

# Olszak's Nonprofit Connections

## Welcome from Lisa Olszak

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May 2009



## Finance Matters

***Aftermath of the Stock Market Decline: Have You Reviewed your Investment Policy Statement Lately?*** *By Deborah A. Moses*

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### In this issue:

## Olszak News Rack

### ***Tracking American Recovery and Reinvestment Act (Stimulus) Funding***

Over the past weeks, we have attended two information sessions on stimulus funding. The first occurred on March 23, 2009 and was sponsored by the Bloomfield-Garfield Corporation. [Click here to read more](#)

[Welcome](#)

[Finance Matters](#)

[Olszak News Rack](#)

[We Want to Know!](#)

[Spotlight On...](#)

[Contact Us](#)



## Spotlight On... North Hills Youth Ministry Counseling Center

Through the past ten years, North Hills Youth Ministry Counseling Center's (NHYMCC) has greatly expanded their services from youth-based counseling to counseling and support services for the entire family. [Click here to read more](#)



## WELCOME FROM LISA OLSZAK

Hello again and welcome to our second edition of Nonprofit Connections! We hope that you found our first edition easy to scan and useful. In an effort to focus on a timely topic, we have included current information and resources for the American Recovery and Reinvestment Act.

We are also excited about our new partnership with Fifth Third Bank which maintains a charitable management services group here in the region. They will be offering a regular

column on timely financial topics to help boards and staff better meet their fiduciary duties. Last but not least, we present our client of focus - North Hills Youth Ministry Counseling Center. As always, we welcome your feedback at [olszak@olszak.com](mailto:olszak@olszak.com) or 412-224-4310.



Over the past weeks, we have attended two information sessions on stimulus funding. The first occurred on March 23, 2009, and was sponsored by the Bloomfield-Garfield Corporation. Presentations were made by Mayor Luke Ravenstahl and representatives from the Jewish Healthcare Foundation, Pittsburgh Public Schools, United Way of Allegheny County, City of Pittsburgh, Urban Development Authority, Senator Bob Casey, Jr. and Senator Arlen Specter.



Each individual discussed opportunities that the stimulus funds will bring to the Pittsburgh region. Of particular interest was information provided by Christopher Rosselot of Senator Casey's office, which provides an overview of funding targeted

for Pennsylvania. While Mr. Rosselot admitted that the actual dollars targeted for each initiative are still somewhat of a moving target, the information provided was very helpful in assessing funding priorities across the state. Senator Casey's website has a very useful document that overviews stimulus funding and priorities. It can be found here: <http://www.casey.senate.gov/imo/media/doc/Sen.%20Casey%20-%20Recovery%20and%20Reinvestment%20guide.pdf>.

Adam Pope of Senator Specter's office joined Mr. Rosselot in his presentation and referred meeting attendees to Senator Specter's website for more information: <http://specter.senate.gov/public/>.

For more information, Mr. Pope and Rosselot provided their contact information:

Mr. Rosselot may be reached at 412-803-7370 or [Christopher.Rosselot@casey.senate.gov](mailto:Christopher.Rosselot@casey.senate.gov).

Mr. Pope may be reached at 412-644-3400 or [Adam.Pope@specter.senate.gov](mailto:Adam.Pope@specter.senate.gov).

A second event was sponsored by SMC Business Councils on March 31, 2009, entitled "Opportunities for Economic Stimulus Funding." While the program was meant to be an information gathering session for businesses, it did provide some information that we thought might be of interest to nonprofit organizations. In particular, the Keystone Home Energy Loan program offers special financing and rebates for Pennsylvania homeowners who improve their home's energy efficiency with ENERGY STAR® qualified and high efficiency home improvements. For more information, visit [www.keystonehelp.com](http://www.keystonehelp.com) or call 1-888-232-3477.

### ***Recovery and Reinvestment Act Web Sites***

On February 17, 2009, President Barack Obama signed the American Recovery and Reinvestment Act to jumpstart the economy, save and create jobs, provide a helping hand to people affected by the recession, stabilize state and local budgets, and make investments that will provide long-term economic benefits.

