How Nonprofit Organizations Manage Risk

Authored by:

Ron Matan, CPA
Bridget Hartnett, CPA

Published
Summer 2011

ABSTRACT

The objective of this white paper is to define “risk” as it applies to the nonprofit sector, identify the key areas of risk unique to these organizations and provide a detailed analysis of the types of risk faced by the nonprofit community.

The authors include suggested methods and processes for efficiently and effectively managing the juggling act required by all nonprofit leaders to balance risk and reward.

Table of Contents

1. Define “Risk Management” and “Enterprise Risk Management” for Nonprofit and Social Services Organizations

A recent article, “Increasing Risk Awareness for Mission Critical Objectives of Nonprofit Organizations”, published by the America Institute of Certified Public Accountants (AICPA), states, “…greater risk awareness is becoming an expected best practice in overall governance of an organization. Knowing that organizations, including not-for-profits, must assume risks if they want to further their mission, executives are now seeing the strategic value of being more informed about those risks that might positively or negatively affect their mission goals and objectives.”

It is obvious that the nonprofit community is as susceptible to the dangers posed by potential risks as they work to achieve their goals, as is the for-profit business community.

However, the concept of risk and risk management is seen through a unique “lens” when applied to the nonprofit sector because, unlike the corporate world where business owners and CEOs determine policy, in the nonprofit world so many of these critical decisions are left to the volunteer leadership, such as board members, and to paid staff. It is this group of nonprofit influencers who will be ultimately held responsible for deciding how conservative or adventurous the nonprofit should be, what approach to take regarding managing risk, and how the risk can be shared by the organization’s stakeholders. This distinction between the for-profit and nonprofit decision makers is important to bear in mind

Risk Management is defined as the process that is adopted to plan for the possibility that events may cause harm to an organization, focusing specifically on risk associated with board members and volunteers, staff, programs and events, services offered, operations, technology and financial management

Enterprise Risk Management (ERM) as a process goes one step further, enabling nonprofit leaders to ensure that their objectives are being met while identifying and managing both internal and external risks across the entire organization. By analyzing the vulnerability of the entire enterprise, the leadership is able to link all of the related risks to the organization’s key initiatives and by doing so can better and more efficiently mitigate the impact of risk within each circumstance.

For the purposes of this white paper, ‘risk’ is more broadly defined and complex than simply ensuring protection against disaster by instituting Directors and Officers insurance policies, safeguarding funds, or obtaining the accurate coverage in the organization’s Property and Casualty plan. While it is more common to focus on insurance policies that safeguard the organization from law suits of all kinds, nonprofits also need to address the more subtle risks that are often taken to enable them to achieve their mission. If, for example, they assume too conservative an approach they may follow a path that limits the ability of the group to reach its goals. On the other hand, an unreasonable amount of risk may be equally as poor a strategy.

It makes more sense that nonprofits that integrate corporate governance, strategic planning and risk management are better able to meet their mission and achieve their vision as they strike a balance between pursuing their growth goals and addressing the risks related to those initiatives.

Each organization can scrutinize the most obvious areas that are likely to have risks associated with them such as strategic activities, financial activities, operational activities, compliance initiatives and reputational concerns.

According to Charles Tate, in an article entitled “So What is Risk Assessment?” these activities can be defined as follows:

Strategic activities – which include the quality of programs, the organization’s physical capacity, the success with which the nonprofit achieves its mission, the demographics of donors, the transparency of the group, and the management of the changing expectations of donors, clients and staff, especially when funders are seeking quantitative measurements as proof of impact and different outcomes prevail rather than as initially anticipated;

Financial activities – which include efficient use of office space, personnel, deferred capital maintenance, cost of capital (debt), cost of programs and services, management of endowments, cost of new technologies and the use of all resources;

Operational activities – which include systems related to finance, technology and administration along with internal controls, security, internet access, electronic records (ex., donor databases), human resources and succession;

Compliance concerns – which include regulatory accountability and implementation of processes that can impact the ability to attract federal funding, tax exemption status, and contracts;

Reputational concerns – which include mistakes in any of the above areas, leading to damaging or diminishing the organization’s reputation and perhaps future fund raising.

