



## ***Study on Nonprofit Investing Survey Analysis***

Produced: April, 2013

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**A peer benchmarking study on nonprofit reserve policy and ROI**

**Sample Custom Report**

## Introduction

Raffa Wealth Management recently concluded the first annual Study on Nonprofit Investing (SONI) survey for 2012 which aims to provide nonprofit finance executives with relevant peer data about nonprofit reserve policies and performance. One hundred and fifty six nonprofit finance executives completed the survey and RWM has analyzed the results.

The goal of conducting the survey was to provide peer data that would put those organizations completing and reviewing the survey in a stronger position to make investment related decisions and hold those involved in the management of reserves accountable for results.

In order to make more applicable comparisons the data was divided into several subgroups. Organizations were divided into two groups, associations and charity/other. The other category included religious organizations, cultural organizations, private and community foundations, education related organizations and various other groups. The results were also subdivided by budget size and long term reserve size. Organizations were separated into three groups, those having budgets or long term reserves of \$0-5M, \$5-20M, or \$20M+ depending on the question.

Budget of:	Overall	Association	Charity/ Other	Trade	Professional	Charity	Other
<b>\$0-5M</b>	72	45	27	15	30	13	14
<b>\$5-20M</b>	54	31	23	14	17	11	12
<b>\$20+M</b>	30	14	16	8	6	10	6
<b>Total</b>	156	90	66	37	53	34	32

## BUDGET AND RESERVE BALANCES

What is the percentage of budget held in reserve (excluding cash)?

Budget of:	Overall	Charity	<b>SAMPLE</b>
<b>\$0-5M</b>	79.9%	47.3%	
<b>\$5-20M</b>	68.5%	25.8%	
<b>\$20+M</b>	63.8%	59.7%	<b>67.3%</b>

The percentage of budget held in reserves was in the 60 to 80% range. Within the charity group those with budgets of over \$20M held the highest percentage in reserve. SAMPLE's reserves as a percentage of budget came in above the median level, holding 67.3% of its budget in reserve.

## TARGET ASSET ALLOCATION

How are organizations invested across various asset classes?

Reserves of \$5-20M	Overall	Charity/Other	SAMPLE
Cash	2%	1%	0%
Bond	44%	37%	80%
US Equity	37%	42%	0%
International Equity	11%	14%	0%
Alternatives	6%	6%	20%

Charities and the other group had a growth oriented allocation with roughly 60% to equity and 40% to fixed income and cash. Cash made up a small portion of the mid-sized group's long term reserves at approximately 1% of the charity/other group. International equity and alternative investments combined for 20% of the allocation of the average charity/other portfolio with between \$5 and \$20 million in long term reserves. This compares to SAMPLE which held 80% of the portfolio in fixed income and 20% in alternatives, much higher than the group's averages for both asset classes.

