current Q3 and inception to date investment report from Northern Trust, the Health Fund’s Investment Advisor. A verbal report of that meeting will be presented at the Board meeting later that day. Additionally, I continue to meet monthly with the Health Fund CFO to review financial statements, budget status, and current operational matters. There are no unusual matters to report.
Operating Fund Investments

- Largest Position Size: $3.1M, 3.80%
- Largest 10 Positions: $30M, 38.27%
- Total # Positions: 38
- Average Credit Rating: A- / BBB+

Endowment Fund Investments

- Total Market Value: $73,306,000
- Total Cost: $70,729,000
- Unrealized Gain: $2,577,000

Operating Expenses Year to Date (ex. Medigap)

- 2016: $1,264,000
- 2015: $928,000

Budget To Actual 2016 YTD (ex. Medigap)

- Actual: $1,264,000
- Budget: $1,536,000

Investment Yield

- Dec-14: 0.00%
- Jan-15: 0.20%
- Feb-15: 0.40%
- Mar-15: 0.60%
- Apr-15: 0.80%
- May-15: 1.00%
- Jun-15: 1.20%
- Jul-15: 0.00%
- Aug-15: 0.20%
- Sep-15: 0.40%
- Oct-15: 0.60%
- Nov-15: 0.80%
- Dec-15: 1.00%
- Jan-16: 1.20%
- Feb-16: 0.00%
- Mar-16: 0.20%
- Apr-16: 0.40%
- May-16: 0.60%
- Jun-16: 0.80%
- Jul-16: 1.00%
- Aug-16: 1.20%

Average Portfolio Maturity (in months)

- Dec-14: 0
- Jan-15: 0.5
- Feb-15: 1
- Mar-15: 1.5
- Apr-15: 2
- May-15: 2.5
- Jun-15: 0
- Jul-15: 0.5
- Aug-15: 1
- Sep-15: 1.5
- Oct-15: 2
- Nov-15: 2.5
- Dec-15: 0
- Jan-16: 0.5
- Feb-16: 1
- Mar-16: 1.5
- Apr-16: 2
- May-16: 2.5
- Jun-16: 0
- Jul-16: 0.5
- Aug-16: 1
- Sep-16: 1.5

Average Credit Quality

- Dec-14: 0
- Jan-15: 0.5
- Feb-15: 1
- Mar-15: 1.5
- Apr-15: 2
- May-15: 2.5
- Jun-15: 0
- Jul-15: 0.5
- Aug-15: 1
- Sep-15: 1.5
- Oct-15: 2
- Nov-15: 2.5
- Dec-15: 0
- Jan-16: 0.5
- Feb-16: 1
- Mar-16: 1.5
- Apr-16: 2
- May-16: 2.5
- Jun-16: 0
- Jul-16: 0.5
- Aug-16: 1
- Sep-16: 1.5
## Michigan Health Endowment Fund
### Statement of Financial Position
#### September 30, 2016 and 2015