2. Provide a Detailed Analysis of the Traditional and Non-Traditional Areas Vulnerable to Risk in the Nonprofit Community

Identifying and assessing areas at risk is a key to managing the process for nonprofits, especially as new, more complex assessments are proving to be important for decision making. Nonprofit leaders must keep an eye on traditional sources of risk while also learning to link mission critical strategies with key risks. Reviewing the organization's top strategic initiatives (programs, events, service offerings) is one way to begin identifying those areas of greatest exposure for the group.

Here are some of the most common areas that have a high potential for risk:

- Special Events and Other Fundraising Risks

  A nonprofit can be at risk on several different levels regarding both individual fundraising and fund raising through special events.

  When hosting a major event such as a Gala, a blood drive, a golf outing, a Bowl-a-thon or any other similar program, there is always risk attached. No matter how well planned, the event can be a disaster if anything goes wrong. To side step the possibility of risk, the nonprofit can adopt some preventative measures when preparing for any event.

  To begin with, the event must be mission appropriate. Keep in mind that the event represents the organization and supports its vision. The event must be carefully crafted and thoughtfully executed so that it can not only promote the organization but also meet its social and financial goals. The bigger the event, the bigger the audience, thus the more planning that is required for success. To accomplish this, there should be an event director and a committee, whenever possible, devoted to planning, directing and managing every logistic detail and ensuring continuous communication. In addition, all activities surrounding the event must be reviewed for safety precautions to eliminate the possibility of injury.

  There are other types of risk surrounding fundraising besides those that occur during a special program. Of course, not all fundraising is done through major events. In fact, most nonprofits count on individual donors for the majority of their revenue generation. Whether using a list broker for direct mail and email campaigns or sending messages to Twitter followers, nonprofits can run into all sorts of challenges and risks when interacting with donors on a personal level.

  The laws governing nonprofit solicitations and the deductibility of individual contributions have grown much more complex over the years. Current regulations require donors and beneficiaries to keep precise records and to report on the scope of their financial involvement.

When communicating with individual donors, the nonprofit should avoid aggravating the donor with repeated solicitations or violating privacy concerns; accepting a donation from someone who doesn't embrace the same values and ethics as the nonprofit, or handling bequests inappropriately. Donations of real property can also be a source of risk for a nonprofit either because the organization doesn't conduct appropriate due diligence on donated property when valuing the benefits of such a donation or because there is a potential legal liability if the donated property is found to contain environmental hazards. Remember that real estate donations may not end up being as lucrative as they appear and take all precautions to alleviate risk.

- Volunteer Risk

Volunteers are the life blood of the nonprofit world. Many organizations rely heavily on their volunteers to take on formal responsibilities, such as when they accept the role of board member, as well as to drive many of the programs and fund raising efforts. While most volunteers are passionate about the mission and dependable regarding their duties, nonprofits need to be aware that there can be some 'surprises' if they do not prepare properly. Understaffed and overworked nonprofits can tend to accept volunteers based on the 'warm body' theory – taking any warm body and putting them to work on projects and programs. This can lead to incredible risk if there is no vetting process to ensure that volunteers meet a certain criteria. And even with a process for checking out the volunteers in place, there can still be issues that put the group at risk. There is always the possibility that the most energetic and engaged volunteers can land the organization in hot water if they are not given the appropriate tools and education.

With this in mind, training programs should be mandatory for volunteers, depending on their role within the organization. All board members should attend orientation programs where they learn of the scope of their participation and the expectations regarding their contributions of time and resources.

- Financial Risk

Insufficient internal controls, programs that continuously run at a deficit or ineffective fundraising activities can all put the organization at risk.

It is equally as important for executive directors and boards of nonprofits to have strong internal controls in place to deter or prevent fraud as it is for the for-profit business owner or CEO. The waste or theft of the organization's assets can be avoided with proper controls and separation of duties. This is particularly important for organizations that have only a few staff members performing all the administrative tasks. Under these circumstances, the bookkeeper may be opening the mail, paying the bills, handling the incoming revenue, and even preparing payroll. If so, the organization is in an extremely vulnerable position.

