Understanding, Planning For, Managing, and Funding Risk in Private Foundation Grantmaking

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January 17, 2019

The Plan For Today's Session

1. 'The Problem': understanding risk in our sector through data & research
2. Definitions & Frameworks: How to define and talk about 'risk' in philanthropy
3. Solutions: Explore innovative risk management approaches and tools to keep impact on track.
4. Q&A

THE PROBLEM

For Example:

- Grantee does not fully understand or explore risk, which leads to potentially inferior grant performance and inferior results for beneficiaries
  - As a result, foundation does not fully understand, explore, or manage risk in a good way
- Foundation does not explore risk in a good way to properly structure the grant and adequately take into account and manage contingencies and liabilities

1-MINUTE CASE STUDIES

Case Studies Images (left to right):

- Muso, Mali
- PIH, Haiti
- AEO, USA-National
- Mano a Mano, Bolivia
- Isidore e-Recycling, Los Angeles, CA







DEFINING RISK

Merriam-Webster:

- **1:** possibility of loss or injury
- **2:** someone or something that creates or suggests a hazard
- **3a:** the chance of loss or the perils to the subject matter of an insurance contract *also* **:** the degree of probability of such loss
  - **b:** a person or thing that is a specified hazard to an insurer
  - **c:** an insurance hazard from a specified cause or source
  - **4:** the chance that an investment (such as a stock or commodity) will lose value

Risk (verb)

- **1:** to expose to hazard or danger
- **2:** to incur the risk or danger of

Conceptual Framework for Risk

Risk: Uncertainty + Likelihood + Response

RISK CULTURE

Subjective Concept

A funder's appetite or tolerance for risk

- Define and describe your risk profile
- Determine what choices you want to make
- Integrate risk into your organizational culture

RISK MANAGEMENT

Objective Concept

Steps to prevent negative or harmful consequences in the face of existent risks

Create and incorporate risk mitigation practices into:

- Internal governance
- Budgeting processes
- Grantee communications

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First appeared as part of the conference materials for the
36th Annual Nonprofit Organizations Institute session
"Understanding, Planning For, Managing, and Funding Risk in Private Foundation Grantmaking"