

## DiMeo Schneider & Associates, Nonprofit Investment Stewards Podcast

Episode 3, November 13, 2020

### Community Foundations and Current Challenges — With Roberta Herman Dietrich

[00:00:00] Welcome to Nonprofit Investment Stewards with Bob DiMeo and Devon Francis from DiMeo Schneider and Associates, Bob and Devon are passionate about helping nonprofit organizations prosper. Whether you oversee endowment foundation or retirement plan investments, this podcast exists to help stewards, improve performance, reduce costs and discover strategies that enable your charitable organization to prosper and advance its mission.

[00:00:27] Now onto the show. Hello, and welcome back to the Non-Profit Investment Stewards podcast. I'm Bob DiMeo, and as always joined by my co-host Devon Francis, we have another great show today and an important topic, community foundations, how they're impacted, how they're being called upon in these most unusual times.

[00:00:49] But before we get to that, Devon, how are you doing today? I'm wonderful. No complaints. I'm excited to hear from our guests. She's very dynamic and she's going to tell us what are some of the [00:01:00] challenges that community foundations are facing and what type of good work they're doing? Absolutely well with that, let's get right to our guests today.

[00:01:07] We are so pleased to be joined by Roberta Herman Dietrich executive director for the Houston Jewish community foundation. Roberta has been in the role since 2012 and she, along with other leaders oversee a portfolio of more than \$200 million. And their goal is to ensure that the community's needs are met both now and into the future.

[00:01:30] So Roberta welcome. Thank you, Bob. Thank you. You've actually just made me younger because I've actually been with the Houston Jewish community foundation. For 13 years. So thank you for making me younger. My pleasure. We could all use that. Right. Bob is always trying to compliment our guests. It's wonderful to have you on the show.

[00:01:54] Thank you for joining us. Um, so Roberta, can you tell us a bit about the evolution [00:02:00] of your role and in general, about the Houston Jewish community foundation? So as far as the, the, the evolution of the Houston Jewish community foundation, uh, we are always changing. We started probably back 1984 with a group of visionary community volunteers that saw the importance of having an endowment fund and a safety net for the future, as well as being a charitable partner.

[00:02:31] For local philanthropic families. So we started with about \$20 million and fast forward. Um, we've grown into a true community foundation. That's what I've seen as far as our changes. You know, since 1984, well, we used to do fun stuff. It's on those printers. I think the dot matrix printers to generating, generating them by [00:03:00] email.

[00:03:00] Um, more specifically during this COVID crisis and the pandemic. Um, we have pivoted from doing everything in person to now we're all doing everything on zoom. We've looked for new ways to connect, whether it's by email, by video, by zoom, even if it's so much as sending a plant to our relationships, our network, our donors, because people need people.

[00:03:32] Absolutely. And so Roberta. COVID and social injustices have made 20 =20 a challenging year worldwide. And then the Houston community has faced additional challenges, some violent storms, and more. Please tell us a bit about the overall state of the Houston community and the folks that you're serving.

[00:03:51] So like all communities, we have faced our challenges, uh, but Houston is a resilient city. Um, we are one of the [00:04:00] most diverse cities with a population of about 7 million in the greater

Houston area at the core of our work. Uh, we want to work with other communities and inner faith partners. We faced three major floods.

[00:04:15] And we are home to George Floyd. We have seen that over the past year. Uh, our grants have been diverse in different areas, not only within Houston, but across the United States and also internationally. Our donors are based as far as in Houston in the Jewish community, but it's a much wider or lens. Um, it's, it's the greater good of how we repair the world and help those that are in need our grants.

[00:04:50] I have been focused at least from an endowment standpoint of the foundation to help local organizations with basic [00:05:00] equipment such as laptops so that they can conduct their educational programs. We are looking at, uh, helping families. And that is part of, uh, effort that we're partnering with the Jewish Federation of greater Houston with a COVID-19 appeal.