That trusted employee, given the right conditions, can begin to take advantage of the board's trust and the opportunities they have for mishandling funds due to few checks and balances on their daily activities.

Costly and inefficient programs can also put the organization in a dangerous financial situation as can fund raising activities that are not carefully managed and measured. To mitigate these issues, nonprofits can rely on accurate budgets and financial forecasts to keep them out of trouble.

The budget, prepared by the treasurer or others with a strong financial background, should reflect the organization's ability to accomplish its mission.

Reasonable (conservative) opportunities for generating revenue, including fundraising, donations and grants, as well as a realistic assessment of all costs related to achieving the group's mission, are all a part of the budget process. Resources are distributed and programs developed based on the picture that is portrayed by the budget. If the budget does not reflect a truthful representation of the group's financial standing, the organization can be at risk.

Lastly, while poor financial decisions and investments can always pose a problem, as can unexpected economic shifts (as we have been experiencing for the last few years), with careful use of outside professional advisors such as financial management experts, this risk can frequently be minimized.

- Staffing Risk

Employers at both for-profit and nonprofit organizations are always vulnerable to claims from angry employees, but the nonprofit sector, with its reputation for carrying out the greater good, bears an additional burden of responsibility to staff. Because of this reputation for perpetuating good will, nonprofits face additional obstacles regarding fair treatment. Employees may unfairly anticipate that the nonprofit environment will be more nurturing and supportive than that of a corporate institution. Many future employees also expect that a nonprofit organization will offer a more informal, easy-going atmosphere than that of a typical business environment. Sometimes nothing could be further from the truth! Nonprofits are forced to do more with less, and executive directors are stretched beyond their limits as they deploy limited resources to provide much needed programs and services for their constituents, while in many instances relying on sometimes undependable volunteers to fill in the gaps. Instead of a warm, welcoming and relaxed atmosphere, employees may find themselves in tense situations as they scramble to attract donors and serve the community at the same time in order to carry out the organization's mission.

It is not surprising that 85% of all insurance claims filed under Directors and Officers (D&O) Liability policies are employment related. The percentage is high, indicating that any nonprofit is at risk in this area.

To address the concern of staffing risk, nonprofit leaders need to institute the same employment practices as their for-profit counterparts. Even though this may seem especially burdensome for a small organization, nonetheless, they should adopt reasonable employment practices, including the following:

-Write and continuously review employee manuals and handbooks – for both paid staff and volunteers (having written manuals ensures consistency and helps avoid ambiguity and confusion) that include all personnel policies

-Write and continuously review hiring, disciplinary and termination procedures

-Develop written job descriptions, complete with specific areas of responsibility

-Support the board of directors who are engaged in performance reviews for the Executive Director and include a written evaluation and compensation suggestions

-Remind all staff of both the nonprofit's anti-harassment policy and its whistle blower protection policy

-Provide a safe, clean, healthy environment that is designed to prevent accidents

-Involve the board of directors in all staffing decisions and policy making

- Restricted Grants Risk

Nonprofit organizations struggle to gain adequate funding, and in many cases are very eager to apply for grants that can help them close the gap between revenue and costs.

With current government cut backs and individual donations slowing, many nonprofits have turned to grants as an alternative. The competition is fierce and the desire to gain the grant may cause some nonprofits to over promise when they are making their case.

If the grant is awarded and the nonprofit cannot fulfill its part of the bargain, the leadership is putting the entire organization at risk. Restricted grants, by their very definition, have strings attached. It is the responsibility of the nonprofit to recognize these limitations and weigh the costs and benefits associated with the grant before applying. This means reading the application completely to gain a full understanding of the expectations of the funders.

Complicated scenarios are becoming more common, and the burden is on the nonprofit to manage the funds provided by the restricted grants appropriately. Here are some suggestions provided by the Nonprofit Risk Organization regarding restricted grants:

-Pursue restricted grants with caution and accept the temporary nature of all projects supported with restricted funds. (Be especially careful when hiring project specific staff for programs that may not be sustainable)

-Acknowledge, identify and monitor the strings which accompany a restricted grant. Read all agreements, donor letters and other funding documents.

