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Page Title: What Nonprofits Need to Know About Investment Policy Statements (IPS) | [INSERT RELATED SERVICE] | [INSERT FIRM NAME]

Meta Description: [NAME OF FIRM] helps nonprofit leaders navigate financial challenges, examining the need for an investment policy statement amidst diverse advice, revealing unexpected insights for professionals.

Headline: What Nonprofits Need to Know About Investment Policy Statements (IPS)

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It's no secret that nonprofit leaders already have a lot on their plate. In addition to working towards the organization’s mission and managing day-to-day activities, these leaders must also be concerned with finances, investments and budgeting.

On top of all this, nonprofit leaders are constantly barraged with advice on investing. From getting involved in cryptocurrency to investing in CDs, the potential opportunities are enough to make any nonprofit leader’s head spin.

But does a nonprofit organization actually *need* to have an investment policy statement? The answer may be a surprise to many business owners and other professionals.

Does a Nonprofit Need to Have an IPS?

First and foremost, it is important to understand that nonprofit organizations are under no legal obligation to draft an investment policy statement. Upon further thought, this *does* make sense, as the mission of a nonprofit is not to make money—but to work towards its mission and serve as many people as possible.

Still, just because a nonprofit isn’t required to have an investment policy statement doesn’t mean it’s not a good idea to draft one anyway. In fact, having a solid IPS in place can help nonprofits avoid financial pitfalls while incorporating the organization’s mission into actionable guidelines for managing money.

Specifically, there are a few key components that any investment policy statement should include, such as:

- Portfolio description
- Portfolio rate of return
- Statement of financial objectives
- Investment period
- Risk tolerance
- Cash requirements
- Portfolio tax strategies (if applicable)

Best Practices for Developing Investment Policies

Of course, creating an IPS for a nonprofit can be easier said than done. With so many moving parts and so much at stake, drafting investment policies for a nonprofit is often more challenging than creating an IPS for a traditional company or business. Combine this with the fact that most nonprofit leaders are *not* financial experts and it's easy to see why so many nonprofits fail to publish an IPS at all.

The good news? There are a few tips that nonprofit leaders can keep in mind to create a useful and purposeful IPS for an organization of any size.

The first (and perhaps most crucial) step is to form an actual investment committee, which should include a combination of board members and outside investment or financial advisors. Members should also be informed that this is a volunteer position that operates outside the scope of their everyday work.

From there, it's a good idea to draft out the mission and objectives of the nonprofit and how its reserves should be used to fund that mission. This should include both short- and long-term goals, as well as details about different reserve pools that may be allocated for different purposes.

Next, the board should work to strike a balance between risk and the organization's spending needs. This means taking the time to agree upon the level of risk the board is comfortable taking with new investments and other ventures, as well as how much diversification will occur. This is often one of the most complex parts of the process, as it requires a lot of discussion between board members of the level of risk they are comfortable with and how well-proposed investments are understood.

The end result from these difficult discussions should be a formal document that outlines the types of allowable investments that the organization is willing to make, as well as benchmarks to gauge success of each investment over a predetermined period of time.

It is also important for the board to understand that an IPS should be viewed as a living and breathing document, meaning that it is subject to change as needed. With this in mind, board members should be prepared to revisit the plan at least once a year. Members can then vote to keep the plan as-is or make changes as needed. This will ensure that the IPS is always reflecting the best interests of the organization and its overarching mission.

The Bottom Line on Nonprofits and Investment Policy Statements

While nonprofit organizations are under no legal obligation to publish an investment policy statement, the reality is that many of these organizations would make better use of their finances and reserves if they *did* have a plan in place. By having an IPS in place, nonprofits can better reach their goals and objectives while keeping board members and investors on the same page.

By following these steps, it is possible for any nonprofit to develop a workable IPS that aligns the mission of the organization with its bottom line.

Of course, creating an IPS is not something that will happen overnight. Instead, it will require many meetings and discussions with board members over a period of time. To expedite the process and gain valuable insights as nonprofit board members draft their own IPS, it's always a good idea to retain the services of an experienced and knowledgeable financial advisor or other financial expert with nonprofit experience. This can make the process of drafting a workable IPS easier while protecting the organization's finances in the process.

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