



## Is your nonprofit's board providing adequate fiscal oversight?

Nonprofits don't face the same government regulations or public scrutiny as for-profit public companies do. But that doesn't mean your board can afford to get slack about financial governance. Donors and watchdog groups pay close attention to organizations' Forms 990 and the media is quick to pounce on rumors of fraud in the nonprofit sector. That's why you should regularly evaluate your board's financial oversight (if you aren't already doing so) and recruit new members or outside advisors with financial expertise if necessary.

### Assigning responsibility

Your board needs to ensure that your nonprofit has reliable operating cash flow, avoids unnecessary risk and adheres to commonly accepted accounting policies. Start by focusing on activities that your finance and audit committees have the most direct influence on. For example, does your nonprofit have an operating reserves policy and are your reserves adequate? Does your outside auditor always issue clean reports? If not, how have auditor concerns been addressed?

If you spot negative patterns, dig deeper. In most cases, board members aren't intentionally negligent. They may not have the time or energy that your organization's financial governance requires or the background to successfully tackle the complex tasks they've been assigned.

### Staffing committees

If you're having trouble finding qualified board members to sit on financial committees, you're not alone. But it's important to have at least a few qualified people on your board. Good candidates can interpret financial statements and have a working knowledge of accounting principles.

They should also be able to recognize nonfinancial indicators that measure the success of your mission, such as paid hours vs. volunteer hours.

Professionals such as CPAs, bankers and company controllers or CFOs usually fit the bill. But you might also look to attorneys who specialize in financial transactions or insurance professionals who have extensive risk-management experience.

Once you've found new board members who meet your criteria, train them on your organization's issues. You may need to explain such concepts as the differences between restricted and unrestricted funds and accounting rules for pledges, endowments and charitable gift annuities.

### **Hiring an advisor**

If you're having trouble finding qualified individuals to staff your finance or audit committee, consider contracting with a CPA to act as your board's independent advisor. A CPA can provide financial expertise and act as a liaison between your finance or audit committee and the full board or staff. Contact us for help.

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