

Risk Management ESSENTIALS

Tips, Knowledge and Tools for Nonprofit Organizations



Intensive Learning Opportunities

Risk Leadership Certificate Program (RLCP)

If you're a senior risk leader looking to take your knowledge to the next level, RLCP will help you advance your risk management capabilities to help your nonprofit's mission soar!

Join an elite group of nonprofit risk professionals for 3 immersive in-person educational sessions.

[Learn more here!](#)

Emerging Risk Leaders Certificate Program

This brand-new program is ideal for any nonprofit staff member who wants to deepen their skills and knowledge in risk management!

Join a small cohort for three entirely virtual 3-hour workshops that will build and develop your essential risk management skills.

[Learn more here!](#)

Call 703.777.3504 or email info@nonprofitrisk.org for more information.



Recession Risk: Look Back and Forward to Fortify Your Mission

By Rachel Sams

How are you sleeping these days?

Many nonprofit leaders might struggle to fall asleep due to worries about the economy. Experts believe 2023 will bring a U.S. recession, despite the economy making a stronger showing than expected at the end of the year. Fannie Mae, which finances mortgages, predicts the U.S. economy will “slip into a modest recession” in the first half of this year. Not all experts agree—but even if a recession doesn't hit, inflation could continue to crimp economic activity.

Here's some news that might help you rest more peacefully at night: Recent

recessions haven't done as much long-term financial damage to nonprofits as you might think. Nonprofits cut spending and took other cost-saving measures in response to recent recessions. But many nonprofits recovered, often sooner than expected—even in the Great Recession. In this article, we'll explore what nonprofits can learn from those downturns to help prepare for the upside and downside risks they face this year. (And don't miss stories from risk professionals about what they learned from previous recessions, on [page 14.](#))

CONTINUED ON PAGE 2

Risk Management ESSENTIALS

VOL. 32 • NO. 1 • SPRING 2023

Published periodically by the
Nonprofit Risk Management Center
204 South King Street, Leesburg, VA 20175
Phone: 703.777.3504
www.nonprofitrisk.org



Staff Directory

(All staff can be reached at 703.777.3504)

MELANIE LOCKWOOD HERMAN

Executive Director
Melanie@nonprofitrisk.org

KAY NAKAMURA

Director of Client Solutions
Kay@nonprofitrisk.org

RACHEL SAMS

Consultant & Staff Writer
Rachel@nonprofitrisk.org

WHITNEY CLAIRE THOMEY

Lead Consultant
Whitney@nonprofitrisk.org

2023 Board of Directors

President

Patricia Vaughan
Population Council

Treasurer

Joseph A. Budzynski
Volunteers of America

Secretary

Kitty Holt
Broadcat

Heather Chadwick
Teach For America

John Connelly, III
Connelly Outdoors

Paul Doman
Nationwide

David S. Kylo
Kyllo Consulting

Donna McPartland
McPartland Privacy Advising LLC

Lisa Prinz

Mary Ann Riesenber

Michael A. Schraer
Chubb

Recession Risk: Look Back and Forward to Fortify Your Mission

CONTINUED FROM PAGE 1

How the Great Recession Impacted Nonprofit Health and Hiring

The economy has changed a lot in the past 15 years, so let's take a moment to brush up on our understanding of the Great Recession.

This phrase describes the sharp decline in economic activity that started in 2007 and lasted several years. Economic experts consider the Great Recession the most significant U.S. economic downturn since the Great Depression in the 1930s.

Why did it happen? The government failed to regulate the financial industry, and that failure enabled banks to extend mortgages to people who couldn't repay them, according to a 2011 report by the U.S. Financial Crisis Inquiry Commission. Too many financial firms took risks that were beyond their capacity to manage. When some of those financial firms neared failure, credit to consumers and businesses dried up, sending the U.S. economy into a deep freeze.

The Great Recession dealt the nation a huge, complex, devastating economic blow. Yet many nonprofit organizations came through the Great Recession of 2009 without major long-term losses, according to Nonprofit Quarterly. Larger nonprofits tended to make gains during and after the recession, likely driven by growth in the health and educational sectors, while smaller nonprofits lost ground. Public charities closed at a slightly higher rate during the Great Recession than before or after, but new nonprofits kept forming as other nonprofits closed, *Nonprofit Quarterly* reported.

In the past 40 years, most recessions have not had a major impact on philanthropic giving, according to research from Blackbaud. Total charitable giving steadily increased over the last four decades, even when adjusted for inflation. During that time, only the Great Recession

had lingering effects on charitable donations. It took more than three years after the Great Recession for charitable giving to return to previous levels.

Multiple sources report that most nonprofit organizations kept their employees during the Great Recession. Nonprofit employment, unlike total private employment, actually grew during and after the Great Recession, according to research from the Federal Reserve Bank of Minneapolis.

Research from Baruch College shows that the demand for nonprofit services rose every year during the Great Recession (2009-2011), while nonprofits' ability to meet that demand declined every year. The largest number of nonprofits surveyed reported hiring freezes in 2009; fewer reported taking that action in 2010, and fewer still in 2011. Every year of that period, more nonprofits reported salary freezes, with over half of nonprofits surveyed imposing a salary freeze in 2011.

Nonprofits increasingly reduced service delivery and programming in 2011, according to Baruch College. And in each year from 2009 to 2011, more organizations reported decreasing employee benefits.

