

**Fiducient Advisors, Nonprofit Investment Stewards Podcast
Episode 49, August 10, 2022**

**Endowment Management, Fundraising, Investing, Spending and Other Key
Considerations in Higher-Ed with Dr. Jim Reynolds**

[00:00:00] Welcome to Nonprofit Investment Stewards with Bob DiMeo and Devon Francis from Fiducient Advisors. 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.

[00:00:26] Now onto the show. Hello, and welcome back to the Nonprofit Investment Stewards podcast. I'm Bob DiMeo, always good to be joined by co-host Devon Francis. On today's episode, we have a super interesting guest who not only is an expert in higher education. He has compelling thoughts that nearly all nonprofit leaders should be pondering in today's environment.

[00:00:49] We'll get to our guest in just a moment, but first, Devon, how are you doing? I'm great, Bob. Thanks. Happy to be here. Uh, I'm so pleased today that we're joined by Dr. James Reynolds, who is [00:01:00] president of Millikin University in Decatur, Illinois. Millikin is a private institution with a diverse population of about 2000 students.

[00:01:08] The school consistently receives recognition as one of the nation's best colleges. Millikin is on Princeton review's Best in the Midwest list, Forbes America's top colleges rankings, and others. Prior to becoming Millikin's 16th president in 2020, what a year, Dr. Reynolds served as president of Wilmington College in Ohio, where he led the creation of a new campus-wide strategic planning process.

[00:01:35] Over his career, Dr. Reynolds scholarly work has been published extensively and his classroom excellence has resulted in six teacher-of-the-year awards. Dr. Reynolds, welcome to the show. We're so thrilled you're here. Thanks Devon. Thanks, Bob. Really appreciate the opportunity to chat with you guys today. Oh, we're so pleased to have you on this show.

[00:01:52] And I thought we would start really what prompted having you as a guest. Many of our listeners know I'm on the board for the [00:02:00] associated colleges of Illinois and in the conversation we had not that long ago, I was really impressed with the compelling point you were making that applies certainly to education, but it really goes well beyond and, and should be a consideration for other nonprofit leaders.

[00:02:15] You talked about when it comes to capital campaigns and the like, you have opinions and practices you call raising for maintenance. And can you talk a little bit about what raising for maintenance means and why it's important? Sure, I'd be happy to do that. This is my 34th year in higher education.

[00:02:33] I've been at a number of different campuses and generally the excitement that we have around building a new building or planning a new campus master plan, uh, is really something that's exceptional on a campus. Sometimes though, what we forget is that when we build a brand-new building or we incorporate a brand new space, there are some operating costs that come along with that.

[00:02:55] And so as I've worked, uh, through my career in higher education and had more and more [00:03:00] progressively important administrative jobs, I've developed this philosophy that anytime that we were going to add to a campus, whether it was a physical building or a space that we had planned, we needed to take into account that by adding that space, we're gonna cause some additional operating costs.

[00:03:18] I'll just say that in higher education, particularly in smaller private institutions, the excitement is starting a building project. We don't really think about some of the details. And so, uh, what I've asked our board of trustees here at Millikin to consider is that any new project that we start, we need to set aside some money during the course of fundraising so that we can have either an endowment or what I would call a sinking fund for maintenance.

[00:03:43] Typically I've asked for 5% of the total cost of a brand new space or building be set aside so that we would have the opportunity to make sure that any maintenance issues that came up early on or just simply cleaning the building, those were all [00:04:00] taken care of and did not become a hit to our operating budget.

[00:04:03] We have two projects started at Millikin right now that we're using those principles on. We have a 7-million-dollar new athletic facility that will house our football and field and track teams. And then also a renovation of a building that we have that will house a really terrific practice lab for our nursing students.

[00:04:24] Each of those building projects have incorporated this idea and we have about 5% set aside in our fundraising to accommodate the increase in space and the increase in our operating budget that will be caused because of that. That's really great. And so, you're tackling that head on and, you know, many capital campaigns and such don't contemplate that, or at least to the degree that you have.

[00:04:47] I'm curious when you do the raise of the capital campaign for the athletic facility or building, or what have you, do you just incorporate that maintenance component into the overall raise as opposed to having folks? I, I imagine it would be [00:05:00] challenging to have folks contribute for maintenance. Yeah, uh, maintenance is not particularly sexy as you talk about a building project.

