

Nonprofit News

Second Quarter 2016

Nonprofit Boards and the Engaged Advisor: What to Expect

As a nonprofit organization's funds grow, fiscal management and oversight often come under **increased scrutiny** from stakeholders. To help ensure that leadership understands and carries out these important duties, nonprofits typically turn to a professional financial advisor for support.

As board and investment committee members with a fiduciary responsibility for your organizations' funds, **you will depend upon these advisor partners** for expert guidance. An advisor who is a good match is not only knowledgeable and trustworthy but also fully engaged. It is this engagement that can mean the difference between uncertainty and confidence for your team.

One of an advisor's basic duties is helping to institutionalize your organization's investment process. **An engaged advisor** will review your current investment processes and help you to develop a standard set of policies and procedures to institutionalize your investment management. This process ensures that your organization is making and implementing decisions with prudence and care, and properly documenting your processes and decisions.

Your Investment Policy Statement (IPS) **serves to guide your investment decisions**. An advisor will help you to develop or improve this document, and adhere to it. Other baseline requirements include developing an asset allocation, helping to evaluate investment managers, and reporting on their performance.

But an engaged advisor does more. Donors are increasingly using Uniform Prudent Management of Institutional Funds Act (UPMIFA) standards to screen and evaluate potential recipients. Advisors typically do not spell out the UPMIFA provisions in their clients' IPS documents. At Towneley, we include the UPMIFA standards in the IPS because **we believe it is important for every person with a role in managing the funds to be aware of the standards** each step of the way.

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2015: A Record-Breaking Year for Giving

➡ Charitable giving in 2015 grew 4.0% in inflation-adjusted dollars. Adding that total to the 2014 increase of 6.1%, the increase over the two-year period topped 10%, reports [Giving USA](#). The comprehensive annual report, which is researched and prepared by the Indiana University Lilly Family School of Philanthropy, breaks down the giving by source, as follows:

Donor Type	Total Given in 2015	Increase over 2014 : Current and Inflation-Adjusted
Individuals	\$264.58 billion	3.8 percent and 3.7 percent
Foundations	\$58.46 billion	6.5 percent and 6.3 percent
Charitable Bequests	\$31.76 billion	2.1 percent and 1.9 percent
Corporate	\$18.45 billion	3.9 percent and 3.8 percent

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Nonprofit Boards and Advisors (continued)

Your advisor will also provide the deep reporting necessary to **give boards and investment committees a full understanding** of the funds' investment performance. That means, for example, providing important context such as documented performance history, including performance relative to appropriate benchmarks.

A truly engaged advisor provides a one-stop shop for guidance on a broad range of topics. We've advised our clients on everything from real estate to spending policy to whether to make grants in euros or dollars.

Finally, as organizations grow and become more prominent, liability risk can grow as well. An engaged advisor **shares fiduciary responsibility and provides expert guidance** that can help keep legal vulnerabilities from developing.

Especially in today's complex legal and financial environment, overseeing nonprofit funds is a weighty responsibility. Working with an advisor who is expert, trustworthy, and fully engaged can **help your organization manage funds effectively, confidently and successfully**. We invite you to contact us for a complimentary evaluation. Call Matt Balaker at 800.545.4442 or email him at mbalaker@towneley.com.

Up Next: Oil Consumption and the World Economy

[Our second quarter bulletin](#) provides a compendium of information about oil and its role in the global economy. Among other topics, we look at the relationship of changes in oil consumption to changes in per-capita GDP, population, and per-capita oil consumption. The table following this discussion shows changes in these figures between 1980 and 2013 among the top 15 oil consumers in the world.

These data present fascinating contrasts. The US, for example, is the biggest consumer of oil in the world in absolute terms. By 2013 our consumption had increased 11.17% over the 1980 figure. During that same time span, our per-capita GDP grew nearly 75%, while our population grew over 39%. But our per-capita oil use decreased by 15.16 barrels of oil per thousand people per day, a reduction of over 20 percent. So while our absolute oil use increased, our per-capita use decreased significantly. China's experience was different. She is now the second-largest oil consumer on earth, increasing her use by a whopping 493.77% since 1980. That uptick paid off, as her GDP per capita rose a spectacular 1,540.13% over that 33-year period. China's population grew at about the same rate as ours, increasing by a bit over 38%. Her per-capita oil use rose over 329%. One could speculate that China's per-capita use rose because the GDP grew so much that more people could afford to buy cars or tractors or other oil-consuming products. Or one could imagine that the huge increase in oil use was the engine, if you will, driving the gigantic increase in GDP per capita. Without further data collection, these questions remain, though it is reasonable to suppose that both factors are involved.

