

Not-for-Profit Industry Webinar



February 2, 2022

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**Kreischer
Miller**

PEOPLE | IDEAS | SOLUTIONS

Environmental, Social, and Governance (ESG) Investing



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Friends Fiduciary

**Kreischer
Miller**

PEOPLE | IDEAS | SOLUTIONS

Environmental Social Governance (ESG) Investing

Equal Measure's journey to align our investments with mission and values



FINDING
PROMISE
FUELING
CHANGE



Q Agenda

- A short history
- How to begin your ESG work
- What Equal Measure has learned so far



Background and History

Investments
at Equal Measure



About Equal Measure

Equal Measure partners with foundations, nonprofits, and government organizations to apply new ways of thinking and learning to advance social change.

We help those who “do good” do even better.

- **FINDING PROMISE.**
We are trusted partners. We elevate insights that move fields and improve outcomes.
- **FUELING CHANGE.**
We are social innovators. We help translate good ideas into powerful change strategies.



Early History of Equal Measure Investments

On the heels of a name change from OMG Center for Collaborative Learning to **Equal Measure**, we launched our journey to use proceeds from investments to fuel more advanced thought leadership in the sectors in which we work.

- **Developed Diversity, Equity and Inclusion (DEI) statement**
We formulated our DEI statement with staff and board while evaluating our mission and values statements
- **Chose an investment advisor**
We issued an RFP and chose an advisor to help finalize an Investment Policy Statement (IPS) and co-present to the board
- **Initiated performance tracking**
We gained assurance with our board that strategy and portfolio were aligned and formed an internal staff committee to define ESG for us.



Where we are now: 2020 to current day

- Continued conversations with board on how to improve our stand on DEI through our investment
- In response to the murder of George Floyd, Equal Measure set forth 13 action items in DEI, one of which was the importance of advancing our ESG investments



Where we are now: 2020 to current day

- **Investment committee actions**

The board's investment committee agreed to separate 10% of the equity investment and move it into a 100% ESG investment

- **Results of board 10% commitment**

The investment proved that values alignment does NOT sacrifice performance. It was evident that this investment continued to map to our values, especially within DEI

- **Envisioning next steps**

Along with our new CEO/President, Leon Andrews, we are investigating additional transfers of the reserve into investments that **focus on** racial equity within our ESG parameters



Polling Question



Key points to keep in mind

As you begin to craft your investment strategy – or revise your current strategy



Key points as you design your investment strategy

- Define your Mission, Values, and DEI statement
- Be sure to involve staff and board in defining these
- Decide when your reserve is adequate for choosing an investment firm
- Form a board investment committee – this group will help advance the agenda with you!
- Select an investment advisor-they serve as your fiduciary and allow your independence from performance and fund choices
- Craft your Investment Policy Statement (IPS) with your advisor



Key points as you design your investment strategy

Within your IPS, incorporate:

- Nonprofit mission language that mirrors your organization
- A solid values statement to evaluate your investments and your advisor's performance against
- A DEI statement-and be prepared to map investments to it. This will be your true north when evaluating performance.
- Include IPS benchmarks that the board agrees are helpful for evaluation of investment performance



Key questions to review on your current investment strategy

You may already have investments and IPS that are functioning adequately for your organization – in this case, some periodic maintenance questions to keep in mind:

- Has your DEI statement or your mission changed?
- Have you decided to focus on one aspect of DEI?
- Is your investment advisor including quarterly reports of how your investments rate for social and governance criteria, mapping to your organizational values statement?
- Are there investment firms that better track to your criteria?
- Can you work with the board investment committee to assess moving a portion of the portfolio to a new advisor?



Reaching that next level of ESG investing

Work with board and staff to:

- Align some/all of the investments to organizational values
- Continue to search for investments that rank well in your values proposition
- Illustrate your ESG success with data visualization to your board, to the sector, and to your staff
- Always look for new ways to align your investment portfolio to values without sacrificing performance



Polling Question



Advice from the Equal Measure Journey

Key takeaways



Lessons learned

- Bring your organization's executive team and board of directors along on the journey
 - You will need them to help you to make decisions at every step to adapt to new concepts of ESG and to new investment vehicles
- Help your staff understand the ESG concept and ask for their suggestions and interpretations of mission and values.
- Know that you are entering an aspect of investments that is still relatively new (and changing) for many investment firms
- There is room to be conservative or aggressive in the investments:
 - Fixed income gives you a constant (lower) rate or return
 - Equity investments gain a higher yield and carry more risk of eroding principal



Introduction to Friends Fiduciary

- My relationship with your next speaker began 2 years ago
- Socially responsible investing and environmental social governance investing was already organically embedded in the Friends Fiduciary model
- Their offerings in this realm do not sacrifice performance
- Friends Fiduciary offers options for conservative to aggressive investments with ESG values alignment
- They are an excellent model for what we should strive for in our framing of ESG investing



My contact information:

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Friends Fiduciary

Adding values to strong performance.



Kreischer Miller

Environmental, Social & Governance (ESG) Investing

February 2, 2022

Agenda

- Friends Fiduciary Overview
- Socially Responsible Investing
 - History, current frameworks, trends and misconceptions
- Friends Fiduciary As A Rigorous Example
 - Screening, levers for change, and shareholder engagement
- Investing With Your Values
 - Assessing priorities, how to begin, evaluating a manager/fund
- Questions?

Friends Fiduciary Overview

- Founded in 1898 by Quakers to manage assets for Quaker organizations and faith communities
- Today serving over 425 organizations across the country and all branches of Quakerism
- Non-profit with an all-Quaker Board

Investment Management

- Manager of Managers
- Direct investors – no mutual funds
- Long-term investors, seek to be fully invested
- Total assets under management exceed +\$700 million
- Five commingled investment fund offerings plus custom separately managed accounts

Planned Giving and Trust Administration

- Planned giving services for organizations.
- Manage \$20 million in planned gift assets benefitting 70 non-profit organizations.
- Manage and administer trusts and donor advised and granting funds.

Socially Responsible Investing – What Is It?

Socially responsible investing (SRI), from its beginnings considered social factors as well as financial return.



Current popular terminology is ESG investing: **Environmental, Social, and Governance.**

