

Assessing and Managing Risk

Knowledge and Insights Center Spotlight

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Many community-based organizations, which frequently operate with limited resources, rely heavily on volunteer labor, and are sustained through government and philanthropic funding, are particularly vulnerable to crises and disasters. Unexpected events—such as natural disasters, economic downturns, or sudden shifts in public policy—can quickly escalate and threaten operational effectiveness, lead to unbalanced budgets, strain community trust, and disrupt essential services.

It is imperative that organizations are proactive and conduct regular risk assessment and mitigation planning to identify financial and operational vulnerabilities and develop plans that can be implemented quickly if adverse situations occur.

Effective risk management is also pivotal to maintaining stability and growth in uncertain times. It encompasses a systematic approach to identifying potential threats and opportunities, evaluating their likelihood and impact, and implementing strategies to moderate adverse effects while maximizing positive outcomes.

Assessment and Mitigation

Risk can fall into a number of different buckets:

- **Operational risks**, stemming from dependencies, inadequate training, and undocumented processes, can impede service delivery
- **Financial risks**, such as economic downturn, fraud, and non-compliance threaten sustainability
- **Reputational risks**, arising from mission creep, sociopolitical shifts, misaligned partnerships, or mishandled complaints, can erode public trust

According to [Valtas](#), some other risk categories include:

- Compliance
- Fraud
- Cybersecurity/technology
- Legal
- Competition
- Supply chain
- Geopolitical

By systematically documenting and evaluating these risks with your team and using assessment tools that weigh likelihood and impact, you can prioritize mitigation efforts. Such tools include [Vanderbloemen's Risk Assessment Toolkit](#) or the Enterprise Risk Management Initiative's [ERM for Nonprofits](#).

Moderate to high risks require comprehensive plans that involve staff, board members, and legal counsel and include strategies aimed at reducing both probability and impact.

Alternatively, low risks can be routinely monitored. This proactive approach ensures resilience and protects your organization from unforeseen challenges.

Sources and Further Reading

- [How to Conduct a Risk Assessment](#) (2024) Nonprofit Risk Management Center
- [Risk Management for Nonprofits: 8 Ways to Protect Your Organization](#) (2020) Valtas

Financial Contingency Planning

In 2025, this type of planning is essential for organizations that receive federal funding directly or through passthrough dollars distributed by state and local governments.

In addition to overall strategies for risk planning (see the [Tools and Assessments](#) section below), these are the key components to financial contingency planning:

- Scenario Planning
 - Develop Scenarios: Create different financial scenarios based on potential risks and their impacts.
 - Action Plans: Develop specific action plans for each scenario to ensure a quick and effective response.
- Budget Reassessment
 - Regular Budget Reviews: Conduct regular reviews of the budget to ensure it reflects current financial realities.
 - Adjustments: Make adjustments to align with changing circumstances and priorities.
- Emergency Fund
 - Establish an Emergency Fund: Set aside funds specifically for emergencies to cover unexpected expenses or revenue shortfalls.
 - Determine Fund Size: Decide on the size of the emergency fund based on the organization's operating budget and risk assessment.
- Cost-Cutting Measures
 - Identify Non-Essential Expenses: Determine which expenses can be reduced or eliminated without compromising essential services.
 - Implement Cost-Saving Strategies: Explore strategies such as renegotiating contracts, reducing overhead costs, and optimizing resource use.
- Alternative Funding Sources
 - Diversify Revenue Streams: Explore new funding sources such as niche foundation grants, individual donations, corporate sponsorships, and partnerships.
 - Grant Applications: Regularly review public and private grant opportunities and be prepared to apply when there is mission and business fit.
- Cash Flow Management
 - Monitor Cash Flow: Increase the frequency for monitoring cash flow to ensure there are sufficient funds to meet operational needs for different risk scenarios.
 - Cash Flow Projections: Create projections to anticipate future cash flow needs and identify potential shortfalls.

- Financial Reporting and Transparency
 - Regular Financial Reports: Provide regular financial reports to the board and stakeholders to maintain transparency; create a special workgroup of board members and staff who focus on data needs and responsive reporting.
 - Stakeholder Communication: Communicate financial health and contingency plans to donors, staff, and other stakeholders to build trust and confidence.

