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## EDITORIAL

Dear Readers,



Nonprofits tend to have an ambivalent relationship with the subject of financial management. Far too often, financial management is reduced to fundraising, e.g. financing through private donations. Then again, implementing a professional financial management contradicts the common perception that nonprofits live hand-to-mouth.

As a consequence of a growing transparency, in Switzerland, for instance through the accounting standards Swiss GAAP FER 21, it is becoming apparent that nonprofits do have financial assets. For some types of nonprofits such as grant-making foundations, financial assets are essential. A critical examination of these assets should not be concerned with their mere existence, but much rather, it should be assessed how they are handled.

From a moral point of view these assets do not belong to the nonprofit organization but are entrusted to them to fulfill the organization's purpose. Thus, nonprofits bear the responsibility, first, to invest the assets well, and second, to deploy the assets within a minimum time span for the organizational purpose. Both tasks require an effective financial management!

Find out more about the responsibilities for patrimony on the following pages!

Sincerely

Georg von Schnurbein

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## Asset management in NPO

**Asset management is a closed book for many charitable organizations. But often it is sufficient to take some principles into account: Only take affordable risks/hazards, do not spend more than you earn in the long run, hold up your own independence and keep an eye on the costs.**

Grant-making foundations and grant-seeking nonprofit organizations (NPO) often keep assets they do not spend immediately. They serve to balance operative losses and can be a substrate for the continuous financing of activities. Grant-making foundations are even for the most part dependent on asset returns. This makes a professional asset management all the more important.

### Investment strategy as the crucial element

In the setting of an investment strategy, a broad diversification of the assets in stocks, obligations and real estate is pivotal. The investment risk should be no higher than what the strategy is able to sustain in a crisis, since nobody wants to sell stocks during a crisis. Furthermore, the spending must not exceed the sum of the expected incomes and investment returns in the long run. Taking the very low interest levels into account, this is a special challenge for many foundations nowadays.

Incidentally, the investment strategy is so crucial, because it accounts for around 90% of the investment risk. This is why in current practice the foundation board as the highest instance defines the investment strategy (in associations it is the board of directors).

### Independence from the foundation board

If the asset management is conferred to a bank, the selection of the institute

should happen independently: Either by the foundation board itself or by a commission of the foundation board, e.g. the investment commission.

Corporate governance principles are at risk, if a representative of a finance institute is a member of one of the two bodies. It is much rather recommendable that charitable organizations rely on the commercial knowledge and good judgment of their foundation board members. External consultants can facilitate the tasks of the foundation board, but here too, the independence principle has to be strictly adhered to. The consultant should not be involved in the asset management nor should he have any financial interest in the products deployed (abdication of any kind of retrocession amongst others).

### Costs as important factor

General practice shows that banks tend to propose investment solutions with rather intensive fees (e.g. structured products or highly active mandates). Lay persons often perceive these as especially sophisticated. From a historical point of view, low cost indexed investments are more successful in many cases. It is current practice that an invitation to tender is issued in order to award the mandate to the most beneficial asset management offer. If this is disregarded, especially in the current setting of low interest rates, the investor risks that the investment costs substantially reduce his returns.

**Investment Controlling**

To be able to prematurely detect problems in the area of asset investment, a periodical critical examination of the

investment results can be supportive to the foundation board. This investment controlling normally contains the areas of strategy, asset structure, returns and costs.

board to focus on the very purpose of the foundation.

Luzius Neubert

Dr. Luzius Neubert is investment consultant at PPCmetrics in Zürich. In 2007 he received his Ph.D from the University of Zürich. The topic of this thesis was «Asset management in NPO»

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**FACTBOX**

**Mission related investment** is an investment strategy that supports the mission of a NPO. A foundation that is active in environmental protection e.g., can invest its endowment in shares from companies that are well known for their ecologically sustainable business practices. If more and more investors follow this criteria, pressure on the economy to act in an ecologically responsible manner is increased.