Current Frameworks

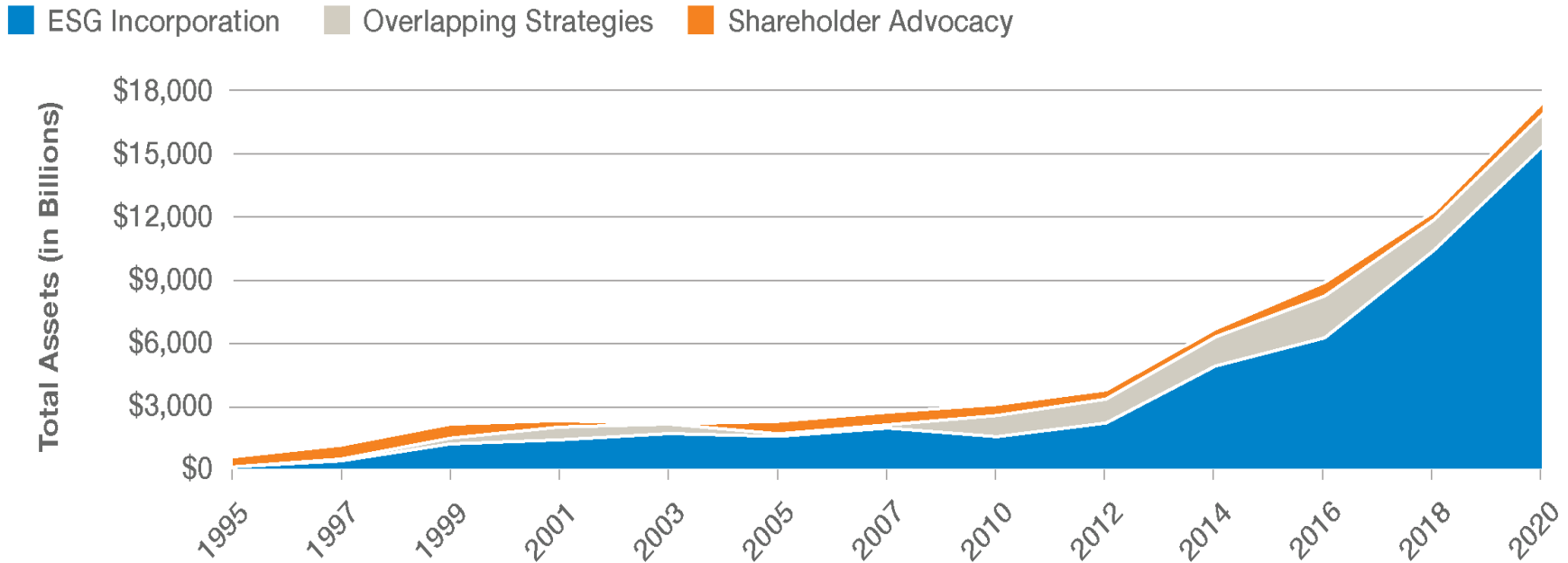




Polling Question

Growth in Sustainable Investing

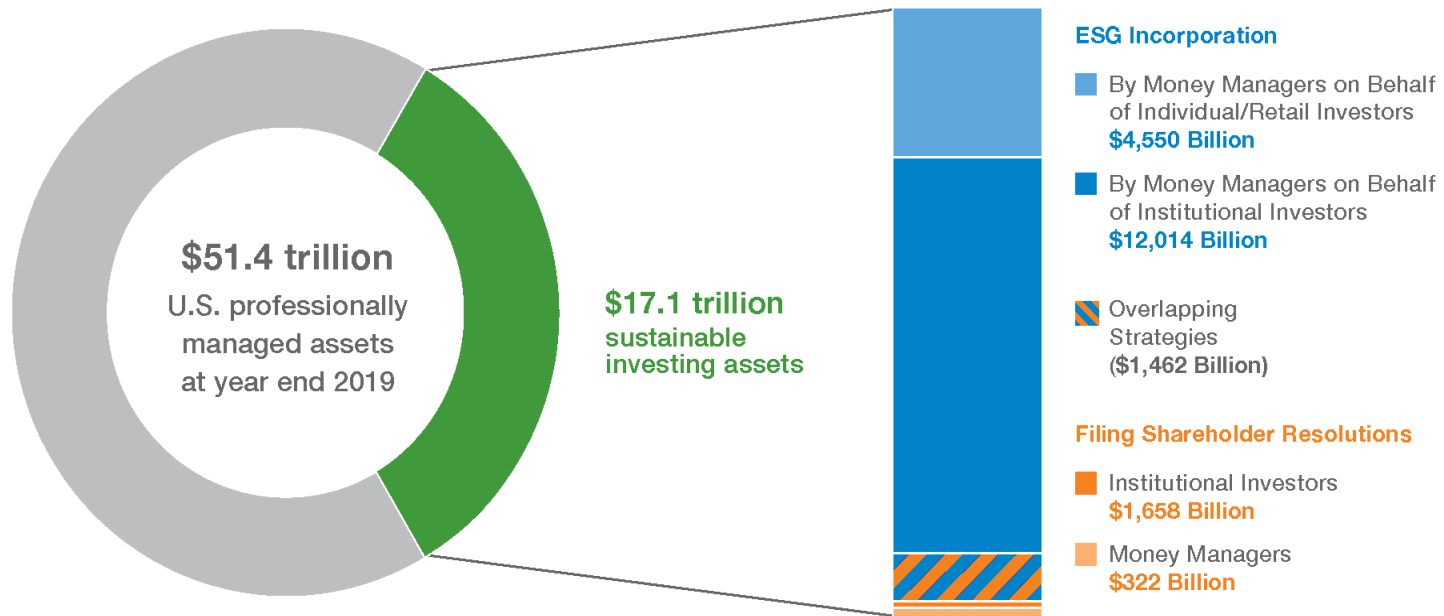
Sustainable Investing in the United States 1995-2020



USSIF – 2020 Report

Growth in Sustainable Investing

Size of Sustainable Investing Assets 2020



Misconception # 1

But does **socially responsible investing** mean I have to give up **return**?

The short answer is no!

The data from 17 studies of SRI funds performed in the United States, Canada, and Europe is mixed, with the differences in nearly all studies deemed to be statistically insignificant.



Misconception # 2



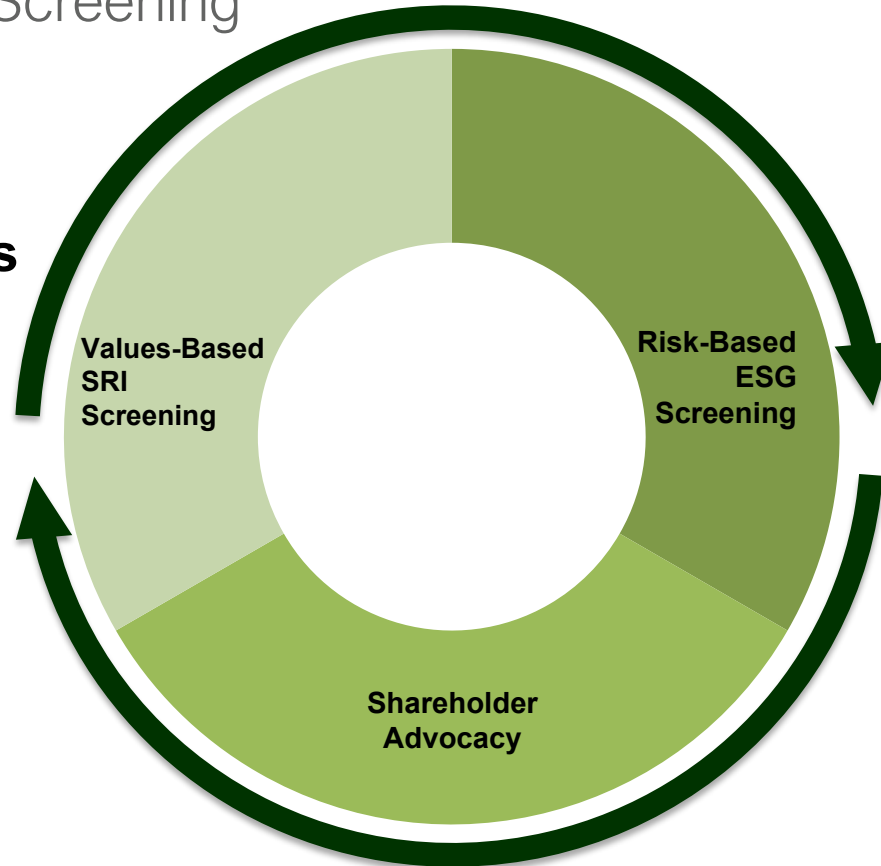
But is **socially responsible investing** consistent with my fiduciary duty?

The short answer is yes!

In a **2005 report** from Freshfields Bruckhaus Deringer, the global law firm concluded that ESG investing is consistent with fiduciary duty, and that the consideration of ESG factors is “clearly permissible and is arguably required in all jurisdictions.”

The Principles for Responsible Investment (PRI), United Nations Environment Programme Finance Initiative (UNEP FI) and the United Nations Global Compact produced a **2015 follow-on report** to the Freshfields study and updated it again in 2020.

Quaker Values Screening



“Negative” Screens

FFC excludes:

- Alcohol
- Tobacco
- Weapons & firearms
- Casinos & lotteries
- For-profit prisons
- **Fossil fuels**

“Positive” Screens Risk Mitigation

FFC identifies better actors:

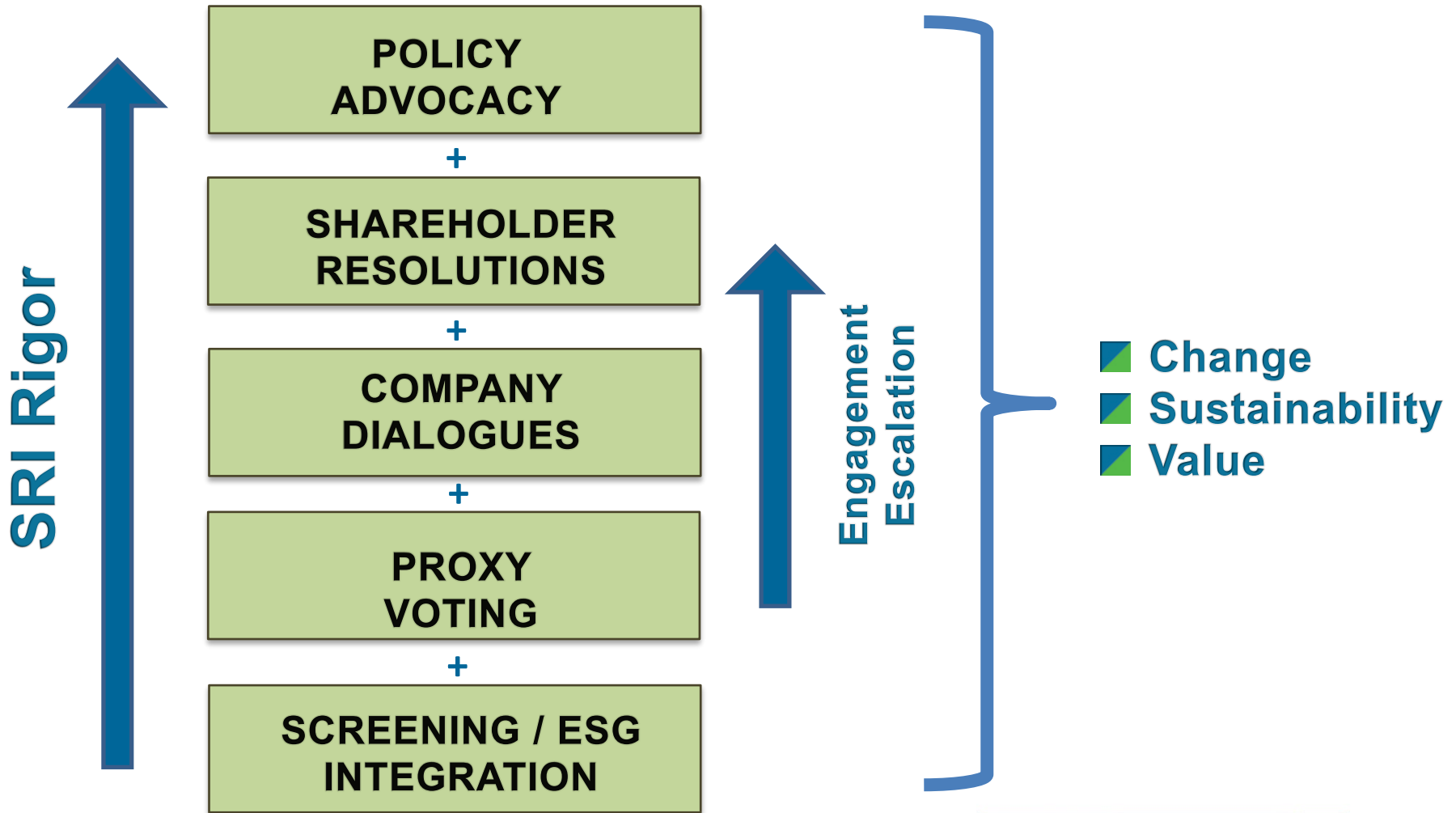
- Environmental, social, governance (ESG) record
- Several managers with a focus on green solutions

Shareholder Advocacy – Risk Mitigation

FFC actively owns our portfolio:

- Vote our proxies
- Engage the companies we hold

Investor Levers for Change



2022 Proxy Season Focus Areas



Environmental

- Climate Lobbying Alignment
- HFC Refrigerants



Social

- Pharma Companies Anti-competitive Practices
- Human Rights & Forced and Child Labor
- Racial Equity & Justice



Governance

- Board Diversity
- Lobbying

Board Diversity



Racial Equity Audit

Asks

- Publicly disclosed board matrix with self-reported diversity composition.

Actions

- Vote against all candidates, if not at least one woman and one person of color and
- Vote against all members of Governance & Nominating Committee, if not 30% diverse.

Asks

- Assessment and disclosure of company impacts on nonwhite stakeholders and communities of color.

Actions

- Dialogue
- Shareholder resolutions



Business case

- Companies with more diverse governance and management teams are more successful

Quaker values case

- Equality
- Integrity
- Community

What we asking:

- Third-party audit analyzing the adverse impact of Uber's policies and practices on the civil rights of company stakeholders, above and beyond legal and regulatory matters, and to provide recommendations for improving the company's civil rights impact with input from civil rights organizations, employees, and customers.

Business case

- Companies with more diverse governance and management teams are more successful



Quaker values case

- Equality
- Integrity
- Community

What we asking:

- Board of Directors to adopt a policy for improving board diversity requiring that the initial lists of candidates from which new management-supported director nominees are chosen by the board or relevant committee include qualified female and racially/ethnically diverse candidates.



Polling Question

Investing With Your Values – Assessing Priorities



1 Clarify your values

2 Identify your priorities

Near term

- Review your investment policy statement for alignment with stated values
- Review approach of your current investment manager(s):
 - How are they reflecting your values?
 - Control and rigor of investment selection
 - Proxy voting practices/record

Mid term

- Research SRI options
 - Online resources
 - Manager presentations
- Identify and compare firms
 - How do they fit your values?
 - Do they line up with your priorities?
 - Are you comfortable with the level of rigor?

Investing With Your Values - Evaluating a Manager/Fund



People

Planet

Profit



Transparency

Screening

Active Proxy Voting

Shareholder Engagement

Policy Advocacy

SRI Practitioner (e.g.UNPRI)

Investment Strategy

Returns

Fees

Diversification

Risk

Questions?



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Break

Our next session will resume at 9:25am.



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THE AUDIT EXCHANGE

Enterprise Risk / Internal Audit & Controls / Reporting Compliance

Enterprise Risk Management:

Initiating a Practical Program by

Applying Risk Factors

Enterprise Risk Management

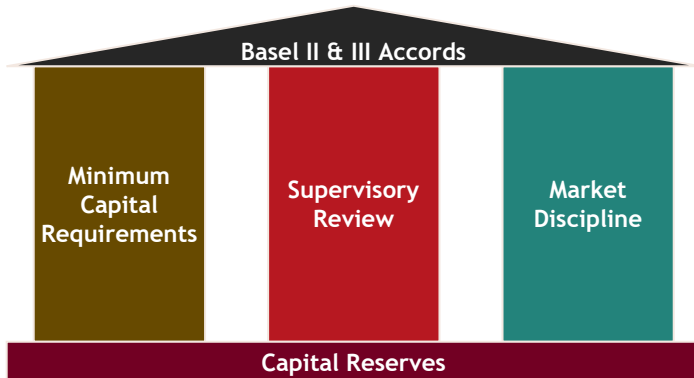
Initiating a Practical Program by Applying Risk Factors

Agenda

- ERM Primer
- Inertia of ERM Programs
- Ten Basic Risk Factors
- Bhopal Disaster & Recent Events
- Lessons Learned
- Instituting an ERM Program

ERM – Recognized Frameworks

- COSO ERM 2004 & 2017
- Open Compliance & Ethics Group (“OCEG”)
- ISO 31000
- National Association of Corporate Directors
- King Report (South Africa)
- Cadbury and Turnbull (UK)
- Basel II & III



ERM

COSO Updated ERM Framework – 2017

Risk

“The possibility that events will occur and affect the achievement of strategy and business objectives.”



ERM

“The culture, capabilities, and practices, that organizations integrate with strategy-setting and apply when they carry out that strategy, with a purpose of managing risk in creating, preserving, and realizing value.”

Focus on “value” and “benefits”

- Increase range of opportunities...through possibilities – both positive and negative
- Identify and manage entity-wide risks
- Reduce surprises and losses
- Reduce performance variability
- Improve resource deployment



Translating ERM

ERM is (by definition) -

“The culture, capabilities, and practices, that organizations integrate with strategy-setting and apply when they carry out that strategy, with a purpose of managing risk in creating, preserving, and realizing value.”

ERM really is –

Quality

Safety

Financial stability & performance improvement

Avoiding problems

Customer/Client success

Communicating clearly and timely

Doing the right “thing”

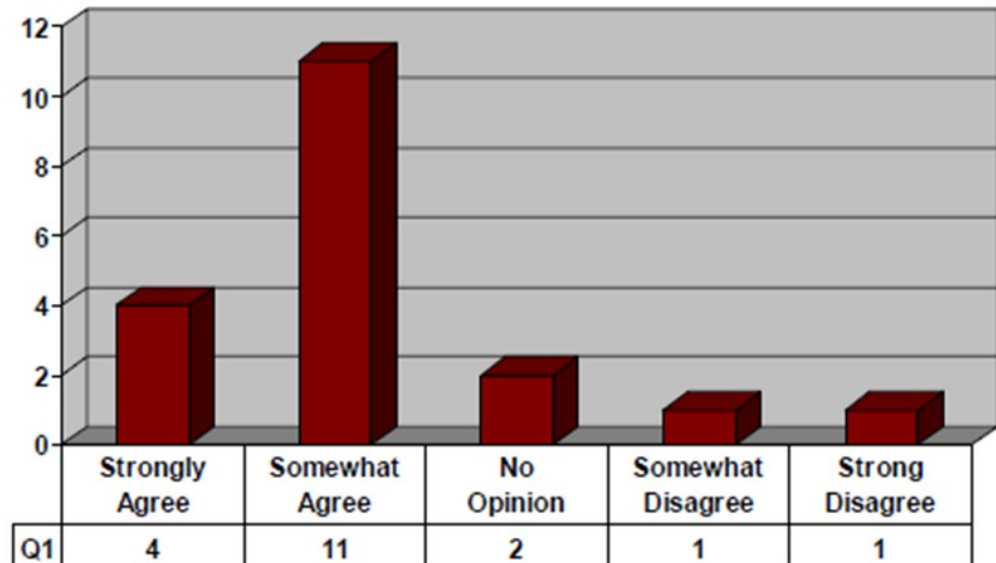
Staying healthy

ERM

Continued Misunderstanding of ERM

I understand the basic concept of Enterprise Risk Management (ERM).