[00:05:07] And so we've incorporated that into the budget. So, our 7 million dollar, uh, athletic facility is really about a six and a half million dollar facility, but we're raising \$7 million for it so that we have the capital available to us as those maintenance issues or cleaning issues arise. That's great, Jim. So, I wanna shift gears a little bit and talk about, um, thinking about first generation college students.

[00:05:34] Mm-hmm. So when it comes to higher ed in general and schools like Millikin in particular, can you talk a bit about the experiences and hopefully the outcomes that you create for first-gen students? And I guess if you could focus on what role schools like Millikin play in closing the opportunity and income gaps that we see.

[00:05:55] Sure. And it's, Devon, it is a topic that's near and dear to my heart because I was a first [00:06:00] generation college student when I started my collegiate career back in the mid 1970s. Um, places like Millikin and other places, uh, similar size and similar structure I think have a really important role to play in working with first-generation college students.

[00:06:17] It's not unusual to find a number of people like me on a college campus like Millikin's. People that are the first in their families to go to college. And so I think that that helps us to have a real heart for those students that come to us that have similar backgrounds. And we focused our attention on the transition to college here at Millikin.

[00:06:36] Um, our students, I think get a terrific orientation session, which is followed up throughout their first semester. Uh, my wife and I host, uh, student dinners at our home. Typically, it's our first, our students that are in their first academic class, they have a first year experience class and we invite their entire class to come to dinner and just have conversation to hear about their, uh, issues [00:07:00] and things that we might be able to help with.

[00:07:01] But, uh, we've designed, I think our curriculum and the work that we do here on campus to, to understand the role that we can play. We really do provide an opportunity for students that are, their families are new to higher education. In that we're able to give them the skills and the talent that they need to be successful.

[00:07:23] When they go out into the workplace. We have a really strong placement rate. 99% of our students are either gainfully employed or in graduate or professional schools six months after they graduate. And so, I know that the work that we do here is really transformational. Closing the income gap is really important to all of us.

[00:07:42] Uh, we know that those students that are coming to us from perhaps circumstances that make it difficult for their families to afford college. Um, we provide, I think, generous financial aid allotments to those students. But we provide them the opportunity to go on and, and live remarkable lives once [00:08:00] they leave Millikin University.

[00:08:02] Oh, that's really remarkable, Jim. And you know, the statistics you shared are obviously staggering, but also I think your point about providing support during the transition as these first gen students and, and, you know, all incoming students adjust to college life, it's, you wouldn't throw someone into a new job without providing training.

[00:08:21] So I, I imagine that the support that Millikin provides is really valuable and important. So that's excellent to hear that. I wanted to talk about, uh, you have something called your promise of education. What is that? And why does it matter? It's a big part of our mission here at Millikin and is included in our mission statement.

[00:08:41] We think about what we do here as being so important to their future lives. I had a colleague, uh, that had a similar position in his mind that, uh, I used to talk to a lot. And sometimes I'm asked the question, what does a president do? It's a pretty diverse [00:09:00] portfolio, as you can imagine. It's hard to answer that question.

[00:09:03] And so I asked my friend, how do you answer that question? And he said, I just tell people I change family trees. And that has always stuck with me. It's really this vision to me of how can we take students where they're at as they come to us, understanding their backgrounds and knowing some of the, the trials that they've had to get to college.

[00:09:25] Provide them with really a transformative experience while they're here, not only in the classroom, but through all the co-curricular and extracurricular activities that we offer and then give them the skills that they need to go on and compete for great jobs, terrific graduate school, uh, opportunities, and to be admitted into professional schools like medical and dental and pharmacy schools.

[00:09:53] I think that the promise of education here refers to the idea that there's something that we can do for [00:10:00] you. If you want to be a participant with us in this endeavor, uh, we can open the world to you. And that's really what we focus on. I think many people that are at places like Millikin, myself included.

[00:10:13] Um, we see this more as a calling. It's not really a job to us. This is something that really has incredible meaning and purpose to us. And we wanna make sure that we do everything that we can to provide what we were afforded when we were students entering into college or universities. The opportunity, the promise of education.

[00:10:35] That means going on into a life that has real meaning. Jim, that's such a, a noble mission and purpose. Thank you for sharing that. And you know, Fiducient Advisors provides investment consulting to more than 100 colleges and universities. And, and so I'm sort of a student of higher ed constantly following the trends and the statistics and such.

[00:10:56] And I think there's a lot of empirical evidence that shows [00:11:00] you can close the income gap and one of the fastest and best ways to close the income gap is through a, a college degree and particularly for first generation students. But there seems to be a gradual, but potentially dangerous, erosion of the belief in higher education's value.