Many nonprofits tapped into their reserves during those years, which may have played a role in their ability to keep hiring, the Minneapolis Fed reports. Some nonprofits may have also accessed funding made available from foundations or governments to meet the surge in basic needs due to economic hardship.

The 2009 federal stimulus bill, the American Reinvestment and Recovery Act, might also have temporarily driven employment growth as nonprofits received stimulus money. But the Minneapolis Fed notes that nonprofit employment data didn't change drastically during the period of stimulus funding, which means the stimulus likely did not produce long-lasting effects on employment.

CONTINUED ON NEXT PAGE

Recession Risk: Look Back and Forward to Fortify Your Mission

CONTINUED FROM PAGE 2



“Here’s some news that might help you rest more peacefully at night: Recent recessions haven’t done as much long-term financial damage to nonprofits as you might think.”

Surveys show that Americans hope nonprofits will expand their activities as the need for public assistance grows during economic downturns, Christine Exley, Nils Lehr, and Steven Terry [report in the working paper](#) “Nonprofits In Good Times and Bad Times.” But nonprofits tend to act in lockstep with the economy, the authors found. Nonprofit revenue, assets, and liabilities all fall during economic downturns and rise in times of economic prosperity. External financing opportunities like foundation money and government grants often decline during downturns. Nonprofits do not spend more money

during downturns, despite the public’s wishes, according to the authors.

Still, many nonprofits rebound from recessions before too long. Nonprofits across the country have added enough jobs to exceed their pre-COVID employment totals, new estimates from the [George Mason University Nonprofit Employment data project](#) show.

Nonprofits lost at least 13 percent of their workforces in 2020, shedding at least 1.6 million jobs. But nonprofits now employ over 100,000 more people than they did in 2017, the most recent year for which comprehensive data exists, according

CONTINUED ON PAGE 4

Recession Risk: Look Back and Forward to Fortify Your Mission

CONTINUED FROM PAGE 3



“Nonprofits across the country have added enough jobs to exceed their pre-COVID employment totals, new estimates from the George Mason University Nonprofit Employment data project show.”

to George Mason. The COVID-induced recession of 2020, the shortest in recorded U.S. history, lasted only two months.

How to Survive the Next Great Recession (Whenever That Is)

Now you know that the majority of nonprofits feel real pain from economic downturns, but are able to recover. Consider how that could motivate and inspire your organization to act.

You don't know exactly when the next economic decline will hit, how severe it will be, or how long it will last. But you know the nation will face economic decline again, probably soon. How can you prepare for that reality without panic? How can your organization envision where you want to be

after the next economic downturn and take steps to get there?

Nonprofits become unusually vulnerable to surprising, unexpected events in a recession. They could take an extra hit if an unanticipated loss arises during a downturn, such as an accident like a fire, flood, or staff injury. Nonprofits could also face new uncertainties as mission-critical opportunities arise during a downturn—for example, a unique opportunity to merge with another similarly focused nonprofit.

In the past, experts often advised nonprofits facing economic stress to cut expenses to the bone. That may or may not be the right strategy for your organization at this moment of great community need and social change—especially when history

CONTINUED ON NEXT PAGE

Recession Risk: Look Back and Forward to Fortify Your Mission

CONTINUED FROM PAGE 4



tells us many nonprofits will be in a healthy place reasonably soon after a recession ends. That said, you'll need to get and keep your organization financially healthy in order to best serve your community.

If your organization has a larger financial reserve, you will be in the best position to avoid making drastic service cuts if income streams stall. If you haven't been working to build that reserve, make that goal a top priority in 2023. Don't wait until you're faced with difficult choices; start prioritizing strategies on the revenue and expense sides of your Statement of Activities today.

Here's how to get ready for whatever the economy does next.

- Craft a risk action plan to prepare your organization for uncertainties that could materialize during a downturn.
- Outline what you would do if your organization's income decreased by a third. What programs or services would you pause or scale back? How would you approach staffing?

- What types of mission-critical opportunities might arise during tough times? How could you fund those efforts?
- Consider which revenue streams offer the most promise for expansion. Could you ask your most loyal donors to contribute 10% more this year? Could you develop new revenue streams with existing resources, such as staff and board expertise?
- What expenses could you trim with the least negative impact on operations and service delivery? Could you delay any items in the approved budget without short-term repercussions? Could you delay new programs until 2024 if revenues don't match projections? Could you share costs or consolidate back-office operations with peer nonprofits?

Whatever risk action plan you undertake, know that it can't sit in a drawer (or an unopened computer file.) Economic conditions will likely change rapidly this year and beyond. Revisit your

CONTINUED ON PAGE 6

Recession Risk: Look Back and Forward to Fortify Your Mission
CONTINUED FROM PAGE 5

“Now you know that the majority of nonprofits feel real pain from economic downturns, but are able to recover. Consider how that could motivate and inspire your organization to act.”



contingency plans frequently and make adjustments as needed.

Keep Mission and Community in Mind

Nonprofit Quarterly notes that the people the nonprofit sector serves fared much worse in the Great Recession than nonprofits themselves did. People with low and moderate incomes emerged worse off financially from the recession than they were before. Charitable organizations coming out of the Great Recession may have focused too much on their long-term financial health and too little on the long-term financial health of the people they serve, *Nonprofit Quarterly* says.