- Surveys detail inconsistencies
- Individual beliefs vs. Collective understanding
- “I get, but they don’t.”



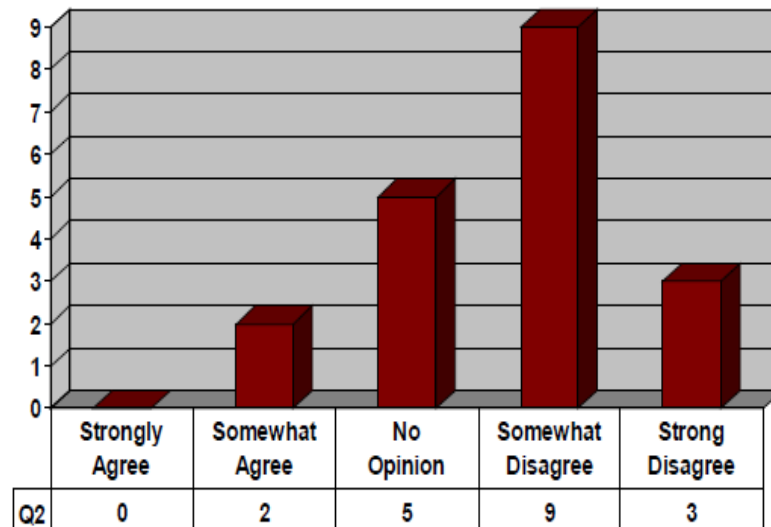
ERM

Continued Misunderstanding

- “I get, but they don’t.”

ABC’s Risk Management Philosophy is well developed, understood, and embraced by ABC personnel.

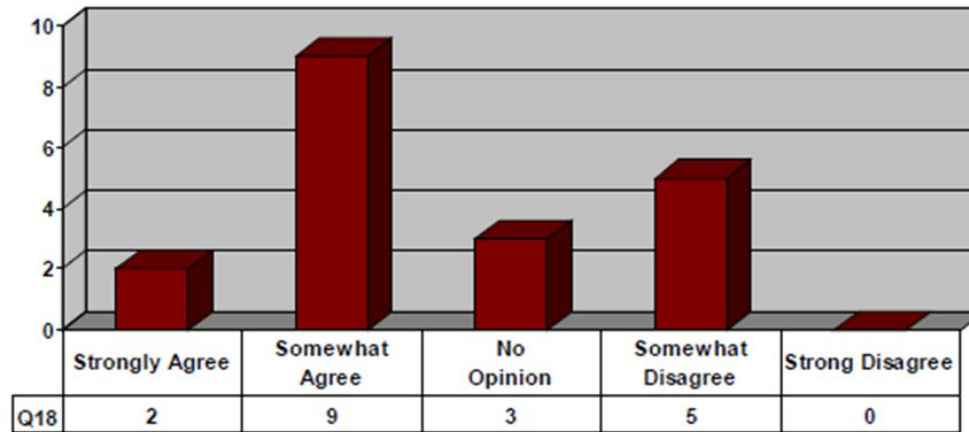
- ERM continues to be elusive
- Frameworks are principles based
- Lack of universal understanding
- Amorphous and arcane



ERM

Cultures Not Wanting to Know

18. There are open channels of communication and a willingness to listen, and personnel believe their superiors truly want to know about problems and will deal with them effectively.



- An “open door” policy, yet managers are not approachable

ERM

Results of Recent Polling

Current State of Enterprise Risk Oversight – April 2021
North Carolina State University, Poole College of Management & AICPA
420 Responses from executives in the Fall 2020

- **67%** believe the **volume and complexity** of risks is increasing “extensively” over time 50% in 2019
 - Particular concern regarding talent, innovation, the economy, and reputation and brand.
- **83%** have experienced an **operational surprise** due to a risk they did not anticipate (post-COVID) 66% in 2019
- **56%** of largest organizations have “**complete**” ERM process vs. **35%** overall. (vs. 23% non-profit)
- **68%** of organizations **experience pressure from Board** for more risk oversight. (72% non-profit)
- **88%** **see the benefits** of ERM exceeding the cost. (only 12% do not see the benefit)
- **55%** providing minimal to **no ERM training** for management in past two years (vs 65% non-profit).
- **57%** cite a “more to mostly” **qualitative assessment** to risk (vs. 63% non-profit)
- **40%** cite competing priorities and insufficient resources as **barriers** to “effective ERM” (vs 50% non-profit).

In general, surveys continue to indicate non-profit sector lags behind public sector.

Polling Question

ERM

Ten Risk Factors

*Operational Risk Management:
a case study approach to effective planning and response*

by

Mark D. Abkowitz

- Extended back 30+ years
- 3 Types of hazard
 - Natural disasters
 - Man made disasters
 - Terrorism
- Many events may be familiar
- All relate to what is happening today

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Ten Risk Factors

- 1. Design & Construction Flaws**
 - Designed to withstand forces
 - Otherwise, prone to failure
 - Faulty components, not assembled properly

- 2. Deferred Maintenance**
 - Continuous operation vs. Shut down
 - Procrastinate especially when not malfunctioning
 - One or multiple component failures

- 3. Economic Pressures**
 - Limited funding, tight budgets, strict cost cutting measures
 - Shoddy workmanship, lower quality materials, eliminating backups

- 4. Schedule Constraints**
 - Eliminating important details
 - Parallel tasks vs. Sequenced tasks

ERM

Ten Risk Factors

5. Inadequate Training

- Training not viewed as productive
- Contributes to mistakes

6. Not Following Procedures

- Repetitive activities give way to complacency
- Deviate from strict protocols
- Neglect or invention of new ways to accomplish tasks
- Others assume protocols are being followed

7. Lack of Planning and Preparedness

- Little forethought to the variety of scenarios, magnitude, alternatives, update

8. Communication Failure

- Inter- and Intra- organizational communication breakdown
- Communication breakdown to the public

ERM

Ten Risk Factors

9. **Arrogance**

- Overconfidence with an experienced person
- Individuals driving to succeed without regard for others
- Culture with a fear of reprisal to those who complain
- “I can handle anything.”
- Individual and corporate arrogance

10. **Political Agendas**

- Micro and macro levels of politics
- Developing countries seeking elevated status
- Relaxed safety standards

ERM

Ten Basic Risk Factors and Events

	Design & Construction Flaws	Deferred Maintenance	Economic Pressures	Schedule Constraints	Inadequate Training	Not Following Procedures	Lack of Planning & Preparation	Communication Failure	Arrogance	Political Agendas
Hyatt Regency	X		X	X		X		X	X	
Bhopal	X	X	X		X	X	X	X	X	X
Chernobyl	X			X		X		X	X	X
Exxon Valdez	X		X			X	X	X	X	X
Challenger/Colombia	X	X	X	X		X		X	X	X
Oklahoma City	X						X	X		X
Aum Shinrikyo					X		X	X		X
USS Cole			X			X	X	X	X	X
World Trade Center	X		X				X	X		X
London			X				X	X		X
Edmund Fitzgerald		X	X	X		X	X	X	X	
Mount St. Helens			X				X	X		
South Canyon				X	X	X	X	X	X	
Sumatra-Andaman			X		X		X	X		
Hurricane Katrina	X	X	X			X	X	X		X

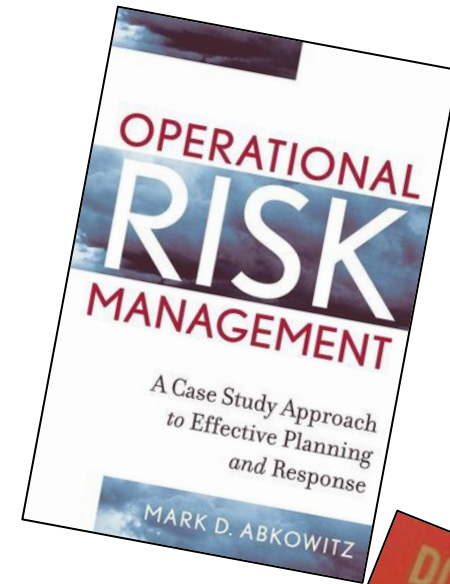
Polling Question

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Ten Risk Factors – Bhopal, India

Situation

- Bhopal, India
- Union Carbide Corporation (UCC) and subsidiary (UCIL)
- December 2, 1984, 11:30PM local time
- 40 tons of methyl isocyanate (MIC) accidentally released
- 3,800 fatalities
- 11,000 immediate injuries
- Perhaps 15,000 subsequent deaths from residual MIC exposure
- 578,000 injured



