



# THE DIERINGER RESEARCH GROUP, INC.

## Background

On behalf of the **S & R Pieper Family Foundation**, the **Dieringer Research Group** (The DRG) conducted the **Endowment Fund Management Study**, which consisted of in-depth interviews with high level representatives of non-profit organizations located in the Milwaukee area who were knowledgeable about their organizations' endowments and how endowment funds were managed.

## Research Goals and Objectives

The main goal of this research was to understand how non-profit organizations manage their endowment funds. The specific areas studied were:

- Makeup of the committee or board that has responsibility for managing endowment funds and the connection of committee or board members with the organization's operating board
- Written investment and spending policies of each organization
- How endowment funds are accounted for and tracked in each organization's financial records
- Challenges in administering endowment funds and what changes fund managers would like to see

## Research Methodology

Survey participants were recruited from a list of 20 organizations supplied by Dick Pieper. Written invitations were mailed to all 20 organizations, and two follow-up letters were sent. After the first round of interviews, all non-participating organizations were called, followed by an e-mail, with a final call for participation made by Dick Pieper himself. When recruiting began, The DRG did not use Dick Pieper's name, but midway in the recruiting process, his name was used to increase the response rate.

A total of 18 non-profit organizations participated in this study. The other two organizations were deemed not applicable as one did not manage an endowment and the other was in the process of changing endowment policies. As the first data-gathering stage of the research, each organization sent a copy of its written endowment policies to The DRG. After reviewing the written policies, The DRG interviewed a representative from each organization.

A thirty-minute interview was conducted with organization representatives who were among those most knowledgeable on the management of endowment funds. Interviewing took place from June 27, 2006 to December 11, 2006.

## Questions?

Questions on the project methodology should be directed to The DRG staff involved in this project, namely...

Robert Fichtner, Vice President, Director of Business Development  
Laura Cleary, Senior Research Analyst

## Endowment Fund Management: Evaluation Criteria

<b>Legend</b> Y = Yes N = No n.a. = Not Applicable to Organization Endnotes contain more detail.  <b>Large bold font (Y/N)</b> indicates organization meets criteria	<b>PARTICIPATING ORGANIZATIONS</b> Shaded organizations in bold/italic font are confidential.																		
	Alverno College	Bayshore Lutheran Church Foundation <sup>1</sup>	Bel Canto Chorus of Milwaukee	Boys and Girls Clubs of Greater Milwaukee	Florentine Opera Company	Girl Scouts of Milwaukee Area, Inc.	Greater Milwaukee Foundation	Junior Achievement	<i>Marquette University</i>	Milwaukee Art Museum	Milwaukee Ballet	Milwaukee County Council, Boy Scouts	Milwaukee Public Library Foundation	Milwaukee Public Museum	<i>Milwaukee School of Engineering</i>	Milwaukee Symphony Orchestra	Next Door Foundation	Wisconsin Conservatory of Music	Character Education Partnership <sup>1,2</sup>
<b>HAVE ENDOWMENT</b>	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y		Y	Y	Y	Y
Percent Board Designated <sup>3</sup>	0%	0%	0%	58%	65%	20%	0%	0%		15%	0%	100%	80%	74%		36%	0%	0%	0%
<b>ENDOWMENT GOVERNANCE</b>																			
*Separate management group from operating board	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>		<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>		<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>
*Management group overlap with operating board	Y	<b>N</b>	<b>N</b>	Y	Y	Y	n.a. <sup>4</sup>	Y		Y	Y	Y	Y	Y		<b>N</b>	Y	Y	<b>N</b>
Percent Overlap	60%	0%	0%	90%	69%	44%	n.a. <sup>4</sup>	78%		50%	40%	90%	100%	17%		0%	40%	67%	0%
<b>ENDOWMENT POLICIES</b>																			
*Written management policies	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>		<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>		<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>
*Mission statement	<b>Y</b>	<b>Y</b>	N	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	N		<b>Y</b>	N	N	<b>Y</b>	<b>Y</b>		<b>Y</b>	<b>Y</b>	N	<b>Y</b>
*Spending policy	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>		<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>		<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>
*Investment policy	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>		<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>		<b>Y</b>	<b>Y</b>	<b>Y</b>	<b>Y</b>
Restrictions Prohibiting ...																			
*Spending Beyond Policy	N	<b>Y</b>	N	<b>Y</b>	N	N <sup>5</sup>	<b>Y</b> <sup>6</sup>	N		N	N	<b>Y</b>	N <sup>5</sup>	<b>Y</b>		<b>Y</b> <sup>7</sup>	N	N	<b>Y</b>
*Borrowing from Endowment	N	<b>Y</b>	N	<b>Y</b>	N	N	<b>Y</b> <sup>6</sup>	N		N	N	<b>Y</b>	N	N		<b>Y</b> <sup>7</sup>	N	N	<b>Y</b>
*Guaranteeing Loans	N	<b>Y</b>	N	<b>Y</b>	N	N	<b>Y</b> <sup>6</sup>	N		N	N	<b>Y</b>	N	<b>Y</b>		N	N	N	<b>Y</b>

