Safeguard Your Mission with the Nonprofit's Checklist for Risk Identification

Nonprofits rely on innovation and a strong commitment to social good. But even the most dedicated organizations face unexpected challenges.

Unexpected problems can slow growth and weaken an organization's foundation. For example, growing cyber threats could cost up to $10.5 trillion by 2025 and cause serious data breaches.

A single data breach can cause significant financial damage. IBM reports an average cost of $4.35 million per breach, and in the healthcare sector, it can rise to $10.10 million.

But what if you could spot the risks and create plans to manage them?

This white paper is a guide to dealing with uncertainty. It provides a detailed checklist for identifying risks in different areas of a nonprofit's operations.

A comprehensive checklist for identifying risks

A big part of how successful nonprofits consistently deliver on their projects is being prepared for numerous challenges. That's exactly where risk checklists step in.

> Risk checklists are structured guides, essentially prompts, designed to systematically scan your organization's environment, processes, and assumptions.

By maintaining these checklists, you're essentially building a shared library of past experiences. In turn, this helps with accurate project estimates and strengthens your risk management practices overall.

Ideally, a central team might manage these checklists, but even individual project managers can find them incredibly valuable.

However, risk checklists shouldn't replace your team's own brainstorming and risk identification efforts. They're the final step, ensuring you haven't overlooked common pitfalls while still leaving room to identify project-specific challenges.

This customizable checklist itself is organized with clear sections: **category, risk area, specific risk, likelihood** (think High, Medium, or Low), and impact (also High, Medium, or Low). By evaluating these factors, you can systematically brainstorm potential challenges and prioritize those that pose the biggest threat.

Category	Risk area	Risk area	Likelihood	Impact
Financial	**Funding**	Dependence on a single funding source	(H/M/L)	(H/M/L)
		Loss of major donors or grants	(H/M/L)	(H/M/L)
		Economic downturns affecting donor giving	(H/M/L)	(H/M/L)
		Difficulty diversifying funding sources	(H/M/L)	(H/M/L)
	Financial management	Errors or fraud in financial reporting	(H/M/L)	(H/M/L)
		Weak internal controls over finances	(H/M/L)	(H/M/L)

Category	Risk area	Risk area	Likelihood	Impact
Financial	**Financial management**	Inadequate budgeting or forecasting	(H/M/L)	(H/M/L)
		Uncontrolled expenses	(H/M/L)	(H/M/L)
		Dependence on key financial staff without succession plans	(H/M/L)	(H/M/L)
	Investments	Poor investment performance or losses	(H/M/L)	(H/M/L)
		Lack of a clear investment strategy	(H/M/L)	(H/M/L)
	Cybersecurity	Data breaches involving financial information	(H/M/L)	(H/M/L)
Operational	**Program delivery**	Inefficient or ineffective programs	(H/M/L)	(H/M/L)
		Difficulty measuring program impact	(H/M/L)	(H/M/L)
		Lack of qualified staff or volunteers	(H/M/L)	(H/M/L)
		Reliance on outdated technology	(H/M/L)	(H/M/L)
		Poor communication with beneficiaries	(H/M/L)	(H/M/L)
	Technology	Data security breaches or IT failures	(H/M/L)	(H/M/L)
		System outages or disruptions	(H/M/L)	(H/M/L)
		Outdated or unsupported technology	(H/M/L)	(H/M/L)
		Lack of cybersecurity protocols	(H/M/L)	(H/M/L)
	HR	High staff turnover or burnout	(H/M/L)	(H/M/L)

