

2025 Financial and Strategic Planning Q&A

Q1. How much reserve operating cash should a small nonprofit have on hand?

“From preliminary research, the consensus in the practically oriented literature seems to be six months. It's important to note, however:

- This data is mostly from organizations that seem to have continuous stable fundraising - in other words, not in uncertain times or organizations with "lumpy" fundraising
- This is the "operating cash," not the "endowment." Small- to mid-sized organizations, like the ones in LIL's network, do not typically have gigantic endowments that throw off investment income or grow and can be used for investments

My personal opinion is that the best position for a small, growing organization would be to have enough cash to operate at least this year and raise funds for next year's operation and strategic investments. Ideally, those are different buckets.

For further reading, here is an [interesting report from the UK.](#)”

– Werner Rehm, LIL Finance and Business Advisor

Q2. What is the best way for a nonprofit to invest and how does one get started?

“Unless you have a significant endowment, you should probably not start to make any investments beyond a savings account. Most small nonprofits do not have an endowment that would throw off significant operating or investing cash if managed for returns. Would 8% return instead of 2% make a difference in what you can do (compared to fundraising)? I personally feel that investing is too risky - and ultimately not your role. As an example, most large corporations also do not try to get outsized returns even with large cash positions, as it would be hard to justify any significant losses. Very large organizations, like certain Ivy League institutions, have so much money that it becomes a source of funding to invest the "endowment" - and they do so in a very diversified and strategic way that is impossible for a smaller organization to copy.

My personal opinion: Focusing on fundraising will always be more productive than trying to find that elusive "return from investment" for organizations like the ones in the LIL community.”

– Werner Rehm, LIL Finance and Business Advisor