

SOA Resource Guide for Volunteer Actuaries Assisting Non-Profits



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Introduction: Actuaries Volunteering with Non-Profit Organizations

At the heart of the Society of Actuaries is a simple yet exciting promise to empower the world with valuable insights using actuarial knowledge. Our global actuarial profession is filled with SOA members who not only drive solutions to life's financial risks but also use their talents within local communities to make a significant positive impact on society. At the SOA, through our community interaction and our research work, we often refer to this as part of the outstanding societal purpose of the actuarial profession. We've seen many times that SOA members have a positive impact in their communities through volunteering at local non-profit organizations.

Volunteering within a non-profit organization requires a deeply consultative, peer-to-peer partnership grounded in active listening, empathy, and professional restraint. Actuarial volunteers must explicitly avoid arriving as external auditors or substitute managers and should never overwhelm staff and trustees with dense mathematical formulas, complex corporate jargon, or over-engineered models that alienate non-financial professionals. Instead, the volunteer's primary mission is to serve as an educational bridge and trusted sounding board for the Executive Director, CFO, Treasurer, and Finance Committee—respecting their daily operational constraints while helping leadership evaluate trade-offs and see past immediate budgetary horizons.

The ultimate goal of this collaboration is sustainable empowerment: working alongside staff and board members to make the organization's financial structures, systems, and policies more understandable, durable, and actionable rather than more complex. By translating technical realities—such as multi-year cash flow pacing, liquidity tiers, reserve adequacy, and risk governance—into plain-language narratives and clean dashboards, actuaries build internal capacity that often outlasts their engagement. True success is achieved when non-profit leaders gain the clarity, confidence, and tools necessary to govern their financial resources and protect mission continuity independently.

Actuaries are not always trained experts in NFP governance and management, so the reader should consider that this resource guide aims to support members' societal activities by providing high level descriptions of possible work as they embark on their journey but in no means a comprehensive guide for NFP governance and operation. Links to other resources are provided that can augment this guide with detailed subject matter guidance.

The following are examples and brief resource guides for actuaries who are considering volunteering to get involved in financial management and other assistance to a non-profit organization (NFP). These resources were developed through conversations, work, and review of the Society of Actuaries Societal Purpose Committee.

Each guide includes summary information about typical needs of the non-governmental organizations (NGO) or non-profit organizations along with a description of how an actuary could assist with those needs for each of the following topics.

I. Governance and Financial Leadership

1. Introduction and The Core NFP Need

NFPs frequently encounter a persistent "skills gap" regarding complex financial oversight. Because board recruitment often prioritizes sector-specific mission expertise over technical financial backgrounds, many organizations struggle to move past simple backward-looking data reporting into true fiduciary oversight. This structural vulnerability can directly impact donor trust and operational sustainability if left unaddressed.

2. The Actuarial Value Proposition

While traditional accountants excel at logging and auditing historical financial transactions, the actuarial mindset shifts the conversation completely forward. Actuaries apply probabilistic thinking, asset-liability structuring, and long-horizon risk analysis to help NFP leadership see past immediate budgetary horizons. This perspective focuses on the holistic stewardship of restricted funds, identifying operational blind spots, and transforming vague operational concerns into clear financial implications.

3. Key Diagnostic Questions

- A. **Board Competency:** Does the board maintain an active-skills matrix identifying financial expertise as a required baseline? Has the board undergone formal financial literacy training in the past two years?
- B. **Fiduciary Policy Infrastructure:** Are there explicit, written policies detailing conflicts of interest (with annual disclosures), an Investment Policy Statement (IPS), tiered spending/signing authority thresholds, and documented internal controls?
- C. **Reporting Quality and Planning:** Are reports structured for easy comprehension by non-financial board members? Is there a forward-looking 3–5-year financial model tracking days of cash on hand and revenue concentration risks?

4. Step-by-Step Conceptual Framework

- A. **Phase 1—Governance Assessment:** A high-level diagnostic scan of existing financial packages, bylaws, Form 990s, and recent board minutes to locate immediate compliance or oversight gaps.
- B. **Phase 2—Policy Infrastructure:** The proactive design or alignment of critical governance guardrails (Conflict of Interest, IPS, and Spending Authority policies).
- C. **Phase 3—Reporting Upgrade:** Redesigning dense data reports into clean, one-page board dashboards with budget-versus-actual analysis, coupled with targeted board training.
- D. **Phase 4—Long-Term Sustainability Modeling:** Building a forward-looking 3–5-year framework evaluating stress, growth, and base scenarios alongside an active board risk register.

5. Domain-Specific Skillset Summary

- A. **Scenario Analysis & Stress Testing** (Applied to multi-year strategic planning and reserve optimization)
- B. **Risk Identification & Quantification** (Applied to establishing clear operational risk inventories)
- C. **Plain-Language Communication** (Applied to translating dense financial trends for non-technical trustees)
- D. **Investment Strategy & Asset Liability Management (ALM)** (Applied to formalizing structural policy statements and endowment health)

6. Resources and Reference Materials

NFP Governance and Board Development

- *The Best Nonprofit Resources*, BoardSource, <https://boardsource.org/fundamental-topics-of-nonprofit-board-service/>.
- *Good Governance Policies for Nonprofits*, National Council of Nonprofits, <https://www.councilofnonprofits.org/running-nonprofit/governance-leadership/good-governance-policies-nonprofits>.
- *Professional Development for Nonprofit Leaders*, Propel Nonprofits, <https://propelnonprofits.org/>.

Audit and Compliance

- *Not-for-Profit Resources*, AICPA & CIMA, <https://www.aicpa-cima.com/topic/not-for-profit>.
- *Nonprofit Audit Guide*, National Council of Nonprofits, <https://www.councilofnonprofits.org/running-nonprofit/nonprofit-audit-guide>.

II. Strategic Budgeting, Forecasting, and Analysis

1. The NFP Need for Strategic Budgeting, Forecasting, and Analysis

The NFP's need for strategic budgeting, forecasting, and analysis **focuses on moving beyond a "break-even" mindset to a framework of long-term financial resilience and mission alignment.** Strategic budgeting aligns the mission with the money and can be defined as a financial communication of an organization's plan for the future. Actuaries are uniquely positioned to help frame and model this financial framework for NFPs. While each NFP will have unique circumstances that will need to be reflected, some key universal needs of non-profits include:

- A. **Prioritizing Surpluses:** A fundamental myth is that a non-profit budget must break even. Strategic budgeting instead aims for **consistent surpluses** to build a balance sheet that can reinvest in infrastructure and programs. **Aiming for a surplus is a strategic imperative** because consistent surpluses fuel the balance sheet, allowing an organization to reinvest in its infrastructure, manage risks, and build the reserves necessary for mission sustainability.
- B. **Categorizing Expenses:** Organizations must identify **fixed vs. variable expenses**. Fixed costs (like rent) do not change with volume, while variable costs (like supplies) offer "levers" that leadership can pull to respond to revenue fluctuations.
- C. **Accounting for Restrictions:** Budgets must clearly delineate between **unrestricted and restricted revenue**. Relying on total revenue can mask an "artificial surplus" if the funds are legally restricted to future years or specific programs and cannot cover current operating costs.

