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Beware the silent killer

By Kevin D. Monroe

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What is the greatest risk nonprofit organizations face? There's so much that can go wrong and get in the way of those that simply want to do good for others and make the world a better place. So, organizations invest a tremendous amount of time, energy and resources addressing risks such as injuries to employees, volunteers or clients; wrongful acts that may violate an organization's standards, break the law and alienate stakeholders; financial improprieties; reputation damage from a variety of causes; and failure to plan for leadership transitions. All of these are significant risks and viable contenders for the greatest risk facing nonprofit organizations. Yet, there's another risk that's more subtle, and poses a great danger to all nonprofit organizations. So subtle, and so dangerous, that I call it a silent killer.

In the world of medicine, many diseases are classified as silent killers -- manifesting few, if any, overt symptoms but capable of causing death -- even sudden death -- if not properly diagnosed or treated. Heart disease ranks as the number one silent killer in the world.

Have you considered what is at the heart of a nonprofit organization?

Is it mission? Granted, nonprofit organizations are mission-driven entities, and mission is a critical element of an organization's identity. However, the mission is the practical outworking of an organization's vision and values. Mission is **what** you do, but the vision of a destination or desired future is **why** you have a mission in the first place, and values guide **how** you implement the mission to accomplish the vision.

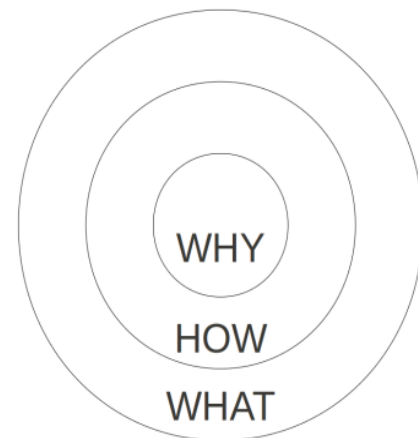
Simon Sinek, in *Start with Why*, introduces the concept of The Golden Circle as the explanation behind the phenomenal achievements of extraordinary organizations and social movements. The concept is amazingly simple to understand, yet elusive for so many nonprofit organizations. Start with why -- the vision you seek to accomplish. Once that's clear, move to how, by articulating the values to guide your work. From there, focus on the what -
- the mission you seek to accomplish to achieve your vision.

The greatest threat to an organization's existence occurs when it goes to great lengths to institutionalize its programs but loses the purpose and passion in the process. To frame it in Sinek's language, the greatest threat is preserving an organization's **what** while forgetting its **why**.

This is the silent killer of organizations. While the organization continues to exist, it becomes a hollow shell of what it once was. It may continue providing programs and services, but the impact of those programs and services begins to fade, as does the organization.

Consider these exercises to maintain a healthy heart:

- Publish your vision, values, and mission statements, display them prominently, and use them as beacons to guide all major organizational decisions.



The 'golden circle' from Simon Sinek

- Chronicle your organization's history and pay close attention to the **why** and the **how** in addition to the **what**.
- Devote time in board and staff meetings to rich discussions of the **vision, values, and mission**.
- Use Simon Sinek's TED Talk ("Ideas worth spreading" on Technology, Entertainment and Design) at www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action.html) as a springboard for launching these discussions.
- Recognize board, staff, and volunteers who have been exemplars of your organization's **vision, values, and mission**.
- Mentor next generation leaders to ensure that the passing of the baton includes passing the **vision, values, and mission** with it.

Losing your organization's **why** is its greatest risk. Make sure your risk management planning preserves the heart health of your organization.

New risk management guide for small nonprofits and their boards

Idealist, the nonprofit resource (www.idealists.org), and the CPA and consulting firm Clark Nuber of Bellevue, WA (www.clarknuber.com) have published "*Controls For Small Organizations – A Guide For Board Members*, intended to help small nonprofits address basic risks to the financial health and reputation of the organization. You might consider adopting some of the following measures for your own organization's risk management program:

- **Have bank statements opened and scanned by someone who understands the organization's work but has no role in financial operations** – Can be a board member or a staff member; have "a clear mandate to raise questions about any payment that appears out of the ordinary in any way."
- **Implement a credible whistleblower program** – "A former board member, or a retired and trusted employee can serve as the receiver of any report of suspicious activity." Have a clear policy that those making good-faith reports of possible wrongdoing will be protected from retaliation. Communicate the policy to employees, volunteers, vendors, clients, donors and other stakeholders. Over half of all frauds are found because someone connected to the organization observed something that didn't look right.
- **Conduct internal "mini-audits"** – On a regular schedule, have the board choose one revenue or expense item from the financial report. Two or three members of the board then meet with the staff member responsible for the transactions related to that item, examine how

the figure on the report was developed, and report what they learned to the full board at the next meeting.