<table>
<thead>
<tr>
<th></th>
<th>2016 OPERATING</th>
<th>2016 ENDOWMENT</th>
<th>2015 OPERATING</th>
<th>2015 ENDOWMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checking - Chemical Bank</td>
<td>$ 938,576</td>
<td>$ 4,711,518</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Huntington Investments, at FMV</td>
<td>81,755,446</td>
<td>65,373,170</td>
<td>$ 57,578,587</td>
<td></td>
</tr>
<tr>
<td>Northern Trust Investments</td>
<td>$ 73,306,117</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>234,330</td>
<td>601,627</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>26,518</td>
<td></td>
<td>7,641</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>82,954,870</td>
<td>73,306,117</td>
<td>70,693,956</td>
<td>57,578,587</td>
</tr>
<tr>
<td><strong>Furniture and equipment, net of depreciation</strong></td>
<td>100,788</td>
<td></td>
<td>3,575</td>
<td></td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security Deposits</td>
<td>844</td>
<td>844</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 83,056,502</td>
<td>$ 73,306,117</td>
<td>$ 70,698,375</td>
<td>$ 57,578,587</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND NET ASSETS** |                |                |                |                |
| **Current liabilities**       |                |                |                |                |
| Accounts payable              | $ 1,892,228    | $ 76,557       |                |                |
| Other current liabilities     | 76,700         | 41,990         |                |                |
| **Total current liabilities** | 1,971,928      |                | 118,547        |                |
| **Other liabilities**         |                |                |                |                |
| Grants payable                | 5,774,097      | 17,641,844     |                |                |
| **Total liabilities**         | 7,746,025      |                | 17,760,391     |                |
| **Net assets**                |                |                |                |                |
| Permanently restricted net assets | $ 30,000,000 | $ 20,000,000  |                |                |
| Temporarily restricted net assets | 27,957,711    | 27,578,587     |                |                |
| Designated net assets         | 23,000,000     |                |                |                |
| Unrestricted net assets       | 16,717,311     | 13,621,235     |                |                |
| Current year income (loss)    | 35,593,166     | 15,348,406     | 39,316,749     | 10,000,000     |
| **Total net assets**          | 75,310,477     | 73,306,117     | 52,937,984     | 57,578,587     |
| **Total net assets**          | $ 83,056,502   | $ 73,306,117   | $ 70,698,375   | $ 57,578,587   |

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11
# Michigan Health Endowment Fund

## Statement of Activities

For the nine months ending September 30, 2016 and 2015

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Public Support</td>
<td>$ 60,000,000</td>
<td>$ -</td>
<td>$ 60,000,000</td>
<td>$ 50,000,000</td>
<td>$ -</td>
<td>$ 10,000,000</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>563,787</td>
<td>3,348,406</td>
<td>3,912,193</td>
<td>537,522</td>
<td>3,374,671</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>60,563,787</td>
<td>3,348,406</td>
<td>63,912,193</td>
<td>50,537,522</td>
<td></td>
<td>13,374,671</td>
<td></td>
</tr>
</tbody>
</table>

| **Expenses**         |                |                |            |                |                |            |          |
| Grants expenses      |                |                |            |                |                |            |          |
| Grant program support| 9,706,376      | 9,706,376      | 29,319,136 | 9,413,183      |                |            |          |
| Legal and accounting fees | 118,333       | 118,333       | 355,558    | (17,225)       |                |            |          |
| Outside contract services | 55,570        | 55,570        | 85,720     | (30,150)       |                |            |          |
| Salaries and benefits| 842,903        | 842,903       | 282,635    | 560,268        |                |            |          |
| Office related expenses| 15,947         | 15,947        | 7,877      | 8,070          |                |            |          |
| Insurance expense    | 19,432         | 19,432        | 14,729     | 4,703          |                |            |          |
| Office supplies and misc | 24,752         | 24,752        | 14,064     | 10,688         |                |            |          |
| Membership and dues  | 28,750         | 28,750        | 27,288     | 1,462          |                |            |          |
| Travel and meetings  | 26,508         | 26,508        | 13,533     | 12,975         |                |            |          |
| **Total expenses**   | 12,970,621     |                | 12,970,621 | 1,220,773      |                | 11,749,848 |          |

| **Other Income (Expense)** |                |                |            |                |                |            |
| Transfer to Endowment    | (12,000,000)   | 12,000,000     | -          | -              | -              | -          |
| **Change in net assets** | $ 35,593,166   | $ 15,348,406   | $ 50,941,572 | $ 49,316,749   |                | $ 1,624,823 |          |
### Michigan Health Endowment Fund
#### Statement of Activities - Operating Fund - Budget vs Actual
For the one month and nine months ending September 30, 2016

