

BOARD OVERSIGHT OF FINANCIAL MANAGEMENT

STEP 1

Define Duties

Boards are responsible for overall financial wellbeing, including: Ensuring the effective and responsible use of assets, ensuring that appropriate financial controls and policies are in place, adopting relevant governance policies, reviewing & approving an annual budget created by management, examining periodic financial reports to monitor organizational health, and selecting an external audit firm.

Every board member has equal responsibility for the financial health of your nonprofit.

Conduct an annual finance orientation: required for new members and recommended for returning members. Review the nuances of nonprofit financial statements, financial trends over time, and financial challenges and strengths.

Encourage rotation on the Finance Committee so that every board member takes a turn during their term of service on the board.

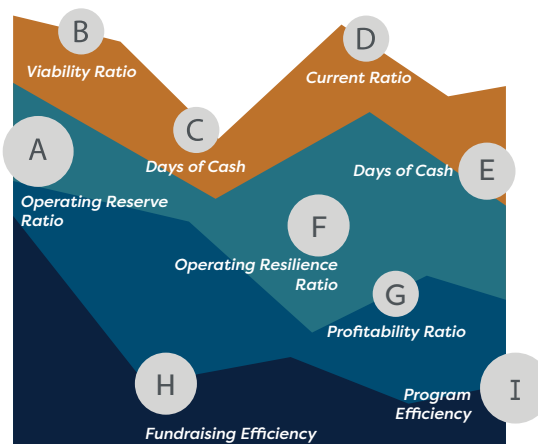
Clearly communicate the differences in the financial oversight responsibilities of the board versus the financial management responsibilities of the staff.

STEP 2

Management is responsible for financial planning, forecasting, accounting, and purchasing.

Monitor Metrics

Use a variety of financial indicators to track your nonprofit's health over time. Ratios can be helpful benchmarks to track goals and programs.



STEP 3

Be Proactive!

Carefully review financial statements and advanced reading materials prior to upcoming finance discussions and presentations.

Make note of significant variances or areas where results differ substantially from the approved budget or forecast.

Jot down your questions about actual versus projected results or accounts or references that are unclear to you.

Reflect on whether the nonprofit's financial health seems to be improving or worsening; make sure you understand the reasons for any positive or concerning trends.

Review financial statements with short-term and long-term financial needs and goals in mind.

Reach out for help understanding the narrative and financial statements; if you're unclear it's likely someone else is as well.