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Ten Risk Factors – Bhopal, India



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Risk Factors Contributing to Bhopal Disaster

Design and Construction Flaws	<ul style="list-style-type: none"> • Gas scrubber to capture released MIC was designed for ¼ of the volume • Flare tower designed for less capacity • Water curtain was too short • Storage tank was filled to over-capacity, overflow tank was already full • 30 day supply of MIC kept on hand – dangerous oversupply
Deferred maintenance	<ul style="list-style-type: none"> • Water was unable to drain due to clogged bleeder lines • Leaky valves allowed water into MIC tank • Temperature and pressure gauges were deemed unreliable • Refrigeration for MIC not functioning, results in overheating • Temperature alarm did not function
Economic pressures	<ul style="list-style-type: none"> • Bhopal plant was never profitable with MIC production • Over half of workforce eliminated, maintenance reduced to 2 prior to accident • Remaining workforce – job insecurity, low wages, performed tasks they were not trained • Deferred maintenance, inferior components, some components shut down
Inadequate training	<ul style="list-style-type: none"> • Workers unaware of their responsibilities
Not following procedures	<ul style="list-style-type: none"> • Gas scrubber was shut down for maintenance • Flare tower shut off for maintenance
Lack of planning and preparedness	<ul style="list-style-type: none"> • No indication of any formal emergency response plan • Residents fled to the worst areas • UCC did not inform local hospitals of chemicals used at the plant
Communication Failure	<ul style="list-style-type: none"> • Local attorney threatened legal action for lax safety in 1983 • UCC’s hands off policy – inadequate communication of dangers • Operating manuals in English vs. Hindi, local language.
Arrogance	<ul style="list-style-type: none"> • UCC Audit Report contained 60 hazards, 30 considered major, 11 concerned MIC, and significant likelihood of a major release • Report and other warnings were not addressed • An “understanding” that safety would not be enforced
Political Agendas	<ul style="list-style-type: none"> • Identical plant in West Virginia, similar issues were addressed. • Economic development was India’s highest priority.

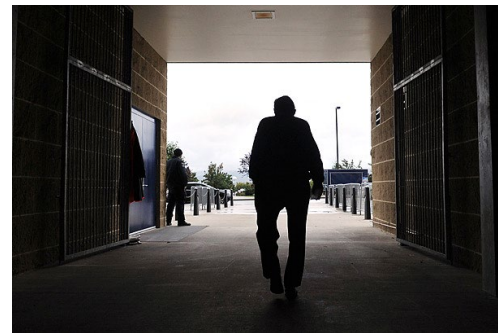
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Ten Risk Factors – Penn State

Sacred Football Program

Beloved Coach (living Saint to many, curmudgeon to some)

- **Design flaw** – too old to lead football program?
- **Economic pressure** – football was an economic engine
- **Inadequate training** – see something, say something.
- **Not following procedures** – University, police, State Attorney General.
- **Lack of planning and preparedness** – the problem lingered for years.
- **Communication** – who said what to whom, and when?
- **Arrogance** – minors were in great danger
- **Political agendas** – you bet!



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Ten Risk Factors – General Motors

Chevy Cobalt

Sudden engine stoppage

Contributed to at least 124 deaths



- **Design flaw** – faulty ignition switch, replaced below spec switch
- **Economic pressure** – earnings every 3 months, recession, return on R&D, \$.90 replacement cost vs. \$.15 reduced warranty claim costs
- **Lack of planning and preparedness** – recall delayed for years
- **Communication** – Execs were not informed of link to airbag “on”
- **Not Following Procedures** - replacement part (intentionally) mis-keyed
- **Arrogance** – Cobalt was not as important as large SUVs, similar recalls for SUV’s
- **Political agendas** – Meet Federal fuel standards...as cheaply as possible



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Ten Risk Factors – PG&E

Camp Fire/Paradise

Fast and intense wildfire

88 deaths, 150 missing, 14,500 homes/businesses destroyed



- **Design flaw** – low hanging lines, towers erected in 1921, community expansion strained capacity
- **Deferred Maintenance** – 2013, 2014, 2015, 2016, 2017, 2018
- **Economic Pressure** – low population density, expensive & complicated upgrade, allotted funds used elsewhere
- **Not Following Procedures** – spending allotted budget vs prudence
- **Lack of planning and preparedness** – evacuation plans didn't work, tree marked for removal 3 times
- **Communication** – repeated delays unreported, “black box” reporting
- **Arrogance** – antiquated systems to assess safety & reliability
- **Political Agendas** – Delayed permitting for upgrades in federal forest

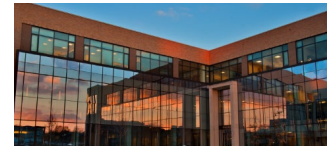


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Ten Risk Factors – Villanova University Law & Temple University Business School

February 2011 - Villanova

Inflated GPA and LSAT Scores to bolster National ranking



January 2018 - Temple

Intentionally submitted false data to boost ranking of seven business school programs

Design flaw – Insufficient process to detect data manipulation

Maintenance – Important data never subject to internal audit

Economic Pressure – higher rankings impact financial performance

Not following procedures – Intentional manipulation a data

Communication – Conspiracy, Law & Business School Deans, staff, others.

Arrogance – knowingly reported the inaccurate information for some time, fear of reprisal

Political Agendas – sought elevated ranking, disregard for University governance

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Ten Risk Factors – Devereux Foundation, Child Abuse

2018 – 2020 Abuse by Staffers, Aggravated/Simple Assault

- **Design flaws** – caliber of staff; talent management; use of technology; only 4 of 20 criminal abuse cases in the public record.
- **Deferred Maintenance** – “...plans to spend \$6 million more for video camera technology...random reviews of surveillance footage.”
- **Economic Pressures** – max. reimbursement from state is \$230/day – inadequate staffing – caliber and size of staff.
- **Not following procedures** - “They either failed to file a required incident report when a child got hurt or was restrained, or they lied in the report.”
- **Inadequate Training** – “...legally mandated to immediately (report abuse).”
- **Arrogance** - “And Devereux supervisors who reviewed the reports accepted the staffers’ accounts.” “...sexually assaulted at least 41 children...over 25 years”
- **Political Agendas** - “...supervisors sometimes minimized the severity of a child’s injuries...”

Source: The Philadelphia Inquirer, ‘Punched. Stomped. Whipped.’ January 27, 2021

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Ten Risk Factors – Chester County Nursing Home Fire

November 2016

Four deaths attributed to night-time fire

- **Design flaw** – Insufficient water flow, insufficient sprinkler system
- **Economic Pressure** – less expensive alternatives?
- **Not following procedures** – Closed valves
- **Communication** – 363 or 663 Gallons per Minute typo? Warning signal from system?
- **Arrogance** – NFPA 13 standard vs less stringent 13R chosen (clearly questioned)



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Ten Risk Factors – Non-profit Local Swim Club

May 2011 - Accidental Drowning - 3 ½ years old

Winter/Spring 2018 – Near Collapse of Underground Pump Room

- Design flaws
- Deferred Maintenance
- Economic Pressures
- Scheduling Constraints
- Inadequate training
- Not following procedures
- Lack of planning and preparedness
- Arrogance
- Political Agendas

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Ten Risk Factors – Lessons Learned

Risk factors work together – disastrous consequences	Political agendas – significance cannot be underestimated
Communication failure in every instance irrespective of cause	Arrogance – far more significant than previously imagined
Take planning and preparedness seriously – it should never be shortchanged	Lack of uniform safety standards across different nations – uneven risk playing field
Economic pressure is a chronic problem	“Luck” can change fortunes - either way
Not following procedures – in every man made accident	It usually takes a disastrous event to convince people
Design & construction flaws – the bane of man made accidents	Risk is unavoidable in life – so identify and prioritize