Numerous web sites have been established that contain information regarding stimulus spending:

- Access <http://recovery.gov> to learn more about the Act, see how funds will be spent, evaluate the Act's progress, and provide feedback. Many states have information posted on their web pages to explain how they will be spending allocated funds. Click on "State Progress and Resources" to see which states have information posted.
- The Office of Management & Budget (OMB) provides information for those curious about federal stimulus funds and how all federal agencies must report use of such funds and guidance issued by OMB. You can review the document issued on February 18, 2009, from the following website: [http://www.whitehouse.gov/80/omb/recovery\\_default](http://www.whitehouse.gov/80/omb/recovery_default).
- At [www.fbo.gov](http://www.fbo.gov), you can find stimulus-related procurements by first selecting "Opportunities" then using the advanced search tab. Scroll down to the bottom of the page and select "Yes" under "Recovery and Reinvestment Act Action."
- Many federal agencies have established their own Recovery Act web pages and submitted initial weekly reports. These reports contain information on funding, major actions taken so far, and actions planned for the near-term. Information can be found at: <http://www.recovery.gov/?q=content/agencies>.
- Your source to find and apply for federal government grants is [www.grants.gov](http://www.grants.gov). Review "What's New This Week at Grants.gov" to find information about grant opportunities available through the recovery act.

### ***State Web Sites***

- The link to Pennsylvania's recovery website is [www.recovery.pa.gov](http://www.recovery.pa.gov). Under the Announcement tab, you can register to receive additional recovery-related information.
- [http://www.stimuluswatch.org/project/by\\_state](http://www.stimuluswatch.org/project/by_state) is a link to a website which lists "shovel ready" projects that state and local officials have proposed to be funded with the federal stimulus money. Not all of these projects may

and local officials have proposed to be funded with the federal stimulus money. Not all of these projects may get funded.

- [Keystonehelp.com](http://Keystonehelp.com) provides information on the Keystone Home Energy Loan Program that provides special financing and rebates for ENERGY STAR® rated and high efficiency heating, air conditioning, air sealing, insulation, windows, doors, geothermal and “whole house” improvements using Home Performance with ENERGY STAR®.

## WE WANT TO KNOW...

### How are you tracking stimulus funding initiatives?

- Associations
- Peer agencies
- Local legislators (municipal)
- State legislators
- Federal legislators
- Other
- I'm not tracking stimulus funding initiatives

### [CLICK HERE TO ANSWER!](#)

(Survey results will be posted in the next edition of Olszak's *Nonprofit Connections*.)

### Last Month's Results:

*What short term strategies are you implementing to respond to the new economy? (Check all that apply)*

- **Cutting or controlling costs: 80%**
- Increasing revenues: 40%
- Diversifying revenues: 40%
- Collaborating with others: 40%
- Changing investment strategies: 0%

It spells out clearly and concisely your policies in critical areas of oversight including spending, liquidity, asset allocation<sup>1</sup>, rebalancing, manager selection, and performance evaluation to name a few. A new board member should understand your investment strategy upon one reading of your IPS.

There is a fair amount of literature available on how to craft an IPS. One comprehensive source is the book “*The Practical Guide to Managing Nonprofit Assets*” by Schneider, DiMeo and Benoit. Google “Investment Policy Statement” and you can learn a lot about designing one, though it is more challenging to find specific guidance for nonprofits. Anecdotal evidence suggests that nonprofits with longer-term investments, including endowments, typically *do* have a formal IPS to support their investment strategy, and objectives. What is not clear is the extent to which nonprofits see their IPS as a **dynamic tool** that needs periodic review, monitoring and possible revision, in the face of dynamic markets and changing organizational conditions.

An effective IPS should incorporate language regarding a review process and period. The same parties that initiated the IPS are typically responsible for reviewing it (e.g. Board Finance Committee, Investment Committee, etc). Every one to two years is an adequate review period.

What are the benefits of a periodic IPS review?

A periodic review helps ensure your organization and your investment manager are abiding by the terms of the IPS.

Some of the key questions asked in a review include:

- Are your Portfolio's current asset allocation ranges consistent with those outlined in the IPS?
- Is your investment manager actively rebalancing (i.e. harvesting equity gains in rising markets and doing the converse in down markets)?
- Do the asset classes in your portfolio comply with those directed by the IPS ?



## FINANCE MATTERS

### ***Aftermath of the Stock Market Decline: Have You Reviewed your Investment Policy Statement Lately?***

*By Deborah A. Moses*

Sometimes it takes a slap in the face for us to take stock and then action. Like when we ignore our exercise or stretching regime and then *bam*—our back goes out. Well, for some investors, institutional and individual alike, this is what happened during the recent market downturn. They rode the markets up and in the process, may not have exerted periodic oversight on their investment policy and process, when - *thwap*- the proverbial cold splash of water hit their face. They were surprised by the downside consequences of the market risk they had taken.