That’s a sobering thought. And it’s an area where nonprofits can and must do better the next time we face a significant downturn. Current economic conditions

warrant financial prudence—but the unmet needs of our constituents warrant extra care, too. As you work to ensure your nonprofit has the resources it needs, pursue creative ways to meet the needs of your community. Look toward the future. How could you partner with others in your ecosystem to provide more assistance, and to advocate for change that will benefit your whole community?

A well-crafted risk action plan will help prepare your organization to respond to mission opportunities as well as challenges, and help you invest with care in your community even as you carefully weigh real-time resource decisions. Your risk action plan should recognize that all these issues are intertwined. You can’t provide the best service to community members if you don’t recruit and retain a talented staff and pay them a living wage.

No organization will survive for very long without making careful investments in its future and the needs of the community around it. With thoughtful planning, you can navigate risk—economic and otherwise—as you do so.

We never said meeting this year’s economic and risk challenges would be easy. Get plenty of sleep. You’ll need it.

Rachel Sams is a Consultant and Staff Writer at the Nonprofit Risk Management Center. In her previous career as a business journalist, she saw the many ways recessions affect nonprofits and those they serve. Reach her with your thoughts and questions about how nonprofits can emerge strong from recessions at rachel@nonprofitrisk.org or 505.456.4045.

Resource

“Take Action on Risk: Make a Plan, Not a List,” RISK eNews

The PHLY *Difference*

“PHLY’s property coverage form is a difference-maker to our non-profits.”

Philadelphia Insurance Companies makes insuring non-profits and human services organizations easy with property coverage forms few other carriers can offer. From religious organizations, social services, child care centers mental health, substance abuse, home health care, home medical equipment and more, PHLY provides superior claims service, customizable package policies, and an extensive spectrum of risk management service tools to meet their ever changing needs. Experience the PHLY difference.



PHILADELPHIA
INSURANCE COMPANIES

A Member of the Tokio Marine Group

Call 800.873.4552
Visit PHLY.com

Fitz Ventura
Principal
InterCity Agency, Inc.

AM Best A++ Rating | Ward’s Top 50 2001-2020 | 97.4% Claims Satisfaction | 120+ Niche Industries

Philadelphia Insurance Companies is the marketing name for the property and casualty insurance operations of Philadelphia Consolidated Holding Corp., a member of Tokio Marine Group. All admitted coverages are written by Philadelphia Indemnity Insurance Company. Coverages are subject to actual policy language.



Scope out Scenarios to Inspire Confidence During a Recession

By *Melanie Lockwood Herman*

The prospect of a recession—whether it’s the short-term variety we experienced in 2020, or the long-term version whose impact stretched well beyond 2008—should inspire a commitment to pause and reflect. None of us know how and when the most mission-impactful risks will materialize. But any planning we do now will serve us well when an economic crisis or disruption begins.

In his timeless book, *The Prediction Trap*, author Randy Park writes that “... by anticipating different possibilities for the future, you can sleep well knowing things will be taken care of no matter what happens.” The reminder to consider “different possibilities” is invaluable; as Park explains in the book, when we focus narrowly on a “single path to the future” we are likely to overlook potential off-ramps and detours, from wonderful possibilities to dreaded dangers.

There is no value in unproductive worry. To harness helpful anxiety about the future, risk leaders and nonprofit executives should turn to a tried and true planning tool for help. Scenario planning exercises can be very helpful to teams who want to position their nonprofits to survive and thrive in the future, including when that future includes a recession.

Scenario Planning in Three Steps

In its [Guide to Scenario Planning for Functional Leaders](#), the firm Gartner offers a familiar four-square template with quadrants to fill with potential outcomes under four different scenarios. To use this tool, begin by identifying two significant uncertainties facing your nonprofit this year. For example:

- Demand for/participation in our core services

- Ability to fully staff core programs
- Variance in the needs of our clientele/participants/constituents
- Turnover on the team
- Cost and availability of the supplies and materials we need to deliver services
- Volume of individual donations
- Success raising new corporate donations
- Landing new foundation grants
- Partnership/merger negotiations with another nonprofit
- Outcome of a lawsuit filed against us
- Attendance at our major event(s)

After 1) choosing 2 significant uncertainties (from the list above, or issues that make mission sense to your team), 2) identify the extreme ends of each uncertainty.

For example:

CONTINUED ON NEXT PAGE

Scope out Scenarios to Inspire Confidence During a Recession

CONTINUED FROM PAGE 8

Uncertainty #1: Demand for/ participation in our core services:

- Extreme Outcome A – demand is sky high
- Extreme Outcome B – demand is very low

Uncertainty #2: Variance in the needs of our clientele/participants/constituents

- Extreme Outcome A – clients come to us for the support we have traditionally offered: help finding social and support services in the community
- Extreme Outcome B – clients have co-occurring conditions; we do not have the staff expertise to advise these clients

Step 3 using this approach is to use the space in the chart to describe, in bullet form, the circumstances related to extreme outcomes of each uncertainty on both ends of each axis.