In summary: Foundations and NPO are on their way to a successful asset management, if they have critically evaluated their investment strategy and if they select the asset management banks in an independent and critical manner. In addition, as a matter of course the investment performance must be monitored continuously with reference to benchmarks. Actions must be taken as soon as performance is no longer satisfactory. The compliance of this process provides clarity and transparency and permits the foundation

**First graduates of University Professional Non-profit Management & Law receive their diploma**



Karin Schumacher from the UBS Optimus Foundation

Completed on April 27! The first graduates in University Professional in Nonprofit Management & Law organised by the CEPS received their diplomas. The degree includes the successful completion of the two CAS courses «NPO Governance & Leadership» and «Performance & Communication in NPO» as well as passing one of the intensive courses «Foundation Management» or «Financial Management». The three courses plus the

diploma thesis and the final exam add up to 30 ECTS. The advanced training courses enable the participants to implement modern management techniques in their NPO. Up until now more than 150 persons have attended at least one of the courses of the CEPS. The next final exam for this diploma is scheduled for September 2012.

We congratulate Pascal Biedermann, Steffen Bethmann, Myriam Heidelberger Kaufmann, Karin Schumacher und Christian Stocker on their remarkable achievements!

[www.ceps.unibas.ch/weiterbildung/](http://www.ceps.unibas.ch/weiterbildung/)

**CEPS INSIGHT**

**Current Scientific Publications**

The article by Sibylle Studer and Georg von Schnurbein «Organizational Factors Affecting Volunteers: A Literature Review on Volunteer Coordination» was accepted for publication in *Voluntas* and is accessible online. Furthermore, in the *Journal for Business, Economics & Ethics* an article by Georg von Schnurbein was published under the title «Umbrella Organization as instruments for Nonprofit Governance» The *Journal for Public and Nonprofit Services* published the article «Foundation governance in the context of reputation and legitimacy» by Georg von Schnurbein and Tizian Fritz.

**Course in French-speaking Switzerland**

The CEPS and wise – philanthropy advisors are organizing a course on foundation management for a French speaking audience in collaboration with the Graduate Institute (IHEID) in Geneva. Linking theoretical fundamentals with practical implementation, the topics discussed during three days will be the general conditions, a contemporary management and the impact orientation of foundation activities. The course takes place 31.10.–02.11.2012.

Registration: [www.wise.net](http://www.wise.net)

**Steffen Bethmann successfully completed the UP Nonprofit Management & Law**

Steffen Bethmann is one of the first graduates to complete this advanced diploma course. His thesis was on «Social Innovations and Foundations». Congratulations!

**Swiss Foundation Report 2012 published**

The Swiss Foundation Report is the most important source of information on the state and development of the Swiss foundation sector; it gives a clear overview of all current and relevant facts, figures and trends.



Switzerland is among the most generous countries in terms of donating in Europe. Additionally to private donations of around 1.3 billion francs, philanthropic foundations in Switzerland grant more than one to two billion francs each year. The total of 374 new public beneficial foundations in 2012 means that, on average, more than one foundation was started each day. Based on a new survey by the Swiss foundation supervisory authorities, the Swiss Foundation Report 2012 – for the first time since

2005 – is able to provide exact numbers on the total assets, which are valued at 70 billion francs. The Swiss average foundation density lies at 16 foundations per 10.000 inhabitants.

In addition to statistical information about the Swiss foundation sector, the report also gives information on changes in the legal environment and on developments of the foundation sector at the European level. A guest article discusses the potential for «mission related investments for foundations».

The foundation report is published annually by Beate Eckhardt, Dominique Jakob and Georg von Schnurbein. You can download it free of charge in German or French at [www.stiftungsreport.ch](http://www.stiftungsreport.ch)

## Alternative Bank Switzerland

As the name already suggests, the Alternative Bank Switzerland (ABS) is a counter model to conventional banks. Ethical principles are more important than profit maximization, tax evasion money is rejected and loans granted will finance ecological and social projects and enterprises. The CEPS speaks with Martin Rohmer, CEO of the ABS, about the philosophy of the bank and its activities.