[00:05:19] And at the core of that is helping families and children in need. Uh, then the next step is helping our local institutions. Because they're faced with budgets and programs and just operating that's unprecedented. Oh, so it sounds like the focus of your grant making and your assistance that you're providing to the community has shifted with the pandemic.

[00:05:46] Can you describe a little bit more? You mentioned a few minutes ago about working with your interfaith partners. Can you embellish on that a bit? Our great making is diverse. Uh, we [00:06:00] support organizations in the Jewish community all the way out to organizations in New Mexico that are helping with food banks, whether it's New Mexico or New York or California, we help our donors.

[00:06:16] To fill their charitable goals. So over the past, I want to say year we have processed somewhere around \$20 million in support in all of these different areas, whether it's emergency resources or providing services, helping those institutions to continue to thrive, because we need them to be here today and tomorrow that's so important and, and really just, just remarkable Roberta.

[00:06:44] So. When I think back, particularly when the pandemic first hit here in the US and talking to some leaders from community foundations. And foundations in general, they were talking about donor advised funds and the, like they [00:07:00] were talking about really the grants, surging and folks really feeling compelled to give.

[00:07:07] And that's a great thing, but I also was hearing about meaningful declines in contributions. What has your experience been? The past seven, eight months, we have seen an increase in contributions. Uh, it was a little scary and March, April and DiMEO Schneider was there to hold our hand. But once we got past that stock values in certain areas remained the same.

[00:07:34] And our generous donors donated stock. We've seen somewhere between seven to 10 million in donations since. March, I think because all of us are at home, we're contemplating our mortality. So we've seen more of start conversations on legacy giving and after lifetime planning, making sure that. [00:08:00] The charities that are important to our donors are taken care of.

[00:08:03] We've experienced family philanthropy meetings, where we have a brother in California, the mom who's 95 here in Houston and another brother up in New York where we're on a zoom call doing strategic philanthropy. So the foundation has thrived and missed all of this kind of negative cloud around us.

[00:08:29] That's great. It's great to. Be able to report kind of a positive spin. It's unusual in this environment. So, Roberta, I think listeners would appreciate an understanding of the oversight of your investment program at the community foundation. Of course we know you're the executive director. You're not an investment expert.

[00:08:50] You leave that up to our team, but in terms of the, the oversight of the program and how the governance structure works. Can you [00:09:00] describe how the foundation's staff, uh, plays a role compared to maybe how the board gets involved and underlying committees. Can you talk a bit about governance structure overall?

[00:09:11] Sure. So we have a diverse, uh, board of trustees and one of our committees, the investment committee reports to the board and our investment committee for many years, I would say back when we first started was a group of 10 to 15 individuals in the financial or business or. Investment, uh, worlds that group for many years chose our asset allocation, chose the underlying fund funds within that asset allocation.

[00:09:48] And then about, I would say six, seven years ago. We decided we needed to take that heavy responsibility and burden off those investment committee [00:10:00] members. And we did an RFP of about 32, four firms. And that is how we got connected with DiMeo Schneider. And that has. Really boosted our governance because now our investment committee is not focusing on underlying funds and asset allocations, but they're really thinking with partnership with the DiMeo Schneider, what is the best foreign down it for our donor advised funds?

[00:10:29] That investment committee is made up about five, six individuals. So we've scaled down the investment committee and they report quarterly to the board. And we usually have the investment committee meet before the board in March and April. They were meeting a little bit more frequently. Our fund holders and our board were nervous about what was going on in the world.

[00:10:53] And DiMeo was right there giving us sometimes daily updates, weekly updates on where we were [00:11:00] so that we could instill the confidence in our family of fund holders and board that we were doing the best that we could navigating this storm and pandemic. Right. I think communication in times like that are so it's just so important.