2. The Actuarial Value Proposition for Strategic Budgeting, Forecasting, and Analysis

Actuaries can be particularly good about designing and implementing quantitative financial risk models—especially capturing the range of uncertain outcomes with some combination of deterministic scenario forecasting as well as the stochastic variety. Seasoned actuaries also learn how to communicate and lead discussions on how to evaluate these results, summarize key performance data metrics on the health of an organization, and then lead constructive decision-making based on this analysis to improve the financial resiliency of the organization. This expertise can be critical to the long-term success of an NFP.

Actuaries can help develop advanced forecasting and analysis to manage uncertainty.

Effective forecasting requires tools that quantify risk and the range of outcomes rather than relying on single best-case guesses. Some key principles of forecasting and analysis include:

- A. **Revenue Discounting:** A recommended practice is to list all potential revenue sources and assign them a **probability percentage** (e.g., 100% for committed grants, 60% for moderate prospects, 10% speculative). Applying these percentages to the total creates a more realistic "data-informed" projection of available funds.
- B. **Scenario Planning:** Leadership should use a **Scenario Matrix** to model "best bet" paths (e.g., a fast vs. slow return to in-person services). This allows the board to

understand financial implications and trade-offs before they occur, identifying specific **triggers** that would require a shift in operations.

- C. **Cash Flow vs. Budget:** While a budget looks at the year in total, a **cash flow projection** slices data into weekly or monthly increments. This is essential for identifying "timing issues" where cash is expected but has not yet arrived to pay immediate bills.

3. Key Diagnostic Questions to Ask the NFP to Assess the Opportunity for Strategic Budgeting, Forecasting, and Analysis

- A. Please describe your expected annual revenue this year in the budget. What is your best-case scenario? Worst-case scenario? Are there any recent challenges? Have there been any issues historically?
- B. Do you feel like you have properly evaluated the full range of outcomes from a revenue perspective?
- C. What does success look like for the annual budget? What does a potential surplus allow the NFP to do in future years? How does this compare with increasing the scope of the mission now?
- D. What expenses does the NFP have each year? How much of these expenses are fixed vs. variable? Do you think this dynamic is accurately captured in your forecasts? Any recent challenges with this issue?
- E. What are the biggest challenges you think the NFP faces right now? What are your biggest worries?
- F. How do you determine the budgets for future years? What are the key factors you focus on that could drive results better or worse?
- G. How do you measure success for the NFP? What do you think is not getting captured properly in the NFPs narrative?

4. Step-by-step Conceptual Framework

- A. **Phase 1—Historical Baseline & Full-Cost Diagnostic:** Review past budget-versus-actual performance, separate operating ("above-the-line") from non-operating ("below-the-line") revenues, and identify true full-cost obligations (working capital needs, fixed asset replacement, and reserve contributions).
- B. **Phase 2—Cost & Revenue Structure Decomposition:** Classify expenses into fixed overhead versus variable mission levers, separate restricted from unrestricted income, and construct a probability-weighted revenue pipeline (discounting prospects by likelihood of receipt).
- C. **Phase 3—Multi-Horizon & Liquidity Modeling:** Build a dynamic 3–5-year forecasting model coupled with rolling monthly cash-flow projections to identify timing mismatches, monitor available net assets (ANA), and track months of cash runway.
- D. **Phase 4—Scenario Planning & Triggers:** Stress test the budget across base, optimistic, and downside scenarios (e.g., major donor lapse, delayed government

reimbursement, inflation shocks) and define explicit operational triggers for adjusting variable spending.

- E. **Phase 5—Governance & Monitoring:** Establish a recurring monthly variance-analysis routine with management and program staff, embedding a clear reporting dashboard for board stewardship and Finance Committee oversight.

Key concepts regarding the strategic analysis: Measuring financial health to focus on a few high-level metrics that reveal the organization's true capacity for risk.

- A. **Liquidity Metrics:** Non-profits should monitor **months of cash** (total cash divided by average monthly expenses). A benchmark of 3–6 months provides breathing room, while less than one month indicates financial distress.
- B. **Available Net Assets (ANA):** This is a more precise metric that takes net assets without donor restrictions and "backs out" equity in fixed assets (buildings/equipment). It reveals the "true safety net" that is actually liquid and accessible.
- C. **Full Cost Perspective:** Strategic analysis must account for costs beyond the current budget, including **working capital** (to manage timing gaps), **reserves** (for deficits or shocks), and **fixed asset replacement**.
- D. **Operating vs. Non-Operating Distinction:** To maintain a clear picture of financial health, the framework separates **reliable, repeatable activities** from one-time events.
- E. **Above the Line (Operating):** Includes regular earned revenue, recurring grants, and released restrictions intended for current-year expenses.
- F. **Below the Line (Non-Operating):** Captures **extraordinary items** like capital campaigns, large bequests, or emergency relief funds. This prevents one-time spikes from distorting the view of the organization's repeatable business model.
- G. **The "Full Cost" Perspective:** Strategic budgeting integrates **long-term balance sheet needs** directly into the annual plan. This includes budgeting for:
 - a. **Working Capital:** To manage the timing gaps between when cash is spent and when it is received.
 - b. **Reserves:** Setting aside specific line items for "rainy day" funds or opportunity funds to absorb future shocks.
 - c. **Fixed Asset Replacement:** Funding the eventual repair or replacement of mission-critical equipment and buildings.

5. Domain Specific Skillset Summary

- A. **Stochastic and Deterministic Forecasting** (Applied to projecting revenue distributions, cash flow timing, and multi-year budget trajectories under uncertainty.)
- B. **Scenario Modeling and Stress Testing** (Applied to building scenario matrices, revenue-shock simulations, and contingency trigger points.)

- C. **Asset-Liability and Liquidity Analysis** (Applied to tracking available net assets, months of cash runway, and separating restricted funding from working capital.)
- D. **Cost Structure Decomposition** (Applied to isolating fixed vs. variable expense levers and modeling full-cost balance sheet requirements.)
- E. **Plain-Language Variance Communication** (Applied to designing one-page budget-versus-actual dashboards and facilitating iterative committee discussions.)

6. Resources and Reference Materials

- *Budgeting for Nonprofits*, National Council of Nonprofits, <https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/budgeting-nonprofits>.
- *A Guide to Financial Forecasting for Nonprofits*, Darcy Copeland, Smith + Howard (2024), <https://www.smith-howard.com/a-guide-to-financial-forecasting-for-nonprofits/>.
- *Best Practices in Nonprofit Budgeting*, Association of Nonprofit Accountants and Finance Professionals, <https://www.anafp.org/Best-Practices-in-Nonprofit-Budgeting>.

III. Fundraising Cost-Effectiveness and Revenue Diversification

1) NFP Need

NFPs and Non-Governmental Organizations (NGOs) play a vital role in addressing societal challenges, yet they routinely face a skills gap in financial management functions that require specialized analytical expertise. Credentialed actuaries are uniquely positioned as financial experts—trained in risk, probability, long-horizon valuation, and the disciplined analysis of uncertain cash flows—to close that gap through pro bono engagements.