Following the example above you will have 4 scenarios:

- Scenario A (demand is sky high + clients come to us for the support we have traditionally offered: help

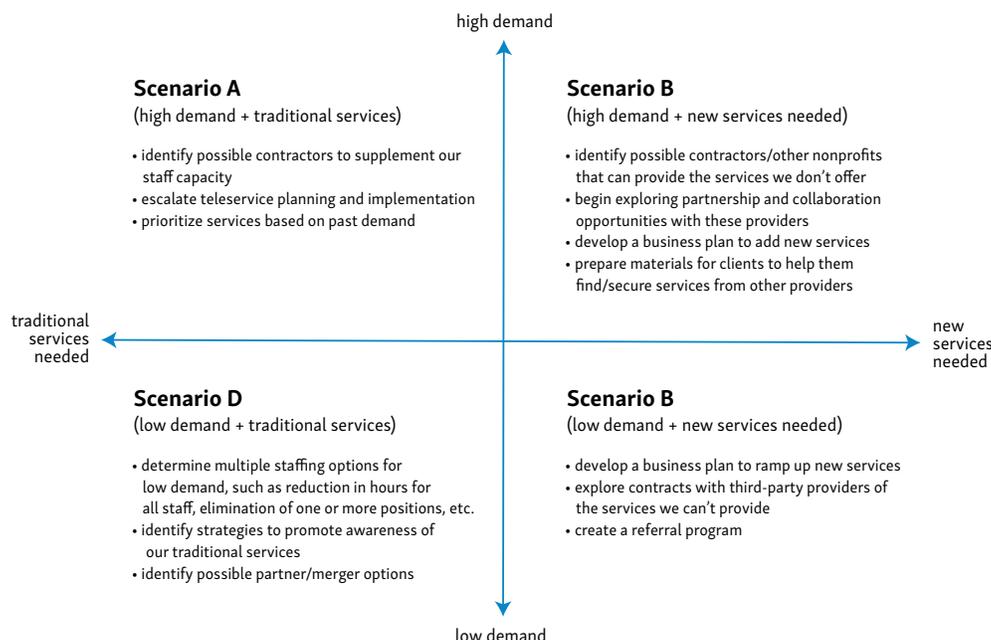
finding social and support services in the community)

- Scenario B (demand is sky high + clients have co-occurring conditions; we do not have the staff expertise to advise these clients)
- Scenario C (demand is very low + clients have co-occurring conditions; we do not have the staff expertise to advise these clients)
- Scenario D (demand is very low + clients come to us for the support we have traditionally offered: help finding social and support services in the community)

For each of the above scenarios, brainstorm practical steps your organization could take to cope. Helpful question prompts for your team might include:

- What can we do now to best prepare for this possibility?
- What changes in policy or protocols will be required?
- How will we operate differently if this scenario comes to pass?

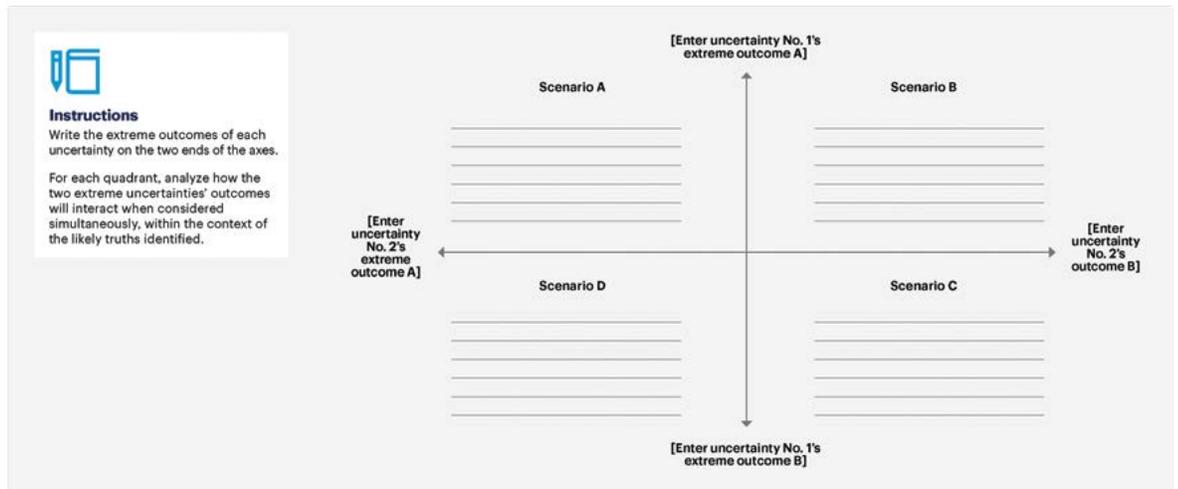
“There is no value in unproductive worry. To harness helpful anxiety about the future, risk leaders and nonprofit executives should turn to a tried and true planning tool for help.”



Scope out Scenarios to Inspire Confidence During a Recession

CONTINUED FROM PAGE 9

Below is an example of a blank four-square chart your organization can use for scenario planning.



SOURCE: Gartner: Guide to Scenario Planning for Functional Leaders

“Rally team members who can sort the signals from the noise to join the risk team for scenario planning exercises and risk action planning. Your mission will benefit from their foresight, and this example will encourage your team members to speak out in the future.”

Battle Bias as You Plan

In the McKinsey & Company article, “[Overcoming Obstacles to Effective Scenario Planning](#),” the authors point out cognitive biases that reduce the effectiveness of scenario planning exercises. They offer practical tips for recognizing and countering 3 biases relevant to any planning exercise.

