

5 Important Considerations for Nonprofit Endowment Management

5 IMPORTANT CONSIDERATIONS FOR NONPROFIT ENDOWMENT MANAGEMENT

If you're looking for dependencies, one critical resource for your nonprofit, look no further than endowments. Endowments diversify risk and ensure you have your annual fundraising needs met, properly managed, can earn 50% returns—typically half of what you'd earn on bonds or annual investments and half the price for endowments for the future.

When choosing endowments, use the same criteria of asset location, sector, industry, and risk level, and then invest in the future. It's important to only be profit-oriented, especially when considering your future risk or return on investment. A general investment strategy should be your endowment's primary management goal. However, if you're looking for a return on investment, you should consider the return on investment (ROI) of your endowment. If you're looking for a return on investment, you should consider the return on investment (ROI) of your endowment.

1 **Return** In an AccuFund survey of 200 nonprofits, 24% of endowments earned more than 10% returns. 10% average for the 2015-2016 survey, all average 8% to 10% returns, and only 10% of nonprofits earned more than 10% returns. Because more than 1.5 million nonprofits are registered in the U.S., it's not surprising that the average, approximately 4% of nonprofits are looking to diversify, and it's clear that more active endowments make nonprofits more successful in spending funds which makes them appealing to any organization looking to invest.

2 **Accounting** For those nonprofits that are currently not using their endowments for accounting, the endowment funds are 20% of the total endowment assets. 40% of nonprofits are using endowment accounting solutions. Depending upon the size of the fund, there are several options for managing endowments and generating statements to meet the requirements. Some are more complex and costly, while others are simpler and less expensive. Some applications require no additional contribution to the endowment funds.

To facilitate savings and expenses on (public) utilities, a nonprofit can set up a separate utility account. This allows the nonprofit to take advantage of the utility company's discounts and long-term contracts. This also allows the nonprofit to take advantage of the utility company's discounts and long-term contracts. This also allows the nonprofit to take advantage of the utility company's discounts and long-term contracts.

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Based on the **2015-2016 Endowment Accounting Insights & Analysis Survey***, which sought information central to endowment accounting management, this tip sheet offers 5 areas of consideration when managing current endowments or considering the pursuit of new endowments.

Register to download the Endowment Tip Sheet.

** AccuFund commissioned publisher Nonprofit PRO to survey its readers (nonprofit finance professionals and top organization management) to benchmark the methods used to manage endowment accounting. 272 endowment professionals responded.*