Fundraising is the engine that powers nearly every charitable NFP, yet it is also one of the costliest and least transparent areas of NFP financial management. The Fundraising Effectiveness Project (FEP) consistently reports a sector donor retention rate of roughly 43% overall and below 20% for first-time donors, meaning the majority of new donors will not give again. Compounding this, research using the Hirschman-Herfindahl Index (HHI) on Form 990 data shows the average U.S. NFP is heavily concentrated in one or two revenue streams (Chikoto, Ling, and Neely, 2016). When a primary stream wobbles—a major donor lapses, a multi-year grant ends, a government contract is recompeted—the NFP can experience the equivalent of a balance-sheet shock. Most NFPs do not have the in-house quantitative expertise to benchmark fundraising efficiency, forecast donor revenue under stress, or quantify revenue-mix risk.

2) The Actuarial Value Proposition

Fundraising at scale is a long-tailed, stochastic cash-flow problem with retention and behavioral dimensions—the same structural shape as life insurance persistency, property and casualty (P&C) renewal economics, and pension experience studies. The actuary's contribution is to convert intuition into defensible numbers: cohort-based donor lifetime value, probabilistic budgets with confidence intervals, and concentration risk measured against credible thresholds. Equally important is the professional discipline to translate that output into a single-page narrative that boards, major-donor councils, and grant makers can act on.

3) Key Diagnostic Questions

- A. **Cost-Effectiveness Baseline:** What does it cost, fully loaded, to raise one dollar, and how does that vary by channel? Industry guidance flags >\$0.35 as a concern; <\$0.20 is generally strong (Charity Navigator).
- B. **Retention:** What were the overall, first-time, and recurring-donor retention rates last year, and how have they trended over five years?
- C. **Revenue Concentration:** What share of total revenue comes from the top one, top five, and top 10 sources? What is the Herfindahl-Hirschman Index (HHI) of the revenue portfolio?
- D. **Data Foundation:** Can the NFP produce a cohort retention curve from its own data today, or is data remediation a prerequisite to modeling?

4) Step-by-Step Conceptual Framework

- A. **Phase 1—Diagnose (30–60 days):** Pull three years of donor and revenue data; compute blended and channel cost-to-raise-a-dollar, retention curves by cohort, revenue HHI and top-5/top-10 concentration, and a simple donor lifetime value (DLV). Deliver as a one-page dashboard.
- B. **Phase 2—Stress Test (60–90 days):** Project three-year operating cash flow under base, downside (largest funder lapses), and tail (downside plus 25% acquisition-cost increase) scenarios. Use to anchor a board discussion on reserve adequacy and diversification.
- C. **Phase 3—Predictive Uplift (optional):** Stand up a propensity-to-give model—typically through a vendor (Bloomerang, DonorSearch, Dataro, Virtuous, Salesforce Nonprofit Cloud)—and govern it. Artificial intelligence (AI) is a force multiplier, but only when an analytically literate sponsor validates outputs against the NFP's own data and donor-privacy obligations.

5) Selected Actuarial Capabilities Applicable to this Topic

- A. **Donor Lifetime Value (DLV) Modeling:** Cohort and BTYD (buy-till-you-die)/Pareto-NBD (negative binomial distribution) approaches adapted from persistency analysis.
- B. **Donor Retention and Lapse Studies:** Directly transfers from life-insurance policy-lapse experience studies.
- C. **Stochastic Revenue Forecasting:** Monte Carlo projection of campaign, major-gift, and planned-gift income.
- D. **Revenue Concentration Measurement:** HHI, top-N share, modern-portfolio-theory framing for revenue mix.
- E. **Scenario and Stress Testing:** "Largest funder leaves," "grants -30%," "recession" scenarios with cash-flow translation.
- F. **Planned-Gift Valuation:** Mortality and discount-rate modeling for bequests and charitable gift annuities.
- G. **Predictive Scoring Governance:** Validating vendor propensity-to-give models, drift monitoring, donor-privacy review General Data Protection Regulation/California Consumer Privacy Act) (GDPR/CCPA).
- H. **Clear Communication of Uncertainty:** Translating model output into actionable board-level narratives.

6) Resources

- *Quarterly Fundraising Effectiveness Project Report*, AFP Foundation for Philanthropy and GivingTuesday (2026), publications.fepreports.org — current sector retention and revenue benchmarks.

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- *The Adoption and Use of the Hirschman–Herfindahl Index in Nonprofit Research: Does Revenue Diversification Measurement Matter?*, Grace L. Chikoto, Qianhua Ling and Daniel Gordon Neely, *Voluntas: International Journal of Voluntary and Nonprofit Organizations* (2016), link.springer.com/article/10.1007/s11266-015-9562-6 — methodological reference for revenue diversification using HHI.
 - *Our Methodology*, Charity Navigator, charitynavigator.org/about-us/our-methodology — fundraising-efficiency rating bands.

IV. Fund Accounting and Financial Systems

1) Introduction and the Core NFP Need

NFPs operate under a fundamentally different financial logic than for-profit enterprises, tracking strict programmatic accountability rather than bottom-line profitability. This requires managing a complex web of net assets split between those with donor restrictions (including purpose, time, and permanent endowment constraints) and those without restrictions. A critical systemic risk within this environment is the “artificial surplus” problem, where a large, restricted grant recognized in year one can make an organization appear financially healthy on paper while its day-to-day general operations remain dangerously cash-constrained.

2) The Actuarial Value Proposition

Actuaries are uniquely qualified to close the gap between granular ledger detail and strategic board comprehension. Instead of focusing on historical compliance entries, the actuarial approach centers on forward-looking, multi-year cash flow modeling that explicitly maps out when grants are received, expended, and released from restriction over time. By combining this with probabilistic stress testing of delayed funding, non-renewals, and donor concentration risks, actuaries translate technical tracking data into clear, plain-language dashboards that protect restricted reserves and ensure long-term operational sustainability.

3) Key Diagnostic Questions

- A. **Financial Statement Quality:** Does the Statement of Activities clearly separate restricted and unrestricted activity, explicitly presenting “net assets released from restrictions,” and detailing donor conditions in the notes? Were any fund accounting findings raised in the last audit?
- B. **Fund Tracking and Management:** Is there a complete, documented inventory of active grants showing balances, restrictions, and explicit release conditions, and are restricted and unrestricted cash pools tracked clearly?
- C. **Board Financial Literacy:** Can board members explain restricted vs. unrestricted funds, do they recognize the “artificial surplus” issue, and do they monitor unrestricted cash separately from total cash balances?
- D. **Systems and Cash Flow Planning:** Does the accounting software natively support fund-specific reporting, or is it highly manual? Is there a monthly cash flow forecast separating inflows, a board-approved operating reserve policy, and an explicit plan for when a major grant is not renewed?

4) Step-by-Step Conceptual Framework

- A. **Phase 1—State Assessment and Fund Inventory:** Conduct a diagnostic review of audited financial disclosures to map all active grants and assess whether existing systems support fund accounting safely.

