Tips for Working with Charitable Boards

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Charitable Boards Need Your Help

They may be…

- Unaware of their fiduciary duties
- Operating in fiduciary breach
- Failing to safeguard their investments
- Applying inappropriate investment strategy
- Susceptible to fraud

But They May Not Know it!

Many non-profit boards:

- Have no meaningful investment committee
- Are unaware of the laws governing their investment decisions
- Prefer to do business with “people they know”
- Apply their experience with personal investing
- Are hesitant to consider changes – “If it ain’t broke, why fix it?”
- Are often on auto-pilot with regard to investment advice
- Lack a suitable Investment Policy Statement (IPS)

So, Why Should They Listen to You?

- Several charities and foundations lost hundreds of millions to Madoff
- Could have easily been prevented
- Simple prudent practices were not in place
- Could still happen today
- May be happening today!
- Charities cannot depend on regulators to protect them.

Smart People Can Make Big Mistakes

- In each case that a charity was defrauded by Madoff, very smart and sophisticated people thought they were making the right move.
- The Madoff case provides us with a real world example of the need for a documented best practices approach to fiduciary investing.

The Opportunity

- Hundreds of charities, colleges and family foundations have investment funds in excess of $100 million
- They are required by law to safeguard these assets with prudent investing practices, yet many do not.
- Almost all are focused on building the principal and minimizing withdrawals.
- Many do not receive good service from their investment advisers
- Many do not fully understand their fiduciary responsibilities

Getting Started

- Learn the unique aspects of charitable fiduciary practices
- Position your practice with a focus in this area
- Start networking in your community
- Offer free initial consultations
- Offer one-hour seminars
- Decide if you will work as a fiduciary consultant, an investment adviser, or both.

Advantages of Working with Charities

- Social Impact – Doing good in the community
- Opportunity to meet influential people
- More rational approach to investment strategy
- Less emotional decision-making
- Long-term continuity and stability
- Very long investment time horizon
- Developing a strong practice in the area

Making the Case

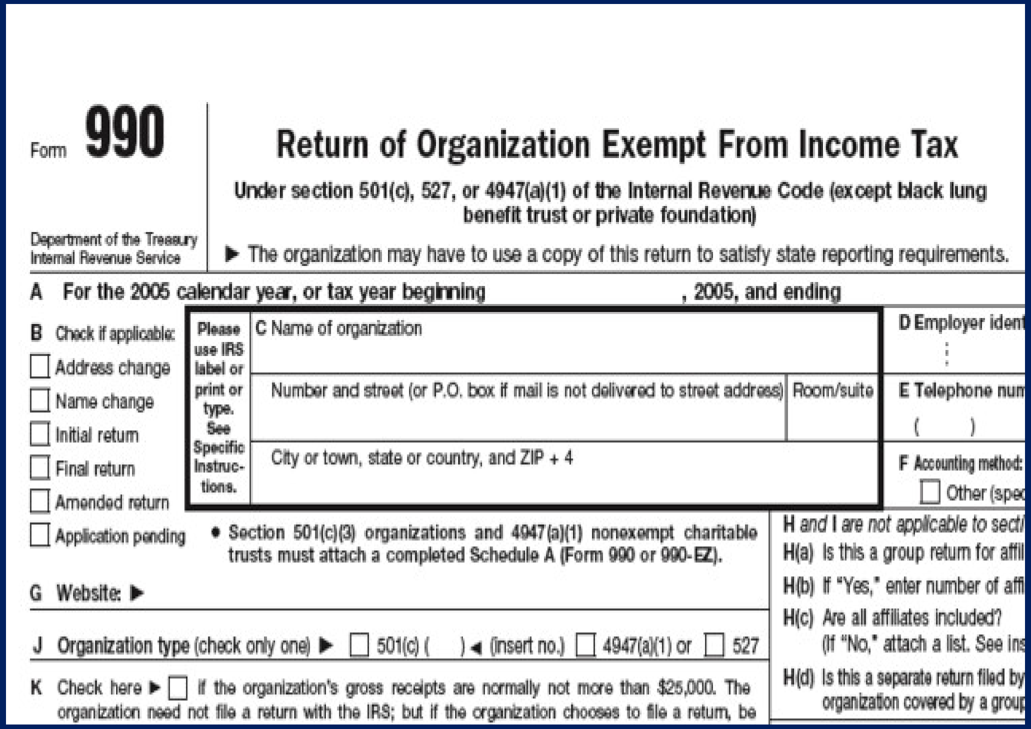
- Emphasize the risks of fiduciary breach
- Explore their satisfaction with current level of service
- Ask about their RFP process
- Ask about their investment committee
- Discuss fee transparency
- Ask about custodial arrangements
- Emphasize the safety that comes from documented fiduciary practices

Challenges in Working with Charities

- Separating yourself from the herd – do not spam/cold call
- Connecting with leadership – CEO and Board
- Building Trust
- Penetrating personal networks
- Continual educational needs
- Board and staff turnover
- High-degree of scrutiny and transparency

Connecting

- Network with local charities
  - Community Foundations
  - Non-Profit Networks, CEO Forums
  - Planned Giving Councils, AFP, United Way
  - Sponsorships
- Network with non-profit board members
  - Chambers of commerce, civic clubs, etc.
- Online information
  - 990 tax forms, web pages, watchdog groups
- Personal visits
- Seminars


Form 990 Return of Organization Exempt From Income Tax
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)
Department of the Treasury Internal Revenue Service
▶ The organization may have to use a copy of this return to satisfy state reporting requirements.
A For the 2005 calendar year, or tax year beginning , 2005, and ending
B Check if applicable: Address change Name change Initial return Final return Amended return Application pending
Please use IRS label or print or type. See Specific Instructions.
C Name of organization
Number and street (or P.O. box if mail is not delivered to street address) Room/suite
City or town, state or country, and ZIP + 4
D Employer ident
E Telephone num
F Accounting method:
Other (spec
• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).
H and I are not applicable to secti
H(a) Is this a group return for affil
H(b) If "Yes," enter number of affi
H(c) Are all affiliates included?
(If "No," attach a list. See ins
H(d) Is this a separate return filed by organization covered by a group
G Website: ▶
J Organization type (check only one) ▶ 501(c) ( ) ◀ (insert no.) 4947(a)(1) or 527
K Check here ▶ if the organization's gross receipts are normally not more than $25,000. The organization need not file a return with the IRS; but if the organization chooses to file a return, be