



Raffa INVESTMENT ADVISERS

Created Specifically for Nonprofits & Associations



SONI

Lessons Learned from A Decade of the Study On Nonprofit Investing

The Study on Nonprofit Investing (SONI) for Associations survey is conducted by Raffa Investment Advisers (RIA), a Washington, DC-based firm that was created specifically to provide investment advisory services to associations.

Since its launch in 2012, thousands of nonprofit organizations and membership associations have participated in the annual Study on Nonprofit Investing (SONI). SONI provides timely, relevant, and actionable data about how nonprofits & associations invest their reserves and how those investments perform. SONI helps associations & nonprofits verify that their investment policies are “normal” and that their investment fees/performance returns are in line with other, similar organizations.

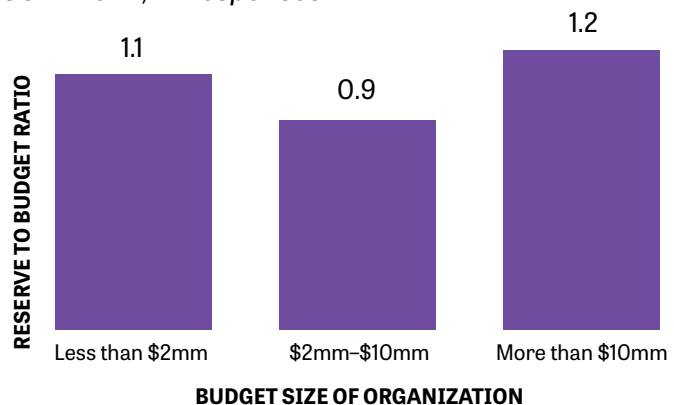
As SONI celebrates its tenth anniversary, RIA dug deeper into the results to expand on a few key takeaways learned over the years.

HOW MUCH TO HOLD IN RESERVE?

One of the key questions SONI looks to answer each year is, “How much do associations hold in reserve?” The median results from SONI have held consistent year over year showing that associations hold about 12 months of budgeted expenses in reserve.

Reserve to Budget Ratio by Budget Size, Median

SONI 2022, 74 responses



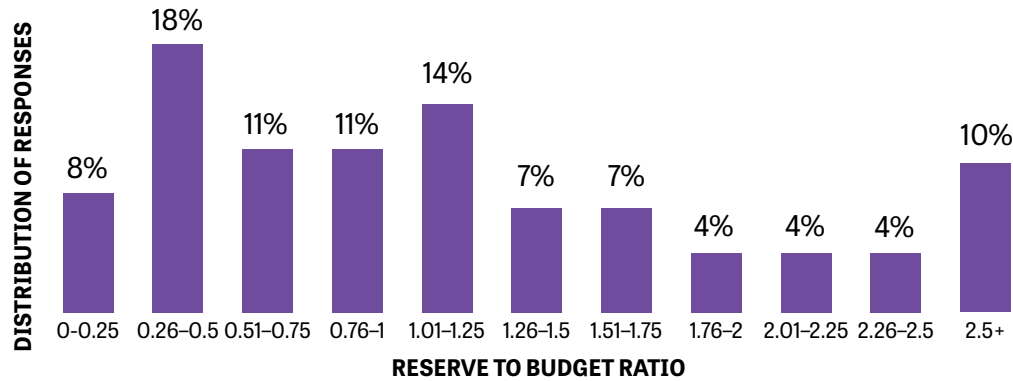
Although that can be a helpful reference for what's normal, what we've found more interesting is the broad range of responses we receive every year.

The SONI data continually shows that associations can hold anywhere from 2 months to 2.5+ years of budgeted expenses in reserves. This highlights how each organization is unique and

may experience distinct and unexpected circumstances that could affect long-term financial health. Every association is unique and so should be the right amount to maintain in reserve.

