

F – The Role Of The Board In Finance

Role Of The Treasurer

What Board Members Should Know About Fundraising

Finance And Fundraising

The Fundamental Role of the Board

"It is the responsibility of the board of directors to ensure the organization has the financial resources to carry out its work and to oversee its financial management. The success of any not-for-profit organization depends to a large extent on its ability not only to obtain but also to manage the money it requires to run its programs and services.

To fulfill its financial obligations, the board must put in place adequate financial controls to protect the organization's assets and limit its expenses. " TVO/United Way of Canada - Centraide Canada. Board Basics for Volunteers, Unit 1.

The board's fundamental role is to ensure that the organization has the financial resources to meet its mission and that those resources are managed responsibly.

To ensure that the organizational goals and budget are compatible, board members should develop policies and monitor finances in three basic areas:

1. Financial management:

- . approving and developing . the annual budget,
- . financial controls and procedures, . financial record keeping,
- . reporting systems;
- . monitoring the revenue and expenditures of the organization;

2. Fundraising;

3. property/capital management.

For working boards and collectives, the role of individual board members goes beyond this fundamental role. These members provide operational support by writing grant applications, signing cheques and preparing financial reports for the board and funders.

Why is financial management so important for the board?

The allocation of financial and human resources is the tangible expression of the board's priorities and values.

As the board is ultimately liable for the financial situation of the organization, it needs good financial controls. It is not necessary for the board to do the financial management tasks itself, but it must make sure they are properly done. The community, to whom the board is ultimately responsible, is more willing to support organizations whose funds are prudently and effectively spent.

The Annual Budget

The organization's budget is its financial plan for one year and includes: how much money the organization will receive, (income or revenue) and where it will come from; and how the organization will spend its money (expenditures or expenses).

Three rules related to financial control are:

- 1) Two people should be involved in the control procedure for all expenditures from cheque writing to authorizing payments.
- 2) All money received should be recorded in a minimum of two places.
- 3) Records should be reconciled or balanced on a regular basis.

Financial Record Keeping

Every organization should have some system (manual or computerized) to ensure accurate financial records are kept. There should be a bookkeeping system, a cash management system, and internal controls.

It is the board's role to ensure accurate financial records are kept. The actual record-keeping is usually done by staff.

Financial Reporting Systems

Throughout the year, the board should get accurate financial information about the organization. It should expect:

Monthly financial statements or the income statement. This presents the actual income and expenses of the organization over a specific period of time. They usually use the same categories as the budget.

A balance sheet. This presents the organization's net worth - what would be left over if all assets were converted to cash and used to pay off all liabilities. An organization should produce a balance sheet at least once a year.

Specific project or event reporting. The board may require, because of funding conditions or for planning purposes, a report of a specific project.

An audit. The audit is done at the end of each fiscal year and is the examination of all the books and records (which may include minutes of board and committee meetings) by a qualified person from outside the organization to ensure the financial statements are a true and accurate representation of the facts.

An incorporated organization receiving government funding is required to have an audit and to have the auditors approved by the membership at the Annual General Meeting.

Role of the Treasurer and the Finance Committee

There are several positions that have a role to play in ensuring good financial management.

Treasurer

This board member has specific financial responsibilities which may include (depending on the size of the organization and the board model): a) signing cheques
b) chairing the Finance Committee
c) presenting financial reports to the board d) participating in budget development.
In very small organizations, the treasurer might be responsible for most of the budget preparation.

*****In the Policy Governance model there is no role for the treasurer. All financial management is the responsibility of the CEO.

Finance Committee

This committee reports to the board. It may be chaired by the treasurer or another board member. It monitors the financial status and practices of the organization in more detail than the board normally does. In some boards, this committee advises the Executive Director on financial matters. The working board may also choose to have this committee make specific financial decisions.

Staff person

The staff person can be the CEO or Executive Director in larger organizations or a bookkeeper or support staff person in a smaller organization. In most cases, this person would be a resource to the board. In the case of the CEO, he or she may have decision-making authority in the budget process.

Fundraising

The board is responsible for ensuring there are enough financial resources to meet the mission of the organization. Often board members are expected to fundraise for-the

organization. Yet board members may find fundraising one of the more difficult tasks they are expected to perform.

What Board Members Should Know About **Fundraising**

1. You must make a personal commitment to the goals and objectives of the organization.
2. You should be committed to the purposes of the fundraising or development program.
3. Give leadership and time to fundraising efforts.
4. Some organizations establish a fundraising committee, chaired by a board member.
5. Depending on financial resources some organizations use outside fundraising consultants.
6. Monitor progress and effectiveness of fundraising efforts
7. Stay up-to-date on trends and new techniques in fundraising
8. Seek out and cultivate prospective donors
9. Use knowledge, understanding and personal networks to spread the word about the organization