[00:11:19] We're just curious, do you buy into that and what might that mean over time? You know, Bob, I really don't buy into that. I think that, uh, we're at a pretty dangerous time in our country, in our society, where I think people have lost the vision of what it means to be educated. And I want to start my answer here by saying that I believe that there's dignity in all work.

[00:11:42] And so individuals that are skilled at a trade or work in a service industry or other things that maybe don't require a college or university education, I admire them for the good work that they do. But when I think about the future and I think about where our [00:12:00] place is as a country and the world, we've lost ground. And we've lost ground because people have bought into the idea that you can do just as well without a college education.

[00:12:12] Or that you can be just as successful in your life without a degree from a college or university. I think that that is really a dangerous mindset. We have fallen behind in our place in the world because of the lack of skilled individuals working on complex problems that require a lot of what I would call problem solving skills, critical thinking skills, all the things that a complete education provide the students.

[00:12:45] Yes, you can be trained at a trade. And again, I believe that there's dignity in all the work that people do. What I believe is that higher education is the opportunity that provides so many other opportunities into the future. [00:13:00] Students that come from a place like Millikin have such a great education that allow them not only to be skilled at the thing that they majored in.

[00:13:09] But also to be able to translate those skills into other jobs, into other careers. You know, the income gap that we spoke about just a bit ago, it's something that easily is closed, uh, by having a higher education degree. But more importantly, I think that our success in the future as a country depends on highly skilled and educated individuals.

[00:13:35] That are able to critically think about those big problems, including societal problems, and have engaging and passionate, but, uh, respectful conversations about the direction in which we should go and how we should work together, uh, to try to be a better or more perfect union as described by others.

[00:13:57] So Jim, let's spend a few moments talking [00:14:00] about Millikin's endowment. First off, can you provide us with an overview of Millikin's approach to endowment management? We're like other colleges and universities. Uh, we use an investment consulting group. Our board of trustees is divided into several different committees.

[00:14:16] One of which is our investment committee. And they manage, uh, the portfolio that we have. We're diversified as a holding in our endowment about a little over 50% equities. Um, we have a lot of farmland that we own because of generous contributions of alumni and friends of Millikin University. And so that's a really valuable asset within our endowment.

[00:14:40] Uh, we also have some private equity that we've placed. I would say that our approach right now is a more conservative approach. We've been very cautious about how we have moved things around in our endowment, trying to make sure that we're not overbalanced in one area versus another, understanding the economic climate right [00:15:00] now.

[00:15:00] The group of board of trustees that we have that help to manage our endowments I think are really skilled at what they do and provide us with really a cushion. You know, endowments, to

me, they're not rainy day funds, but there are ways that you can build a university through the assets that you have and the way that you manage them.

[00:15:24] And I think our board has done an exceptional job, frankly, of, uh, helping us to negotiate the last couple of years, which I think have been incredibly challenging for all of us. That's great, Jim. And one of the things that we talk about with a lot of our guests is, uh, committee makeup. And what makes us a successful committee.

[00:15:44] And you talked about how you think that your trustees are particularly talented and that they're great stewards of the endowment. What do you think kind of creates that magic? What is the makeup of your group? Um, what did the term limits look like? Do you have [00:16:00] any tips or tricks? Uh, either from a committee, um, makeup perspective or perhaps from a governance perspective that you think other institutions might benefit from?

[00:16:10] Um, I don't know if we have any secrets, Devon. I think that most institutions have similar committees. What I would say about the, uh, board of trustees and the particular committees at Millikin is that, uh, we probably have more alumni on our board than a typical board might have. Um, I think that that can be really valuable.

[00:16:28] And I think because they have such an investment in the university that they graduated from, they wanna work really hard. These are all volunteer boards. And so, they wanna work really hard to make sure that the value that they received in their education continues on into the future. So we're a little bit overbalanced as it relates to alumni. What's unique about our investments committee is that it's a really good mix between traditional business people.

[00:16:56] People that have had long careers in varied [00:17:00] industries, but also complimented by people that have had long careers in academics. So that there's this real unique balance. Um, we're not a traditional business. And we need to take into account that there are things that universities do that might not necessarily be congruent with managing a large corporation.

[00:17:22] And we have to be able to have those voices at the table. So, it's really the mix of people that we have on those committees. Uh, investment is just one example. Um, all throughout our board, we've tried to balance out, uh, expertise in business, expertise in higher education. If it requires, uh, legal consultation, we have a few lawyers on our board.

