

NONPROFIT SUCCESS  
INSTITUTE  
**SPEAKER SERIES**

**2021**

Presented by **weaver**  
Assurance • Tax • Advisory 

**SESSION 1 – RISK MANAGEMENT**

**APRIL 7, 2021**



# Session Speakers



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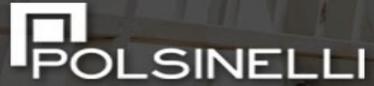
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# Nonprofit Risk Management - Nonprofit Success Institute Speaker Series

By Jonathan Blum

April 7, 2021

# What is Risk?

- Risk is:
  - The possibility of suffering harm or loss;
  - A thing or course of action involving uncertain danger.

But in a nonprofit context?

- Risk is:
  - The possible downside of any business decision.

# How do we deal with Risk?

In every business decision, we consciously or unconsciously take one of the following paths (or a mixture of them):

**AVOID**      the risk – don't proceed

**MITIGATE**    the risk – implement procedures to reduce the possibility

**ACCEPT**      the risk – take the chance

**EXPLOIT**     the risk – capitalize on the risk

# Nonprofit Risk

What keeps you up at night?

# The New Normal



# Nonprofits: Surviving the Now

- Balancing:
  - Ensuring well-being of staff, volunteers and event/program participants, and cancellation of in-person events and programming;
  - Increased demand for services; and
  - Providing virtual services, when possible, to those in need.
- Adjusting to post-vaccine environment

# Today's Topics

- Volunteer/Employee Risk
- Insurance
- Event Risk
- Financial Risk
- Legal Risk
- Reputational Risk
- Enterprise Risk Management



# Volunteer/Employee Risk

# Returning to Work

- Follow CDC and State guidelines
- Evaluate workplace safety – OSHA safe workplace
- Review handbook and sick policies
- Evaluate workplace policies and procedures
  - Mask compliance/social distancing
  - What do to if someone is infected
  - How to encourage vaccine

# Common Employment Risks

- Employee vs. Independent Contractor
- Wage and hour issues
- Discrimination and harassment
- Leave and disability
- Employee handbook/policies and procedures
- Payroll tax issues

# Volunteers

- Are volunteers different from employees?
- How can volunteers put the organization at risk?

# Volunteers

- Screening
- Training
- Management/Supervision
- Avoid bad things/bad acts
- Age Appropriate
- Procedures in place prior to COVID-19 are still important!
- Evaluate what translates to a remote volunteer
- Continue to inform about important issues like confidentiality
- Review existing volunteer agreements – are they sufficient?



# Maintain a Safe Place for Volunteers

- Clearly articulate to employees/volunteers what the screening process will look like.
- Recommended to secure consent and authorization to detection measure

# What harm can volunteers do?

Where do we begin...? (from bad to worse)

- Bad PR
- Accidents; property damage
- Breach confidential information
- Lawsuits
- Risk your tax exempt status
- Violate laws

# Insurance

# Types of Insurance

- General Liability
- Property
- Auto
- Workers' Compensation
- Umbrella
- Director & Officer
- Crime
- Cyber
- Others

# Insurance

- Limits of Liability
  - Individual
  - Aggregate
- Specific Endorsements
  - Volunteers
  - Participants
  - Watercraft
  - Others

# Insurance Certificates

- Proof of Insurance – Understand what it all means
- Being Named “Additional Insured”
- Waiver of Subrogation

# Event Risk

# Event Risk

- Third Party Event vs. Organization Event
- Operations/Execution
- Promotion/Publicity
- Liability/Insurance
- Financial controls

# New Event?

- Step 1: Risk Identification and Assessment
  - *Is this the right event for us?*
- Step 2: Capacity Assessment
  - *Can we handle this event?*
- Step 3: Insurance coverage
  - *Are we covered for this?*
- Step 4: Risk Control
  - *How can we make the event safer?*
- Step 5: Event Management
  - *Are we prepared for an emergency?*

# Other Risk Mitigation Steps

- Understand the scope of your insurance coverage
- Follow state and federal re-opening guidance
- Implement appropriate training
- Do not oversell steps that you are taking to protect volunteers and third parties



# Financial Risk

# Financial Risk

**Fraud can only occur when opportunity, pressure, and rationalization are all present.**

## The Fraud Triangle



# Fraud Triangle

- **Opportunities** stem from inadequate or no:
  - segregation of duties
  - supervision and review
  - internal controls
- **Pressures** can be imposed due to:
  - personal financial problems
  - personal vices
  - unrealistic deadlines and performance goals
- **Rationalization**

# Embezzlement Facts

- Avg. time as employee – 8 years
- 33% in finance or accounting role
- Median loss: \$357,650
- 79% involved more than one person
- 24% involved theft of cash
- 38% involved manipulating accounting systems
- 65% of cases, someone noticed something
- 45% filed criminal charges

# Fraud Prevention

- **Focus on removing opportunities.**
- Design controls to make it difficult for fraud to be committed and remain undetected
  - Security controls/Monitoring controls
- Education and training
- Conduct internal audits
- Prosecute staff/volunteers found committing fraud



# Legal Risk

# Legal Risk

- **Civil liability?**
  - Anyone can sue for anything (successfully?)
  - Insurance coverage
  - Halo effect?
  - Charitable Immunity and Liability Act of 1987
- **Criminal liability?**
  - Fraud, theft, criminal acts, alcohol
  - Who is responsible?

# Legal

- Contracts - risk allocation/risk shifting
- Appropriate approvals/signatories
- Permits
- Raffles/Casino events
- Waivers
- Good governance – fiduciary duties
- Tax compliance



# Reputational Risk

# Reputational Risk

- Greatest asset of a nonprofit: **donor trust**
- What would it take to tarnish that trust?
- What would it take to rebuild that trust?
- How long would it take?

# Reputational Risk

- Reputation of Sponsors
- Unofficial spokespersons
- Acts/failures of employees and volunteers
- Marketing/mission dissonance
- Injuries/accidents
- Fraud/theft
- Litigation
- Attorney General/IRS action



# Enterprise Risk Management

# Enterprise Risk Management

- The aggregate of our “risk decisions” affects how much risk our organization takes.
- As an organization, we must:
  - Identify and Assess the risks we face
  - Plan and Manage our response
  - Measure and Monitor our effectiveness

This is Enterprise Risk Management (ERM)

# Key Questions for Discussion

- Who determines our risk tolerance?
- What is our appetite for risk?
- How can we help each other evaluate risk?
- Who is accountable for the risks we take?
- What are our biggest risks? (Hint: loss of tax exemption, violation of law or damage to reputation)

# Questions?

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# Join us at our next session!

- Board Recruitment
  - Wednesday, April 21
  - 1:00pm-2:30pm



Errika Flood-Moultrie  
ConnectThree, Dallas TRHT



Ronnie Hagerty  
United Way of Greater Houston



Taylor Toyne  
For Oak Cliff

# THANK YOU

for joining this Nonprofit Success  
Institute session!