1. **Availability Bias:** This bias draws us to rely on information we already know and miss the opportunity to name and discover what we don’t. To counter this bias, ask early on: what assumptions are we making? Or: What don’t we know about this scenario that we should before finalizing plans?
2. **Stability Bias:** Described as “the trap of extrapolation” in the book *The Prediction Trap*, this bias leads us to believe the future will look like the past. Humans crave stability, consistency, and familiar surroundings. The truth for all nonprofits is that the future—even in a recession similar in some fashion to

one you’ve lived through—will likely be very different from the past. To counter this bias, begin the exercise with a list of distinct, significant uncertainties. Build the scenarios by combining extreme outcomes of two uncertainties. Avoid the temptation to focus on a simple, mild-stretch scenario, such as “we experience a 10% drop in demand.” When you develop action steps in response to the extreme reaches of uncertainty, the actions you take will help if reality is not as extreme as you imagined.

3. **Optimism/Overconfidence Bias:** After navigating the COVID pandemic, many nonprofit leaders found new confidence about their ability to navigate and thrive in the face of a highly disruptive event. Many leaders tell us they are proud of how their missions weathered the initial shock of work-from-home orders and how staff teams quickly adapted to new ways of working. Your success managing through the pandemic could lead to overconfidence that your mission can

CONTINUED ON NEXT PAGE

Scope out Scenarios to Inspire Confidence During a Recession

CONTINUED FROM PAGE 10



survive any disruptive event. Counter optimism bias by taking the time to work through multiple scenarios, versus focusing on the scenario that seems most likely.

Rolling in the Deep: Tips for Productive Scenario Planning

Focus on possibilities, not probabilities. In their book *Warnings: Finding Cassandras to Stop Catastrophes*, Richard A. Clarke and R.P. Eddy remind us that “If data is in short supply, don’t worry about probability. Probability is not likely to be a useful measure when dealing with the risk of a disaster that has never occurred before, or only happened at great intervals.” In NRMC’s experience, many risk teams get bogged down trying to sort and resort their unwieldy risk registers based on wild guesses about the likelihood or probability of never-experienced, dire future risk events. What do the most worrisome risks at a typical nonprofit have

in common? They are *possible future* events: the organization hasn’t yet faced the circumstances and downside consequences that nightmares are made of. These seemingly improbable outcomes are the ideal focus for productive scenario planning workshops.

Face your inconvenient truths. What facts, possibilities, or turns of events would make it very difficult—or impossible—to achieve your #1 strategic priority? What circumstances—triggered by an economic recession—represent your mission’s Achilles’ Heel?

Search for sentinel intelligence. An individual with “sentinel intelligence” can see clearly through a “fog of indicators.” Rally team members who can sort the signals from the noise to join the risk team for scenario planning exercises and risk action planning. Your mission will benefit from their foresight, and this example will encourage your team members to speak out in the future.

Don’t be frugal. Rushed, poorly envisioned, or haphazard scenario planning exercises are unlikely to yield action-oriented plans that will protect your mission from disaster. Take time to recruit a diverse group of colleagues to participate in the exercise, determine a format that suits your circumstances, and do the prep needed to make the effort worthwhile. If the approach described in this article feels like a poor fit, review the exercises described in the resources listed on [page 13](#).

Embrace and celebrate progress. In his book, *Essentialism*, Greg McKeown writes that “Research has shown that of all forms of human motivation the most effective one is progress. Why? Because a small, concrete win creates momentum and affirms our faith in our further success.” After completing the exercise described in this article, your team will have a list of “to-do” items for each of 4 scenarios. Depending on the uncertainties you choose, the extremes of those uncertainties, and the amount of time allotted for brainstorming, your lists could be substantial. Before wrapping up the exercise, take time to prioritize those lists, eliminate steps that feel impractical in a one-year timeframe, and ask participants in the exercise to verbalize a personal commitment to keep the ball rolling. Question prompts to help identify next steps include:

- Which action step or strategy are you willing to champion or lead?
- Who on our broader team would you lift up as a possible champion or lead for any of the action steps we identified?
- What additional information or insights do we need before we can act? What are the possible sources we can turn to for that information?

Question prompts to celebrate the progress made include:

CONTINUED ON PAGE 12

Scope out Scenarios to Inspire Confidence During a Recession

CONTINUED FROM PAGE 11



“As financial markets and economic conditions continue their volatile trajectories, every nonprofit leadership team should be attuned to the possibilities that could steer a charitable mission away from its intended course.”

- What was your ‘a-ha’ moment in today’s exercise?
- How has this exercise changed your level of confidence about our ability to weather an economic storm?
- What assumptions were dispelled today?

In their book *See Sooner, Act Faster: How Vigilant Leaders Thrive in an Era of Digital Turbulence*, George S. Day and Paul J. H. Schoemaker write:

“The words no board or investor ever wants to hear about an organization’s leaders are ‘they ignored the warning signs’ or ‘they missed the boat.’ Boards don’t expect prescience, but they do rightly rely on the leadership team to see and act on early warning signs of trouble or opportunity.”

Scenario planning is a powerful tool to identify and act on ‘early warning signs’ of trouble. As financial markets and economic conditions continue their volatile trajectories, every nonprofit leadership team should be attuned to the possibilities that could steer a charitable mission away from its intended course. Scenario planning is not a ‘check the box’ activity; the outcomes of the exercise could infuse your mission with resilience to withstand an economic—or other—storm.

Melanie Lockwood Herman is Executive Director of the Nonprofit Risk Management Center. She welcomes your questions about scenario planning and creating practical risk action plans at 703-777-3504 or Melanie@nonprofitrisk.org.