Category	Risk area	Risk area	Likelihood	Impact
Operational	**Human resources**	Difficulty attracting and retaining qualified staff	(H/M/L)	(H/M/L)
		Poor workplace culture or employee relations	(H/M/L)	(H/M/L)
		Lack of training and development opportunities	(H/M/L)	(H/M/L)
		Workplace safety hazards	(H/M/L)	(H/M/L)
	Facilities and equipment	Damage or loss due to natural disasters or accidents	(H/M/L)	(H/M/L)
		Inadequate maintenance or repairs	(H/M/L)	(H/M/L)
		Outdated or inefficient facilities	(H/M/L)	(H/M/L)
Legal and Compliance	**Compliance with regulations**	Failure to comply with tax regulations, non-profit laws, or specific program-related regulations	(H/M/L)	(H/M/L)
		Changes in government regulations that impact your organization	(H/M/L)	(H/M/L)
	Contracts	Breach of contract with donors, funders, or service providers	(H/M/L)	(H/M/L)
		Failure to understand or comply with contract terms	(H/M/L)	(H/M/L)
	Employment law	Discrimination or harassment lawsuits	(H/M/L)	(H/M/L)
		Wage and hour violations	(H/M/L)	(H/M/L)
		Lack of proper employment contracts	(H/M/L)	(H/M/L)

Category	Risk area	Risk area	Likelihood	Impact
Legal and Compliance	**Intellectual property**	Copyright or trademark infringement	(H/M/L)	(H/M/L)
		Failure to protect your organization's intellectual property rights	(H/M/L)	(H/M/L)
Governance	**Board of directors**	Conflicts of interest among board members	(H/M/L)	(H/M/L)
		Lack of board diversity or expertise	(H/M/L)	(H/M/L)
		Weak board oversight or financial management	(H/M/L)	(H/M/L)
		Inadequate board succession planning	(H/M/L)	(H/M/L)
	Policies and procedures	Lack of clear policies on fundraising, spending, conflict of interest, or human resources	(H/M/L)	(H/M/L)
		Outdated or ineffective policies	(H/M/L)	(H/M/L)
		Failure to enforce policies	(H/M/L)	(H/M/L)
	Decision-making	Lack of transparency or accountability in decision-making	(H/M/L)	(H/M/L)
		Undocumented decision-making processes	(H/M/L)	(H/M/L)
Reputational	**Negative publicity**	Media scandals or bad press	(H/M/L)	(H/M/L)
		Public perception of mismanagement or unethical practices	(H/M/L)	(H/M/L)
		Complaints from beneficiaries or donors	(H/M/L)	(H/M/L)

Category	Risk area	Risk area	Likelihood	Impact
Reputational	**Mission drift**	Failure to deliver on your mission or promises	(H/M/L)	(H/M/L)
		Loss of public trust or confidence	(H/M/L)	(H/M/L)

How to use the checklist and interpret the results for maximum effect

This checklist equips you to proactively identify and mitigate risks that could derail your mission.

1. Walk through and tailor

Start by learning the checklist format, which includes categories, risk areas, specific risks, likelihood, and impact. Then, go through each section systematically, taking into account the listed risks. In addition, feel free to include any unique project-specific risks to your organization's work.

2. Prioritize your risks

Now, let's analyze the potential threats. For each risk, assess the likelihood of it occurring (high, medium, low) and the potential impact it could have (high, medium, low).

Think of a scoring system to prioritize risks. For instance, a high likelihood and high impact risk needs to be addressed first.

However, it's important to involve your team in this discussion. Thus, brainstorm together to reach a consensus on how to rank the risks.

3. Develop action plan

Now that you've identified the most pressing risks, it's time to create a plan to tackle them. For each high-priority risk, brainstorm mitigation strategies. However, ensure these mitigation plans are specific to your organization's context.

Here are some examples to get you started:

▶ Diversify funding sources to reduce dependence on a single donor.

▶ Implement cybersecurity protocols to safeguard against data breaches.

▶ Mitigate the risk of program delivery inefficiencies.

4. Review and improve

Remember, risk management is an ongoing process. So make the checklist part of your project planning process to identify and address potential risks from the get-go. For this, revise your checklist and mitigation plans regularly.

As your organization evolves and faces new challenges, use lessons learned from past incidents to improve the checklist and your overall risk management practices.

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