Reserve to Budget Ratio, Frequency

SONI 2022, 74 responses



RESERVE SEGMENTATION

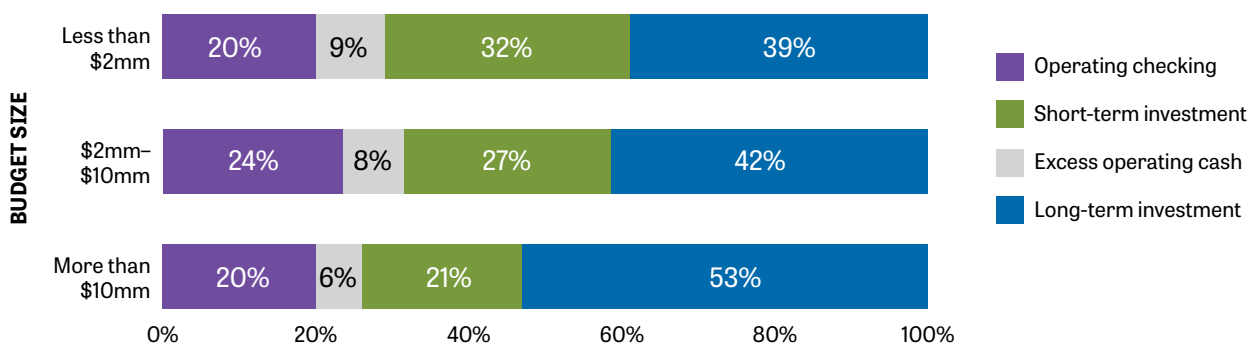
Another constant we've noticed over the past decade is just how similarly associations structure or segment their reserves. Outside of

cash held in a checking account, we often see organizations use a three-bucket system for segmenting their overall cash reserves into an operating (cash) reserve, short-term investments, and long-term

investments. We firmly believe that having this type of structure where your reserve buckets are set up for different purposes and time horizons is a best practice for association investing.

How Much of an Organization's Total Cash Assets Are Held in Operating, Short-term and Long-term Accounts, Average

SONI 2022, 131 responses

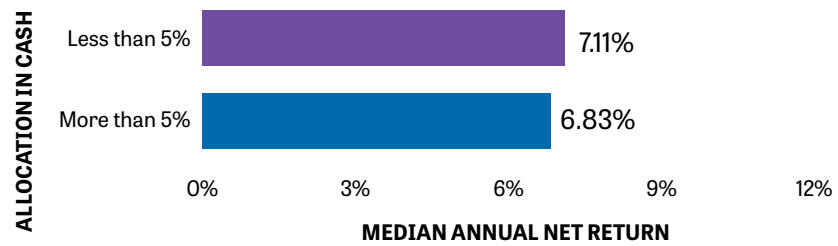


ASSOCIATIONS THAT UNDERPERFORM

In analyzing investment performance for associations over the past 10 years, one meaningful characteristic has shown to reduce returns: cash held in long-term portfolios. Investors may maintain cash positions as “dry powder” they can keep available to time the markets by deploying when they see fit. They also may hold cash in a long-term portfolio due to uncertainty – keeping dollars uninvested in case a withdrawal is needed to cover operations. Regardless, cash on hand has been a drag on performance since we started SONI. The SONI results indicated that organizations who deployed more of their long-term assets and held less in cash outperformed those who didn’t.

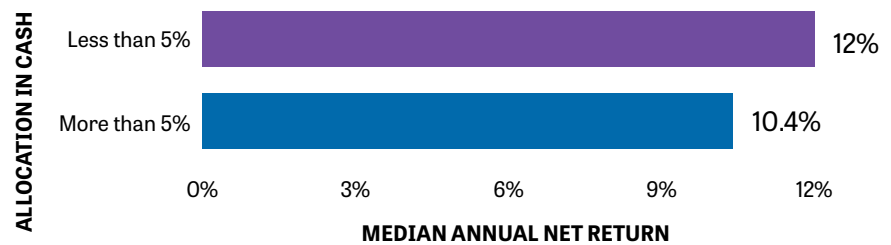
Median Net Return for Organizations With Less Than 55% Equity