[00:11:16] Um, so yeah, you mentioned that the committee has gone from 10 to 15 individuals to now five or six, certainly. I'm sure it's a bit easier to get things right. Done. Um, and you know, perhaps you have a, a smaller, but. Perhaps more dedicated group. Um, do you have any words of wisdom for the audience in terms of creating a strong investment committee and what type of expertise you're looking for?

[00:11:42] Whether diversity in thinking or in background is important to you? There are a lot of qualities that you look for when you're looking for a member of the investment committee, you would like somebody that wears a community hat because [00:12:00] investing or being on an investment committee for a nonprofit.

[00:12:05] Those assets being invested are different than what you would do. Personally. These are charitable legacies. These funds are the endowment funds or the rainy day funds of organizations that have entrusted the Houston Jewish community foundation with their endowment funds. So it's wearing a community hat.

[00:12:28] And leaving kind of the personal investing hat at the door. We're also looking for different age groups. Uh, we have members that are in their forties to members that are in their young eighties. We like to engage women on our investment committee. Uh, so it's a mixture, but I think at the core of any committee, whether it's investment or a board, you want someone that's.

[00:12:52] Honest that has worked with a community foundation or a nonprofit that has a sense of [00:13:00] responsibility to do good and repair the world and put their time and in their energy and their wisdom into the mission of the nonprofit. Roberta sticking with investments for a moment. What, if anything has changed in your committee's approach to managing the funds during the pandemic, more conservative, more aggressive, greater need for information updates, that sort of thing.

[00:13:23] Okay. Our community doesn't have the crystal ball and then they look at long-term. This is there. They're not market timing. What they're really looking for is these are charitable legacies and they need to last, uh, so they may have kind of shifted a little bit more conservative, but what really has driven them is more updates, more access to information, and then being able to communicate that right.

[00:13:53] Whether it's to an agency, a account that's with the foundation or a fund [00:14:00] holder. Um, it's not about the zeros in the fund, but it's about the good that it does. So they've kind of stayed the course and it's, it's mostly been focused on communication. Yeah, that's so, so important. Sticking with the investment theme, a big trend in particularly the non-profit investment landscape is socially responsible investing, whether it's termed ESG for environmental, social, and governance, or has some other sort of moniker attached to it.

[00:14:34] It's, it's really a growing trend. And it's a topic that we see discussed. Very frequently among our nonprofit clients and in the nonprofit world. In general, frankly, we see more discussion rather than implementation, but does your committee or your board have a view on socially responsible investing? So our organization, I feel is unique, but [00:15:00] one part of our, uh, important factor of our philanthropy and our mission is supportive Israel and.

[00:15:08] To ensure that Israel is there today and tomorrow demands. DiMeo Schneider has helped us run screens on the underlying investments, in our asset allocation. So that we're, we are being responsible. Uh, we have talked, but it's difficult. Like you said, there's, there's a lot of conversations, but implementing is the next step for us.

[00:15:32] It was running that screen that, uh, Bob and his team. It does on our underlying assets so that we are not working against Israel. That's helpful. And shifting for a moment, Roberta to the donor. Has there anything, are you doing anything at this point that you find really resonates with donors in terms of information [00:16:00] flow or the way you communicate the investment strategy or program and how.

[00:16:06] Interested are they in these sorts of things,

[00:16:12] different kinds of, of donors. We have some families that are very sophisticated as far as investments and others that, you know, as long as the money's there on the fund and we haven't lost half of it, let's keep going. Um, I think what has been very important is having the information available and our team is.

[00:16:36] Just picking up the phone and saying, how are you, how's your family doing? Is there anything that we need to look at in your fund? And that's a conversation where returns come up, what are the different investment pools that we offer through DiMeo? Did you know that you can recommend an asset allocation.

[00:16:57] So it's, it's unique to each [00:17:00] donor, but at essence of it is it's stewardship is an email works, but picking up the phone and having that conversation, whether we're in a pandemic or not is, is always the best communication for us. And just curious if you've seen over the years, donors, maybe not every donor, but a certain base of donors.

