

MEASURE TWICE...

CUT ONCE

Assessing Organizational Risk

For Non-Profit Organizations

OR...

**The “Top Ten” Indicators
of
Organizational Risk**

BEFORE WE BEGIN

A SMALL TASK....

10. OPERATING BETWEEN STAGES

- Stage One – Creativity/Start-up
- Stage Two – Direction/Establishment
- Stage Three – Delegation/Institution
- Stage Four – Consolidation/Permanence
 - Tension
 - Change of Executive Director
 - Changes of key staff

CHARACTERISTICS OF STAGES OF GROWTH

	Stage 1	Stage 2	Stage 3	Stage 4
Leadership & Culture	Strengths & weaknesses are those of top leader	Opportunistic Growth in many directions	Delegation is key Team Based identity	Alignment is key Top leader effective internal & external communicator
Market Analysis	Intuitive	Experiential	Strategic plan Formal market analysis	Ongoing collection & analysis of data
Program & Product	Single or few Products	Expands based on experience Opportunities based on success “Go-Go” growth	Program elimination Products formalized Performance standards	Measuring outputs & outcomes Adjusting programs accordingly
Financial Resources	Limited	Adding new capital resources	More sophisticated sources Lending approaches self-sufficiency Sale of loans Off balance-sheet relations	Approaching self sufficiency
Systems & Policies	Informal	Basic systems More formal budgeting Personnel Policies	More formalized Investment in accounting & Loan Management Systems	Scenario Planning

9. MISSION CREEP

- Can't say “**NO!**”
- Output vs. Outcomes
- Starvation Cycle – Chasing \$\$\$

8. HUMAN RESOURCES

- Written Goals and Accountability
- Periodic and Annual Reviews
- Vacation Enforcement
- Segregation of Duties

7. SUCCESSION ISSUES

- No Plan
- Fixed Issues
 - Economically Distressed Area
 - Rural Location
- Variable Issues
 - No trained successor
 - Short Window
 - Incumbent Pay is Low or Subsidized

6. POLICIES & PROCEDURES

- No Written Policies or Procedures
- “Shelf” Policy & Procedures
- Weak Policy & Procedures

5. FINANCIAL CONDITION

- Liquidity
 - Days Sales in Payables > 30 Days
 - Current Ratio < 1.2
- Leverage
 - Debt/Worth > 2.5
 - TL/TA > 1

5. FINANCIAL CONDITION

- Debt Coverage: $\text{EBITDA}/\text{I\&A} < 1.5$
- Profitability $<$ Rate of Inflation
- Management, General and Fundraising $> 25\%$

4. INTERNAL FINANCIAL STATEMENTS

- No Statements
- Late Statements
- No Budget
- Not Reviewed or No Reaction
- Drawer Statements

3. AUDIT

- No Current Audit
- No Current Audit with Excuses
- Audit Received > 9 Months after FYE
- Audit Not Reviewed by Board of Directors
- Change in Auditors
- Qualified Opinion
- Findings of Material Deficits or Non-Compliance

2. FOUNDER'S SYNDROME

- Operating in Isolation
- “I’ve done it alone for 20 years!”
- “It’s MY company, isn’t it?”
- “I can do what I want.”
- Compartmentalization
- Delegation of Responsibility w/o Authority

1. BOARD OF DIRECTORS

- Disconnected
 - Dwindling Numbers
 - Infrequent or Skipped Meetings
 - D&O Insurance Cancelled
- Incestuous – All/Most members are staff
- No Committees
 - Audit/Finance
 - Human Resource
 - Executive
- Dysfunctional
 - Committee Work within Board Meetings
 - Board Viewpoint Micro, not Strategic

References

- American Institute of Philanthropy (charitywatch.org)
- Charity Navigator (charitynavigator.org)
- BBB Wise Giving Alliance (give.org)
- Assn. of Small Foundations (smallfoundations.org)
- Project Streamline (projectstreamline.org)
- Understanding Non-Profit Financial Statements (boardsource.org)

THANK YOU!

QUESTIONS?