SONI 2022, 63 responses



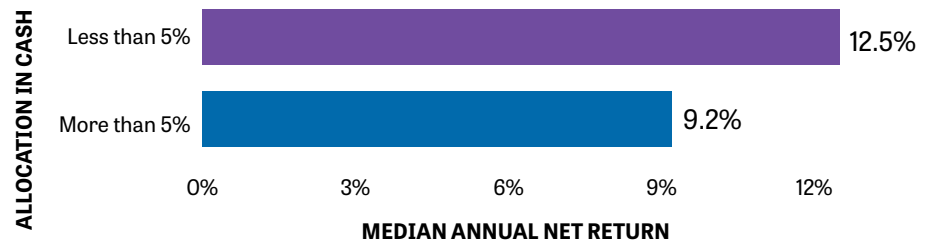
Median Net Return for Organizations With 55%–70% Equity

SONI 2022, 87 responses



Median Net Return for Organizations With More Than 70% Equity

SONI 2022, 70 responses



CONCLUSION

The Study on Nonprofit Investing for Associations teaches us something new every year, but some constants remain. SONI has shown us that every association is different – there truly is no right answer for how much to hold in reserve. Despite these differences, SONI has also indicated just how prevalent a 3-tiered reserve structure is with

a operating (cash) reserve, short-term, and long-term portfolios. Finally, Associations who hold high amounts of cash or target investments in alternatives continue to underperform their peers year over year. Reflecting on the past sheds light on valuable takeaways that we hope will benefit associations in the future. We hope the next decade of SONI continues to identify new trends and best practices

for association investing—will aligning investments with your organization’s values continue to become more popular through Socially Responsible Investing? Will more transparent and lower cost alternative investment strategies add value in the future? Will associations become more conservative in their investing now that markets are more volatile? We hope you join us in finding out together!

DISCLOSURES

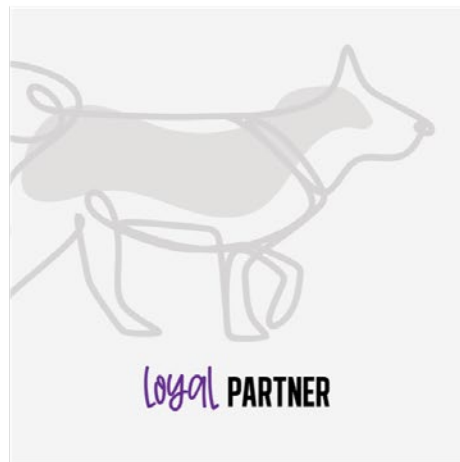
This article summarizes the results of an informal, non-scientific study. This article is for informational purposes only. Participant responses have not been verified. Data analysis was performed by Raffa Investment Advisers. When stating “nonprofit or association responses” it should be noted that all responses are limited to the nonprofits and associations that participated in the survey. No broader implications should be assumed.

Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product referenced directly or indirectly in this report, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your nonprofit’s portfolio. Moreover, you should not assume that any discussion or information contained in this report serves as the receipt of, or as a substitute for, personalized investment advice from Raffa Investment Advisers or from any other investment professional. To the extent that you have any questions regarding the applicability of any specific issue discussed above to your nonprofit’s unique situation, you are encouraged to consult with Raffa Investment Advisers or the professional adviser of your choosing.

This assessment reflects the best professional judgment of Raffa Investment Advisers. The conclusions expressed herein are opinions and are not statements of fact. While we believe the opinions expressed here are fair, accurate, and reasonable we respect that other professionals may disagree and reasonably arrive at materially different conclusions. Past performance is not an indication of future results and any investment can lose value.

ABOUT US

In 2005, Raffa Investment Advisers (RIA) was **created specifically** to serve the investment and fiduciary needs of associations. We’re a team of experienced advisers serving our clients in three ways by providing comprehensive reserve portfolio management, investment and reserve policy development, and serving as the adviser to 401k, 403b, and 457 plans. Our investment approach is **sensible**; we are a **proud fiduciary**; and at our core, we are committed to achieving **excellence** in every client interaction. Visit www.raffaadvisers.com or email RIA@raffaadvisers.com to learn more.



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