- B. **Phase 2—Financial System Upgrade:** Evaluate and select an appropriate accounting software framework scaled directly to the organization's complexity (ranging from manual schedules for small NFPs to automated enterprise software like Sage Intacct or Blackbaud for larger entities).
- C. **Phase 3—Multi-Year Cash Flow Model:** Build a 3–5-year forward-looking projection model tracking grant arrivals, expense pacing, and unrestricted cash balances across base, optimistic, and stress scenarios.
- D. **Phase 4—Board Financial Literacy Module:** Provide plain-language training to trustees on how to read the Statement of Activities, interpret the multi-year cash model, and monitor artificial surpluses.
- E. **Phase 5—Grants Calendar and Compliance Monitoring:** Establish a structured grants calendar tracking award horizons, reporting deadlines, and renewal milestones to serve as a shared staff management and Finance Committee oversight tool.

5) Domain-Specific Skillset Summary

- A. **Multi-Year Cash Flow Projection** (Applied to grant timing and release boundary modeling)
- B. **Scenario Analysis** (Applied to testing grant dependencies and revenue stress cases)
- C. **Asset-Liability Matching** (Applied to aligning donor restrictions against long-term spending needs)
- D. **Reserve Adequacy Analysis** (Applied to setting and validating defensive operating reserve targets)
- E. **Systems and Data Analysis** (Applied to auditing software data capability and general ledger health)

6) Resources and Reference Materials

For Further Reading:

- *Accounting Standards Update No. 2018-08—Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, Financial Accounting Standards Board (2018), <https://storage.fasb.org/ASU%202018-08.pdf>.
- *2026 Not-for-Profit Entities—Audit and Accounting Guide*, AICPA & CIMA (2026), <https://www.aicpa-cima.com/cpe-learning/publication/not-for-profit-entities-audit-and-accounting-guide>.
- *Accounting Principles for Nonprofit Organizations: The Fun Guide You Actually Want to Read*, Erica Weslowski, Aplos Academy (2025), <https://www.aplos.com/academy/accounting-principles-for-nonprofit-organizations-the-fun-guide-you-actually-want-to-read>.
- *Mastering Nonprofit Cash Flow Projections*, CFO Selections Team, CFO Selections, <https://www.cfoselections.com/mastering-nonprofit-cash-flow-projections/>.

V. Investment and Asset Management

1) Core NFP Need

NFPs that hold operating reserves, quasi-endowments, donor-restricted endowments, or other long-duration assets face a core stewardship challenge: investment assets must support mission delivery without exposing the organization to imprudent liquidity, market, or governance risk. Unlike corporate treasury management, NFP investment oversight must reconcile donor intent, operating cash needs, spending policy, and long-term preservation of purchasing power within a fiduciary framework set by the board.

A central systemic risk in this environment is the asset-liquidity mismatch problem, where an NFP invests too aggressively for return while underestimating near-term spending needs, grant commitments, or operating volatility. This can leave an organization “investment-rich but cash-poor,” forcing it to sell assets at the wrong time, overdraw reserves, or compromise mission continuity during market stress.

2) The Actuarial Value Proposition

Actuaries are uniquely qualified to bridge the gap between portfolio detail and mission-driven financial strategy because they naturally connect assets to future obligations, uncertainty, and governance decisions. Rather than treating investment management as a stand-alone return exercise, the actuarial approach frames it as an integrated asset-liability problem: what funds are available, when they will be needed, how much volatility the organization can absorb, and what spending path is sustainable under multiple future scenarios.

By combining cash flow projection, scenario analysis, downside-risk assessment, and policy design, actuaries help NFP boards move from vague investment preferences to disciplined portfolio governance. They also translate technical concepts such as rebalancing bands, spending rates, liquidity tiers, benchmark design, and underwater endowment risk into plain-language dashboards that trustees can actually use.

3) Key Diagnostic Questions (The Chapter Core)

- A. **Investment Governance:** Does the organization have a board-approved investment policy statement (IPS) that defines objectives, risk tolerance, spending policy, asset allocation ranges, rebalancing rules, roles, and reporting expectations?
- B. **Liquidity and Reserve Structure:** How much of the portfolio may be needed within three, six, and 12 months, and is the asset mix explicitly aligned with those liquidity needs?
- C. **Endowment and Donor Restrictions:** Are donor-restricted endowment assets clearly distinguished from board-designated reserves, and does the organization understand when UPMIFA (Uniform Prudent Management of Institutional Funds Act) or similar prudence rules apply?
- D. **Spending Policy:** Is there a documented spending rule, such as a rolling average formula, and has the board tested whether the spending rate is sustainable under weak markets and inflation?

- E. **Manager Oversight and Reporting:** If outside advisors are used, does the board or investment committee monitor them against clear benchmarks, fee expectations, and IPS compliance standards?
- F. **Board Comprehension:** Can trustees explain the difference between long-term investment assets, operating cash, quasi-endowment, and permanently restricted funds, and do they understand the consequences of liquidation during a downturn?

4) Step-by-Step Conceptual Framework

- A. **Phase 1—Investment State Assessment:** Review reserve balances, endowment structure, donor restrictions, current asset allocation, spending practices, and governance documents to determine whether the current investment program matches the NFP's actual obligations and liquidity profile.
- B. **Phase 2—Investment Policy Statement and Governance Design:** Develop or refresh the IPS so it clearly defines purpose, delegation, risk tolerance, liquidity requirements, benchmarks, spending policy, and rebalancing rules.
- C. **Phase 3—Asset-Liability and Liquidity Modeling:** Build a 3–5-year projection that links investment assets to operating needs, capital plans, grant commitments, and reserve targets across base, optimistic, and stressed market environments.
- D. **Phase 4—Portfolio Structure and Monitoring:** Segment assets into liquidity tiers, align the strategic allocation to the organization's time horizon, and establish dashboard reporting on performance, drawdown risk, liquidity coverage, and IPS compliance.
- E. **Phase 5—Board Education and Review Cycle:** Train trustees to interpret investment reports, understand spending policy trade-offs, and review IPS assumptions at least annually or after major mission, market, or liquidity changes.

5) Domain-Specific Skillset Summary

- A. **Asset-Liability Modeling** (Applied to matching investment assets against operating needs, spending commitments, and reserve requirements.)
- B. **Scenario Analysis** (Applied to market drawdowns, grant shortfalls, inflation shocks, and adverse liquidity events.)
- C. **Spending Policy Design** (Applied to testing whether endowment or reserve draw rates are sustainable over time.)
- D. **Liquidity Risk Analysis** (Applied to separating operating cash, intermediate reserves, and long-term capital from one another.)
- E. **Governance and Policy Design** (Applied to IPS drafting, committee delegation, benchmark setting, and manager oversight protocols.)

6) Additional Resources and Hand-Offs

- *Investment Policies for Nonprofits*, National Council of Nonprofits, <https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/investment-policies-nonprofits>.

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- *Sample Nonprofit Investment Policy Guidelines*, New York Council of Nonprofits (2014), <https://www.councilofnonprofits.org/files/media/documents/2024/Investment%20Policy%20Sample%20-%20NYCON.pdf>.
 - *Developing an Investment Policy Statement for Nonprofits*, William Blair Private Wealth Management (2025), <https://www.williamblair.com/-/media/downloads/pwm/2025/developing-investmentpolicy-statement-for-nonprofits-williamblair.pdf>.
 - *The Non-Profit Fiduciaries' Handbook: A Step-by-Step Guide to Investment Strategy for Non-Profit Investors*, Russell Investments, second edition, <https://russellinvestments.com/Publications/US/Handbook/Non-profit-Fiduciaries-Handbook.pdf>.
 - *UPMIFA and Spending Policy for Nonprofit Organizations*, Endowment & Foundation National Practice Group, PNC (2022), <https://www.pnc.com/insights/corporate-institutional/manage-nonprofit-enterprises/upmifa-spending-policy.html>.