-Carefully monitor all expenditures for restricted grant projects to ensure that spending does not exceed grant revenues.

-Avoid restricted grants that require institutional growth or projects that may not be sustainable once the funding cycle is over.

-Plan carefully and communicate expectations to key parties.

-Always assess your grant-seeking practices, prospective funders, and partnership opportunities in relation to the organization’s mission and goals.

- Reputation Risk

Reputation risk in the nonprofit sector can bring a loss of confidence in the organization, resulting in a decline in demand for its services, diminishing donor support, fewer volunteers, or even a withdrawal of strategic alliances and collaboration partners. The nonprofit may not even be aware that its reputation is being tarnished until some of the situations described above occur repeatedly. Most assume that they are protecting their good reputation and keeping it from risk by providing good services for constituents and following established policies. But this is not always the case, especially in today’s technology driven climate. Poor scores on sites like Charity Navigator, inadequate or missing information on GuideStar, the voice of bloggers, unhappy donors who take to complaining on Facebook, or even a special event gone awry can all bring reputation risk to even the most well regarded organization.

To combat these challenges, nonprofit leaders must listen to their stakeholders, ask their board for advice, and consider all feedback as essential. Every nonprofit should provide communication channels that encourage compliments, complaints and concerns as well as suggestions for improvement.

Conducting an occasional survey of donors and volunteers can help bring their opinions to light. In this way, a nonprofit can identify what they are doing that is effective, what their supporters most appreciate, and if they refer others to the group (the sign of a truly loyal supporter is a referral).

It is important to remember that a dollar value can’t be placed on a good reputation - and it isn’t covered by an insurance policy as some other risks are! A strong reputation is key to attracting donors, volunteers and constituents by building credibility, confidence and trust.

To protect its reputation from risk, the organization needs to be proactive, ask questions, listen to answers, and stay in touch with all stakeholders, encouraging an open and candid dialogue.

3. Discuss Solutions for Managing and Balancing Risk and Reward

Before presenting solutions for managing risk, two questions that beg an answer are “How much risk is appropriate?” and “Who should determine the level of risk?”

While volunteers, staff and donors may make this determination, as stewards for the community, they are acting on behalf of all those who benefit from their mission. This responsibility complicates the situation. “The ambiguity of who bears the risk, and what levels of risk taking are appropriate, impacts directly on nonprofit decision making” notes Dennis Young in his working paper for the Nonprofit Studies Program at Georgia State University.

Whether leaning toward a conservative approach because they are reluctant to take chances with resources entrusted to them by others or embracing a more entrepreneurial approach founded on the idea that they are expected to lead social change, the influencers with the nonprofit need to carefully weigh all options and elect a systematic, strategic approach that supports their mission without being irresponsible.

To begin such a process, the nonprofit can establish a committee to develop its risk management program. Committee members should be included from various segments of the nonprofit, including administration and operations, finance, volunteers, programming, and development. Select board members and the executive director should be included as well.

The next step to managing risks is identifying those situations (perhaps isolate the Top 10) where it is anticipated that risk is most likely to impact the nonprofit organization, from loss of grants to special events to facilities management to volunteer management to fundraising and everything in between.

There are also unanticipated situations that can occur. Perhaps changes in the community have taken place and they are contemplating offering new programs to address shifting issues; perhaps it is necessary now to expand capacity; a change in vision may necessitate the firing of the Executive Director, or diminishing funds may encourage collaborating or even merging with another organization with a similar mission. In each of these unexpected scenarios, the nonprofit needs to be able to execute a fair decision that will lead to success without incurring unacceptable levels of risk.

Each organization may have its own concerns, but they also need to be alert to common risk issues such as being responsible for a guest becoming injured at a fund raising event, a technology glitch that breached the confidentiality of donors’ gifts, or an employee theft. The smart nonprofits will assess all possibilities and prepare for them.

This also means disaster preparedness. For further information on this, please see our white paper, “Disaster Planning and Business Continuity for Nonprofit Organizations: Preparing for Disruption” published in Spring 2010.

