

Keeping the Wolf from the Door

Protecting Nonprofits Through Risk Management

Presented to:

Northern California Planned
Giving Conference, May 2018

Attendees & Planned Giving Experts

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Your Presenters

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The Birth of Risk Management



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The Case for Risk Management

- \$906B US economy or 5% GDP¹
- \$1.7T revenue
- Highly dependent on legislation
- 47% less than 3 months operating cash; 30% in the red²



1. 2013 GDP estimates are from the Bureau of Economic Analysis and include nonprofit institutions serving households. They exclude nonprofit institutions serving government or business.
2. Analysis of internal survey data collected from Silicon Valley-based grantees of The David and Lucile Packard Foundation (2013) and Sobrato Family Foundation (2013-2015), as well as the 2013 Nonprofit Finance Fund survey segmented for Silicon Valley-based nonprofits

Agenda

- Introduce Risk Management
- Share a Case Study
- Get Real! And Share War Stories



Definitions

Risk

An unintended, unexpected or unwanted event or condition with a specific likelihood of occurrence that impedes a target objective.

“A bad thing that could wreck a mission.”

Risk Management

The process to identify, analyze, prioritize, monitor and control risks to improve the likelihood that a target objective is met.

*“**Limit** a bad thing that could wreck a mission.”*

Where Are Your Risks?



**Potential millions of dollars in annual losses
due to risks out of leadership's control**

Running out of money



Risk Management: Let's Get Started!