Scope out Scenarios to Inspire Confidence During a Recession

CONTINUED FROM PAGE 12

Scenario Planning Resources

There are many approaches to scenario planning. The approach described in this article was inspired by the first article below, from Gartner. Risk leaders interested in designing and facilitating productive scenario planning exercises should take time to review the additional materials listed below. Each resource offers an approach and tips that could help your team prepare for a recession or other disruptive event.

What Functional Leaders Should Know About Scenario Planning – Gartner gartner.com/smarterwithgartner/what-functional-leaders-should-know-about-scenario-planning

Scenario Planning for Nonprofits Amid Covid-19 - The Bridgespan Group (this downloadable tool includes a fillable worksheet) - bridgespan.org/bridgespan/Images/articles/nonprofit-scenario-planning/nonprofit-scenario-planning-covid-19-toolkit-pdf-editable.pdf

Making Sense of Uncertainty: Nonprofit Scenario Planning – The Bridgespan Group bridgespan.org/insights/library/strategy-development/nonprofit-scenario-planning-during-a-crisis

How One Organization Used Scenario Planning to Think Through Its Covid-19 Future - Independent Sector

independentsector.org/news-post/how-one-organization-used-scenario-planning-to-think-through-its-covid-19-future/

Scenario Planning Playbook-Georgia Center for Nonprofits (includes a worksheet) - mcusercontent.com/020fc8481c18f9e7745d240b77/files/a165eb05-a40a-4e7b-ba56-a9c6876efd81/Scenario_Planning_Playbook_vhandouts_.pdf

Ready and Resilient: Use Scenarios to Plan for What's Ahead – PWC pwc.com/us/en/library/covid-19/pdf/pwc-wave-3-covid-scenario-planning-pdf-v4.pdf

Overcoming Obstacles to Effective Scenario Planning – McKinsey & Company mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/overcoming-obstacles-to-effective-scenario-planning

Scenario Planning and Strategic Forecasting – Forbes (outlines the process in 8 steps, includes sample scenario matrix) forbes.com/sites/stratfor/2015/01/08/scenario-planning-and-strategic-forecasting/?sh=3f7464d3411a

Scenario Planning Produces Better Benefits Strategies – SHRM (specific to the context of employee benefits) shrm.org/resourcesandtools/hr-topics/benefits/pages/scenario-planning-produces-better-benefit-strategies.aspx

[planning-produces-better-benefit-strategies.aspx](https://shrm.org/resourcesandtools/hr-topics/benefits/pages/scenario-planning-produces-better-benefit-strategies.aspx)

NRMC Articles on Resilience and Related Topics

“Facility Agility: Planning for Facility Emergencies,” RISK eNews, nonprofitrisk.org/resources/articles/facility-agility-planning-facility-emergencies/

“How to Handle the One Thing That’s Certain: Uncertainty,” RISK eNews, nonprofitrisk.org/resources/articles/how-to-handle-the-one-thing-thats-certain-uncertainty-2/

“How to Prepare Your Nonprofit for a Recession,” RISK eNews, nonprofitrisk.org/resources/e-news/how-to-prepare-your-nonprofit-for-a-recession/

“Warning Signs: Channeling Cassandra to Fortify Your Mission,” RISK eNews, nonprofitrisk.org/resources/e-news/warning-signs-channeling-cassandra-to-fortify-your-mission/

“To Infinity and Beyond: Unleashing Imagination to Build Your Organization’s Resilience,” RISK eNews, nonprofitrisk.org/resources/e-news/to-infinity-and-beyond-unleashing-imagination-to-build-your-organizations-resilience/



Recession Lessons and Insights

We asked experienced nonprofit leaders to share their experiences managing risk in previous recessions, and what they learned. Here are three of their stories.

I was in charge of our accreditation department during the 2020 recession caused by COVID. I think for 2020, at the end of the day, my focus was always on the work and the work of our organizations. Focus on the work and the rest will follow. I had five organizations going through an accreditation process in the spring of 2020, and we had to be flexible in both supporting our organizations as they moved to virtual supports but also in our own accreditation process in moving to zoom meetings for their “site visits.” If a crisis came up when a zoom call was scheduled, then the priority shifted to that crisis (as it usually pertained to supporting students), and my zoom call was rescheduled. As part of the national office of a federated network, the focus is always: How can we support our organizations to be strong and sustainable so in turn, they can serve students in need?

– Julie Dennis, Principal, Standards & Accreditation, Communities in Schools National Office

Recession Lessons and Insights

CONTINUED FROM PAGE 14

During the 2007-2009 recession I was a nonprofit auditor. Three key issues my clients faced were: (1) a change in their funding streams, (2) cash flow management driven by those changes, and (3) reprioritization of strategic goals.

Funding streams shifted first from individual donations as a majority of households had less to give, or decided to 'wait and see' if there would be enough security where they would feel comfortable giving a gift. Private foundations had a delayed effect as they're required to give 5% of their assets annually, and the value of the assets didn't drop immediately. The delay came the following year after the investment markets hit their portfolios and the 5% calculated to less than it did the previous year. Federal and state funds stayed the same or increased with opportunities to put increased funds in the hands of those in need. If the nonprofit provided direct service to those in poverty (think a food bank) there would actually be an increase to help more individuals who were in need. Events typically resulted in fewer ticket sales or auction items going for lower prices than in previous years.