[00:17:44] We've done, I think a, a really good job of recruiting people to the board that have a passion for education. And in particular, they're incredibly bullish on Millikin. And they have worked really hard in the last few years since [00:18:00] I've been here, and I'm sure prior to my arrival, to focus on what it is that we do.

[00:18:06] Our responsibility as a university is not to a group of shareholders, uh, it's to our students. And how can we provide them with the educational environment that they deserve and the ability to go on once they've been here to successful lives and careers. So, I think our board takes all those things into account.

[00:18:27] um, we're structured probably like most colleges or universities of our size. We have seven standing committees of our board. Um, there's an executive committee that meets on a regular basis. What's been interesting over the last two years is that we've done a lot of this work by video conferencing.

[00:18:45] That's a real plus in that we can gather people from distant corners of the country together at the same time. I think the downside is, is that you miss those conversations in the back of the room and in the hallway where you can really get to know [00:19:00] people and develop relationships that allow you to make really good decisions in difficult times.

[00:19:08] Jim, it sounds like you have a really thoughtful approach to, to governance and quite frankly, leadership. If we go back to the investment committee and oversight of the endowment and so on, just with the times we're in and, and sort of the backdrop, you, you laid out, any changes, evolution, uh, with respect to return expectations and/or spending policy?

[00:19:30] We've really not changed our spending policy. We're at a 5% draw, um, over a 12-quarter rolling average of the endowment. Um, I think that's pretty typical for most colleges and universities these days. To the extent that we can move that lower, that's a good thing for us. Uh, but right now I think 5% is probably an adequate draw for us.

[00:19:51] You know, we really have not done anything special, Bob. We've just been very mindful. Uh, we have a lot of consultation within that, uh, trustee [00:20:00] group about what the right thing to do is moving forward. The farmland that we own I think has been a real hedge for us in these last, particularly in the last 12 months. It's provided us with a lot of relief and, um, I think that it's been.

[00:20:17] Those holdings have been really helpful to us going forward into the future. So, let's talk a little bit about ESG and SRI investing. If you open up any sort of investment related publication, you see headlines of, you know, everywhere about ESG investing, environmental, social, and governance. Mm-hmm. Um, are there any special initiatives or strategies underway within the Millikin endowment related to ESG?

[00:20:43] Yeah, I think a couple things, Devon. The first is, is that our board has asked that every year we have an educational session in the investment committee about those topics to make sure that we're mindful of what's going on in the world and how we can be better citizens. We've held some [00:21:00] small oil and gas, uh, contracts and we're divesting ourselves of those, moving away from fossil fuel investments.

[00:21:08] We do, uh, an evaluation of our endowment to look for any particular what I would call trouble spots of investments. Investments in foreign entities that might not necessarily meet or understand our corporate values. So, we've tried to be very careful about our investments. And I think that the board takes that very seriously.

[00:21:30] I think that they see that Millikin needs to be a beacon in this part of Illinois, for the things that we do and the way that we do them. And so having those educational sessions has been, I think, eye opening for some of our board members to understand how important it is to be a good corporate citizen and how important it is to think about the things that we're investing in and why we shouldn't invest in some things. That's helpful, Jim, and we've covered a [00:22:00] lot here.

[00:22:00] I'm curious. What guidance you might offer to nonprofit leaders, or if there's anything else you've covered that you'd like to underscore, something else you'd like to add at this point? You know, I guess I'll, uh, just talk a little bit about leadership, Bob. I, when I think about the job that I'm in or the CEO of another nonprofit, there are really two sides to this job.

[00:22:22] One is an outward facing side. The idea that I'm the representative of Millikin University to the world. And so when I'm doing that type of work, whether it's out fundraising or fundraising with our alumni and individuals that have a passion for Millikin, or if I'm in the community at gatherings or asked to speak at different business association meetings.

[00:22:51] What I try to do is to be as authentic as I can, uh, to tell my story. I grew up here in Decatur. This is my [00:23:00] hometown. And so being able to come back is really a special moment for me in my professional career. But to develop relationships, these jobs are all about relationship building. And so, I think the outward facing portion of my job, it's really incumbent upon me to find the way to partner with people and see if there's value in connecting with individuals that might help Millikin in some way, or, or Millikin might help those individuals in some way.

[00:23:28] The inward facing part of my job is really a lot about consensus building. Again, not a typical business. Uh, we have a lot of individuals that, uh, work here that aren't at will. They have a right to stay here as long as they want. Um, and as long as they don't do anything morally reprehensible, they have guaranteed employment.

