



The Effective Board: How to Ensure Effective Fiscal Management

As a member of the Board of Directors of a non-profit organization each board member has the responsibility of ensuring the fiscal health of the organization. Four key steps to effective fiscal management are:

1. The board reviews and discusses thoroughly the annual operating budget of the organization prior to approving it.
2. The board takes advantage of the budget process to consider the most effective allocation of limited resources.
3. The board receives financial reports on a regular basis that are understandable, accurate and timely.
4. The board requires an annual review or audit by an independent entity – a committee or person who is not involved in the fiscal management of the organization. An audit versus a review is usually dependent upon the magnitude of the monies managed by the organization (under \$2 million requires a review and above \$2 million triggers an audit). The board considers all recommendations made in the report and management letter.

Ten Key Financial Questions Board Members Should Ask About an Organization's Financial Health

1. Have we run a gain or loss?
2. Are our key sources of income rising or falling?
3. Are our key expenses, especially compensation and benefits, under control?
4. Do we have sufficient reserves?
5. Is our cash flow projected to be adequate?
6. Where are we compared with the budget?
7. Is our financial plan consistent with our strategic plan?
8. If there is staff: is our staff satisfied and productive?
9. Are we filing all needed reporting documents (taxes, etc.) on a timely basis?
10. Are we fulfilling all of our legal obligations?

Source: the National Center for Nonprofit Boards