[00:17:24] Become a little more discerning in terms of wanting to understand what's happening with respect to the investments. They want to know what the asset allocation is, what the return has been, and then compare it to other years. Um, what also we make over the past couple months is we have assets for two additional organizations here in Houston.

[00:17:52] And those two organizations have a different asset allocation than what we offer. For the Houston Jewish community [00:18:00] foundation. So it was kind of interesting to compare the three

organizations and see where those returns and asset allocations kind of fell. And we were, they were all kind of pretty much in line.

[00:18:10] Some were more weighted towards MLPs and alternative investments. Whereas others were, um, a little bit more conservative. So Roberta taking a step back from how the Houston Jewish community foundation, how that investment portfolio is being managed and how your investment committee works and thinking about the nonprofit world in general and the challenges that nonprofit organizations are facing, many of them are seeking to bridge the gap and.

[00:18:43] Using a draw from the endowment as a resource to help them recover in the current environment or even just to survive until this pandemic is over. What would your advice be to boards or committees or [00:19:00] staff who are considering on using a significant endowment draw to carry them through. Endowments and legacy giving.

[00:19:09] Is, is the rainy day fund? Uh, I think. You know, you want to be able to survive. Cause we, we don't know how long this pandemic's going to continue. So you want to be able to survive. But at the same time, I think there's a couple other factors. What is your core business? How can you change what you're doing now?

[00:19:30] And pivot it to something that's, that's not draining that that, that can help you thrive your budget. What is your, but we took a really hard look at our budget this year. Do we need to do this certain program? How do we still reach our audience, our fund holders, our donors. We always hold an annual event.

[00:19:54] We're doing it virtually this year, but using the endowment, [00:20:00] is it. I think you have to have a strong spending policy because the endowments that you've built over the years. Yes. It's for the rainy day, but there's going to be more rainy days ahead, whether it's two years, five years, 10 years, 20 years out.

[00:20:18] So I think it's a combination of looking really hard at your budget now, what is the purpose of your endowment and how can you put that band aid to get us through the pandemic, but not completely, you know, reduce that endowment so that when the next rainy day comes, you're ready for it. Uh, right now for the foundation, we are continuing our legacy conversations talking about after lifetime giving, because that's going to get that endowment.

[00:20:52] Through all of our rainy days, we have about 600 letters of intent. Where generous.

[00:21:00] Donors have remembered the community and their favorite nonprofits in their after lifetime giving, whether it's through a will. Or, um, just recently one of our donors, long time donors, he passed away on Valentine's day. And over the summer, we were working on his after lifetime gift where he named in his IRA, the Houston Jewish community foundation.

[00:21:27] As the beneficiary of the IRA. And so now we're engaging the family, uh, in that legacy gift to continue the good work. So that's going to help our community and hopefully those organizations that are going to have to yeah. Dip into their endowment. If we have more of these kinds of legacy gifts and as a non-profits, whether you're a community foundation or, you know, an interfaith organization and in, in Connecticut, we need to be having the legacy [00:22:00] conversations so that we have the rainy day endowment fund.

[00:22:02] And we can spend that 5% or 10%, or if it's 15% to help us through the pandemic. So insightful Roberta. Thank you. So before we finish off with Roberta, the person, perhaps you have, I'm thinking of an executive director or CEO or some other leader at a nonprofit organization, what would you like to share?

[00:22:31] Any words of wisdom, anything about your own foundation, any missteps in terms of helping folks avoid that you'd like to share. Ooh, that's a good question. I'm thinking on that one. I think you can hear the wheels turning, I guess for me, there's three things that I always, whenever I go into a situation or a grant or a committee meeting, or even meeting with a [00:23:00] client, I always think of three things.

[00:23:02] Be good. Because the work that we do, whether it's at a community foundation or a nonprofit, the work that we do, whether it's through a grant or an opportunity is impactful and it helps our community be better, be open, whether it's to something new and new idea. Uh, you know, a lot of times we'll, we've always done it this way.

