



M.J.Murdock
Charitable Trust

Non Profit Governance Workshop

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- The word risk derives from the early Italian *risicare* which means “to dare”. In that sense risk is a choice rather than fate.
- -Peter L. Bernstein, Author of Against the Gods: The Remarkable Story of Risk



ERM as Board Responsibility

- Key Part of Fiduciary Responsibility
- Should be a Board Priority
- Work Closely with Management to Identify Risks
- Look at Risks Across Organizations not Silos
- Use Stress Testing as Tool for Determining Potential Outcomes



Key Steps In ERM

- Risk Identification
- Risk Assessment
- Risk Mitigation
- Report to the Board

Source: Risk Management; AGB and Janet Abraham



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Risk Identification

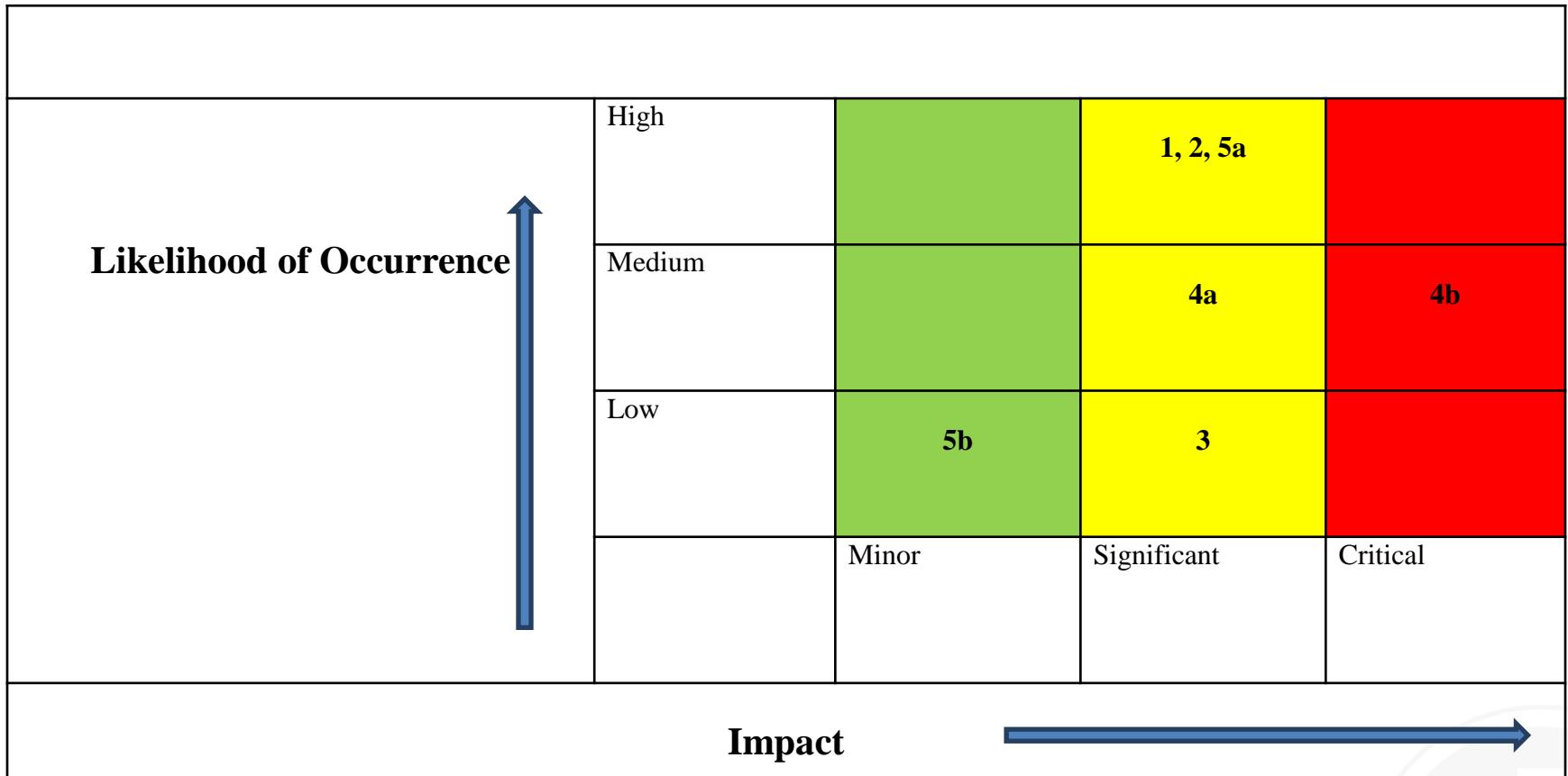
- Led by the Senior Administrators
- Keep to no more than Twenty Risks Across the Institution
- Use Broad Categories to Start and then Drill Down on Specific Risks by Category

Risk Assessment

- Create Entity Related Heat Map
- Use two Dimensional Grid
 - One Dimension is Likelihood of Occurrence
 - Low – Medium – High
 - One Dimension is Impact of the Organization
 - Minor – Significant – Critical
- Look at Downside Risks
 - Impact of Downside Events
- Look at Upside Risks
 - The Risk of Not Achieving Objectives



Heat Map Example I



Stress Testing

- Helps to Understand Potential Downside
- Great Education Tool-Understand key Levers
- Particularly Helpful for Review of Finances
- Assume a Number of Factors go Wrong Simultaneously
- Using 2008/2009 Time Frame is a Good Starting point



Addressing Risks

- Highest Priorities are in the Upper Right Box
- Move Across to the Left and then Down
- Ignore anything the is Low Risk or Low Impact
- Update Risk Heat Map at Least Annually

Risk Mitigation

- Each Risk should have a Plan to Address
- Each Risk should be Assigned to Management Personnel
- Each Risk should be Assigned to a Committee
- A Board Report should be Developed and Reported at Least Annually





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Appendix

Non Profit Risk Register

Non Profit--Risk Register

1. Loss of Funding Source
2. Economic Downturn
3. Drop in Value of Endowment
4. Data Security
5. Drop in Operating Revenue
6. Security of Intellectual Property
7. Management Turnover
8. Lack of Succession Plan
9. Compliance Issues
10. Rising Cost of Mission Delivery
11. Liquidity Challenges
12. Branding Issues
13. Failure to Execute Strategic Plan
14. Competition