✓ Identify

✓ Prioritize

✓ Monitor &
Control

Risk Management Best Practices



It Takes a Village

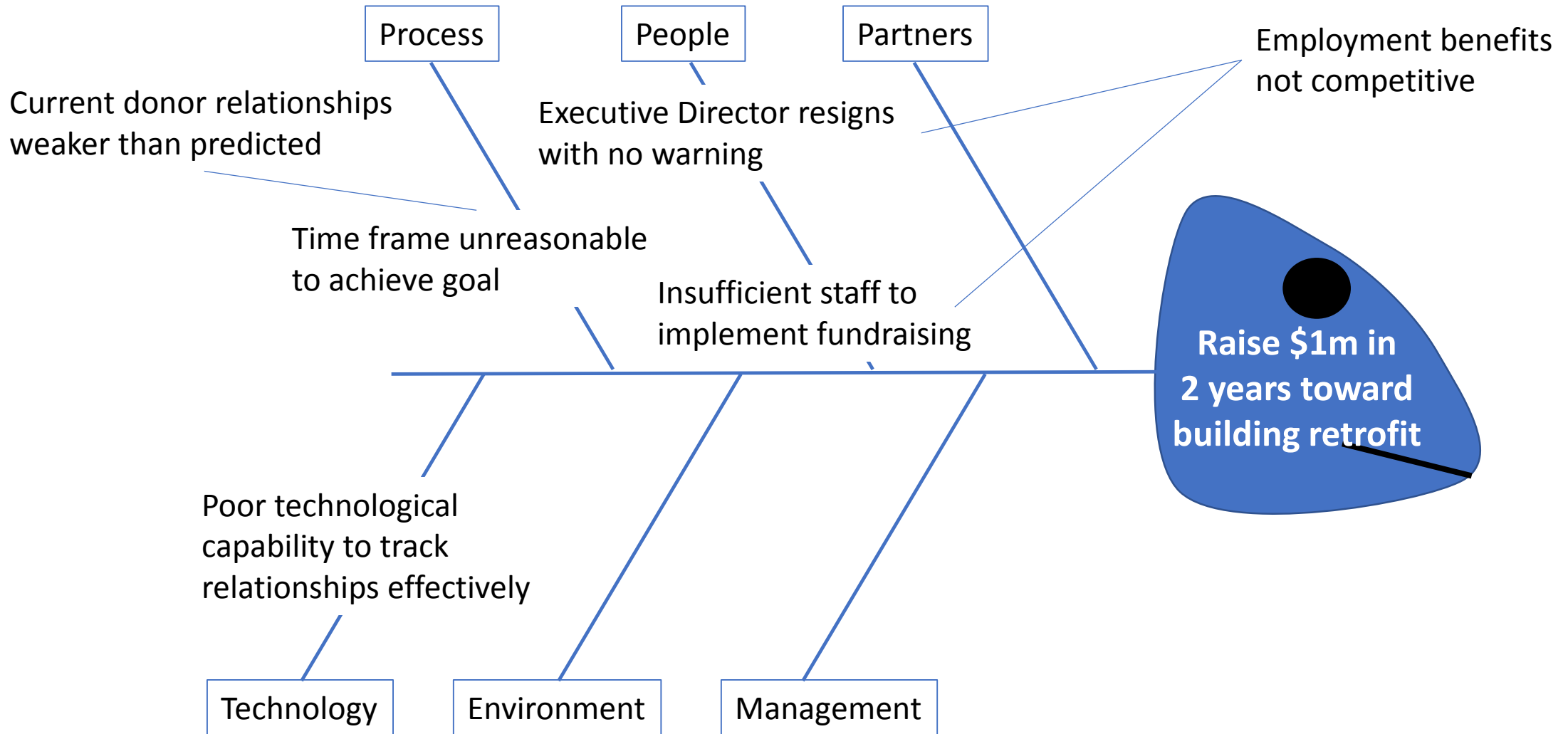


Seek Diversity of Thought



Be Specific

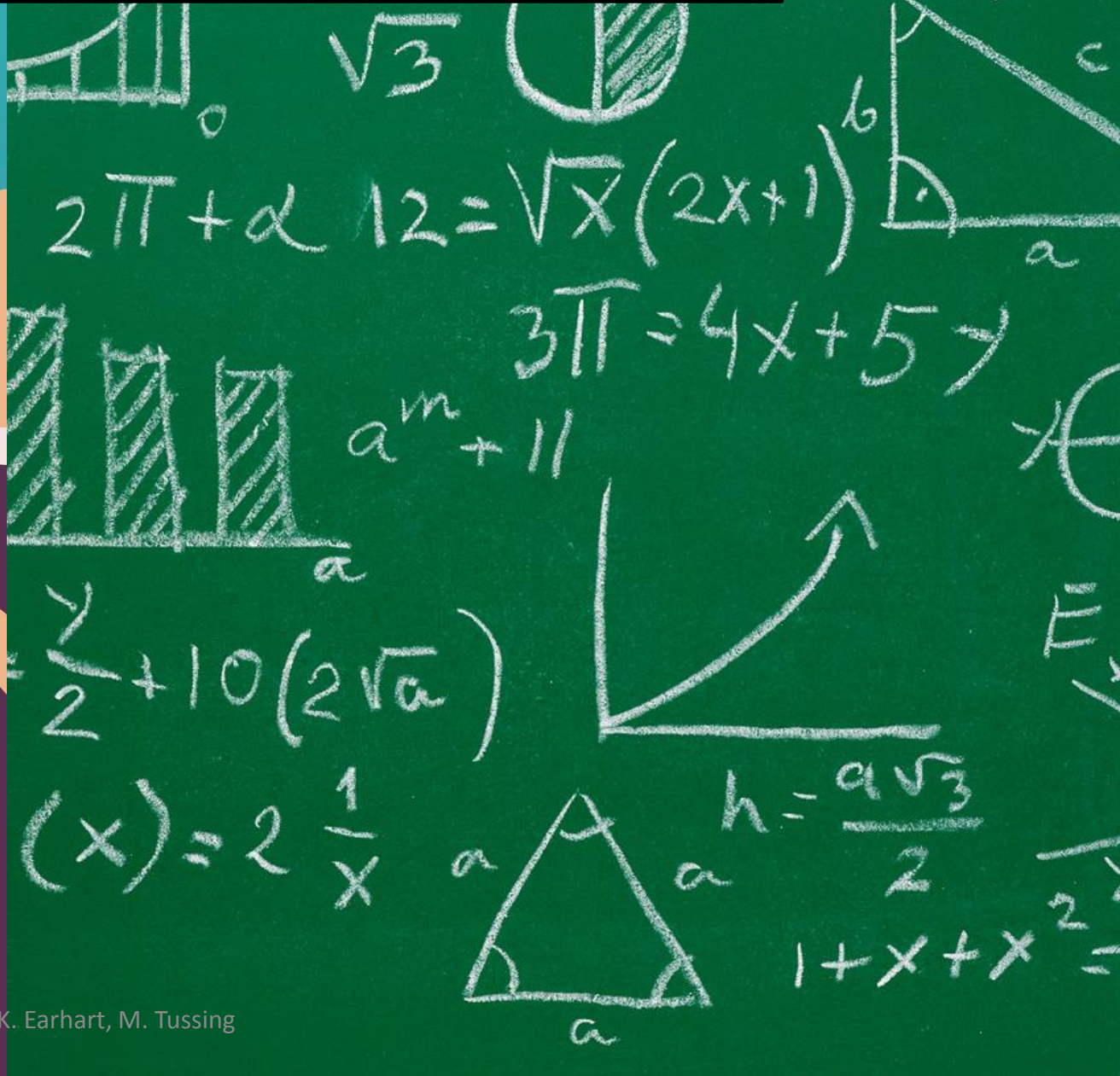
Step 1: How Do You Identify Risks?