**CEPS:** How did the foundation of the ABS happen?

**M.R.:** Around 1980, a small group of like-minded people asked themselves the question whether a bank could ever be «alternative»? The first outlines of such a financial institution were drawn up by the ecological and alternative movement in Switzerland but also by anthroposophical circles. All the scandals and abuses of the financial centre that surfaced in the 1980s pushed this development. A growing number of people was looking for possibilities to invest their money ethically and responsibly. Vital for the success was the formation of a network between ecological and alternative NPOs. From spring 1988 onwards, the new support association for an alternative bank accumulated the required capital stock. After a lot of hard work and many rounds of discussion, a solid application could be filed to the federal banking commission that gave the bank a green light to start in the summer of 1990.

### Martin Rohner



Martin Rohner became the CEO of the ABS in the beginning of 2012. Prior to that he was the CEO of the Max Havelaar Foundation where he was one of the main drivers of Fair Trade in Switzerland.

**CEPS:** What was the role of the different NPOs, such as the WWF, Swissaid or the Christian Peace Service in the foundation of the bank?

**M.R.:** The engagement of the founding organizations spread the idea of the ABS to wider circles, gave it credibility and helped to overcome the initial skepticism. Especially the former CEO of the WWF Switzerland, Walter Thierstein, engaged himself very actively as member of the ABS supervisory board and brought in numerous private shareholders.

**CEPS:** What are the ethical principles of the bank?

**M.R.:** The entire business model of the ABS is based on ethical principles. This means that in doing our business we jointly consider the economic, ecological and social needs of the present and future generations.

The bank defined eight development areas that have a positive impact on the environment and the people. These include e.g. renewable energies and biological agriculture as much as social, cultural or ecological companies. Projects that belong to one of the areas can benefit from a development loan. At the same time, we defined some exclusion criteria which have negative consequences for the environment or the society, such as child labour, nuclear energy and arms trade. Any business that touches one of our knock-out criteria is excluded right from the beginning. In addition, we rely on transparency and publish all loans granted in our annual report with name, purpose and amount. This allows our customers to make sure that with their money we only fund projects that make sense. Since the beginning, we have pursued a «clean money» strategy, which means we do not accept money of which the origin is unknown to us.

**CEPS:** What is the task of the association Innovation fund founded by the ABS?

**M.R.:** Sometimes an idea is so good that it should be implemented despite there not being enough money. The ABS innovation fund helps such innovative initiatives by providing equity in form of investments or by providing loans and securities. This allows for the support of projects, institutions and enterprises that have little money but viable structures and convincing concepts.

**CEPS:** Are there functions that the ABS cannot fulfill like a conventional bank?

**M.R.:** There is no function that the ABS could not fulfill. We see ourselves as a bank alternative that offers the entire product and service range of a conventional bank. We also offer e-banking, credit cards, private or business accounts, investment

consulting and we give loans to companies and housing cooperatives. However, we do not engage in any business that results in negative effects for the environment or people – even if they promise tremendous profit. This is where we differ substantially from other banks, also from those that might offer the occasional green fund or that delegate any ethical questions to their corporate social responsibility department.

**CEPS:** Thanks!

## NEWS

### BASEL Symposium about support programs for young talents in research and education

The University of Basel will host a symposium about support programs for young talents. One of the main topics will be the role of philanthropic foundations. The goal of the symposium is to give new impulses for programs for the gifted in Switzerland. Further information and registration [www.begabtenfoerderung2012.ch](http://www.begabtenfoerderung2012.ch)



### BERN New president of Swiss Foundations elected

At the general assembly of SwissFoundations on 22 May, Antonia Jann was elected as the association's new president. She will take over the office from Dr. Beat von Wartburg who successfully led SwissFoundations over the last seven years.