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<b>ENDOWMENT MANAGEMENT</b>																			
*Shown on Organization's Balance Sheet	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y
*Conduct External audit	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
*Have Separate 501c.3 <sup>8</sup>	Y	n.a.	N	N	N	N	n.a.	N	N	N	Y	n.a.	Y	Y	Y	N	N	N	Y
*Compare Historical Returns to Investment Policy <sup>9,10</sup>	N	Y	Y	N	Y	Y	Y	Y <sup>10</sup>	N	na <sup>11</sup>	N	N	na <sup>12</sup>	N	N	Y <sup>10</sup>	Y <sup>10</sup>	Y	
*Use external investment firm(s)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
<b>ENDOWMENT USAGE</b>																			
*Spent Beyond Policy	N	Y	N	N	N	N	N	N	N	Y	N	N	N	N	N	Y	Y	Y	N
*Borrowed from Endowment	N	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	N	N	N	N
*Used to Guarantee Loans of Org.	N	N	N	N	Y	N	N	N	N <sup>13</sup>	Y	N	N	N	N	Y	N	Y	N	N
* <b>BEQUESTS TO ENDOWMENT UNLESS STATED OTHERWISE</b>	Y	Y	N	Y	Y	Y <sup>14</sup>	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y
Directly to Endowment						•	•				•		•			•			•
Directly to Board Designated	•	•						•				•			•				
To Endowment Above \$ Threshold				•					•										
Board Designated above \$ Threshold					•														
Directly to Operating Funds			•							•							•		
<b>TOTAL CRITERIA (*)</b>	18	17	18	18	18	18	16	18	18	17	18	17	17	18	18	18	18	18	18
<b>NUMBER OF CRITERIA MET</b>	13	16	12	15	11	13	16	12	12	8	15	12	14	13	11	9	18	18	18
<b>PERCENT OF CRITERIA MET</b>	72%	94%	67%	83%	61%	72%	100%	67%	67%	47%	83%	71%	82%	72%	61%	50%	100%	100%	100%

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<sup>1</sup> Funds are entirely managed by the Greater Milwaukee Foundation, thus the “Resolutions Prohibiting...” and “Endowment Management” reflect the procedures of the Greater Milwaukee Foundation.

<sup>2</sup> Organization added 1/22. Mr. Pieper responded on behalf of this organization.

<sup>3</sup> Question changed mid-fielding. Prior question asked if endowment included restricted and unrestricted funds. For Alverno College, Boy Scouts, Junior Achievement, Wisconsin Conservatory of Music, and Milwaukee Ballet: If all funds were restricted, response shown as 0% board designated. If all funds were unrestricted, response shown as 100% board designated.

<sup>4</sup> The Greater Milwaukee Foundation does not have an “operating board” of the organization as defined for this research. Instead, GMF Endowment Management group is in place to solely manage (counsel, invest and distribute) funds for other organizations and follows the donor fund agreement put into place at the initial investment.

<sup>5</sup> Indicated that the endowment spending policy itself is the inherent resolution prohibiting spending beyond policy and comments that “By design, the rules/policies in managing a true, restricted endowment restrict these borrowing from the endowment or using the endowment to guarantee loans.”

<sup>6</sup> In “Donor Advised Funds,” the fund agreement may specify that the donor can recommend distributions in excess of the Foundation’s spending policy, borrow endowment funds, and use endowment funds to guarantee loans however GMF strongly counsels donors to have these restrictions in place.

<sup>7</sup> The Milwaukee Symphony Orchestra has two endowment funds: (1) the Foundation Trust and (2) the Endowment Trust. The Foundation Trust has resolutions prohibiting both spending beyond policy and borrowing from the fund. However, the Endowment Trust allows spending beyond policy and borrowing from the fund if approved by the Endowment Trustees.

<sup>8</sup> Not applicable to Bayshore Lutheran Church Foundation, Greater Milwaukee Foundation, and Milwaukee Public Library Foundation as these organizations have a 501c.3 designation for their organization as their organization is separate from the parent organization with their core business being to collect and manage endowment funds.

<sup>9</sup> This indicates whether or not an organization uses historical performance records of the Endowment and compares this to their investment policy. For research purposes, “historical” refers to at least 20 years or since inception for those organizations in existence for less than 20 years.

<sup>10</sup> First hand information was provided by Mr. Pieper, stating he personally provides the historical information to these organizations and that they do use this information for investment policy and decisions.

<sup>11</sup> Currently in the process of rebuilding their endowment from their loss in the late ‘90s.

<sup>12</sup> Although historical records are available, the organization is concerned for the integrity of this information and thus do not use for any endowment performance evaluations

<sup>13</sup> Only unrestricted funds are used to guarantee loans.

<sup>14</sup> 75% of the undirected bequest goes directly to the endowment, with the remaining 25% deposited either into the endowment, reserve fund, or operating funds, being at the discretion of the Executive Director.