<table>
<thead>
<tr>
<th></th>
<th>Actual One Month Ending 9/30/16</th>
<th>Budget One Month Ending 9/30/16</th>
<th>$ Over (Under)</th>
<th>Actual Nine Months Ending 9/30/16</th>
<th>Budget Nine Months Ending 9/30/16</th>
<th>$ Over (Under)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Public Support</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 60,000,000</td>
<td>$ 60,000,000</td>
<td>$ -</td>
</tr>
<tr>
<td>Investment income</td>
<td>83,405</td>
<td>40,000</td>
<td>43,405</td>
<td>563,787</td>
<td>355,000</td>
<td>208,787</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>83,405</td>
<td>40,000</td>
<td>43,405</td>
<td>60,563,787</td>
<td>60,355,000</td>
<td>208,787</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants expenses</td>
<td>3,618</td>
<td>3,620</td>
<td>(2)</td>
<td>9,706,376</td>
<td>12,052,170</td>
<td>(2,345,794)</td>
</tr>
<tr>
<td>Grant program support</td>
<td>402,500</td>
<td>350,000</td>
<td>52,500</td>
<td>2,132,050</td>
<td>2,060,000</td>
<td>72,050</td>
</tr>
<tr>
<td>Legal and accounting fees</td>
<td>9,039</td>
<td>11,100</td>
<td>(2,061)</td>
<td>118,333</td>
<td>155,900</td>
<td>(37,567)</td>
</tr>
<tr>
<td>Outside contract services</td>
<td>6,968</td>
<td>15,500</td>
<td>(8,532)</td>
<td>55,570</td>
<td>100,500</td>
<td>(44,930)</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>114,967</td>
<td>112,629</td>
<td>2,338</td>
<td>842,903</td>
<td>866,205</td>
<td>(23,302)</td>
</tr>
<tr>
<td>Office related expenses</td>
<td>1,861</td>
<td>8,000</td>
<td>(6,139)</td>
<td>15,947</td>
<td>36,000</td>
<td>(20,053)</td>
</tr>
<tr>
<td>Insurance expense</td>
<td>1,994</td>
<td>3,000</td>
<td>(1,006)</td>
<td>19,432</td>
<td>24,000</td>
<td>(4,568)</td>
</tr>
<tr>
<td>Office supplies and misc</td>
<td>2,571</td>
<td>2,320</td>
<td>251</td>
<td>24,752</td>
<td>26,850</td>
<td>(2,098)</td>
</tr>
<tr>
<td>Membership and dues</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,750</td>
<td>32,800</td>
<td>(4,050)</td>
</tr>
<tr>
<td>Travel and meetings</td>
<td>4,844</td>
<td>4,700</td>
<td>144</td>
<td>26,508</td>
<td>33,300</td>
<td>(6,792)</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>548,362</td>
<td>510,869</td>
<td>37,493</td>
<td>12,970,621</td>
<td>15,387,725</td>
<td>(2,417,104)</td>
</tr>
<tr>
<td><strong>Other Expense</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to Endowment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(12,000,000)</td>
<td>(12,000,000)</td>
<td>-</td>
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<tr>
<td><strong>Change in net assets</strong></td>
<td>$ (464,957)</td>
<td>$ (470,869)</td>
<td>$ 5,912</td>
<td>$ 35,593,166</td>
<td>$ 32,967,275</td>
<td>$ 2,625,891</td>
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<tr>
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<td>Cash/Cash Equivalents</td>
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<td>Commercial Paper</td>
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<td>VOLVO GROUP</td>
<td>Automobiles Manufacturing</td>
<td>A2 / P2</td>
<td>10/12/16</td>
<td>$1,999,480.00</td>
<td>$1,998,802.22</td>
<td>$677.78</td>
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<tr>
<td>NBCUNIVERSAL</td>
<td>Publishing &amp; Broadcasting</td>
<td>A2 / P2</td>
<td>10/19/16</td>
<td>$1,999,160.00</td>
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<td>$404.44</td>
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<tr>
<td>ABBOT LABORATORIES</td>
<td>Medical Equipment</td>
<td>A1+ / P1</td>
<td>10/21/16</td>
<td>$2,499,375.00</td>
<td>$2,498,811.81</td>
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<td>CLOROX COMPANY</td>
<td>Consumer Products</td>
<td>A2 / P2</td>
<td>11/1/16</td>
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<td>MARRIOTT</td>
<td>Travel &amp; Lodging</td>
<td>A2 / P2</td>
<td>11/8/16</td>
<td>$2,597,634.00</td>
<td>$2,597,746.67</td>
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<td>BELL CANADA</td>
<td>Wireline Telecommunications</td>
<td>A2 / P2</td>
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<td>$1,999,880.00</td>
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<td>$940.00</td>