The third step necessary is for the committee to assess each area of risk and determine how likely it is to occur. This is critical because the list for potential risky situations is long, and given the nonprofit’s limited resources and time, the expectation of risk must be prioritized to allow attention to be paid to those areas that will do the most harm.

In the current environment, risk and risk management are board responsibilities. As such, for those nonprofits that have an audit or finance committee, or an executive committee that assumes these functions, these committees should be expanding their role to include not only financial reporting, but also assessing the organization for risk. While the Sarbanes-Oxley Act of 2002 does not mandate an internal audit for nonprofits, many organizations of all sizes are enforcing some component of risk assessment and the implementation of internal controls at a level practical for their size and resources.

For the board in general and the audit committee specifically, identifying risk is a good start, but the critical step is to develop the policies that in all likelihood will prevent it from occurring. Controls are only effective when they are implemented consistently and updated and reviewed regularly. Everyone involved must understand the risk management processes and adhere to them without exception. Training may be needed to ensure responsibilities are carried out.

4. Case Study

In order for an organization to determine its long term goals and identify the best approach for achieving those goals, it is imperative to align its strategic direction with its key risks. Successful strategic initiatives must be designed to accommodate the views and requirements of a variety of constituents. In other words, organizations need to implement a process that is designed to attain long term goals while managing those key risks that prohibit the organization from attaining its mission. In order to achieve these strategic growth milestones, organizations will be faced with "roadblocks" which form the cornerstone of an organization's risk assessment.

Whether it is a for-profit or nonprofit entity, certain risks will be prevalent in all organizations, while other risks are unique to the organization and its objectives.

In addition, nonprofit organizations face a regulatory and operational environment that is constantly changing. As a result, they should always be seeking ways to improve the efficiency, effectiveness and security of their operations. One of the best ways to do this, and stay ahead of the inevitable changes, is to perform an annual risk assessment.

A 'Risk Assessment' is the process of identifying all the risks to and from an activity while assessing the potential impact of each risk.

CASE STUDY

As this real world case study demonstrates, the first step in implementing a risk assessment is to become familiar with the organization's strategic plan and any risk factors or deficiencies identified by their external auditors. Additional considerations should be made as to whether there has been turnover in key management positions and the overall moral of the employee base.

What the initial interaction showed was that this nonprofit client had a strategic growth initiative that focused on competing for discretionary dollars in a weak economy, continuing to remain a viable entity, implementing the right mix of skills and diversity found within the Board of Trustees, and having an overall cohesive vision. These strategic initiatives are common in many non-profit organizations and certain key risks are associated with these initiatives.

The following were the risk categories that were identified as integral to the nonprofit's strategic growth initiative:

- ***Operational Risk**:* The possibility that sloppy, inadequate, ineffective or incompetent back office activities will interfere with normal healthy business functions.
- ***Strategy Risk***: The risk that the organization hasn't carefully established viable plans for operations, finance and asset/liability management.
- ***Fraud Risk***: The possibility that "deals" made are not genuine or bonafide. Fraud risk also includes the chance that deals are not arms length, that deals are not legal or that there is increased risk of misappropriation of assets.
- ***Market Risk***: The risk that investments, etc. will decline as a result of fluctuating markets and/or the risk of not being properly "hedged."
- ***Compliance/Regulatory Risk***: The possibility of engaging in transactions that violate laws, statutes, etc.
- ***Legal Risk***: The possibility of lawsuits.
- ***Environment Risk***: The possibility of environmental issues arising in real estate owned or on properties which the organization operates.
- ***Management Risk***: The possibility that the competency, judgment and integrity of management and their actions will jeopardize the value of net assets.

To proceed, meetings were scheduled with the operations and line staff, the executive team and members of the board to disclose the risk tolerance of the organization. This information, coupled with the information gathered during the planning stage, was pivotal to indentifying and scoring the individual risks and risk categories.