Cash flow timing shifted due to the items noted above in the funding streams. Finance professionals and leadership had more pressure to look into the future and maintain the stability of the organization. They had tough discussions about cutting expenses including staff, what they could predict and rely on to maintain their goal to achieve their mission. The best practice was breaking down income statement models into fixed and variable components to determine reliability in the future.

These changes to maintain the foundation of the organizations required a strong look at the strategic goals and what was still attainable—and on what timeframe—to ensure some level of success. There were conversations with the board, leadership teams and whole organizations. It was truly a time when transparency and clarity was even more important than ever.

– **Holly B. Raymond, Chief Financial Officer, Upbring**

Amidst times of big changes, whether they be external like COVID or a recession, or internal like a new strategic direction or leadership change, the name of the game is agility and flexibility. I have observed these terms being used a lot over the past couple of years, but I think that's for good reason. The truth of the matter is that when changes are afoot, systems, processes, and strategies that have previously worked may simply not meet the evolving needs of the moment, and that's okay.

For example, at Teach For America, we had a highly routinized quarterly risk engagement and reporting framework that served the needs of our leaders and Board very well. And then in March 2020 when COVID and economic uncertainties hit, like every other organization, we no longer had the same capacities and resources to commit to that tried-and-true approach. As the leader of our Risk and Policy sub-team, who had been responsible for stewarding this risk framework each quarter, it was hard to let it go. It was daunting and scary to let go of a framework that had served us so well.

And that's where agility and flexibility come into play. Agility to assess the new reality and make quick adjustments, and flexibility to be willing to modify our systems. In the case of our risk program, this meant switching gears to periodic pulse surveys to tap into emerging team risks and opportunities instead of regular engagements and full reporting. We aimed to keep a pulse of what was happening across the organization while balancing limited capacity and resources. What I have found to be most interesting and exciting is that as things have settled into a new normal, TFA didn't go back to our previous framework as I thought we might have; instead, thanks to lessons and learnings from our agility and flexibility, our risk management program and team operations have evolved into a much more streamlined, efficient, and effective framework. It's a reminder that periods of challenge and upheaval can lead to new and great things.

– **Heather Chadwick, Director of Risk and Policy, Teach For America, and NRCM Board Member**

2023

RISK SUMMIT

a risk management journey

OCTOBER 16-17, 2023

Visit: 2023RiskSummit.org for more information and to register.

We can't wait to see you in-person again!

Join the Nonprofit Risk Management Center this fall at the Lansdowne Resort in Leesburg, Virginia for our annual 2-day conference featuring 20+ educational sessions, in-person networking opportunities, and evening social events to build and develop relationships with like-minded sector professionals.

Session Sampling: "Flight School" for New Risk Leaders, Tray Tables Down: Defining and Applying Risk Appetite, Risk Radar: How to Identify and Track Risks in Your Orbit, Journey to Somewhere: Incident Reporting Tips, Tricks, and Trends, and more!

Risk Leadership Certificate Program

Learn More Today!

<https://nonprofitrisk.org/consulting/risk-leadership-certificate-program/>

Get a little RISKY

with an elite group of nonprofit risk professionals



Learn from experienced peers



Access NRMCC consultants & partners



Become the risk leader your mission deserves

Explore six core competencies of risk management. Apply new skills to your professional role with the help of eight experienced peers. Access Nonprofit Risk Management Center consultants and partners for real-life coaching and capacity-building.

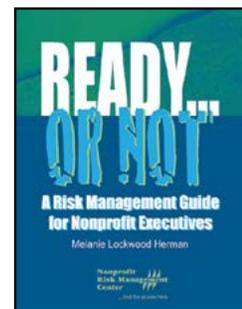
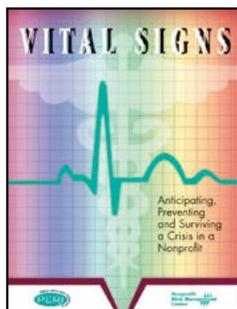
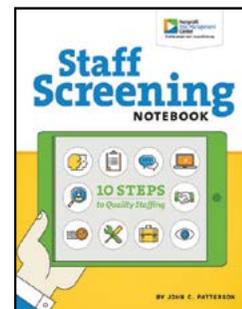
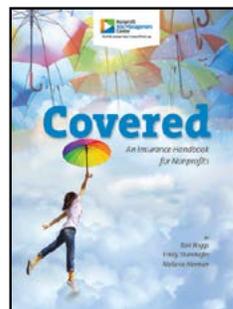
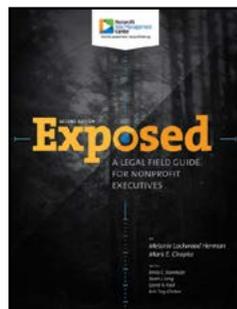
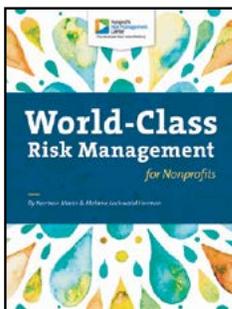
Core-competencies: risk assessment, risk culture, ERM and risk function design, insurance program oversight, risk communication, risk reporting