[www.swissfoundations.org](http://www.swissfoundations.org)

### FRANKFURT Feri Foundation Prize 2012 presented to Swiss Schtifti Foundation

The Feri Foundation Prize 2012 was given for the first time to a foundation from Switzerland. In a formal ceremony the mayor from Frankfurt, Petra Roth, presented the prize which acknowledges outstanding achievements of private foundations in finding innovative solutions for social problems. The Schtifti Foundation promotes healthy lifestyles in children and young people between the ages of 10 and 20.

[www.schtifti.ch](http://www.schtifti.ch)

## Banks and Foundations: Professional Distance is Stipulated

**Any dealings between a not-for-profit foundation and a for-profit bank need to take place between two partners in a well-defined business relationship. Anything else can harm the foundation. A guest commentary from Dr. Philipp Egger, CEO of the Gebert RUF Foundation.**

In many foundations a bank representative is a member of the foundation board because the bank is entrusted with the investment of the foundation's assets. The remaining board members feel relieved as it releases them from a difficult task they may not feel up to, or they are less interested in: They have escaped from the spiteful task of asset management (cash-in) and gladly turn to their more favoured foundation tasks of grant making (cash-out).

### This constellation is utterly wrong.

Banks are financial service providers, no more and no less. No more: No foundation board member would propose a representative of the IT-company as a board member only because the foundation is relying on its services. No less: Precisely because a bank has to provide good services, it should be monitored and controlled continuously.

### A bank is a bank – not a philanthropic enterprise.

A well-defined distance between

a client and a contractor is vital for the good quality of services. In order to avoid conflicts of interests and to preserve the independence and actionability, a representative of a bank working for a foundation should not be part of the foundation's board. The board of the foundation has the possibility to delegate the asset management but they are never allowed to offload the task entirely. The foundation board as a whole is responsible for the supervision.

This does not mean the foundation board needs expert knowledge in asset management, but the board members must understand and be capable of managing the organization as a whole. At best, the board sequences the value chain and outsources specialised mandates, which in turn self-monitor each other and can be replaced at any moment if needed: An independent asset manager works out the asset management strategy; the strategy will be monitored and adapted regularly. After a call for bids, a selected bank will be entrusted with the asset management. And an independent investment con-

roller evaluates the bank continuously.

### Too expensive?

It is much more expensive when a foundation is dependent on a bank: Often, this results in higher administration fees and a lower return on investment.

### Every board member is able to make this calculation

Philipp Egger

### Did you know?

**1,030**

The number of subscriptions for Philanthropie Aktuell has exceeded the 1,000 mark. The German version is circulated to 903 readers and the English version to 117. All eleven editions of Philanthropie Aktuell can be downloaded from our website [www.ceps.unibas.ch](http://www.ceps.unibas.ch)

Recommend our newsletter to friends and colleagues!

## CALENDER

### CEPS ADVANCED STUDIES

[Apply now!](#)

#### Philanthropy in the Morning

«How to Start a Foundation?»  
7 June 2012, WWZ, Uni Basel

#### CAS Performance & Communication

Modul 1: Communication  
10 - 13 September 2012, Oberhofen  
Modul 2: Monitoring  
22 - 24 October 2012, WWZ, Uni Basel  
Modul 3: Performance  
12.- 15 November 2012, WWZ, Uni Basel

#### Intensive-Course Financial Management

8 - 12 October 2012, Monestary Kappel

#### Cours intensif en gestion des fondations donatrices

30 October - 2 November 2012, Genf

### OTHER DATES

**SwissFundraising**  
**SwissFundraisingDay**  
8 June 2012, Kursaal, Bern

**Symposium**  
**Programs for Talented Youth Switzerland**  
28 - 29 June 2012, Uni Basel

**Partnering for Global Impact**  
**Powering Deals with Purpose**  
9 - 10 July 2012, Lugano

**ISTR Conference**  
**Democratization, Marketization, and the Third Sector**  
10 - 13 July 2012, Siena, Italy

**Foundation City Basel**  
**2nd Basel Foundation Day**  
16 August 2012, Ackermannshof, Basel

## LEGAL NOTICE

### PUBLISHER



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