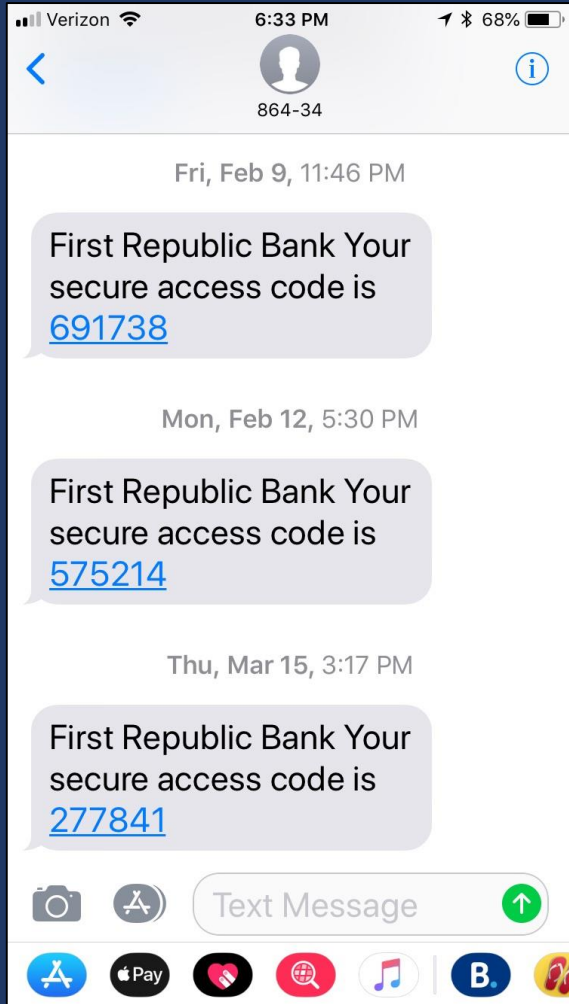
Pack Time!