Polling Question

ERM Methodologies – Two Broad Approaches

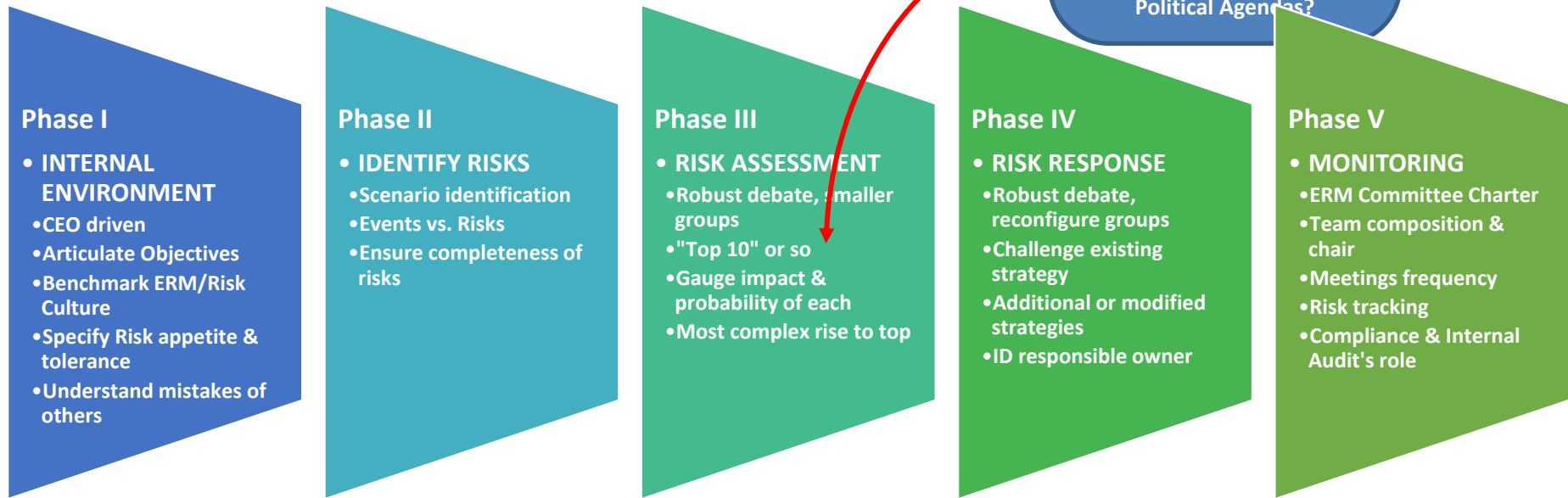
ERM Retreat Facilitated Group Consensus



Institutional Risk Assessment One-on-One Interviews (modified group consensus)



ERM Methodology – Retreat/Facilitated Group Approach



Requires a different level of effort and focus:

- One or Two day commitment from key stakeholders – typically offsite
- Discussion and debate approach –
 - Identify and prioritize important risks
 - Related risk response strategies
- Includes similar activities as the Business Risk Assessment (e.g., survey, Ten Risk Factors)

Business Risk Assessment Four Phases



ERM Survey

Customized - Baseline Measurement

Survey Results Details

Question 1 - I understand the basic concepts of Enterprise Risk Management (ERM).

80

Survey Results Details (Continued)

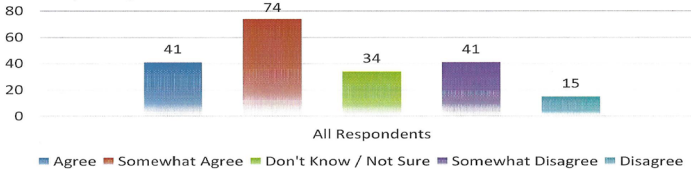
Question 2 - ABC's Risk Management philosophy is well developed, understood and embraced by ABC personnel.

Survey Results Details (Continued)

Question 4 - ABC risk appetite is understood, considered, and aligned with the organization's mission and strategy.

Survey Results Details (Continued)

Question 7 - ABC's organizational structure defines key areas of responsibility and accountability with effective lines of reporting.



56% Agree the organizational structure defines key areas of responsibility and effective lines of reporting.

Sample of Comments:

- Responsibility is defined well....problem is the lack of (accountability) created by leaders in position of authority not having the time to interact and communicate well with staff...effort is there but the amount of responsibility and the workload appears to be overwhelming (S)
- ...there needs to be a flow of functions rather than islands that operate in isolation and often duplicate work resulting in dysfunctional systems. (F)
- There can be a large communication gap between Specialists and staff, academic affairs and the other facets of the Business. (S)
- This used to be much clearer, but when some positions were eliminated, it became more confusing....need an organizational chart so the community can clearly understand reporting structures and associated responsibilities. (S)
- There are too many "coordinators" and "directors" that overlap many areas...too much red tape...poor communication.(S)
- ...a general fear of confrontation from upper management...blurred boundaries and responsibilities...there are few, if any, repercussions for failing to meet objectives...(S)
- There are areas where there appears to be no accountability (S)
- ...never had a 360 review of academic Senior Management or the shared governance structure...(do it now)...we are moving to five-school structure. (F)

- Attitudes and perceptions of risk
- Identifies philosophical gaps
- Key components of an ERM program
- Stands the test of time
- 20 statements, 5 minutes
- Anonymous
- Comments from participants
- Gauge overall ERM program improvement or deterioration

60% A
23% D
Only 5

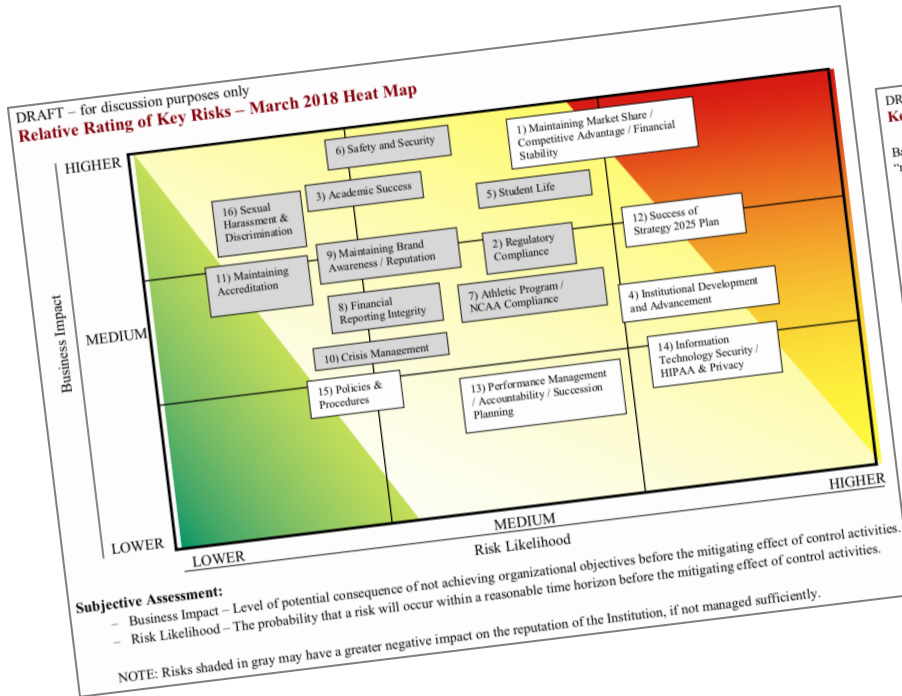
Only 20% Ag

- I have nev such as ou
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- Only Cabin

76% Don't kr aligned with

- Sample of Comm
- ...the Busin recruiting n
- Federal and
- Everything
- I view ABC
- We are mo

Example Sanitized Institutional Risk Assessment Report



DRAFT – for discussion purposes only
Key Risks Matrix - Detail

Based upon our efforts, significant institutional risks faced by the Institution are summarized in the Key Risks matrix below. Included are "mitigating actions" which represent actions that are being taken by management and the faculty to reduce inherent risk.

Risk Identified	Impact Assessment	Likelihood Assessment	Details	Mitigating Actions
1. Maintaining Market Share / Competitive Advantage / Financial Stability	Higher	Higher	<ul style="list-style-type: none"> Declining market share, both within ABC University across the higher education industry. Increasing challenges of not meeting undergraduate day and graduate enrollment targets. The Tuition Re-set strategy in 2011 that resulted in a 15% decrease in tuition may have had a detrimental effect on the University in subsequent years. Continuing need for increases in tuition and higher room and board rates creates a greater financial strain with ABC students and applicants. Significant tuition dependency by the University and the high likelihood of utilizing the unrestricted reserves to partially fund operations for the foreseeable future. Continued challenges to maintain debt covenants and/or renegotiate covenants which are out of compliance. Insufficient financial performance will result in reductions or deferrals in capital projects and could further defer plant maintenance. Attempting to resolve excess capacity issues during a time of increased market competition from lower cost schools and an increased questioning of the ROI of a college degree. Inability to fully and effectively respond to the growing demand for technology services, both academic and personal, may have an impact on the demands of the student population. Several differing views are held regarding the tuition strategy from reducing the gross tuition price by eliminating discounts adjustments, to maintaining discounts and offering them to a large number of applicants/students. 	<ul style="list-style-type: none"> New management team 2025 Strategic Plan adoption Changing admissions skills to more closely meet the needs of potential students
5. Student Life	Higher	Higher	<ul style="list-style-type: none"> Inherent challenges with student mis-behavior including underage drinking, drug use, sexual misconduct, violence, etc. Implied higher standard of care with students and other minors who utilize the campus. Increasing diversity of student body, especially with African-American, Hispanic, Asian communities is not fully matched within the faculty, contributing to an "ethnic gap". Increasing use and ubiquity of social media can more easily introduce student protests and other related disruptions. Student abroad programs introduce inherent risks to students, faculty and other chaperones. The effectiveness of related insurance and crisis management plans is questioned. 	<ul style="list-style-type: none"> Student, Faculty, and Public Safety Policies exist and are readily available to all constituents. Policy enforcement is visible to the student body. Student Awareness and other education programs are offered throughout the academic year. Experienced and competent Head of Student Life and Dean of Students.