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<td>THOMSON REUTERS CORP</td>
<td>Software &amp; Services</td>
<td>A2 / P2</td>
<td>10/6/16</td>
<td>$1,999,780.00</td>
<td>$1,995,126.67</td>
<td>$4,653.33</td>
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<td>COMCAST</td>
<td>Cable &amp; Satellite</td>
<td>A2 / P2</td>
<td>11/14/16</td>
<td>$1,997,900.00</td>
<td>$1,997,492.22</td>
<td>$407.78</td>
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<td>ANHEUSER-BUSCH</td>
<td>Food &amp; Beverage</td>
<td>A2 / P2</td>
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<td>$2,397,840.00</td>
<td>$2,388,898.67</td>
<td>$8,941.33</td>
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<td>FORD MOTOR</td>
<td>Automobiles Manufacturing</td>
<td>A2 / P2</td>
<td>12/1/16</td>
<td>$2,995,290.00</td>
<td>$2,975,910.83</td>
<td>$19,379.17</td>
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<td>PRUDENTIAL PLC</td>
<td>Life Insurance</td>
<td>A1 / P1</td>
<td>5/8/17</td>
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<td>$2,968,345.83</td>
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<td>HYUNDAI CAPITAL</td>
<td>Automobiles Manufacturing</td>
<td>A2 / P2</td>
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<td>$1,998,677.78</td>
<td>$1,102.22</td>
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<td>CHURCH &amp; DWIGHT</td>
<td>Consumer Products</td>
<td>A2 / P2</td>
<td>11/3/16</td>
<td>$2,997,660.00</td>
<td>$2,996,426.67</td>
<td>$1,233.33</td>
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<td>AGRIUM INC</td>
<td>Chemicals</td>
<td>A2 / P2</td>
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<td>$2,324,860.50</td>
<td>$2,323,574.00</td>
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<td>POTASH</td>
<td>Chemicals</td>
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<td>12/7/16</td>
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<td>SIMON PROPERTY</td>
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<td>A1 / P1</td>
<td>10/12/16</td>
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<td>PIFER INC</td>
<td>Pharmaceuticals</td>
<td>A1+ / P1</td>
<td>4/11/17</td>
<td>$1,990,320.00</td>
<td>$1,989,317.82</td>
<td>$1,002.22</td>
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<td>COLA-COLA</td>
<td>Food &amp; Beverage</td>
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<td>3/6/17</td>
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<td>$2,989,412.50</td>
<td>$357.50</td>
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<td>PEPSICO INC</td>
<td>Food &amp; Beverage</td>
<td>A1 / P1</td>
<td>10/28/16</td>
<td>$1,999,320.00</td>
<td>$1,998,273.33</td>
<td>$1,046.67</td>
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<td>HONEYWELL INTL</td>
<td>Electrical Equipment</td>
<td>A1 / P1</td>
<td>11/2/16</td>
<td>$1,999,180.00</td>
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<td>$1,111.11</td>
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<tr>
<td>CATERPILLAR</td>
<td>Machinery Manufacturing</td>
<td>A1 / P1</td>
<td>11/10/16</td>
<td>$1,998,960.00</td>
<td>$1,997,728.33</td>
<td>$1,231.67</td>
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<td>AMERICAN HONDA</td>
<td>Automobiles Manufacturing</td>
<td>A1 / P1</td>
<td>11/8/16</td>
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<td>$1,997,780.56</td>
<td>$1,239.44</td>
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<td>$50,759,599.50</td>
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<td>Corporate Bonds</td>
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<td>CIGNA CORPORATION</td>
<td>Managed Care</td>
<td>Baa1 / A</td>
<td>3/15/17</td>
<td>$3,053,820.00</td>
<td>$3,057,643.77</td>
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<td>FIDELITY NATIONAL FINANCIAL</td>
<td>Consumer Finance</td>
<td>Baa3 / BBB</td>
<td>5/15/17</td>
<td>$3,117,386.76</td>
<td>$3,117,386.76</td>
<td>(4,998.99)</td>
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<tr>
<td>COMERICA BANK NOTE 5.7500%</td>
<td>Banks</td>
<td>A3 / BBB+</td>
<td>11/16/16</td>
<td>$2,011,360.00</td>
<td>$2,011,983.13</td>
<td>(623.13)</td>
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<tr>