[00:23:25] We've always invested in this, uh, asset allocation when you're open. You can pivot and you can thrive when everything else around you is changing. And just last, be honest when you're in a meeting and if you disagree with something, share it, you have to take a hard look is the budget that you have reflective of the work that you're doing is the endowment fund spending that 10, 20%.

[00:23:54] Re going to help per six months or is it six years? So [00:24:00] those are the three BS you could be open and beyond be good, be open, be honest. That's terrific. And it really does point to the stewardship role. When you're saying beyond just your you're saying let's not abdicate our duties here. We have to have maybe tough, but, but constructive and courageous conversation.

[00:24:19] And that's so important if you're going to do what you mentioned earlier. Balanced today's sometimes urgent need against really the desire to have this mission exist in perpetuity. That's so insightful. Thank you, Roberta. So what does Roberta do when you're not? And I know you're, I know you are often fully 100% plus engaged in the foundation's work, but when you're not, what do you do for fun?

[00:24:49] So lately I go out into the driveway, pull out the weights and the resistance bands, and I am working out in [00:25:00] the driveway and probably my neighbors are looking at me like what in the world is she doing? I also have. I call him a cheap Chiweenie. He's a part Chihuahua part. Docks in, he's sitting in my lap right now and has been very good.

[00:25:17] So we take a lot of walks in between. Uh, I also just enjoyed being with my almost 95 year old mother. We find lots of Scrabble, socially distancing. And one thing that you might not know is. When I was in my twenties, I used to pick bananas in Israel. Wow. I don't think any of our other guests have been able to say that or will be able to say that in the future.

[00:25:48] So we will mark that down next to your name as an identifying characteristics. I don't want to be the banana blady now. [00:26:00] Summer camp was part of growing up here in Texas and a friend mine that, you know, our bunkmates we've been lifelong friends. And, uh, so when I, it was that first year of college, uh, I spent a year in Israel and so for three months, That was one of my responsibilities was picking bananas in Israel.

[00:26:23] The crew would take great delight in putting me near the, the, where the bananas were and there happened to be a steak hiding there. So yes. So Roberta, we are so grateful. This has been very, very insightful. We're just. Really appreciative that you would open up and, and share really some of the challenges that exist today for an organization like yours and really some of the opportunities.

[00:26:47] So this has been absolutely terrific. We appreciate you being on the show. Thanks Bob. We enjoy our partnership with DiMEO Schneider, your team. Your [00:27:00] organization has helped us whether this ever changing world. So I'm very grateful and be good, be open and be honest. Yeah, those are, those are good takeaways.



[00:27:11] And for all of our listeners, as we wrap things up three things, one, remember to subscribe to the show, know that we welcome your reviews. Next, if you have a topic you'd like us to address, or maybe, you know, a gastro, you are a guest that would be terrific on this show. Please reach out to me or Devon via LinkedIn.

[00:27:29] And then finally, if you leave a nonprofit, perhaps serve on a board or a committee, and you hope to explore strategies to potentially better manage the investments that you oversee. Please contact me or Devon and certainly visit the [DiMeoSchneider.com](http://DiMeoSchneider.com) or you'll learn a ton with some of the terrific resources.

[00:27:47] So we appreciate all you good stewards. Keep doing the good work to help your nonprofits prosper. Thank you, Roberta. And we'll connect with all your listeners on our next episode for listening to the non-profit [00:28:00] investment stewards podcast. Click the subscribe button below to be notified of new episodes and visit [DiMeoschneider.com](http://DiMeoschneider.com).

[00:28:06] For more information, the information covered and posted represents the views and opinions of the guests and does not necessarily represent the views or opinions of DiMeo Schneider and associates. Content is made available for informational and educational purposes only. And does not represent a specific recommendation.

[00:28:22] Only seek the advice of qualified professionals, familiar with your unique circumstances.