Nonprofit
Risk Management
Center

find the answer here | nonprofitrisk.org

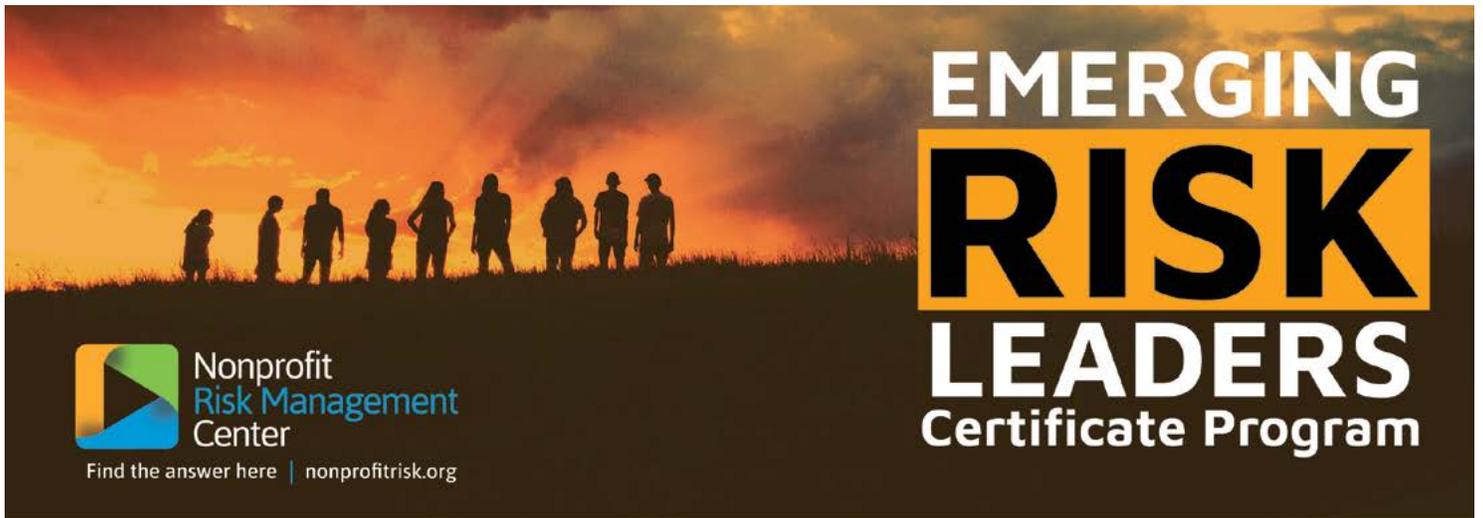
Your risk management reading list starts at nonprofitrisk.org/products



Interested in purchasing 10 or more books?
Contact Kay at 703.777.3504 for bulk pricing

FIND THE ANSWER HERE | NONPROFITRISK.ORG

204 South King Street, Leesburg, VA 20175 Phone: 703.777.3504



EMERGING RISK LEADERS Certificate Program



Find the answer here | nonprofitrisk.org

AN AFFORDABLE CERTIFICATE PROGRAM FOR NEW NONPROFIT RISK PROFESSIONALS

Small cohorts will convene together for three, 3-hour virtual workshops to develop essential risk management skills. Participants will experience increased confidence regarding risk management, learn how to use different risk identification and unpacking techniques, meet and network with other sector professionals with risk management responsibilities, and complete a hands-on risk-themed project to support and evolve risk management at their nonprofits.

What people are saying about ERLCP

"I enjoyed participating in ERLCP because there is always something new to learn about risk management. I also loved the opportunity to meet with peers and...to practice the risk management tools before using them at my organization."

\$395⁰⁰

NRMC Members can join this exciting program at the discounted rate of \$158 (60% savings!)

Session 1 October 24, 2023

You'll begin your journey by learning about the evolution of risk management in the nonprofit sector, explore 5 risk management myths and misconceptions, and 3 practical risk assessment techniques. The cohort will work in small groups to share ideas and ultimately you'll conclude the session by identifying your risk-themed project!

Session 2 November 4, 2023

Session Two jumps right in to learning about common stumbling blocks, potential missteps, and ripe opportunities in risk management programs. You'll also receive an introduction to Business Continuity Planning and how to conduct an After Action Review. Leave this session with practical tools for your risk toolkit!

Session 3 December 5, 2023

The final session will guide you in adopting a sustainable cadence for risk management activities at your nonprofit, creating simple but powerful Risk Action Plans, and techniques for forming and supporting a high-performing Risk Committee. At the end, you'll present an overview of your risk project to the cohort.

APPLY TODAY

Nonprofit Risk Management Center
info@nonprofitrisk.org | 703.777.3504
www.nonprofitrisk.org

<https://nrmc.typeform.com/to/nDHSb8yX>



204 South King Street
Leesburg, VA 20175

Risk Management ESSENTIALS

Tips, Knowledge and Tools for Nonprofit Organizations

PLEASE ROUTE TO:

- Executive Director
- Director of Volunteers
- Risk Manager
- Legal Counsel
- Human Resources
- Finance/Administration

NEW AFFILIATE MEMBERS

Learn more about NRMC's Affiliate Member program at nonprofitrisk.org/affiliate-membership. NRMC would like to welcome our new Affiliate Members.

Autism Speaks

National Ombudsman Resource Center

Ney Risk Services, LLC

The John A. Hartford Foundation

Yellowstone to Yukon Conservation Initiative

INSIDE THIS ISSUE

Recession Risk: Look Back and Forward to Fortify Your Mission.....	1
The Risk Management Marketplace	7
Scope Out Scenarios to Inspire Confidence During a Recession	8
Recession Lessons and Insights	14
Products/Publications from the Nonprofit Risk Management Center	18