



# JEWISH FOUNDATION — OF MANITOBA —

## **A Note Regarding Administrative Expenses, Administrative Expense Ratios and Administrative Recoveries (Fees) 2019 to 2023**

Transparency is a crucial attribute in all facets of any successful organization; especially one that is dedicated to serving the community such as the Jewish Foundation of Manitoba. In our continuous effort to be transparent we offer the following comments regarding administrative expenses, administrative expense ratios and administrative recoveries (fees) applied to endowment funds.

There is no circumventing the fact that to operate a community foundation requires administrative effort. The question becomes from a financial perspective, is that administrative effort “efficient”? One financial tool utilized to determine efficiency is the administrative expense ratio (administrative expenses compared to total assets). There are also other qualitative tools to assess efficiency, and at the end of the day each individual formulates their personal assessment as to whether an organization is administratively efficient.

The focus here is on the financial aspect – the administrative expense ratio for the Foundation. In order to gain perspective on whether the Foundation is efficient in its use of administrative resources it is likely the reader will compare the administrative expense ratio to other like entities – other community foundations or endowments. The reader will take into consideration attributes such as the size of the Foundation and the objectives of the administrative resources.

For example, all things being equal the administrative expense ratio is likely to be lower for foundations that have a larger asset base. Economies of scale come into play as the asset base generally grows at a greater rate than the administrative expenses. Another example would be a lower administrative expense ratio for foundations that are not as event oriented as other comparable foundations. Also, an important consideration is the fluctuating nature of the market value of the asset base. In the short run the administrative expense ratio may increase for a given year due to falling markets. This type of increase is not reflective of administrative efficiency over the longer term.

Therefore, when comparing the administrative expense ratio of the Jewish Foundation to that of other similar foundations and endowments it is important to note that other organizations may be charging an explicit administrative recovery (fee) to its endowment funds and applying that recovery to its administrative expenses to recover administrative effort. Therefore, the administrative expenses for these organizations are presented on a “net basis” ....administrative expenses less administrative recoveries. The theory behind administrative recovery is a valid and logical philosophy – albeit only one philosophy. The downside is that it reduces the endowment fund distribution to the community by the amount of the recovery.

The Jewish Foundation of Manitoba has considered the concept of administrative recovery and has chosen not to apply an explicit fee to its endowments. We are likely the last major community foundation in North America that does not charge a recovery.

**Therefore, to provide for greater accuracy of the comparison of the Foundation’s administrative expense ratio we present below the Foundation’s data for the years 2019 to 2023. The top section is the actual ratio incurred by the Foundation, the bottom section is the “proforma” or “what if” scenario had the Foundation applied a 0.5% (of the market value of the invested assets) administrative recovery for the last 5 years. Recovery rates vary among foundations, perhaps 0% to 2.0%. We strongly recommend that to achieve an accurate perspective, the reader utilize the proforma data when comparing the Foundation to other entities that apply an administrative recovery; and net those amounts against their administrative expenses.**

**THE JEWISH FOUNDATION OF MANITOBA  
RATIO - ADMINISTRATION TO TOTAL ASSETS  
FOR THE 5 YEARS 2019 to 2023**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total Assets (fair value)	\$ 134,507,798	\$ 148,075,775	\$ 162,249,492	\$ 148,225,928	\$ 157,685,205
Programming & Administrative Expenses:					
Direct Programming & Mkting (net)	85,264	52,554	45,762	56,157	75,751
Administration & Operating	1,594,966	1,636,795	1,781,376	1,805,118	1,838,672
	<u>\$ 1,680,230</u>	<u>\$ 1,689,349</u>	<u>\$ 1,827,138</u>	<u>\$ 1,861,275</u>	<u>\$ 1,914,423</u>
<b>Administration/Total Assets Ratio</b>	<b>1.25%</b>	<b>1.14%</b>	<b>1.13%</b>	<b>1.26%</b>	<b>1.21%</b>
<b>Investment Management/Total Assets Ratio</b>	<b>0.13%</b>	<b>0.14%</b>	<b>0.18%</b>	<b>0.21%</b>	<b>0.20%</b>
	<u><b>1.38%</b></u>	<u><b>1.28%</b></u>	<u><b>1.31%</b></u>	<u><b>1.46%</b></u>	<u><b>1.42%</b></u>

**THE JEWISH FOUNDATION OF MANITOBA  
PROFORMA 0.5% ADMINISTRATIVE RECOVERY RATIO - ADMINISTRATION TO TOTAL ASSETS  
FOR THE 5 YEARS 2019 to 2023**

Proforma Admin Recovery @ 0.5% of Total Assets	\$ 672,539	\$ 740,379	\$ 811,247	\$ 741,130	\$ 788,426
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Assets (fair value)	\$ 134,507,798	\$ 148,075,775	\$ 162,249,492	\$ 148,225,928	\$ 157,685,205
Programming & Administrative Expenses:					
Direct Programming & Mkting (net)	85,264	52,554	45,762	56,157	75,751
Administration & Operating	922,427	896,416	970,129	1,063,988	1,050,246
	<u>\$ 1,007,691</u>	<u>\$ 948,970</u>	<u>\$ 1,015,891</u>	<u>\$ 1,120,145</u>	<u>\$ 1,125,997</u>
<b>Administration/Total Assets Ratio</b>	<b>0.75%</b>	<b>0.64%</b>	<b>0.63%</b>	<b>0.76%</b>	<b>0.71%</b>
<b>Investment Management/Total Assets Ratio</b>	<b>0.13%</b>	<b>0.14%</b>	<b>0.18%</b>	<b>0.21%</b>	<b>0.20%</b>
	<u><b>0.88%</b></u>	<u><b>0.78%</b></u>	<u><b>0.81%</b></u>	<u><b>0.96%</b></u>	<u><b>0.92%</b></u>