At the onset of the risk assessment, an employee from the organization identified the risk categories that were affecting the organization and determined the risk factors for each risk category. Risk factors were the criteria used to identify the relative significance of, and likelihood that, conditions/events may occur that could adversely affect the organization. Risk factors for this nonprofit included:

- **Management's Tone from the Top:** This is the ethical (or unethical) atmosphere in the nonprofit environment as perceived by the employees and board members. Management's tone has a trickle-down effect on everyone involved, which means it is likely that if top managers uphold ethics and integrity so will employees. But if upper management appears unconcerned with ethics and focuses solely on the generating of funds or donations, employees will be more prone to commit fraud because they feel that ethical conduct isn't a priority.

- **Complexity of Process:** The scope and complexity must be measured, so each process should be reviewed and a determination made as to how complex the process is. Each process should be rated based on this assessment, (high, moderate, or simple).
- **Volatility of Process:** This risk factor poses the question regarding how easily the process can change. Each process should be rated based on this assessment (high, moderate, or simple).
- **Materiality of Process:** To determine materiality, the organization must be able to address the financial impact of the process on the nonprofit. The materiality of each process should be rated high, moderate or low, based on this assessment.
- **Volume:** To address volume, the organization must understand how many units are at risk and how often is the process performed within the organization. Each process should be rated based on an assessment of volume as high, moderate, or low.

After the nonprofit had a clearer understanding of the risk categories and risk factors it potentially faced, and had an understanding of how much risk the key people in the organization were willing to accept, it was time to focus on their operations manager and their business processes.

The nonprofit developed a scoring system for the risk factors, typically (1 for high risk, 2 for moderate and 3 for low). While documenting these risks the nonprofit categorized the risks (operational, financial, strategic, etc.) and subsequently, scored the risks. After the risk activities were scored, the nonprofit ranked the risks from high to low risk.

As a result of this process, the board of directors gained a solid understanding of the risks in the organization and a roadmap to improve their internal control structure. As importantly, this nonprofit understood the “obstacles” / “roadblocks” to accomplishing their strategic initiatives and directives.

5. Sample Risk Assessment Plan Outline

This outline below, provided as a template from the Risk Management Tool Kit website, provides some guidance and ideas for nonprofit leaders to consider when drafting their own plan.

TABLE OF CONTENTS

1.0INTRODUCTION
1.1 Purpose and Objectives

(A Risk Management Plan should begin with a forthright statement that explains the group's philosophy concerning risk and risk management. This introduction sets the tone for the plan, by laying a foundation based on the organization's approach to risk.)

2.0 PROGRAM SUMMARY
2.1 Description
2.2 Acquisition Strategy
2.3 Program Management Approach

3.0 RISK-RELATED DEFINITIONS
3.1 Technical Risk
3.2 Schedule Risk
3.3 Cost Risk
3.4 Risk Ratings

4.0 RISK MANAGEMENT STATUS AND STRATEGY
4.1 Risk Management Status
4.2 Risk Management Strategy

5.0 ORGANIZATION
5.1 Program Office
5.2 Responsibilities

6.0 RISK MANAGEMENT STRUCTURE AND PROCEDURES
6.1 Risk Planning
6.2 Risk Assessment
  Identification
  Analysis
  Risk Rating
  Risk Prioritization
6.3 Risk Handling
6.4 Risk Monitoring
Risk Management Information System (RMIS), Documentation, and Reports

6. Conclusion

With all the changes taking place today, nonprofits face risk from many different situations. Along with the traditional risks that accompany financial decisions, managerial activities or human resource issues rising from interaction with staff or volunteers, there are other less traditional types of risk that are appearing on the horizon.

For instance, quickly growing technological advances have brought great advantages as well as the potential for major consequences. Nonprofits have to carefully guard their databases, protecting the confidentiality of donors. Names and contact information cannot be shared, and caution has to be taken against the dangers of hackers and other technological glitches that jeopardize the volunteers, donors and constituents.