Sources and Further Reading

- [Fundamentals for Nonprofits](#) (n.d.) Nonprofit Finance Fund
- [Operating Reserves for Nonprofits](#) (2025) National Council of Nonprofits
- [Facing Federal Defunding, Nonprofits Draft Best and Worst Case Budgets](#) (2025) *The Chronicle of Philanthropy*
- [Contingency Planning for Not-for-Profits: Operating in Uncertain Times](#) (2025) Moss Adams

Disaster Planning

Natural disasters, public health emergencies, humanitarian crises, cyberattacks, power outages—these are some of the emergencies that have a disproportionate impact on nonprofits and their communities. While predicting the exact nature and timing of events is impossible, organizations can explore operational agility and the ability to pivot between reactive and proactive strategies as a situation demands.

Organizations should define clear triggers for their disaster response and determine if they will intervene and, if so, at what phase they will lend support. Organizations must also decide what levers to deploy in various crises, whether that is through collecting and distributing supplies, offering economic supports, organizing volunteer support, etc.

Prioritizing funding for preparedness, rather than solely relief and recovery, is also crucial for building organizational resilience and community confidence. More often than not, funders will direct resources to disaster relief and recovery after the onset of a crisis. However, research shows that it is more economically effective to fund preparation and mitigation strategies in advance as they allow organizations to react with expediency and cohesion.

Effective disaster management also requires strategic partnerships and collaboration. By working with peers in disaster philanthropy, nonprofits can maximize their impact and avoid duplicating efforts. Ultimately, a well-defined disaster plan that is developed collaboratively with community and stakeholder buy-in, strengthens a nonprofit's ability to navigate crises and continue to support its mission.

Sources and Further Reading

- [Crisis After Crisis: Reimagining Corporate Disaster Response](#) (2025) FSG
- [Disaster Recovery – What Donors & Nonprofits Need to Know](#) (2023) National Council for Nonprofits
- [How Nonprofits Can Reduce Risk While Providing Support During a Natural Disaster](#) (2025) Nonprofits Insurance Alliance

Tools and Assessments

These tools and assessments will help you understand your organizations risk:

- [Risk Assessment Toolkit for Nonprofits](#) This toolkit from Vanderbloemen offers a variety of templates and tips to organize your risk management process.
- [Risk Assessment: A Template for Nonprofit Boards](#) This seven-step process from BoardEffect helps facilitate important conversations at the board level.
- [5 Strategies for Mitigating Political Risk](#) If political risk is top-of-mind, this article by FiscalNote provides basic steps and questions to start managing political risk.
- [Community Action Partnership Risk Assessment Toolkit](#) This is a thorough companion for key definitions of risk management.
- [Getting Started with Enterprise Risk Management: A Guide for Nonprofits](#) Reference this guide for practical resources and templates specifically tailored to all types and sizes of nonprofit organizations.

Discussion Questions

Don't conduct your risk assessment in a vacuum. Gaining insight and buy-in from a variety of stakeholders will help you make informed decisions. Get started with these questions.

Identifying Risks:

1. What are the potential risks associated with this project/activity/process?
2. What is the likelihood of each risk occurring?
3. What is the potential impact of each risk if it occurs?
4. How do we prioritize these risks based on likelihood and impact?
5. What are the root causes of these identified risks?
6. Are there any interdependencies between risks?
7. Have all project/activity/process stakeholders been able to give their perspectives on risk? If not, how can we solicit their feedback is represented?
8. Where and how are we documenting identified risks?

Mitigation Planning:

1. What strategies can we implement to reduce the likelihood of each risk?
2. What contingency plans can we develop to minimize the impact if a risk occurs?
3. Who is responsible for implementing each mitigation strategy?
4. What resources are required to implement these mitigation strategies?
5. What are the costs associated with implementing these mitigation strategies?
6. How will we communicate the mitigation plans to relevant stakeholders?
7. How will we measure the effectiveness of our mitigation strategies?
8. What are the timelines for implementing the mitigation plans?
9. Have we considered risk transfer mechanisms (e.g., insurance, contracts)?

Monitoring and Review:

1. How frequently will we review the risk register and mitigation plans?
2. How often are we stress testing our contingency plans?
3. How will we track the progress of implementing mitigation strategies?

4. How will we identify and address any new or emerging risks?
5. How will we communicate any changes in risk or mitigation plans?
6. What feedback mechanisms are in place to improve our risk management process?
7. Are we documenting lessons learned from past risk events and mitigation efforts?
8. How will we ensure that risk management is integrated into our ongoing operations and decision-making?

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