VI. Audit Preparation and Committee Oversight

1) The NFP Need for Audit Preparation and Committee Oversight

An NFP's reputation is a primary asset, and transparent financial governance is vital for maintaining donor trust. Having an actuary involved in the audit process and governance oversight:

- A. **Provides Independent Assurance:** Actuaries can meet periodically with the audit committee to review the adequacy of financial reporting processes, signaling to constituents that the organization is a **good steward of resources**.
- B. **Ensures Reporting Alignment:** They can help reconcile differences between GAAP-based audits and **IRS Form 990** filings, preventing discrepancies that might otherwise be interpreted by major donors as weak financial oversight.
- C. **Closes Governance Gaps in Smaller NFPs:** Many small to medium NFPs cannot afford full-time technical financial staff. By serving as a **non-board volunteer**, an actuary can provide specialized expertise at the committee level without the full commitment of a standard board seat, which is particularly helpful for smaller organizations with complex business models.

2) The Actuarial Value Proposition for Audit Preparation and Committee Oversight

Actuaries can be particularly good at designing and implementing data models (what data and in what structure needs to be captured) as well as data processes (how to make sure the data is accurate and complete). And finally, how to analyze and summarize key performance data metrics on the health of an organization. This expertise can be leveraged in developing a sustainable and successful governance framework for NFPs towards audit preparation and other key performance metrics.

Actuaries bring a disciplined approach to uncertainty, which is the core of NFP risk management. This expertise can help a committee identify potential blind spots of risks as well as mitigation tactics. Their value proposition includes:

- A. **Risk Quantification:** Identifying and prioritizing all actions and relationships that could go wrong, such as cybersecurity threats or funding volatility.
- B. **Long-Term Stewardship:** Helping organizations understand "**full costs**"—the needs beyond the immediate budget, such as working capital, debt service, and fixed asset replacement.
- C. **Technical Oversight:** Providing expertise in **accounting for estimates, accruals, and reserves**, which are often sensitive areas where actual amounts may differ significantly from projections.
- D. **Credibility:** Enhancing **stakeholder trust** by ensuring transparency in financial disclosures and alignment between the Audit and IRS Form 990.

3) Key Diagnostic Questions to Ask the NFP to Assess the Opportunity for Audit Preparation and Committee Oversight

- A. Please describe the current audit preparation process. Are there any recent challenges? Have there been any issues historically?
- B. What data do you have to collect and maintain? Do you have a central database to hold this information? How do you organize your files? Contracts? Donors?
- C. What are the biggest challenges you think the NFP faces right now? What are your biggest worries?
- D. How do you determine the budgets for future years? What are the key factors you focus on that could drive results better or worse?
- E. How do you measure success for the NFP? What do you think is not getting captured properly in the NFPs narrative?

4) Step-by-Step Conceptual Framework

- A. **Phase 1—Pre-Audit Readiness and Data Diagnostic:** Review prior-year audit reports, management letters, IRS Form 990s, and general ledger structures to evaluate current documentation readiness and flag historical reporting discrepancies.
- B. **Phase 2—Data Pipeline and Schedule Standardization:** Design structured, reproducible audit support schedules—including roll-forwards for restricted net assets, deferred revenue, grant receivables, and balance-sheet estimates.
- C. **Phase 3—Control Gap and Risk Mitigation Review:** Conduct a targeted review of internal financial workflows (e.g., dual authorizations, segregation of duties, IT/data permissions, cash handling) and formalize remediation plans for identified weak spots.
- D. **Phase 4—Reporting Reconciliation and 990 Alignment:** Establish an explicit crosswalk framework between audited GAAP statements, management budgets, and IRS Form 990 public disclosures to eliminate reporting discrepancies.
- E. **Phase 5—Committee Oversight and Governance Cadence:** Equip the audit committee with structured review templates, executive session guidelines with external auditors, and a recurring calendar for monitoring internal controls and enterprise risks.

5) Domain-Specific Skillset Summary

- A. **Data Quality and Model Validation** (Applied to evaluating the accuracy, completeness, and auditability of general ledger and grant tracking pipelines.)
- B. **Reserve Adequacy and Estimate Testing** (Applied to stress testing accounting estimates, uncollectible pledge reserves, and contingent liability accruals.)
- C. **Risk Identification and Control Design** (Applied to assessing operational, compliance, and cybersecurity vulnerabilities across financial reporting workflows.)
- D. **Financial Reconciliation and Presentation** (Applied to aligning audited GAAP financial disclosures with IRS Form 990 filings and internal board reporting.)

- E. **Governance Facilitation and Clear Communication** (Applied to translating auditor findings, technical variances, and control recommendations for non-financial trustees.)

6) Recommended Additional Resources for Audit Preparation and Committee Oversight

- *Nonprofit Audit Guide*, National Council of Nonprofits (updated 2022), <https://www.councilofnonprofits.org/running-nonprofit/nonprofit-audit-guide>.
- *Ultimate Nonprofit Audit Checklist (+6 Steps You Must Take to Prepare)*, BCS ProSoft, <https://www.bcsprosoft.com/nonprofit-audit-checklist/>.
- *Nonprofit Audit Checklist (+ Free PDF Download)*, The Charity CFO, <https://thecharitycfo.com/nonprofit-audit-checklist-free-pdf-download/>.

VII. Insurance and Risk Management for Non-Profits

1) NFP Need

For small non-profits, risk management is not a complex academic exercise or a boring compliance checklist. It is simply the daily practice of keeping the doors open if something goes wrong. If an organization experiences an unexpected event—like a fire at their office, a volunteer getting hurt, or an administrative error—it needs a practical risk management policy to pay the bills and keep serving its community.

Small non-profits need a broad understanding of why they need insurance and how much of it to buy, as well as a clear grasp of the trade-off between keeping cash reserves and paying for coverage. Without this baseline understanding, an organization risks either overpaying for unnecessary protection or facing a sudden, budget-wrecking crisis that forces them to close their doors.

Insurance is just one tool in this broader risk management toolkit, used to transfer financial risk. By paying a predictable yearly premium, a non-profit trades the threat of a sudden, budget-wrecking expense for a manageable, planned cost. However, insurance does not prevent bad things from happening, and it does not cover every single dollar of a loss. To stay financially healthy, a non-profit also needs cash savings—known as operating reserves. A smart risk management policy balances these two tools, using reserves as a first line of defense to pay deductibles and cover basic expenses while an insurance claim is being sorted out.

2) The Actuarial Value Proposition

Actuaries are trained to look forward, organize financial data, and evaluate risk. When volunteering or advising a non-profit, the actuary acts strictly as a **general financial advisor**.

It is vital to maintain a clear professional boundary: the actuary does not analyze the fine print of specific insurance policies, interpret complex legal policy language, or recommend specific insurance products unless they have a personal competency in business insurance. Attempting to provide specific policy placement or coverage analysis without that specific knowledge and experience would violate professional actuarial ethics.

Instead, the actuary brings value by helping the non-profit director and board develop a sound risk management policy by understanding a fundamental balance: holding cash reserves versus buying insurance.

- A. **The Trade-Off:** Every dollar spent on an insurance premium is a dollar that cannot go into program services or cash reserves. Conversely, choosing a higher deductible to lower premium costs requires the non-profit to have enough cash reserves on hand to cover that deductible if a claim occurs. Buying insurance with a \$0 deductible is incredibly expensive and a poor use of donor money, while agreeing to a \$5,000 deductible with only \$500 in the bank is a major hazard.
- B. **Defining Risk Appetite vs. Capacity:** The actuary helps the board evaluate this relationship in practical terms, distinguishing between what the non-profit *can* afford to lose (its financial capacity) and what the board is *comfortable* losing (its risk appetite).

They act as a sounding board to help leadership set a realistic policy, asking questions like: *"If we raise our deductible to save on premiums, do we have the actual cash in our reserves to pay that deductible if something goes wrong tomorrow? And even if we do have the cash, are we emotionally and operationally okay with spending that hard-earned program money on a loss?"*

3) Key Diagnostic Questions

- A. Do we have enough cash savings to pay our deductibles if we have to file a claim?
- B. Are we actually comfortable spending our limited cash savings on an insurance deductible if a loss occurs?
- C. What insurance requirements are our donors, board members, or landlords putting on us?
- D. Do we have a clean, organized list of our activities, assets, and volunteers?

4) Step-by-Step Conceptual Framework

This four-step roadmap shows how the volunteer actuary and the non-profit staff share the load, combining their strengths to get the organization's finances and risk policy under control.

A. Phase 1— Setting up the Log (Document as You Go)

- a. The actuary designs a dead-simple, blank tracking sheet or spreadsheet so the non-profit staff does not have to guess what information matters.
- b. The staff logs *new* or *changed* activities, new physical equipment, or new volunteer roles as they arise during their workday. They do **not** log routine, repeating tasks repeatedly—just once and done.
- c. The actuary will review and organize this raw log **last**, after the other financial foundations are solid. For now, the NFP just writes things down as they go.

B. Phase 2—Fixing Internal Financial Rules

- a. The actuary reviews how the NFP currently handles cash, writes checks, and processes receipts. They identify potential weak spots and help draft a simple, clear list of draft controls (such as dual signatures on large checks, or basic background check guidelines for money-handlers).
- b. The director and board review these drafts, adjust them to fit their real-world daily staffing levels, and formally adopt them into their policies.

C. Phase 3—Designing a Practical Budget

- a. If needed, the actuary helps build or clean up the NFP's budget model.
- b. The director provides realistic history on their past spending and donation trends and works with the board to approve a budget that actively funds their reserves and insurance premiums.

D. Phase 4—Synthesizing the Log and Presenting to the Broker

- a. The actuary takes the raw "document-as-you-go" log that the NFP kept in Phase 1. They clean up, categorize, and format this information into a professional "Risk and Activity Profile" package.
- b. Armed with this organized package and their new budget, the NFP leadership sits down with a licensed insurance broker who specializes in non-profits. The broker can easily read the actuary's clean summary to find the right policies, leaving the NFP to focus on running their programs with confidence.

5) Domain-Specific Skillset Summary

- A. Basic Data Structuring
- B. Financial Forecasting
- C. Risk Identification
- D. Analytical Review

6) Resources and Reference Materials

- *A Nonprofit's Guide to Risk Management and Insurance*, Public Counsel and D.C. Bar Pro Bono Program (2013), <https://publiccounsel.org/wp-content/uploads/2025/09/Risk-Management-Insurance-Guide-for-Nonprofits-2013.pdf>.
- *A Guide to Insurance for NGOs Operating in Violent Environments*, Open Briefing (2018), <https://gisf.ngo/wp-content/uploads/2020/02/2282-Open-Briefing-2018-A-Guide-to-Insurance-for-NGOs-Operating-in-Violent-Environments.pdf>.
- *The Complete Guide to Insurance for Nonprofits*, Business Benefits Group (2021), <https://www.bbgbroker.com/the-complete-guide-to-insurance-for-nonprofits/>.
- *The Essential Guide to Nonprofit Insurance: Safeguarding Your Organization and Leadership*, Pradeep Kulkarni, Apogee Insurance Group (2024), <https://apogeeinsgroup.com/2024/11/18/the-essential-guide-to-nonprofit-insurance-safeguarding-your-organization-and-leadership/>.
- *Nonprofits Insurance 101*, Nonprofits Insurance Alliance, <https://insurancefornonprofits.org/nonprofits/insurance-101/>.

VIII. Data and Key Financial Indicators

NFPs and NGOs play a vital role in addressing societal challenges, yet they routinely face a skills gap in financial management functions that require specialized analytical expertise. Credentialed actuaries are uniquely positioned as financial experts—trained in risk, probability, long-horizon valuation, and the disciplined analysis of uncertain cash flows—to close that gap through pro bono engagements.

1) Introduction and the NFP Need

Most NFPs collect data—donor records, program participation, beneficiary outcomes, financial transactions—but few translate it into a small, disciplined set of key financial indicators (KFIs) that drives board, executive, and donor decisions. NTEN's Data Empowerment Reports (2020, 2022) have documented the gap: NFPs have data but lack the analytic leadership to turn it into reliable management information. As more funders demand outcomes and efficiency evidence, the NFPs that can publish a clean set of KFIs will systematically out-fundraise those that cannot. A second pressure is AI: a 2024 Stanford HAI/Project Evident working paper found that ~80% of non-profit leaders believe AI could improve mission outcomes, yet most lack the in-house expertise to evaluate vendors, validate models, or govern data responsibly.

2) The Actuarial Value Proposition

Actuaries combine applied statistics with professional discipline for model validation, governance, and communicating uncertainty to non-technical decision-makers. For data and KFIs specifically, the actuary helps the NFP (a) select the small set of indicators that actually drives decisions, (b) define them rigorously so they are reproducible across years and reviewers, (c) build the underlying data pipelines with appropriate governance, and (d) keep the dashboard small enough to be read. The same A/E (actual-versus-expected) discipline used in mortality and lapse studies transfers directly to monitoring KFIs against board-approved targets.

3) Key Diagnostic Questions

- A. **Inventory:** What data is collected, where does it live, who owns each system, and who has access?
- B. **Decision Use:** Name three decisions in the last six months where better data would have changed the outcome.
- C. **Indicator Discipline:** Which KFIs does the board see monthly, how are they defined, and how have their definitions changed in the last three years?
- D. **Beneficiary Data:** What is collected about people served, with what consent, who has access, and what is the retention/deletion policy?
- E. **AI Readiness:** What AI tools are in use or under consideration, and who reviews them for accuracy, bias, and data exposure?

4) Conceptual Framework

Table 1
Sample Key Financial Indicators (starter set)

Indicator	Definition	Typical Target/Guidance
Operating Reserve Months	Unrestricted net assets ÷ monthly operating expense	3–6 months (minimum); 6–12 months (preferred)
Program Expense Ratio	Program expense ÷ total expense	≥ 65–75% (Charity Navigator gives credit above ~75%)
Fundraising Efficiency	Fundraising expense ÷ contributions raised	≤ \$0.20 strong; > \$0.35 a concern
Cost-to-Raise-a-Dollar	Total fundraising cost ÷ total funds raised	≤ \$0.20 mature program; ≤ \$0.35 acceptable
Donor Retention Rate	Donors who gave this year ÷ donors who gave last year	Sector ~43% overall; first-time ~20% (AFP FEP)
Revenue Concentration (HHI)	$\sum (\text{revenue share of each source})^2$	< 0.25 diversified; > 0.40 concentrated
Current Ratio	Current assets ÷ current liabilities	≥ 1.5 generally healthy
Days Cash on Hand	Cash ÷ (annual operating expense ÷ 365)	≥ 90 days desirable
Outcomes per Dollar	Mission-output unit ÷ program cost	Program-specific; track trend

5) Domain-Specific Skillset Summary

- A. **Indicator Definition and Reconciliation:** Translating mission and finance objectives into a small, defensible KFI set.
- B. **Dashboard Design:** Three to five headline metrics per role, with thresholds and trend.
- C. **Data Quality and Governance:** Sourcing, validation, reconciliation, and audit trail for each KFI.
- D. **Experience Studies (A/E):** Monitoring KFIs against board-approved targets the way mortality and lapse experience are monitored.
- E. **Predictive Modeling on Small Data:** GLMs, survival analysis, credibility theory for donor lapse, grant renewal, program outcome forecasting.
- F. **Stochastic Forecasting:** Monte Carlo projection of revenue, expense, and reserve adequacy under scenarios.
- G. **Model Risk Management:** Applying ASB ASOPs on modelling and SR 11-7 principles to AI/ML tools the NFP adopts.
- H. **Beneficiary-Data Ethics:** Applying the International Committee of the Red Cross (ICRC) Handbook on Data Protection in Humanitarian Action (2nd ed.) where sensitive beneficiary data is involved.

6) Resources

- *2022 Data Empowerment Report*, Robert Hulshof-Schmidt, NTEN (2022), [2022 Data Empowerment Report](#)

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- *Handbook on Data Protection in Humanitarian Action*, Christopher Kuner and Massimo Marelli, editors, second edition, International Committee of the Red Cross and Brussels Privacy Hub (2020), [icrc.org/en/data-protection-humanitarian-action-handbook](https://www.icrc.org/en/data-protection-humanitarian-action-handbook).
 - *Inspiring Action: Identifying the Social Sector AI Opportunity Gap*, Sarah Di Troia, Vanessa Parli, Juan N. Pava, Haifa Badi Uz Zaman and Kelly Fitzsimmons, Stanford Institute for Human-Centered Artificial Intelligence and Project Evident (2024), hai.stanford.edu/inspiring-action-identifying-social-sector-ai-opportunity-gap.

IX. Deploying AI in Non-Profit Organizations

The rapid emergence of Artificial Intelligence (AI) presents NFPs with operational and strategic opportunities. However, many resource-constrained NFPs cannot take advantage of AI assistance due to a skills gap. Some NFPs are exposed to unmanaged AI risks via unguided individual use of this new technology.

1) NFP Need

The ultimate objective of integrating AI into the non-profit sector is the amplification of core operational delivery. AI also poses risks of exposing sensitive donor data, generating biased programmatic assessments, or producing overly synthetic stakeholder communications that produce counterproductive responses. Consequently, the primary operational focus must remain centered on safeguarding donor trust, defending community integrity, and creating AI capacity without disrupting day-to-day service delivery.

2) Actuarial Value Proposition

Actuaries bring a highly structured perspective that directly aligns with traditional non-profit stewardship. Actuaries bring a collaborative and disciplined risk-management perspective to AI usage promoting decision making based upon full prospective organizational costs alongside anticipated efficiency rewards along with explicit ethical bounds for automated tools.

3) Key Diagnostic Questions

To uncover critical organizational blind spots and discover where administrative processes are breaking down, the actuarial advisor should guide NFP leadership through a practical diagnostic baseline. These questions require zero technical familiarity and focus entirely on daily operational realities:

- **Current AI Footprint (The Starting Point):** What AI tools (like ChatGPT, Claude, or features built into your existing CRM or Microsoft/Google suites) are your staff members already quietly using to get their daily work done? Are there any informal "success stories" or custom shortcuts teams have already discovered on their own?
- **Staff Habits and Comfort (Culture Baseline):** Beyond the early adopters, where does the rest of the staff stand—is there general anxiety in the office that technology might replace human roles, or is there an eagerness to learn? What simple, practical training do they need to move from uncoordinated testing to a safe, shared office baseline?
- **Worst-Case Vulnerabilities (Risk Thresholds):** If a piece of office software made a visible mistake or accidentally leaked information, where would it cause the most irreversible damage to your donor relationships or the privacy of the families you serve?
- **Pace of Change (Strategic Priority):** Given your mission, would you prefer to be an early adopter of new tools to see what sticks, or do you prefer a highly cautious, step-by-step approach where safety and verification come before speed?
- **Daily Bottlenecks (Process Friction):** In which daily administrative routines—such as drafting grant proposals, tracking regulatory compliance, or pulling manual reports for donors—does your staff spend the most tedious, exhausting hours?

4) Recommended Approach for the NFP

A. Phase 1—Strategy and Governance

The process begins by establishing an organization's specific AI culture profile based on clear strategic trade-offs between safety, innovation, and resource constraints. Leadership evaluates five core behavioral choices: consistency vs. flexibility, long-term resilience vs. short-term results, learning vs. production, professional judgment vs. procedural compliance, and accountability vs. delegation. The choice of AI culture will impact on the order and emphasis on the following phases.

B. Phase 2—AI Safety

This phase includes risk identification and prioritization, risk response selection, and training. This follows along with the process generally used for this step in the development of a new ERM program. The main difference compared to applying that process in an insurance organization is that the AI risks will not necessarily be familiar to the non-profit employees or board. Therefore, this step will likely require some education about potential AI risks.

C. Phase 3—Fundraising

In this phase, the framework targets the NFP's primary revenue engine. The actuary helps facilitate an assessment of the fund development stream (grants, donor data, prospecting, and reporting) to identify severe time sinks and quantify where manual workflows create friction.

D. Phase 4—Operations

This phase optimizes internal administrative workflows, targeting routines like compliance tracking, financial budgeting, and staff training platforms. The actuary guides the operations team to map out internal workflows, exposing latent data sensitivities and identifying manual operational bottlenecks.

E. Phase 5—Mission and Clients

The final phase focuses entirely on the frontline delivery of the NFP's purpose, ensuring that technology acts as a shield and an amplifier for the community served. Program teams test small, isolated custom assistants locally to confirm they safely expand programmatic reach without disrupting day-to-day service delivery.

5) Domain-Specific Skillset Summary

- Basic Data Structuring
- Risk Identification
- Financial Forecasting and Scenario Modeling

6) Resources

- *Harnessing AI Responsibly: A Guide for Nonprofit Leaders*, Amanda Nelson and John Robichaux, The Nonprofit Alliance (2024), <https://tnpa.org/harnessing-ai-responsibly-a-guide-for-nonprofit-leaders/>.

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- *How Nonprofits Can Develop an AI Policy: A Step-by-Step Guide*, Hedgeman Law (2025), <https://hedgemanlaw.com/how-nonprofits-can-develop-an-ai-policy-a-step-by-step-guide/>.
 - *AI Policy for Charities and Non Profits: Ethics and Governance Template*, Charity Excellence Framework (2025; accessed June 2026), <https://www.charityexcellence.co.uk/ai-policy-charities-and-nonprofits/>.
 - *AI Ethics for Mission-Driven Websites: Responsible Technology Implementation*, Joe Taylor Jr., Johns & Taylor (2025), <https://johnsandtaylor.com/articles/ai-ethics-for-mission-driven-websites-responsible-technology-implementation/>.
 - *The AI Readiness Matrix: A Strategic Decision Framework for Fundraising Professionals*, Bonterra (2026), bonterratech.com.
 - *Artificial Intelligence for Nonprofits: A Complete 2026 Guide*, LiveImpact (2026), <https://www.liveimpact.org/blog/artificial-intelligence-for-nonprofits>.

Professionalism

Many volunteer assignments undertaken by actuaries for nonprofit organizations may not be true actuarial services in the professional sense. For example, an actuary may be asked to volunteer to assist with governance, budgeting, data analysis, strategic planning, program evaluation, or general business questions. Although these activities benefit from an actuary's analytical skills and judgment, they do not necessarily become actuarial work merely because an actuary performs them.

To help avoid confusion, it may be helpful to establish and communicate the nature of the volunteer's role at the beginning of a volunteer assignment. A brief written statement can explain that the individual is serving as a volunteer, board member, or general adviser and is not providing an actuarial opinion or formal actuarial professional guidance. This clarification helps the nonprofit understand both the value and the intended limits of the volunteer's contribution.

Such a disclosure can prevent informal analyses, observations, or recommendations from later being interpreted as formal actuarial advice. It can also reduce the risk that the organization, its board, funders, regulators, or other stakeholders will place unintended reliance on the work or describe it as having been professionally certified by an actuary. When appropriate, reports and presentations may note that the work was prepared for a limited nonprofit purpose and should not be represented or relied upon as actuarial professional guidance.

At the same time, a disclaimer does not determine whether an assignment constitutes actuarial work; the substance and circumstances of the work remain important. If a volunteer is, in fact, providing actuarial services, describing the work as informal or voluntary does not eliminate applicable professional responsibilities. SOA members should remain mindful of the Code of Professional Conduct and any applicable actuarial standards and should seek guidance when uncertain about how a volunteer assignment should be characterized. Many local market actuarial associations have a facility for an actuary to receive helpful counsel in advance of a complex volunteer assignment in order to form the right conversations, disclaimers, or disclosures.

Professionalism Considerations for Volunteer Service

The following overviews can be additional helpful considerations for actuaries to consider as they perform local community volunteer services.

Defining the Volunteer's Role

At the outset of an engagement, the actuary and the nonprofit organization should establish a clear understanding of the volunteer's role. This understanding should address the scope of the assignment, expected work products, intended users, anticipated uses of the work, and the decisions the work is expected to support. It should also clarify whether the individual is serving as an actuary, board member, financial adviser, subject-matter resource, or general volunteer.

Many services provided by actuaries to nonprofit organizations may draw upon their financial knowledge and analytical abilities without constituting actuarial services. Examples may include budgeting, routine forecasting, governance support, fundraising reports, audit preparation, and general data analysis. Work involving liability measurement, risk projections, actuarial models, or advice based on actuarial considerations is more likely to constitute actuarial services.

Determining Whether Work Is Actuarial

Whether an assignment constitutes actuarial services depends on the substance and circumstances of the work rather than the label placed on it. Describing an assignment as "volunteer," "informal," or "non-actuarial" does not determine its professional character. The SOA Code of Professional Conduct defines actuarial services as professional services provided while acting in the capacity of an actuary, including advice, recommendations, findings, or opinions based upon actuarial considerations.

The absence of compensation also does not create an exemption from professional requirements. When volunteer work constitutes actuarial services, the Code of Professional Conduct, applicable qualification standards, and relevant local market Actuarial Standards of Practice should be considered in the same manner as they would be for a paid engagement.

Communicating Scope and Capacity

When an assignment is not intended to constitute actuarial services, a written scope statement can help prevent misunderstanding. The statement may explain that the individual is serving in a volunteer or general advisory capacity and is not providing an actuarial opinion or formal actuarial professional guidance. It may also identify the intended purpose and users of the work and state that the work should not be distributed, characterized, or relied upon for other purposes.

Such a statement is a communication and risk-management measure, and it cannot convert work that is substantively actuarial into non-actuarial work. Nevertheless, it can help the nonprofit understand the nature and limitations of the volunteer's contribution and avoid creating the impression that informal assistance has been reviewed or certified as actuarial guidance.

Precept 5 of the Code is particularly relevant when an actuary issues an Actuarial Communication. It calls for the identification of the principal for whom the communication is

issued and a description of the capacity in which the actuary serves. Even when the work is not actuarial, voluntarily identifying the individual's capacity can reduce confusion about whether the volunteer is representing an employer, the Society of Actuaries, another professional organization, or only themselves.

Professional Integrity and Competence

Professional integrity remains important even when an assignment falls outside the definition of actuarial services. Precept 1 calls upon actuaries to act honestly, with integrity and competence, to fulfill the profession's responsibility to the public, and to uphold the reputation of the actuarial profession. Actuaries should therefore approach volunteer service with appropriate care and avoid conduct or communications that could be misleading or reflect adversely on the profession.

An actuary should accept only assignments that can be performed competently. Relevant considerations include education, experience, self-study, consultation with other professionals, and access to appropriate technical resources. If the work constitutes actuarial services, Precept 2 requires the actuary to be qualified through basic and continuing education and experience and to satisfy applicable qualification standards. Work in an emerging area, such as artificial intelligence, may require the actuary to undertake additional learning or obtain assistance before providing guidance.

Advocacy Conflicts and Uncertain Situations

Before assisting an advocacy organization, an actuary should understand the organization's mission, policy positions, and intended uses of the volunteer's work.

Code of Conduct provisions most useful for consideration with this resources guide include:

Definition of Actuarial Services: The starting point for determining whether the work is actuarial.

Precept 1 — Professional Integrity: Honesty, integrity, competence, public responsibility, and the profession's reputation.

Precept 2 — Qualification Standards: Applicable when performing actuarial services.

Precept 3 — Standards of Practice: Requires actuarial services to satisfy applicable ASOPs.

Precept 4 — Communications and Disclosure: Requires actuarial communications to be clear and appropriate for the circumstances and audience.

Precept 5 — Identification of Principal and Capacity: Particularly helpful for distinguishing a volunteer role from an actuarial engagement.

Precept 7 — Conflicts of Interest: Relevant when the volunteer, nonprofit, employer, or advocacy organization has potentially competing interests.

Precept 8 — Control of Work Product: Supports limiting distribution and use when work could be misquoted, misunderstood, or relied upon outside its intended purpose.

Precept 9 — Confidentiality: Important whenever the volunteer receives donor, employee, participant, financial, health, or other confidential information.

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