<td>GOLDMAN SACHS GROUP INC NOTE 5.62500%</td>
<td>Financial Services</td>
<td>Baa2 / BBB+</td>
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<td>$1,618,928.00</td>
<td>$1,619,244.19</td>
<td>(316.19)</td>
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<td>SUNTRUST BK'S INC 3.5000%</td>
<td>Banks</td>
<td>Baa1 / BBB+</td>
<td>1/20/17</td>
<td>$2,010,140.00</td>
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<td>(2,097.95)</td>
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<td>KROGER CO NOTE 1.2000%</td>
<td>Supermarkets</td>
<td>Baa2 / BBB</td>
<td>10/17/16</td>
<td>$2,244,000.00</td>
<td>$2,244,486.94</td>
<td>(486.94)</td>
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<tr>
<td>TEVA PHARMACEUTICALS</td>
<td>Pharmaceuticals</td>
<td>Baa1 / BBB+</td>
<td>10/10/16</td>
<td>$2,911,559.92</td>
<td>$2,931,399.30</td>
<td>(19,839.38)</td>
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<td>CVS HEALTH CORP</td>
<td>Supermarkets</td>
<td>Baa1 / BBB+</td>
<td>12/5/16</td>
<td>$3,001,200.00</td>
<td>$3,002,490.22</td>
<td>(1,290.22)</td>
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<tr>
<td>AT&amp;T INC NOTE</td>
<td>Consumer Discretionary</td>
<td>Baa1 / BBB+</td>
<td>1/13/17</td>
<td>$3,002,760.00</td>
<td>$3,003,371.51</td>
<td>(611.51)</td>
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<tr>
<td>JOHNSON CTLS 1.40%</td>
<td>Wireless Telecommunications</td>
<td>Baa1 / BBB+</td>
<td>3/15/17</td>
<td>$3,097,987.20</td>
<td>$3,096,997.65</td>
<td>(989.55)</td>
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<tr>
<td></td>
<td>Auto Parts Manufacturing</td>
<td>Baa2 / BBB+</td>
<td>11/2/17</td>
<td>$2,005,060.00</td>
<td>$1,991,110.08</td>
<td>$14,849.92</td>
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<td>$28,070,106.79</td>
<td>$28,088,351.50</td>
<td>(18,244.71)</td>
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<p>| $81,755,445.61 | $81,734,022.06 | $21,423.55 |</p>
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<tr>
<th>Asset Description</th>
<th>Market Value</th>
<th>Cost</th>
<th>Unrealized G/L Total</th>
<th>% of Total</th>
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<tr>
<td><strong>DOMESTIC US EQUITIES</strong></td>
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<td>VANGUARD INSTL TOTAL INDEX</td>
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<td>27,910,136</td>
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<td>3,464,220</td>
<td>105,647</td>
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<td><strong>INTERNATIONAL DEVELOPED MARKETS EQUITIES</strong></td>
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<td>VANGUARD DEVELOPED MARKETS INDEX INSTL</td>
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<td>19,454,047</td>
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<td>LAZARD FDS INC GLOBAL INFRASTRUCTURE PORT</td>
<td>3,621,051</td>
<td>3,575,522</td>
<td>45,529</td>
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<td><strong>EMERGING MARKETS EQUITIES</strong></td>
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<td></td>
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<td>STEWART INVESTORS GLOBAL EMERGING MARKETS FUND</td>
<td>3,203,036</td>
<td>3,011,839</td>
<td>191,197</td>
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<td>VAN ECK EMERGING MARKETS-I</td>
<td>2,792,779</td>
<td>2,536,727</td>
<td>256,052</td>
<td>3.8%</td>
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<tr>
<td><strong>FIXED INCOME</strong></td>
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<td></td>
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<tr>
<td>LONGFELLOW FIXED INCOME</td>
<td>10,853,317</td>
<td>10,773,258</td>
<td>80,059</td>
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<td>UST MONEY MARKET FUND - SWEEP</td>
<td>3,631</td>
<td>3,631</td>
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<td><strong>TOTAL</strong></td>
<td>73,306,117</td>
<td>70,729,380</td>
<td>2,576,737</td>
<td>100%</td>
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TO: MHEF Board Members  
FROM: Michael Williams  
DATE: October 26, 2016  
RE: Governance Committee Report