[00:23:49] And so in order for us to do big things, in order for us to do really challenging things, we have to build consensus. We have to be as open and transparent as we [00:24:00] possibly can to talk about where we're trying to go and why these things are important. And to count on the Goodwill of all the people that work at Millikin to support us as we move forward trying to be as good as we can be for our students.

[00:24:17] When people are in the classroom, there are really two models of classroom teaching. One is called the Sage on the stage. That's probably one that I'm most familiar with in that when I went to school, you know, it's typically an organized lecture. There was a faculty member that talked for 50 minutes and we feverishly took notes. But there's also a type of teaching.

[00:24:40] That's called the guide on the side. And that's a person that really takes an active interest in the work that's being done, recognizes that they have gifts and talents but there are others in the room that also have gifts and talents. And using them together is a much better model than trying to force an issue.

[00:24:58] And so, I [00:25:00] think that good leaders on the inward facing side of their leadership are ones that built consensus and ones that really are guides on the side. They're the ones that are trying to urge people forward, helping them to understand the urgency of the moment, but also recognizing that they're not necessarily the smartest person in the room.

[00:25:20] And there are really bright individuals that they have the opportunity to work with to help solve problems. So, before we let you go, Jim, we'd love to get a little glimpse into your personal life. So outside of work, what do you truly enjoy doing when you're not engaged in near various professional endeavors?

[00:25:38] I have a couple of interests. Uh, one is a more recent interest. My wife and I have been blessed with our first grandchild. And so, uh, Noah, our grandson, is a year old. And so he has become a source of entertainment and joy for both of us. The two things that I like to do, uh, that really, I think help me to step back from the day and, uh, get [00:26:00] into a different frame of mind.

[00:26:02] Um, I love to cook. And my wife and daughters have some food allergies that make it, uh, difficult for us to have typical meals that you might get at a restaurant. And so, I have learned a number of different types of culinary styles that work for them. I really enjoy cooking. I have told some people kiddingly that there's nothing better that at the end of a stressful day to go home, take a really sharp knife and start cutting things up.

[00:26:31] Um, it's a way for me to reduce some of my, it gives me a chance to depressurize, I guess. Uh, and then I'm a voracious reader. My brother, my cousin, and I have kind of a book club and we try to find unique and interesting books to read and, and talk a little bit about them either through texting or, uh, through a video conference.

[00:26:52] So I read really widely, both professionally and outside of my professional areas. Just because I really enjoy being [00:27:00] taken away like that. A good book is like an incredible vacation to me. Uh, the opportunity to get away for a few hours and have a chance to read a bit is really a blessing. So those are the things I like to do.

[00:27:12] My wife and I also have two dogs. And so, we walk the dogs a lot here on campus. That provides an opportunity for us to have conversations with students that we might not ever have

because every student wants a little bit of puppy therapy, and we have a chance to just ask them questions while they're hugging on our dogs.

[00:27:30] So, those are good things for us. That's great. Thanks so much for sharing. Uh, Jim, it's been such a pleasure having you on and you've been so thoughtful and you know, you really take your, uh, like you said, the work that you do is, is a passion for you and you feel a deep connection and that really comes through, I think.

[00:27:50] So thank you for sharing your time with us. If folks, uh, wanted to learn more about Millikin or maybe learn more about you, where might you point them? [00:28:00] Well, I would certainly urge them to go to our website at Millikin.edu. That's, uh, our front doorstep, uh, an opportunity for them to see all the really good things that happen here on campus.

[00:28:11] Jim, that's just wonderful. Thank you so much. So appreciative of your time and your expertise and congratulations on your new grandchild. Uh, the DiMeo household has a new chapter in that. Uh, our son is getting married and that's a first for us. So, uh, maybe we're not too far down the line, but I, I could just hear in your voice the joy it brings to you.

[00:28:29] So congrats on that and thanks so much for joining us. Thank you both. I really appreciated your time. Wonderful. Well, at the beginning of 2022, our research team conveyed that this was likely to be a kind of strap on your helmet year when it comes to endowment and foundation investments. Uh, so far, 2022 has been really challenging for both stocks and bonds. Fiducient's research team.

[00:28:53] They recently updated our capital market assumptions. In other words, what we expect to earn in stocks, bonds, and so on. [00:29:00] And you can access a short webinar on this and a lot more by visiting fiducient.com. So to all you good stewards, thanks for investing time to help your nonprofits prosper. We'll connect with you soon on the next episode.

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