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Sneak Preview: Oil and the World Economy (continued)

Next, we consider India, home of the second-largest percentage jump in oil consumption, at 469.21%. She also saw an enormous increase in per-capita GDP, at 298.01%. But while India's increase in consumption was 95% as large as China's, her GDP gains were only 19% of China's. Clearly, whatever causes drove up India's per-capita oil consumption didn't result in the same kind of economic payoff that China registered. India's population grew by over 83% during this period, while per-capita oil consumption increased 210.17%. We might guess that less of India's incremental increase in oil consumption fueled industry when compared to China. For much more on oil, [access the entire bulletin on our website](#).

Changes in Oil Consumption, GDP per Capita, Population, and Oil Consumption per Capita, 1980-2013

Rank	Country	Δ in Oil Consumption*			Δ in GDP per Capita‡			Δ in Population•			Δ In Cons. per Capita	
		1980 Rank/ Chg	2013-1980	Percent	1980 Rank/ Chg	2013-1980	Percent	1980 Rank/ Chg	2013-1980	Percent	2013-1980	Percent
1	USA	1/None	1,904.82	11.17%	14/+4	\$19,547.61	74.86%	3/None	89.28	39.29%	-15.16	-20.19%
2	China	6/+4	8,715.00	493.77%	135/+38	\$3,398.76	1540.13%	1/None	376.14	38.33%	5.92	329.23%
3	Japan	2/-1	-429.18	-8.65%	25/+6	\$16,610.46	79.24%	7/-3	10.56	9.04%	-6.89	-16.23%
4	India	12/+8	3,017.00	469.21%	130/-4	\$871.80	298.01%	2/None	582.27	83.51%	1.94	210.17%
5	Russia◊	No Data*◊	-930.16	-21.03%	59/-8	\$2,321.30	50.45%	6/-3	-5.18	-3.48%	-5.41	-18.18%
6	Brazil	9/+3	1,855.00	161.59%	51/-25	\$1,744.91	42.03%	6/+1	82.06	67.15%	5.31	56.50%
7	Saudi Arabia	13/+6	2,351.00	136.29%	23/-18	-\$4,572.59	-21.45%	57/+13	20.29	204.74%	36.49	59.29%
8	Canada	5/-3	558.28	29.81%	16/-1	\$13,505.08	55.69%	32/-5	10.57	42.98%	-7.02	-9.22%
9	Germany†	No Data†	-2,020.00	-65.54%	20/+5	\$34,607.27	149.20%	9/-7	2.36	3.01%	-9.57	-24.31%
10	South Korea	16/+6	1,787.01	332.78%	52/+20	\$19,949.42	508.17%	23/-3	12.1	31.74%	32.19	228.50%
11	Mexico	8/-3	1,295.00	101.97%	45/-14	\$1,676.96	24.76%	12/+1	54.41	78.48%	-1.80	-9.81%
12	Iran	15/+3	1,295.00	219.49%	73/-31	\$816.88	38.18%	22/+5	38.48	99.51%	9.18	60.14%
13	France	3/-10	-488.80	-21.67%	19/-3	\$12,428.52	53.28%	15/-6	10.59	19.14%	-13.96	-34.25%
14	Indonesia	20/+6	1,310.00	321.08%	110/-14	\$1,239.10	225.95%	4/None	103.78	70.36%	4.07	147.16%
15	UK	7/-8	-217.20	-12.59%	22/+8	\$18,160.67	82.40%	14/-8	7.8	13.85%	-7.12	-23.23%

* Thousands of barrels per day ◊ Russia was part of the Former Soviet Union in 1980; individual country production figures begin in 1992. The 1992 figure is used here.

† Had Germany been unified in 1980, she would have ranked third worldwide in consumption, using 3,082.00 thousands of barrels/day.

‡ In constant 2005 USD. • In millions.