The Governance Committee held an in person meeting on October 13, 2016 to consider several new and amended policies. Included in the Board Materials are the four policies that are being recommended by the Committee, as follows:

New Policies:
- Board Communications Policy
- Amendments to Grants Policy
- Grants Evaluation Policy

Revised Policy:
- Conflicts of Interest Policy
Michigan Health Endowment Fund
Communications Policy

In its public pronouncements and other communications with the general public and to ensure that the Michigan Health Endowment Fund effectively and consistently communicates with the general public, it is the policy of the MHEF Board that:

• the Board Chair or the CEO is the official spokesperson for the Fund

• the Board Chair or the CEO may delegate authority to speak on behalf of the Fund to an individual Board member or other appropriate staff

• Board members should refer questions from media representatives to the Communications Officer

• individual Board members do not have independent authority to speak for the Board and should not make comments on behalf of the Board unless requested to do so
Conflicts of Interest Policy

The Michigan Health Endowment Fund strives to maintain the highest ethical standards in all policies, procedures, and programs and to avoid any conflict of interest.

Conflicts of interest may be of varying forms or degrees and may be real or apparent. To address actual and potential conflicts of interest, the following procedures will be followed:

**Disclosure**

When a member of the Board, an officer, or a committee member has a direct or indirect interest in any matter before the Fund, he or she will disclose such interest to the Board of Directors before the Board takes any action on the matter. Such interest will be made a matter of record when the interest becomes a matter of Board action or committee action and as part of an annual reporting procedure to be established by the Board. At a minimum, the Board shall record the member’s disclosure in the minutes of the Board meeting. A direct or indirect interest will be considered to exist when a Board member, officer, or committee member, or a member of his or her immediate family or close relative is an officer, director, trustee, partner, employee, or agent of an organization seeking to provide services or facilities to the Fund, or has any other substantial interest or dealings with the organization.

**Voting**

If a Board member or a member of his or her immediate family, organizationally or individually, would derive a direct and specific benefit from a decision of the Board, that member shall recuse himself or herself from the discussion and the vote on the issue. However, he or she may be counted in determining a quorum for the meeting at which the matter is voted upon, as permitted by law. The minutes of the meeting should reflect that the disclosure was made, that the interested Board member or committee member abstained from voting, whether his or her presence was counted in determining a quorum, and whether comparability data was considered and used as a basis for making the decision. If so, the comparability data should be attached to the minutes and made a part of the record.
Determining Compensation

The process for determining compensation of the Fund’s Executive Director will include review and recommendation by the Fund’s Executive Committee, approval by the Board (who are all deemed independent persons), use of comparability data and contemporaneous substantiation of the deliberation and decision.

Statement of Position

The foregoing requirements should not be construed to prevent a Board member or officer from answering questions of other Board members relating to the matter.

Conflict of Interest Policy: Approved by Board; January 14, 2014

Conflict of Interest Review Procedure

1. Legal counsel and staff will review annually completed conflict of interest questionnaires and identify whether there are any potential conflicts.

2. Staff will update the Disclosure List, which summarizes the entities that have been disclosed by Board members as potentially giving rise to conflicts of interest or the appearance of conflicts of interest. The Disclosure List will include a brief description of the entity and identify the affiliated Board member.