- **Have an annual property inventory** – Compare all property year to year, so missing items can be identified. In advance, establish a policy assigning responsibility for losses.
- **Have a strict policy on credit cards** – Consider having no cards at all (advancing or reimbursing expenses such as travel), or have a strict policy with a financial penalty for any personal use, even if it is inadvertent.
- **Schedule a board discussion on the duty of care, loyalty and obedience every year** -- It is a good time to evaluate current policies and practices involving conflict of interest, the adequacy of information the board receives, and whether or not the board is remaining well within the bounds of the organization’s mission. Consider having a different board member research the topics and lead the discussion each year.
- **Institute an annual confidential survey of risks** – Invite the board, staff, volunteers, vendors, donors and clients to participate, and have responses go to an outsider with some management experience but no relationship to the organization (such as a consultant or volunteer). Have a joint board-staff committee review responses, which should cover areas such as physical assets, employee performance, sources of revenue, data protection, and reputation. Clark Nuber (www.clarknuber.com) has “Enterprise Risk Management” checklists tailored to nonprofits.
- **Evaluate effectiveness** – “The most difficult element of the board’s stewardship responsibilities is judging whether the organization is as effective as it might be and if not, what to do about the shortfall.” Key questions:
 1. What do you aim to accomplish?
 2. What strategies do you use to do that?
 3. What capability do you have for the tasks?
 4. How do you know you’re making progress?
 5. What has been, and hasn’t been, accomplished so far?

Resource: www.chartingimpact.org.

- **Keep reports real** – Does the draft of the annual report ring true, based on your knowledge of the organization? How about media releases, grant proposals and the form 990?

- **Clear commitment** – A commitment to high standards can start with a formal statement that those standards will be maintained. Adhering to the controls mentioned in this report will help uphold those standards.

In the event of a volunteer claim...

Questions sometimes arise about the procedures to follow in the event of a claim involving a volunteer. On www.cimaworld.com, you will see a link to the complete instructions and the proof of loss form. There also is a downloadable brochure for volunteers, with instructions. Here is an overview of the steps:

For injury to a volunteer

1. The organization should complete page one of the proof of loss form, have the injured volunteer complete the second part, *make a copy*, and fax the form to CIMA at 703.739.0761 right away. Even if there are no medical bills yet, please do not delay submitting the form to CIMA. If the volunteer is unable to complete the second part of the form immediately, just write “signature to follow” where the volunteer is to sign, and fax the form. Then, whenever the volunteer is able to complete his or her part, just fax the completed form to us.
2. The organization should give a completed copy of the proof of loss form to the injured volunteer, to give to his or her medical providers. If the volunteer has primary insurance (Medicare, Humana, etc.), the primary insurance must pay first, and our volunteer insurance will be secondary. Fax us copies of the primary insurer’s Explanation of Benefits, itemized bills showing the treatment provided and treatment codes, and any other paperwork from the insurer. If the volunteers inform their providers that they do have excess coverage that can be billed for any balances due, once the primary insurance has paid, the providers will send bills directly to us, and the volunteer can be bill-free. Note that our accident coverage also will reimburse the volunteer for deductibles and copayments they have incurred. If the volunteer *does not* have any primary health insurance, give the completed proof of loss form to the volunteer (make a copy first), and tell him or her to inform the provider that our program is their primary coverage for this incident, and that bills should be sent directly to us.
3. Preferred Care, Inc. is engaged by CIMA as the third-party administrator for our accident medical claims and, as such, reviews and pays the claims on behalf of the underwriting company. Tell your volunteers they might receive information requests or other correspondence from Preferred Care regarding their claim.

Note: If you prefer to scan documents and email them rather than fax them, that is fine. You can email them to Joan Wankmiller (jwankmiller@cimaworld.com) or Vicki Brooks (vbrooks@cimaworld.com).

For volunteer liability claims and excess automobile liability claims

As soon as you become aware that a volunteer is, or *might be*, held responsible for injuring someone else or damaging someone's property, or is at fault in a vehicle accident while volunteering, please call or email Joan Wankmiller (jwankmiller@cimaworld.com) or Vicki Brooks (vbrooks@cimaworld.com) at 800.222.8920.