Other technological advances, such as the increased use of social media, provide opportunities for nonprofits at the same time they create critical concerns. Through technology such as Facebook, Twitter, websites and blogs, donors and constituents can easily locate a nonprofit organization, spread the word regarding its mission, sign up to get involved or engage in on-line giving. However, all of these amazing communication tools have a dark side that presents risk for the organization. Once a statement is made on-line it becomes public, taking on a life of its own and reverberating throughout the local, regional and even global community in seconds. Bloggers are free to speak their mind with little or no censorship and friends can share good news – and gossip – on Facebook that can enrich or destroy the nonprofit's reputation.

Competition from other similar nonprofits also creates a risky situation. There are more nonprofits now than ever before, and all compete for the mind share and heart share of the same audience. In any economy, the fight for the discretionary dollar is intense.

Finally, the demand for better measurement and transparency has caught up with the nonprofit world just as it has impacted the for-profit business community. Websites like Charity Navigator gather information about nonprofits from sources like the 990 forms and, by implementing an elaborate rating system, evaluate and judge the effectiveness of the nonprofit. Their independent and unbiased recommendations regarding the viability and trust worthiness of the organization can have a significant positive impact on the group's success, or can put it at tremendous risk for loss of reputation and standing in the community it serves.

To address all of these types of scenarios, the smart leaders of nonprofit organizations, both large and small, are assuming a more structured, disciplined approach to managing all risk factors across the entire organization wherever they routinely occur, while putting simple processes in place to prevent risk from happening in the first place.

7. Citations

Enterprise Risk Management on a Budget. Corey Reinker. May 2011.
www.watkinsmeegan.com.

So What is a Risk Assessment? Charles Tate. January 2010.
www.tatetryon.com.

Managing Risk Within Nonprofit Organizations. White Paper Nonprofit Series. Pacific Continental Bank.
www.therightbank.com.

How Nonprofit Organizations Manage Risk. Dennis R. Young. June 2003. Georgia State University. Andrew Young School of Professional Studies.

Managing a Nonprofit Means Managing Risk. Leigh Tucker. July 2009.
www.massnonprofit.org.

Managing Risk in Budget Forecast. The Nonprofit Risk Management Center.
www.minnesotanonprofits.org.

Managing Risk. Thomas A. McLaughlin. The NonProfit Times. February 2008.

Staffing the Nonprofit Workplace – Steering Clear of Pitfalls.
www.nonprofitrisk.org

Why Risk Management in Relation to Volunteers?
www.nonprofitrisk.org

Financial Risk Management: Key to Your Nonprofit's Health
www.nonprofitrisk.org

The Road to Safety
www.nonprofitrisk.org

Managing Special Events Risk
www.nonprofitrisk.org

Managing Restricted Grants: Routine or Risky Business?
www.nonprofitrisk.org

The Eye of the Beholder: Managing Reputation Risk
www.nonprofitrisk.org

Don't Be Ensnared By the Risks of Fundraising
www.nonprofitrisk.org

www.mitre.org

www.myriskmanagementplan.org

Case Study provided by Noah Kessler, Sobel & Co.

8. About the Authors

Bridget Hartnett

Bridget Hartnett, CPA, a member of the Firm at Sobel & Co., has more than thirteen years of experience in public accounting which she draws on to provide high level services for clients.

<u>Experience in the Nonprofit Niche</u>
Bridget spends most of her time working closely with clients in social services and nonprofit areas, including educational institutions. As a member in the firm's Nonprofit and Social Services Group, Bridget supervises the audit engagements conducted by Sobel & Co. for the Cerebral Palsy Association of Middlesex County, the Youth Development Clinic of Newark and Catholic Charities of the Trenton, Metuchen and Newark dioceses, Freedom House, and C.J. Foundation. In addition, she handles all of the firm's education audits and holds a Public School Auditor's license. Bridget is also responsible for reviewing and overseeing the preparation of nonprofit tax returns.

<u>Philanthropic and Social Service Commitment</u>
Bridget carries her commitment to social services beyond the work place to include her personal involvement in several areas, such as at St. Benedict's school in Holmdel where she is always available for volunteering for projects and special events as needed as well as giving her resources and time to various children's charities, such as the New Jersey Chapter of Make-A-Wish and others. She is also a volunteer with professional business groups in the New Jersey community, including Monmouth Ocean County Nonprofit Committee and the Western Monmouth Chamber of Commerce where she helped to found the successful Young Professionals' Group and currently serves as Co-Chair and founder of their newly formed Nonprofit Committee. Bridget is also an active member of the New Jersey CPA Society's Nonprofit Interest Group.