A well-written and periodically reviewed Investment Policy Statement (IPS) will help boards of directors avert the unexpected and unplanned while navigating in volatile markets. An IPS is a summation of the goals, philosophy and process for investing a nonprofit's funds. It serves as a blueprint for your investment program.

- Does your investment manager meet or exceed all outlined expectations?
- Is your spending policy being adhered to?
- Do you spell out appropriate liquidity measure for your short term needs?
- Are the benchmarks specified in your IPS actually being utilized in performance reports?

A periodic review prompts appropriate revisions in response to longer-term changes in the market and/or your organization.

First and foremost, the IPS is an anchor to steady the ship in rough seas. It prevents board and staff from causing knee-jerk reactions to market events and impeding your investment portfolio's long-term objectives. IPS revisions should not be frequent. However, when they do occur they will be prompted by a change in such factors as:

- The purpose of the invested funds
- Your organization's long-term risk tolerance
- Your organization's return requirements
- Changes in the correlation between asset classes
- New or evolving asset classes (ex. alternative investments)
- Liquidity needs
- Performance benchmarks --- your preferences may change or new benchmarks may be introduced into the marketplace

If your organization felt extreme discomfort during the dramatic market decline of the past year, take a moment to assess that response. Was the response a merely emotional one, of feeling the natural discomfort that comes with having your endowment experience a significant decline in a major market decline? Or was it one of having experienced a loss you could not afford to take, and scrambling to find ways to replace funds you could not afford to lose? If your response is the latter, then a thorough IPS review using the criteria above should be conducted. If you need help, talk with your investment manager.

*Deborah Moses is a Senior Client Consultant for Fifth Third Institutional Services working with local non-profits to provide charitable management services. She has spent over 20 years in the investment management field in the Pittsburgh region and ran the nonprofit PowerLink for six years.*

*1 Asset Allocation does not assure or guarantee better performance and cannot eliminate the risk of investment loss.*



**SPOTLIGHT ON...**



**North Hills Youth Ministry  
Counseling Center**

***Where are we now? Where do we want to be? How will we get there? Who is in charge?***

Through the past ten years, North Hills Youth Ministry Counseling Center's (NHMCC) has greatly expanded their services from youth-based counseling to counseling and support services for the entire family. While more and more families take advantage of their counseling and parenting programs, the demand for their tutoring services for youth has more than doubled in the past two years. A recent expansion of office space has facilitated their service expansion. As noted by NHMCC's Executive Director, Ron Barnes, "The incredible changes in our services and the type of clients that we are serving creates great opportunities while at the same time presenting critical issues that we must address to assure our clients and our success."



With that in mind, NHMCC embarked on a strategic planning process in which the board of directors and staff are working diligently to develop strategies to maximize opportunities while dealing with critical issues.

The six month process that they have undertaken will culminate in a business plan which will effectively serve as a road map through the next 3-5 years.

The first step in this process was to develop an Organizational Overview which documents key points and trends in the organization's administration, programming and governance. This

NHYMCC held a retreat in March as part of their strategic planning process.

organization's administration, programming and governance. This document provided a foundation and starting point for staff and board to consider while evaluating the organization's future.

Questions were generated in the areas of Administration, Programs, and Governance. Some examples include:

- Do we have the right staffing mix to meet our goals and anticipated needs?
  - How are needs changing within the community and how should we change to better serve those needs?
- How can we improve our board recruitment, leadership development, and orientation process?



**Retreat participants engaged in activities to identify critical issues and determine the vision of the organization.**

The start of this process has been invaluable to NHYMCC's board and staff who eagerly engaged in the idea generating meetings. These

sessions allowed for the analysis of critical questions while determining the vision of this organization. As this vision solidifies, board and staff will be challenged with determining steps to reach this vision.

These sessions provide a great opportunity to further solidify the relationship between all parties interested in the advancement of this organization to which they have committed themselves.

Thanks to generous funding from The Forbes Funds, the North Hills Youth Ministry Counseling Center was able to engage Olszak Management Consulting, Inc. to guide them through this comprehensive strategic planning process.

For more information, please contact Nicky Snyder at [marketing@nhymcc.org](mailto:marketing@nhymcc.org) or 412.366.1300.

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