It is important to report the incident as soon as you become aware of it, and CIMA will handle the claim from there. Once you contact us, we will ask you to provide the following information as soon as you are able:

1. The volunteer's description of the incident
2. The volunteer's name, address, phone number, personal liability insurance company and policy number if any (such as homeowner's insurance or personal umbrella policy), claim number under that policy or policies, and contact information for that insurance company's claims adjuster. If there is no primary insurance, our coverage will be primary, from the first dollar.

How to say thank you

As far as the Internal Revenue Service is concerned, there are many wrong ways and only a few right ways to acknowledge someone's donation to a charitable organization, in order for that donation to be tax-deductible. Pro Bono Partnership (www.probonopartner.org), which provides business and transactional legal services to nonprofit organizations serving the disadvantaged in New York, New Jersey and Connecticut, has published guidance, including sample acknowledgements, and has given Volunteers Insurance Service permission to send the document to *VIS Connections* readers. Contact Executive Director [William Henry](mailto:William.Henry@probonopartner.org) by email or at 800.222.8920, if you would like a copy by return email. Highlights:

For donations of less than \$250 – A written acknowledgement is not required, although it is always a good idea, not just for the courtesy of expressing appreciation but also because it can serve in lieu of a donor's canceled check, bank or credit union statement, credit card statement or similar financial record.

For donations of more than \$250 – A written acknowledgement is required before the donor files his or her tax return for the year in which the donation is made, and must include:

- If cash, the amount
- If property, a reasonably detailed description (e.g., make, model number, size of a donated computer and monitor). Do not place a value on the property, however; that is the donor's responsibility.

- A statement that no goods or services were provided, unless there were; i.e., unless the contribution is in the “quid pro quo” category and the total contribution is more than \$75. For example, at a golf outing or dinner that serve as fundraisers, the donor receives something of value in exchange for purchasing a ticket. The nonprofit organization is required to provide – either on the invitation or the acknowledgement – the fair market value of the goods or services the donor receives, and a statement that the donor may deduct only the amount of the contribution that exceeds the fair market value. (The fair market value is not necessarily the same as what the nonprofit organization itself pays. Often, for example, facilities hosting fundraisers will waive or discount their ordinary charges for use of those facilities.) **The IRS can impose substantial penalties on charitable organizations that do not provide adequate “quid pro quo” acknowledgements.** On the other hand, there are circumstances, as described in the Pro Bono Partnership document, where disclosure of the value of goods and services is not required.
- For gifts of publicly traded stock, an acknowledgement of the stock and the number of shares. Pro Bono Partnership recommends that the donor also be sent a second receipt that includes the quantity and value of the shares at the time they were donated.

More on what donors want

In the January issue of *VIS Connections* (in “Periodicals” at www.cimaworld.com), we summarized the findings of the recent Guidestar “Money For Good” study, which concluded that as much as \$15 billion contributed annually to charitable organizations could be redirected to the highest-performing, most effective ones – if only those high performers did a better job telling their story. The key points were that donors want to know the organization is legitimate, they want to see key financial information, and have enough information about what the organization has accomplished to be convinced their contributions will be used effectively. We reported on the study because what is done – or not done – to attract support to a nonprofit organization is a risk management issue affecting the organization’s viability.

The annual Cygnus Donor Survey by Cygnus Applied Research, Inc. (www.cygresearch.com) provides more guidance, through survey respondents’ comments. Some of those comments underscore the findings of the Guidestar study, particularly the need to provide information about specific accomplishments – the impact the organization is making. (“Let me know the money I give is making a real difference in people’s lives – not just a drop in the ocean of need,” one said.) Other comments provide specific suggestions you might consider. For example:

- Donors who make large gifts are acknowledged, routinely. But what about donors who have given smaller amounts for years. “Being reminded of how long I have been giving and what that has added up to over time would...be a new incentive to giving more,” one said.

- “Humanize” the organization’s Website by providing names of staff and the board, with photos if possible. Display contact information clearly, so people know who to contact, and how, for additional information. Include the physical address, too. One survey respondent said “This gives me confidence that I have not landed on a fraudulent site.”
- If you offer supporters the opportunity to contribute a fixed amount on a regular basis, make it easy for them to adjust that amount as their financial circumstances change.
- For organizations engaged in human services, take any opportunity to show that your services have increased someone’s independence – as a donor said, “empowering people to move out of difficult circumstances into more fulfilling lives because this will contribute to society and to the overall economic well-being of communities.”