3. The Governance Committee will review annually the Board and Staff disclosure list. Each Board member also has an ongoing obligation to disclose additional affiliations or potential conflicts as they arise in Committee and Board Meetings.

4. When Committees make recommendations to the Board for action, part of that recommendation shall also include whether or not any conflicts of interest were noted among the Committee members.

5. Any potential conflict concerning a contract or arrangement between the MHEF and a Board or Staff member (or family member) or an entity that is affiliated with a Board or Staff member or a family member, shall be referred to the Governance Committee to consider.

6. Following its review, the Governance Committee will present its recommendations to the full Board. The Governance Committee will review and consider comparability data as appropriate.

Conflict of Interest Review Procedure: Approved by Board, November 21, 2014
Amendments to Grants Policy

In the normal course of a grant project, grantees may request changes to the terms of the grant agreement between The Health Fund and the Grantee. This policy outlines the procedures to be followed by the Health Fund staff in the consideration of changes to grantee agreements.

The CEO, or his designee(s) shall be authorized to make changes to the terms of grantee agreements relating to the time period for the conduct of a grant, changes or reallocations of budgets, or decreases of overall grant awards, including the potential cancellation of a grant award. For purposes of clarity, the CEO or his designee(s) may not increase a grant award nor change the purpose of a grant.

When granting extensions of time to complete a grant, the CEO or his designee shall be authorized to extend the term of a grant by no more than 6 months upon request by a grantee. A second request for a 6-month extension may also be considered and, in appropriate circumstances, granted.

This policy shall be monitored and administered by the Grantmaking Committee. At each Grantmaking Committee meeting staff shall report verbally to the Committee regarding grant agreement changes made pursuant to this policy.
MICHIGAN HEALTH ENDOWMENT FUND
Grants Evaluation Policy

This evaluation policy describes the role of evaluation in the operations of the Michigan Health Endowment Fund (MHEF). The MHEF Five Year Strategic Plan outlines both Proactive funding initiatives as well as Responsive grant making. This evaluation policy anticipates evaluation for both forms of grant making within the Fund’s annual portfolio.

Goals

Evaluation is the systematic collection of information about a program that enables stakeholders to better understand the program, improve its effectiveness, and/or make decisions about future programming. (Source: Innovation Network)

The MHEF uses evaluation to support its goal of operating as a responsible, accountable and effective grant maker. To that end, MHEF seeks to integrate evaluation into the overall work of the organization. Specifically, the Fund’s evaluation goals include:

- Generate Knowledge: Use information to guide program improvements
- Tell the Story: Share evaluation results broadly to inform future actions by many groups.
- Be Accountable: Assess the effectiveness of our grant making against the Fund’s Strategic Plan, Mission and Vision.
- Inform Policymaking: MHEF uses evaluation results to influence health policy and health delivery transformation within Michigan.

Principles

The MHEF adheres to the following principles in conducting evaluation:

- Evaluation is a collaborative learning tool. Grantees and relevant stakeholders will be involved in all phases of evaluation from planning through dissemination
- MHEF will use a variety of evaluation approaches tailored to the goals and objectives of each Proactive funding Initiative and the focus areas within Responsive grantmaking.
- Any evaluation approach chosen will be timely, practical and dynamic to reflect different needs, opportunities, and priorities that reflect the range of projects and audiences.
- Evaluation is not a standalone activity or an afterthought. It is part of all phases of MHEF’s work.
- The Fund will strive for collection of the most critical information with the least effort.
Evaluation Strategy

Fund staff and contractors will employ different types of evaluation, as appropriate, using both qualitative and quantitative information to answer key questions. All grants awarded by the Fund will be subject to performance monitoring. This will involve both program and financial reporting to maintain accountability and support program improvement. Fund staff will develop an Evaluation Plan for each of the three Proactive Initiatives that incorporates both implementation and outcome information and that adheres to the Goals and Principles outlined in this Policy. Fund staff will work with Special Projects and Emerging Ideas grantees to develop and implement evaluation where new models are being tested by the grantees. Fund staff may develop evaluation plans for targeted focus areas within the Community Health Impact Grants (e.g. infant mortality) as appropriate to support the Fund’s mission to influence health policy.

