



FEG 2023
Investment Forum
The
BEAUTIFUL GAME
Investing to WIN

BUILDING BETTER GOVERNANCE FOR NONPROFITS

In the Building Better Governance for Nonprofits breakout session of the 2023 FEG Investment Forum, Sarah Wessling, Vice President and Co-Chair of Enterprise Risk at FEG, led a lively panel discussion which included Mason Rummel, Chief Executive Officer and President of the James Graham Brown Foundation, Chuck Self, Investment Committee Chair of the ELCA Foundation, and Cathy Zaharis, Emeritus Professor of Practice at The University of Iowa Tippie College of Business. The session focused on the key topics impacting nonprofit governance: roles and responsibilities, policies and procedures, and education and onboarding.

ROLES AND RESPONSIBILITIES

When asked about the differences he’s observed in his work with the Community Foundation for the Fox Valley Region and the Evangelical Lutheran Church in America Foundation (ELCA Foundation), Chuck explained that the Community Foundation for the Fox Valley Region has no investment professionals. The board voted on all investment-related matters until transitioning to the OCIO model with FEG four years ago. The ELCA Foundation adopts a slightly different approach, employing FEG’s delegated investing (a hybrid OCIO model) in which a related entity that oversees the management of ELCA employees’ pensions, also manages the Foundation’s traditional asset classes while FEG assumes a role more aligned with a conventional consultant on that piece. FEG is the OCIO for overall asset allocation and alternative investments.

Mason explained that when she was hired at the James Graham Brown Foundation, the Foundation was using a basic 60/40 portfolio they inherited from their donor. There were no investment professionals on the board, so they relied heavily on historical performance for all investment-related decisions. As the board saw more turnover, however, some of the newer members had professional backgrounds in investing, adding a wealth of knowledge to the board that was previously absent.

“The lesson here is the expertise that you put in your governance structure.” - Mason Rummel

Cathy added that at The University of Iowa, two board members who are not members of the Investment Committee are afforded the opportunity to shadow the Investment Committee. This initiative provides valuable exposure and helps raise the board’s overall investment expertise.

POLICIES AND PROCEDURES

Steering the conversation toward board policies and procedures, Sarah inquired about the panelists' ideal structure for a committee meeting. Though each panelist offered a unique perspective, they all agreed it’s imperative to have a strict agenda with designated time for each section. Chuck promoted the consent agenda as a strategic tool for quickly covering non-controversial topics, as it streamlines the voting process. While individuals have the option to remove an item, Chuck also recommended having a staff member review the board’s to-do list at the session’s conclusion, so all participants have a comprehensive understanding of the next steps. Cathy suggested scheduling an annual retreat to get through topics that the board may not have time for otherwise.



FEG 2023 INVESTMENT FORUM RECAP

Mason reiterated the need for expertise among board and staff members, using the analogy of a three-legged stool to describe the relationship between investment experts, staff members, and the board. She pointed out that seamless communication among the three entities is paramount and requires skilled staff. Chuck expanded upon the importance of using staff effectively and efficiently and cautioned against Investment Committees delving too deeply into granular details and/or potentially overstepping boundaries. He therefore advised caution when selecting committee members with high levels of investment expertise, emphasizing the importance of establishing clear expectations. Mason noted that sometimes Investment Committees need coaching on addressing the board/staff so they can learn to manage the language and conversation in such a way that everyone has enough awareness to ask pertinent questions and make meaningful contributions.

Concluding this segment of the discussion, Sarah inquired about the recommended frequency of reviewing your IPS/charter, to which Cathy suggested a review every 3-5 years, noting that the University of Iowa's broad policies do not necessitate frequent updates. Rather, they have separate operating guidelines, a living document reflecting ongoing activities, which gets updated more frequently. Mason added that for further ease, the James Graham Brown Foundation has board portals where all relevant documents are stored and easily accessible.

EDUCATION AND ONBOARDING

Delving into the realm of education and onboarding, the panelists were prompted to share insights on educating and orienting new board members. Mason shared that when onboarding a trustee, she chronicles the evolution of the board, gives a history of the foundation, and provides a reference book. Cathy added that at the University of Iowa, new board members are assigned a more tenured board member as a mentor; someone they can sit with for a year and ask questions in real time.

Sarah proceeded to ask about the ideal number of people to have on an Investment Committee, to which the consensus among the panelists was 5-7. With agreement on the ideal number, the conversation turned to tips for sourcing good committee members. Cathy explained that she utilizes the alumni base. Chuck focuses on networking—finding people who know people.

Finally, Sarah asked the panelists how they engage board members, and all three agreed that most Investment Committee members are already quite interested in their role. Chuck shared that he tries to avoid a static investment plan, because intellectual stimulation is part of why people are willing to serve without compensation. Mason pointed out that larger boards can sometimes present challenges, so she works to connect with each board member individually, providing educational resources and exploring ways they can actively contribute. Mason also underscored the importance of identifying and nurturing each board member's motivation, noting there is nothing worse than feeling useless in a board role.

FEG INSIGHT

FEG supports many of the recommendations by the panelists for governance. We believe that there isn't one right governance model, but instead it depends on alignment with your organization needs. To that end, we recommend implementing best practices that allow organizations to make better decisions, and ideally better outcomes. To learn more about all our insights on governance, please visit www.feg.com/governance.

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