Personal risk management – tools for a home inventory

The fundamental purpose of insurance is to make you whole, after a loss. If you were to have the misfortune of a loss at home – fire, natural disaster, break-in, or whatever else it might be – do you know what you have, so your insurance company could make you whole?

Over the past few years, a number of Web-based and software products have become available that make it much easier to manage a home inventory than it was when paper and Polaroids were best practices. Safer, too, because your inventory can be stored away from your home. You might want to explore these free options:

- “Know Your Stuff,” from the Insurance Information Institute (www.knowyourstuff.org).
- www.lockboxer.com (free for up to 50 items; nominal monthly charge for more than that)
- www.stuffsafe.com

Features vary, but all allow you to maintain your inventory securely through encryption; organize information by category or by room; record make, model, serial number, purchase price and other details; and store insurance policy information.

Flood insurance

As the television commercials from the Federal Emergency Management Agency emphasize, flood damage is *never* covered under homeowner policies. It is not expensive, considering the extensive damage that only a few inches of stormwater can cause. More information is available at www.floodsmart.gov.

Social media and volunteering – “Reward Volunteers” program

It isn't the purpose of *VIS Connections* to help you stay abreast of the latest developments in social media; however, because retaining and rewarding volunteers is important to any nonprofit organization, we thought it was worth mentioning a pilot program under way through July called “Reward Volunteers.” If the program is considered successful, it might become a standard that volunteers know and perhaps expect from the organizations they support.

You can learn more about the program at www.rewardvolunteers.coop. Essentially “Reward Volunteers,” sponsored by a New England dairy cooperative and some national partners, uses a smartphone application and a Website widget to allow volunteers to log their activities, promote the organizations for which they are volunteering, and get friends involved through Facebook and email. All this leads to recognition for volunteers and their organizations, and a chance for both to win prizes.

On the road to perfection, a roadside attraction

Keeping volunteers in cold storage until you need them? Really? Who would have “thawed” it? Susan Ellis did, in [this fun video](#), “Top Ten Reasons Why Your Organization Does NOT Need Training in Volunteer Management.” Take a few minutes and self-assess whether or not your organization's involvement of volunteers has reached perfection yet. And have a smile while you're at it.

Susan is president of Energize, Inc., (www.energizeinc.com), an international training, consulting and publishing firm specializing in volunteerism. She released the video on April Fool's Day, but notes that “you'll quickly see that it is serious in a round-about way.”

CIMA service team for VIS® members

Volunteer insurance:

[Victoria W. Brooks](#), Account Executive

[Joan R. Wankmiller](#), Account Executive

Directors and officers liability:

[Aaron Jones](#), Account Executive

[Laurie S. Coleman](#), Senior Vice President

Toll-free: 800.222.8920 or 800.468.4200

We are always happy to serve our members. Please let us know, any time we can be of help!

VIS® Commitment

Volunteers Insurance Service is committed to providing its members a complete resource for the nonprofit organization's risk management needs. Our services include:

- Publishing *VIS® Connections* as one of our information resources for members;
- Maintaining for members' use a library of information relating to management of risks in the nonprofit organization;
- Researching available and appropriate insurance relating to volunteer activities;
- Designing and administering insurance programs, and compiling underwriting information;
- Providing consultation on risk management issues at no additional charge to our members, via a toll-free line (800.468.4200);
- Assisting members, on request, with matters relating to insurance.

Insurance and administrative services are provided to VIS® and its members by The CIMA Companies, Inc. and/or one of its affiliated companies.

VIS®'s Articles of Incorporation, Financial Information, and a list of the members of VIS®'s Board of Directors are available to VIS® Members upon request.

CIMA licensing information

The following licensing information is being provided in order to comply with state governmental regulations:

Volunteers Insurance Service Association, Inc. is a risk purchasing group formed and operating pursuant to the Liability Risk Retention Act of 1986 (15 USC 3901 et seq.)

Notice to Texas clients: The insurer for the purchasing group may not be subject to all the insurance laws and regulations of your state. The insurance insolvency guaranty fund may not be available to the purchasing group.

Notice to California clients: License #0B01377 and #0A06046, CIMA Companies Insurance Services

Notice to Minnesota clients: License #009285 and #07544084, The CIMA Companies, Inc.

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