
Financial Risk Management: A Guide for Nonprofit Executives

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Introduction

Nonprofit leaders face incredible demands for their organizations' services, all the more because of the pain of adjustments to a global economy, difficult economic cycles, the diminution of government support for many societal needs, and the growing disparities in society. In the midst of such pressures to serve people in need, it is difficult to look for strategic levers, even in the service component, let alone in administrative management. Yet, the long term success of any nonprofit and, indeed, the entire nonprofit sector, is best assured by being well managed. This book is intended to provide nonprofit leaders, particularly nonprofit executives, with guidance on how best to use one of those strategic levers to enhance their organization's financial viability and success.

Successful executives in all sectors — private for-profit, government, and nonprofit — know that their success depends upon creating a culture of continuous renewal and improvement. The dynamism of the world in which we live requires that organizations must be dynamic in order to be successful. What was conventional wisdom yesterday may no longer apply to an organization. New threats and opportunities arise and successful executives must be vigilant and prepared, lest the failure to perceive the dynamic world accurately leads to organizational failure. Even in stable environments, opportunities abound to make an organization better each day than it was the day before.

Executives of nonprofit organizations must protect against foreseeable risks, even as they struggle to provide quality services with scarce resources. Among the many areas of risk that nonprofits face, financial management may be the most important. Better financial risk management not only helps to protect an organization from financial losses but may actually make more resources available for direct service priorities. This book gives nonprofit executives helpful strategies for anticipating risks, engaging their boards, staffs, and clients in managing financial risks. In an extensive Resources section, the book provides examples of policies and tools that can be adapted to serve the needs of almost any nonprofit. We hope that the Resources section is of value

to nonprofit leaders who wish to explore more deeply the means to improve their financial risk management.

The Nonprofit Risk Management Center is confident that nonprofit executives are up to the challenge of improving services in today's difficult climate and is pleased to offer not only the assistance provided in this book but the full range of services to address almost any challenge faced by a nonprofit. Please visit the Center's Web site, **www.nonprofitrisk.org** to see examples of these services, ranging from free technical assistance to customized training and expert consulting services. We welcome your comments, inquiries and requests for assistance at (202) 785-3891 or **info@nonprofitrisk.org**.