Polling Question

ERM – Final Closing Thoughts

“Risk is unavoidable in life – so identify and prioritize.”

Mark D. Abkowitz

"The truth of the matter is that you always know the right thing to do. The hard part is doing it."

Gen. Norman Schwarzkopf

John McLaughlin, CPA, CRMA

Executive Director & Founder
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THE AUDIT EXCHANGE LLC

Enterprise Risk / Internal Audit & Controls / Reporting Compliance

Break

Our next session will resume at 10:20am.



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Diversity, Equity and Inclusion (DEI) Update: Fostering a Workplace Culture of Belonging



Kristin M. Seeger, CPA,
Director of Talent
Acquisition

www.kmco.com

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Polling Question



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Introduction and Agenda

Today we look to share examples of our commitment to DEI and how we have taken steps to foster a workplace culture of belonging that is inclusive of all cultures and backgrounds.

- Kreischer Miller's Roadmap to a Culture of Belonging
- Recruiting, Onboarding, & Retention Efforts



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Our Roadmap to a Culture of Belonging – Helpful Resources

- PICPA Diversity Pilot Program
- AICPA's PCPS Internship & Scholarship Program
- RISE ERG
- DEI Council
- AICPA Accounting Inclusion Maturity Model
- CEO Action for Diversity & Inclusion



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Recruiting, Onboarding & Retention

- Recruiting
 - Where can firms find underrepresented professionals?
 - How do employees view the organization?
- Onboarding
 - How do we create an inclusive onboarding process with diversity in mind?
 - What are the benefits of creating an onboarding program in a collaborative space?
- Retention
 - How can we ensure new hires continue to feel welcomed long after the onboarding process?
 - Are there systems/programs that you have put in place that yielded positive results?



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Contact the Presenter



Kristin Seeger
Director, Talent Acquisition
kseeger@kmco.com

Kristin is responsible for ensuring that Kreischer Miller is well positioned as the employer of choice. She offers an invaluable blend of recruiting and public accounting experience, combined with a natural ability to bring people together. Her primary focus is developing relationships with experienced audit and tax professionals for potential positions within the firm. She utilizes her expertise to assess applicants' skills in order to identify the best possible candidates for the firm, and to advise the firm of hiring trends. She also maintains relationships with several top colleges and universities to identify and hire talented students for internships and full time positions. Kristin maintains her CPA license and has an infectious enthusiasm for Kreischer Miller staff and for recruiting candidates to work for Kreischer Miller.



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Break

Our next session will resume at 11:05am.



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Tax Update



**Christopher M. Pekula,
Director, Tax Strategies
and Not-for-Profit
Tax Specialist**

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2022 IRS Program Letter (AKA Work Plan)

- 2022 Program Letter (Work Plan):
 - Written by:
 - Sunita Lough (TE/GE Commissioner)
 - Edward Killen (TE/GE Deputy Commissioner)
 - *Outlines the goals or the IRS TE/GE group for 2022*
 - *Continuing the “New Look” from 2022*
 - *“Multi-Page Model” vs. “Compact Summary”*
 - *Updating information online*



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2022 IRS Program Letter (AKA Work Plan)

- 2022 Program Letter (Work Plan):
 - General Message to the public
 - Delivers a compliance platform in 6 programs:
 - Strengthen Compliance Activities
 - Improve Operational Efficiencies
 - Maintain a Taxpayer-Focused Organization
 - Ensure Awareness and Collective Understanding
 - Leverage Technology and Data Analytics
 - Develop Our Workforce



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2022 IRS Program Letter (AKA Work Plan)

- General message summary:
 - Acknowledges the pandemic and impact on every organization
 - 2022 will see “significant growth” within the “TE/GE” workforce
 - After a decade of declining numbers
 - Remain “user-friendly” for the tax-exempt community
 - Outreach activities, educational videos, increasing services in under-reached/under-served communities



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2022 IRS Program Letter (AKA Work Plan)

- Strengthen Compliance Activities:
 - Issues approved to identify, prioritize and allocate resources within the filing population:
 - Collaborate across IRS on existing and emerging issues
 - Conservation easements, abusive charitable remainder annuity trusts, ESOP...
 - **COVID-related employer credits**
 - **Abusive promoter schemes**



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2022 IRS Program Letter (AKA Work Plan)

- Strengthen Compliance Activities (Con't):
 - Support tax compliance:
 - High-income taxpayers with TE/GE issues
 - Private foundations, retirements plans, employee stock ownerships plans
 - Potential joint audits with other IRS divisions
 - Partner with IRS criminal investigation and research applied analytics & statistics



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2022 IRS Program Letter (AKA Work Plan)

- Improve Operational Efficiencies:
 - Foster voluntary compliance (use of enhanced techniques)
 - Review systems and processes
 - Migration: Enterprise case management
 - Rapid resolution of issues
 - Support development
 - Explore, create and refine opportunities to leverage diverse perspectives and insights



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2022 IRS Program Letter (AKA Work Plan)

- Maintain a Taxpayer-Focused Organization:
 - Expand outreach to the TE/GE community
 - Goal: create positive experiences for employees and taxpayers
 - Promote e-filing services (1024 as well as other exempt organization and employee plan returns)
 - Development online tools and resources
 - Online access to publicly disclosable filings



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2022 IRS Program Letter (AKA Work Plan)

- Ensure Awareness and Collective Understanding:
 - Proactive communications
 - Encourage compliance
 - Strengthen stakeholder partnerships
 - Identify, develop and deliver TE/GE messaging
 - Address business change initiatives



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2022 IRS Program Letter (AKA Work Plan)

- Leverage Technology and Data Analytics:
 - Data analytics
 - Detect emerging issues (990-N and 1023-EZ)
 - Robotic process automations
 - Efficient and effective processes
 - Improve access to and use of digital data
 - Especially with high-risk for non-compliance
 - Leverage publicly available data to streamline and automate our process for identifying the universe of hospitals subject to the ACA review



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2022 IRS Program Letter (AKA Work Plan)

- Develop Our Workforce:
 - Recruitment and hiring strategy to identify, hire and retain TE/GE employees
 - Employee training needs
 - Expanding skills to be more flexible and well-trained
 - Employee and management development
 - Training, coaching and mentoring programs



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2022 IRS Accomplishments Letter

- 2022 Program Letter (Work Plan):
 - Written by:
 - Sunita Lough (TE/GE Commissioner)
 - Edward Killen (TE/GE Deputy Commissioner)
 - Sections:
 - **Snapshot, Exempt Organizations**
 - Employee Plans, Gov't Entities, Compliance Contracts, Outreach



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2022 IRS Accomplishments Letter

- Snapshot:
 - Ensured the safety of their employees
 - Continued enforcement efforts
 - Developing civil and criminal fraud cases
 - Abusive tax avoidance transactions
 - Enhanced data collection and analysis capabilities
 - Better return selection for examination/focused outreach
 - Small entity compliance initiative/outreach



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2022 IRS Accomplishments Letter

- IRS TE/GE Division “positioning”:
 - 1,521 employees at “print time”
 - 5.1% loss from 2020
 - 120 new agents in 2021
 - 75 revenue agents
 - 17 tax examiners
 - 13 analysts
 - 15 “other positions”
 - Performed 245 interviews for 132 additional openings



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2022 IRS Accomplishments Letter

- Statistics (con't):

