



# Nonprofit Financial Management

## FINANCIAL LEADERSHIP FOR BOARDS

Name: \_\_\_\_\_

Organization: \_\_\_\_\_

## Nonprofit Financial Management

### Financial Leadership for Boards

Board members can better serve nonprofits when they are well-versed in financial management and understand their roles as stewards. This workbook helps you review how boards can help guide nonprofits by thinking big-picture in identifying strengths, gaps, opportunities, and risks; understanding financial health and performance; and supporting an organization through times of crisis.

---

### Learning Goals

- Examine roles and responsibilities of Board members
  - Explore nonprofit business models and indicators of financial health
  - Provide frameworks and tools to support Board governance and oversight
  - Share our expertise with one another and provide support in a peer-learning environment
- 

### Financial Roles and Responsibilities of the Board of Directors

At a high level, your Board of Directors has three responsibilities, or duties, when it comes to financial oversight of your organization.

Match each of the following duties with its description: **Duty of Obedience**, **Duty of Loyalty**, **Duty of Care**.

	Prudent use of all assets, including facility, people, and good will
	Ensure nonprofit obeys applicable laws and acts ethically, adheres to the nonprofit's stated corporate purpose, and acts in a way that advances its mission
	Makes decisions in the best interest of the nonprofit

Within these three Duties, the Board supports the organization in two ways: through **concrete tasks** and through **processes and general support**.

---

What are two examples of concrete financial tasks the Board performs on behalf of the organization?

What are two examples of processes and general support that the Board provides the organization in its financial oversight?

Which of the following are aspects of strong Board financial management?

- Think Big Picture
- Rubber stamp budget and other documents
- Learn the Business
- Focus on small budget items to ensure maximum efficiency
- Monitor through effective reporting
- Ensure that finances stay silo'd from mission critical conversations

## Assessing Financial Health and Performance

There are five steps to assessing the financial health of an organization and performance of its business model.

What are the **three elements** of assessing an organization's business model?

What are the **two steps** to assessing an organization's capital structure?

What documents or reports are necessary to complete these assessments?

## Board Level Full Cost Considerations

One of the most significant ways that members of the Board can support the financial health of an organization is by understanding the concept of 'Full Cost' budgeting. Full Cost acknowledges that not-for-profit organizations need to generate surpluses to be financially healthy and that covering the 'full cost' of an organization's operations goes beyond day-to-day expenses.

The goal of full cost budgeting is to \_\_\_\_\_ to cover the full cost of achieving outcomes each year.

The following are elements of an organization's Full Cost. Which are needed by all organizations all the time and which are needed by some organizations some of the time?

Total Expenses: \_\_\_\_\_

Change Capital: \_\_\_\_\_

Reserves: \_\_\_\_\_

Fixed Asset Additions: \_\_\_\_\_

Working Capital: \_\_\_\_\_

Debt Principal Repayment: \_\_\_\_\_

## Fostering Collaborative Conversation

Collaborative conversations are essential to a Board's ability to fulfill its fiduciary responsibilities to an organization. Questions that guide these types of conversations tend to be open-ended and invite exploration as opposed to binary yes / no questions.

What are some questions that you, as either a Board member or organizational staff, might ask to invite collaborative conversations?

## Do's and Don'ts of Board Financial Leadership

Below is a list of common pitfalls that Boards often stumble over in their financial leadership. Which of these, if any, apply to your organization's Board:

- Getting into the weeds of financial management
- Siloing finances from the rest of the organization
- Fearing or arguing against a surplus
- Rubber stamping financials including reports and budgets
- Swooping and derailing conversations with last minute objections

If any of the above apply within your organizations, take a few minutes to consider how you might leverage some of the information and strategies in this workbook and webinar to support your Board in shifting to new behaviors:

## Notes