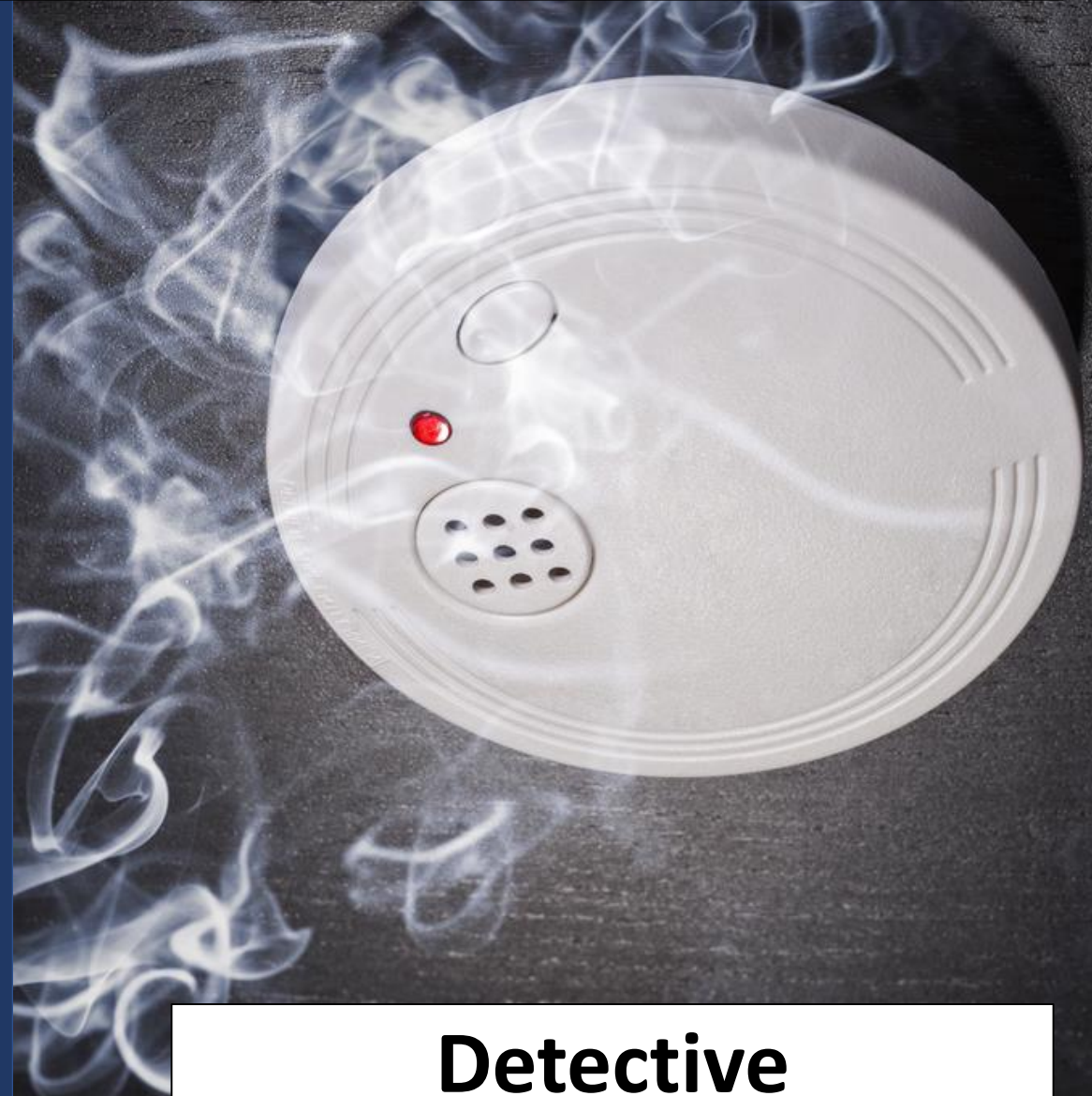
Step 2: How Do You Prioritize Risks?



Step 3: How Do You Monitor & Control Risks?



Preventative



Detective

Case Study – Community Museum



What Wolves Are at This Door?

Donor Concentration Risk

Endowment
Underperformance

Ticket Sales Volatility

Collection Deterioration

High Staff Turnover

Museum Monitor and Control

Risk	Preventative Controls	Detective Controls
Endowment underperformance	<ul style="list-style-type: none">• Appropriate Investment & Spend Policy Statement• Appropriate target asset allocation• Governance of fees	<ul style="list-style-type: none">• Quarterly meetings to review performance; peer comparison benchmarks
Planned Gifts don't materialize after donor passes	<ul style="list-style-type: none">• Standardized form created by attorney for donors to complete at time of bequest• And/or, copy of will provision on file	<ul style="list-style-type: none">• Development department does periodic audits of planned gifts every 2-3 years provides opportunity to further cultivate donor

Recap



Plant the flag of risk management



Tailor risk management for you



Use experts when you need them

Q & A



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