

Investment of Nonprofit Financial Assets



Investment of financial assets can provide a nonprofit with revenue and financial stability if accomplished thoughtfully and prudently. This brief guide provides hyperlinks to useful information regarding investment strategies, policies, management, and oversight.

Strategy

Organizations want to maximize their potential to receive a high rate of return on investments while minimizing the risk of losing money or receiving less than an acceptable minimum return. They can't have it both ways. Seeking a higher rate of return increases the risk the rate won't be achieved; seeking a lower rate decreases this risk, but also decreases earnings. Each organization must make its own decisions in balancing the pursuit of returns on investments and the risk of those investments delivering insufficient or even negative returns. Organizations also must consider their time horizons: are they prepared to lose money or receive minimal returns at points if there is a high probability returns will be higher in the long run?

Some organizations want to avoid investing in certain companies or industries to avoid supporting practices and actions counter to their values and conversely seek to invest in companies that produce positive social and environmental impacts. The efficacy of such "socially responsible" or "E.S.G." (environmental, social, and governance factors) investing is open to question, but that discussion is beyond the scope of this guide.)

An organization's desired return on investments, tolerance for risk, available funds, cash flow needs, and interest (if any) in socially responsible investing will shape its overall investment strategy.

- [Prudent Investing for Nonprofit Organizations and Public Charities](#)
- [Nonprofit Guide to Prudent Investing](#)

Policy

A written investment policy statement describes an organization's goals, guidelines, and decision-making processes regarding its investments. Practice 3.A.2.e. of [Land Trust Standards and Practices](#) requires a land trust board to adopt "written policies or procedures for the responsible and prudent investment, management, and use of financial assets."

- [Investment Policies for Nonprofits](#)
- [Investment Policy Statements for Nonprofit Organizations](#)
- [Sample Nonprofit Investment Policies](#)

Oversight

Some organizations create a committee to oversee investments, composed of board members and, in some cases, financial professionals. Others rely on the board of directors to oversee investments.

- [The Roles and Responsibilities of Investment Committees of Nonprofit Organizations](#)
- [Poll: Investment Governance Practices for Nonprofits](#)

Investment Management

Many organizations do not have the time or expertise to manage investments themselves, so they use a financial advisor. Others decide to invest through a local community foundation, which pools their assets with those of other nonprofits.

- [Questions to Ask Money Managers: A Guide for the Nonprofit Executive](#)
- [10 Critical Factors to Consider When Hiring a Financial Advisor](#)
- [Community Foundation Locator](#)



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