This policy will be administered by the Grantmaking Committee.
MICHIGAN HEALTH ENDOWMENT FUND

RESOLUTION
TO APPROVE NEW OR REVISED BOARD POLICIES

RESOLVED, that the following policy of the Board of Directors is approved in the manner presented at this meeting:

   Board Communications Policy

RESOLVED, that the following policy of the Board of Directors is approved in the manner presented at this meeting:

   Conflicts of Interest Policy

RESOLVED, that the following policy of the Board of Directors is approved in the manner presented at this meeting:

   Amendments to Grants Policy

RESOLVED, that the following policy of the Board of Directors is approved in the manner presented at this meeting:

   Grants Evaluation Policy
TO: MHEF Board Members
FROM: Keith Pretty
DATE: October 26, 2016
RE: Audit Committee Report

The Audit Committee will meet on November 15 with representatives of the Fund’s auditors, George Johnson & Company, to review the plan for the 2016 audit, including scope of testing, changes in Health Fund operations, timing of financial statements, and timing of the Fund’s tax return. A report of this meeting will be made at the next Board Meeting in January 2017.
Michigan Health Endowment Fund  
2017 Budget  
For the year ending December 31, 2017

<table>
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<tr>
<th></th>
<th>2016 Budget</th>
<th>2016 Projection</th>
<th>2017 Budget</th>
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<td><strong>Revenue</strong></td>
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<tr>
<td>Direct Public Support</td>
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<td>60,000,000</td>
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<tr>
<td>Investment income</td>
<td>465,000</td>
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<td><strong>Total revenue</strong></td>
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<td>Grants</td>
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<td>Medigap Servicing</td>
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<td>3,600,000</td>
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<tr>
<td>Other grant program support</td>
<td>330,000</td>
<td>155,000</td>
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<tr>
<td><strong>Total Grants and Program Support</strong></td>
<td>29,835,425</td>
<td>26,905,000</td>
<td>70,900,000</td>
</tr>
<tr>
<td>Legal and accounting fees</td>
<td>206,700</td>
<td>149,000</td>
<td>130,000</td>
</tr>
<tr>
<td>Outside contract services</td>
<td>198,000</td>
<td>155,000</td>
<td>246,000</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>1,204,092</td>
<td>1,190,000</td>
<td>1,630,000</td>
</tr>
<tr>
<td>Office related expenses</td>
<td>60,000</td>
<td>35,000</td>
<td>104,000</td>
</tr>
<tr>
<td>Insurance expense</td>
<td>33,000</td>
<td>28,000</td>
<td>36,000</td>
</tr>
<tr>
<td>Office supplies and misc</td>
<td>33,710</td>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Membership and dues</td>
<td>32,800</td>
<td>30,000</td>
<td>31,000</td>
</tr>
<tr>
<td>Travel and meetings</td>
<td>40,400</td>
<td>35,000</td>
<td>32,000</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>31,644,127</td>
<td>28,562,000</td>
<td>73,144,000</td>
</tr>
<tr>
<td><strong>Other Expense</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer to Endowment</td>
<td>12,000,000</td>
<td>12,000,000</td>
<td>12,000,000</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>16,820,873</td>
<td>20,158,000</td>
<td>(24,566,000)</td>
</tr>
</tbody>
</table>
RESOLVED, that the budget for 2017, as presented to the Board, be, and it hereby is, ratified, adopted and approved.
MICHIGAN HEALTH ENDOWMENT FUND (the “Fund”)

RESOLUTION
2016 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 3 is 80%;

WHEREAS, the Fund received total contributions in 2016 of $60 million; and

WHEREAS, the Act requires that $12 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 $12 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 2016, therefore, the Board hereby allocates to the “Spendable Account” the remaining amount of the Maximum Spending Allowance for 2016 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 2016 may be designated to specific programs at the January 2017 Annual Board Meeting or thereafter.