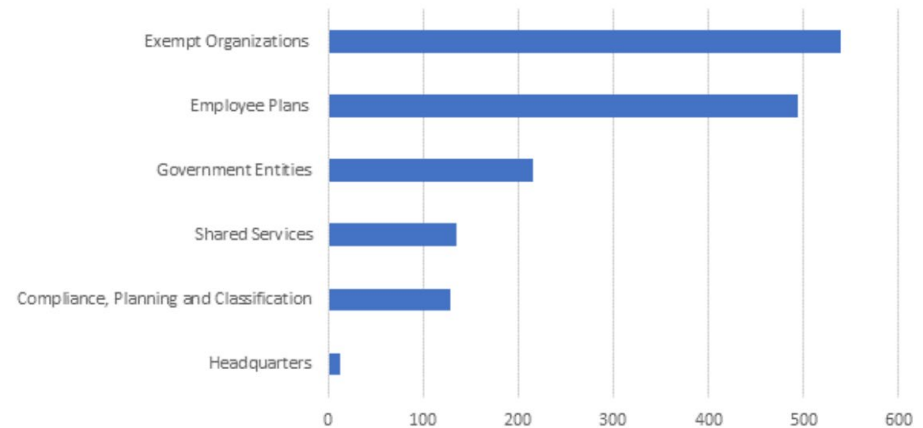
TE/GE's Organizations

Employ almost
25% of the
American
workforce

Control over \$47
trillion in assets¹

Account for about
20% of nearly \$1.3
trillion in federal
tax expenditures²

Figure 1: FY21 TE/GE Staffing



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2022 IRS Accomplishments Letter

- Examinations:
 - 3,249 examination of filings in 2021
 - 82% resulted in a tax change
 - **34% “picked up” from related examination**
 - 94 proposed revocations

	Started	Closed	Change %	Pick-up %
Compliance Strategies	566	530	83.0%	32.6%
Data-Driven	948	1,035	87.5%	46.0%
Referrals, Claims and Other Casework	2,167	1,684	78.9%	27.3%
Totals	3,681	3,249	82.3%	34.1%

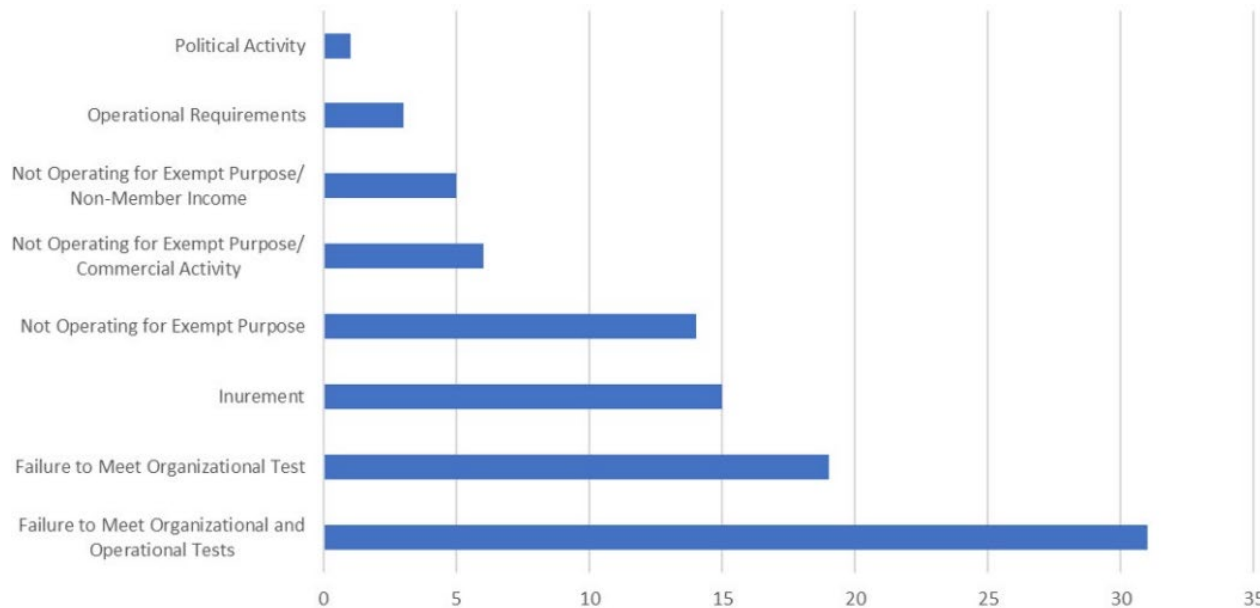


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2022 IRS Accomplishments Letter

- Revocations:

Figure 2: FY21 EO Revocations by Issue

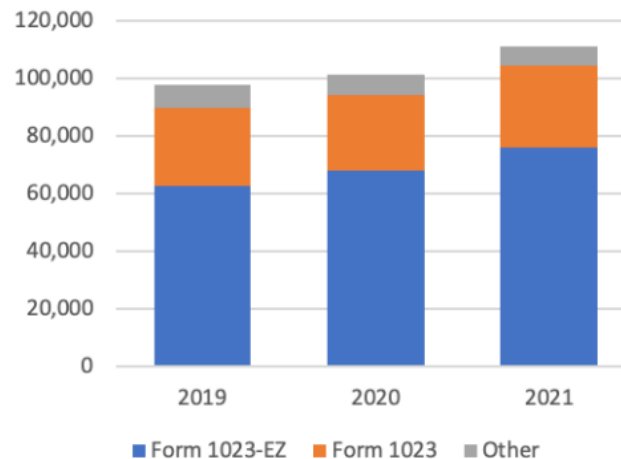


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2022 IRS Accomplishments Letter

- Determinations:
 - EO closed 94,466 applications in 2021
 - 81,589 approvals (76,852 – 501(C)(3))

Figure 3: EO Determination Receipts

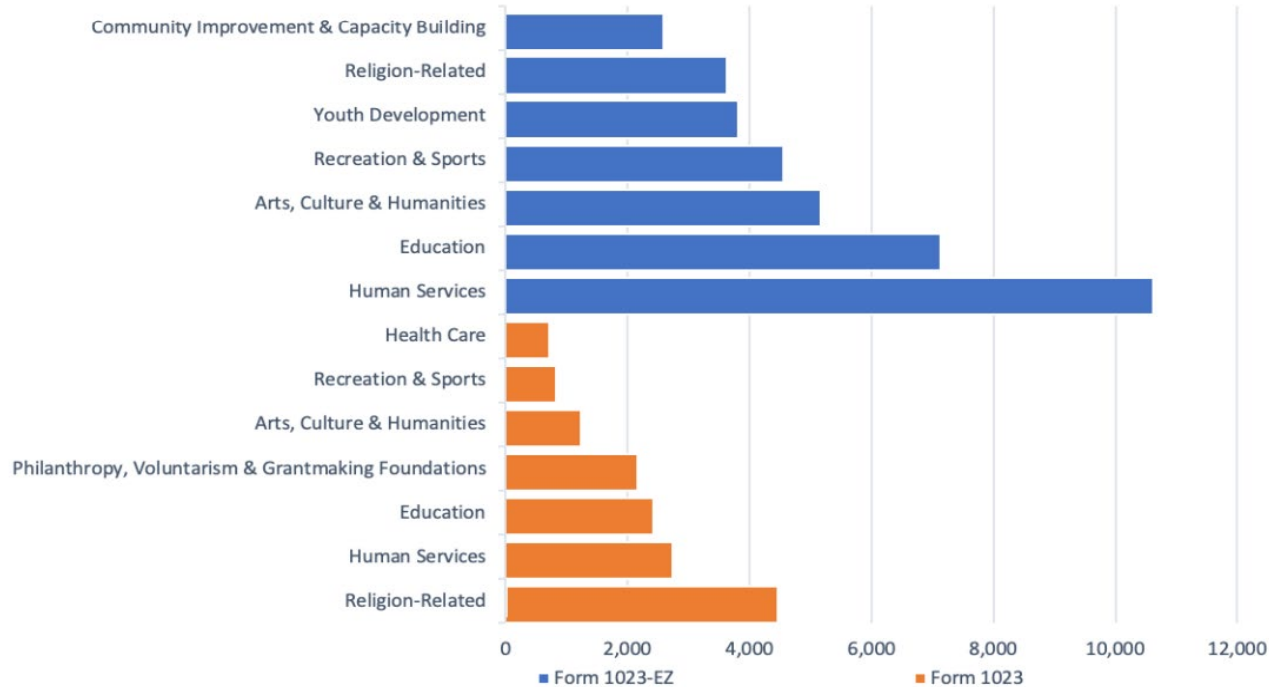


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2022 IRS Accomplishments Letter

- Determinations (Con't):

Figure 4: Taxonomy of 501(c)(3) Organizations Approved in FY 2021



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Polling Question



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Contact the Presenter



Christopher M. Pekula, CPA
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***Thank you for
your participation!***

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About Kreischer Miller

Kreischer Miller is an accounting, tax, and business advisory firm that has been serving clients since 1975. We've built our firm to respond to the unique needs of growth-oriented private companies, helping you smoothly transition through growth phases, business cycles, and ownership changes. The companies we work with need to be able to quickly adapt and respond to changing market opportunities and challenges. That's why our focus is on being responsive, decisive, and forward-thinking. We're up to the challenge—always looking at the road ahead, not in the rear-view mirror.

Learn more at www.kmco.com.



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