

## 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 to more than endowments for the future.

When choosing endowments, use the same criteria of asset quality, return, and risk. Consider the endowment's investment strategy, its history, and its ability to meet your needs. Remember to only be prudent, not conservative. Consider the endowment's investment strategy, its history, and its ability to meet your needs. Remember to only be prudent, not conservative. Consider the endowment's investment strategy, its history, and its ability to meet your needs. Remember to only be prudent, not conservative.

**1** **Stable** In an AccuFund survey of 20 nonprofits, 24% of endowments were over \$10 million. 10% were over \$5 million, 11% were over \$1 million, and 56% were under \$1 million. Because more than 1 billion nonprofits exist in the U.S., it's not surprising that nonprofits, especially 4% of nonprofits who manage endowments, are still finding that stable return endowments make sense to consider investing in spending funds which may then be used to support their operations.

**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 of the IRS and other stakeholders. Consider applications that require minimal contribution to their 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's special rates and long-term contracts. This also allows the nonprofit to take advantage of the utility's special rates and long-term contracts. This also allows the nonprofit to take advantage of the utility's special rates and long-term contracts.

For a more detailed look at the endowment accounting solutions, visit [www.accufund.com](http://www.accufund.com).

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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.*