<u>Professional Credentials</u>
As a licensed Certified Public Accountant in New Jersey, Bridget is a member of both the American Institute of Certified Public Accountants (AICPA) and the New Jersey Society of Certified Public Accountants (NJSCPA).

<u>Educational Background</u>
Bridget graduated with her Bachelor of Science degree from Montclair State University.

Ron Matan

Ron Matan, member in charge of Sobel & Co.'s Nonprofit and Social Services Group, brings a unique blend of public accounting and business acumen to every client engagement. A key member of Sobel & Co.'s Leadership Team since joining the firm in 1997, Ron works primarily with non-profit organizations, including United States Department of Housing and Urban Development ("HUD") projects, A-133 engagements, and low income housing tax credit programs ("LIHTC").

<u>Experience in the Nonprofit Niche</u>
As member in charge of the firm's Nonprofit and Social Services Group (A-133 and HUD audits and LIHTC programs), Ron is responsible for the firm-wide quality of this practice area and is the firm liaison for the AICPA's Government (Nonprofit) Audit Quality Center. With over 35 years experience in public and private industry and accounting experience with all types of nonprofit and social service organizations, Ron brings a unique blend of knowledge and insight to these specialized engagements. Ron is a Certified Tax Credit Compliance Professional and is listed in the Guide which is circulated to all State Agencies Allocating Tax Credits as well as the Internal Revenue Service. He has also taken courses in advanced training for peer reviews and performs peer reviews of other accounting firms.

<u>Philanthropic and Social Service Commitment</u>
Ron is a member of the Board of Directors of First Occupational Center where he serves as Treasurer and is a member of the Education Committee for the Mid-Atlantic Chapter of the Society of Association Executives. Ron is a member of both the Plainfield Neighborhood Health Center Board (where he serves as Treasurer) and Union County Educational Services Foundation Board. Ron was the former treasurer and board member of Kids Peace Treatment Centers for emotionally disturbed children, located in Bethlehem, Pennsylvania.

<u>Professional Credentials</u>
Ron is a Certified Public Accountant licensed to practice in New Jersey, New York and Pennsylvania. He is a member of the American Institute of Certified Public Accountants and the New Jersey Society of Certified Public Accountants (NJSCPA). Ron has been elected as Vice-Chairman of the PKF North America's Nonprofit Committee, and in June 2004, Ron was appointed to the New Jersey Society of Certified Public Accountants Peer Review Executive Committee. Ron is also a member of the NJSCPA's Nonprofit Interest Group.

<u>Educational Background</u>
Ron is a graduate of Kings College in Wilkes-Barre, Pennsylvania, where he received a Bachelor of Science Degree in Accounting

9. About Sobel & Co.

Sobel & Co. is a middle market accounting and consulting firm with headquarters in Livingston, New Jersey that has been providing nonprofit and social service organizations in the New York/New Jersey metropolitan area with audit, accounting, tax and advisory services since its inception in 1956.

The firm is distinctive in its approach to the nonprofit community because of its sincere passion for serving this sector. As it says on the Sobel & Co. website, “We work with the nonprofit sector because we feel good helping those who do good; we have a passion for helping nonprofit organizations achieve their mission of helping the world's most vulnerable.”

The firm currently works with more than 175 nonprofit organizations with revenues ranging from $100,000 to over $60,000,000. Based on this depth of experience, the professionals in the nonprofit group are keenly familiar with the issues facing nonprofits and they will apply this knowledge to bring added value to every engagement.

As a further demonstration of the firm’s commitment to the nonprofit community, several complimentary programs are offered throughout the year. These include quarterly webinars, roundtable discussions and an annual symposium on timely and relevant topics. Newsletters, articles, benchmark reports, surveys and white papers are also distributed to the nonprofit sector to provide them with access to cutting edge information.

Sobel & Co., LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS