

Nonprofit Board Members: Your Financial Oversight Checklist

If you serve on a Nonprofit Board, CONGRATULATIONS on your commitment to the organization's mission, programs and services, and ultimately its growth. It's an important role and one that shouldn't be taken lightly. Board members are tasked with many responsibilities, but none is more significant than financial oversight, as you are representing the organization's stakeholders and "investors."

Finance is a broad term so the following checklist will help you determine what areas of your organization are most important to understand.



“FINANCE 101”

Take some time to review the financial basics of your nonprofit. Specifically consider the following:

- Understand basic financial terminology and any terminology that might be specific to the organization
- Understand financial statements enough to judge their soundness and recognize warning signs
- Approve the annual budget
- Understand how cash flows are managed
- Know the terms of any loans or lines of credit
- Approve annual audit and Form 990
- Make sure employment taxes are being withheld and paid
- Have clear financial and fundraising policies* such as: *Expense Reimbursement, Check Signing, Cash Handling, Fraud Prevention, Document Retention and Destruction, Conflict of Interest, Code of Ethics, Whistleblower Protection, Investment Policy Statement, Donor Privacy & Confidentiality, Gift Acceptance, Gift Acknowledgement*

**This is a list of the most common policies related to finance and fundraising and is not meant to represent every policy an organization must adopt.*

SPECIFIC QUESTIONS to ASK

- Is the organization running at a gain or loss? Are the individual programs running at a gain or loss? How does this compare to last year?
- What are the reasons for major budget variances?
- Is our cash flow sufficient?
- Do we have sufficient reserves?
- Is our financial plan consistent with our strategic plan?
- Is the organization spending foundation monies and restricted dollars according to the guidelines set by funders?

INVESTMENTS

If your organization has an investment portfolio, consider these investment management questions:

- What is our investment objective, asset allocation, and spending policy?
- How often do we meet with our investment managers/advisors?
- How are investment reports shared with the full Board?
- How is our portfolio doing compared to benchmarks?
- How are we evaluating our investment manager/advisor?

A familiarity with the above checklist of information is a starting point to help board members — or even trustees, finance committee members, and executive directors — more effectively manage their financial responsibilities with their nonprofit.