

## 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 spend your annual fundraising needs and, 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, you often reject options of asset classes that are risky and volatile and, instead, focus on fixed-income and dividend-paying equities. Be reminded to only be profit-oriented, especially when considering your returns based on inflation (not inflation's a general measurement). Consider the power endowments offer for nonprofit management (fixed, floating, and other different investment options), keeping up the amount of fees. Be very, very familiar with the differences, but not when it comes to accounting. Understanding your status is critical to a successful endowment (you should be in a position to manage or invest in endowments, unless you're not).

**1** **Stakeholder** In an AccuFund survey of 20 nonprofits, 24% of endowments were over \$10 million. 10% were less than \$10 million, 44% were \$1 million to \$10 million, and 22% were more than \$1 million. Because more than 1.5 million nonprofits are registered in the U.S., it's not surprising that nonprofits, approximately 4% of nonprofits are managing endowments, and it's clear that more nonprofits should consider it as a possibility in spending funds which are spending to any organization being a strategy.

**2** **Accounting** For those nonprofits managing endowments, 64% of nonprofits use a general ledger, 24% use a separate ledger for endowments, and 12% use a separate ledger for endowments. 64% of nonprofits use a general ledger, 24% use a separate ledger for endowments, and 12% use a separate ledger for endowments. Depending upon the size of the fund, there are several options for managing endowments and general ledger systems to meet the needs. Nonprofits should consider the benefits of general ledger systems that support endowment accounting.

To facilitate earnings and expenses on endowments, nonprofits should consider the use of separate ledgers. Nonprofits should consider the use of separate ledgers for endowments, which allows for the tracking of endowment earnings and expenses, and helps to ensure that endowment earnings are properly accounted for. Nonprofits should consider the use of separate ledgers for endowments, which allows for the tracking of endowment earnings and expenses, and helps to ensure that endowment earnings are properly accounted for.

Finally, it's important to remember that endowments are not just a source of funds, but also a source of information. By tracking endowment earnings and expenses, nonprofits can gain valuable insights into their financial performance and make more informed decisions about their endowment strategy.

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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.