## PERFORMANCE

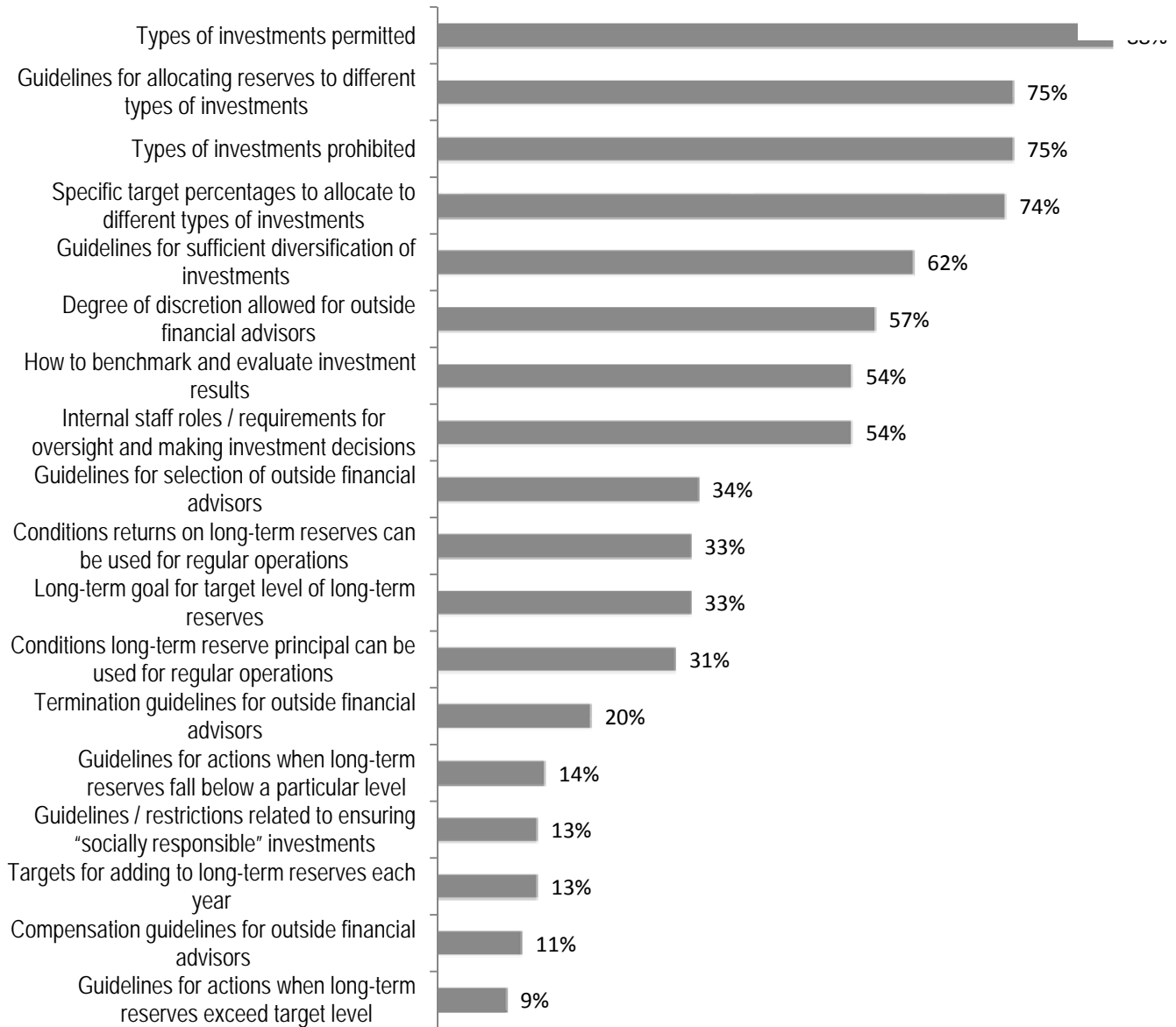
How well did organizations with long term reserves perform in 2012?

Reserve		Overall	Public Charity	SAMPLE
Total	121	8.29%	22	7.53%
\$0-5M	67	7.38%	13	7.40%
\$5-20M	34	8.55%	8	7.10%
\$20+M	20	10.91%	1	12.76%

Overall, participants reported an average return of 8.29% for 2012. As the size of the reserve increased the average annual return increased as well. Organizations with smaller reserves had a lower performance in general due to their higher allocations to cash and lower allocations to equity. On the opposite end the organizations with the largest reserves had the highest allocations to equity which resulted in a higher performance for 2012. SAMPLE saw a return of 4.00% in 2012 which trails in comparison to the \$5-\$20 million long term reserve subgroup for charities. (Participant responses have not been verified).

## INVESTMENT POLICY STATEMENT

### In the IPS, what topics are addressed most and least frequently?



The types of investments permitted and prohibited along with specific targets and guidelines allocating reserves amongst different types of investments were the most common topics covered in an Investment Policy Statement at over 74%. The least common topics covered in an IPS include guidelines for socially responsible investments, targets for the long term reserve and annual targets to add to the reserve and compensation guidelines for investment advisors. The least commonly included all were in 13% of IPSs or less.

SAMPLE includes the following in their investment policy:

- Types of investments permitted
- Guidelines for allocating reserves to different types of investments
- Types of investments prohibited
- Guidelines for sufficient diversification of investments
- Degree of discretion allowed for outside financial advisors
- How to benchmark and evaluate investment results
- Internal staff roles / requirements for oversight and making investment decisions
- Conditions long-term reserve principal can be used for regular operations
- Guidelines for selection of outside financial advisors

SAMPLE included 9 of the 10 most commonly included topics in their IPS. RWM recommends as a best practice to also include “specific target percentages to allocate to different types of investments.” This limits the potential drift the portfolio can experience, which could lead to a more risky or conservative portfolio than originally intended.

#### **Additional Disclosure**

Participating survey responses were gathered from sources we believe are reliable, but they have not been verified and therefore their accuracy cannot be guaranteed.