

NONPROFIT BOARD FISCAL RESPONSIBILITIES

Board members play very significant roles providing guidance to nonprofits by contributing to the organization's culture, strategic focus, effectiveness, and financial sustainability, as well as serving as ambassadors and advocates.

Fiduciary duties

- **Duty of Care** — Each Board member has a legal responsibility to participate actively in making decisions on behalf of the organization and to exercise their best judgment while doing so.
- **Duty of Loyalty** — Each Board member must put the interests of the organization before their personal and professional interests when acting on behalf of the organization in a decision-making capacity. The organization's needs come first.
- **Duty of Obedience** — Board members bear the legal responsibility of ensuring that the organization complies with the applicable federal, state, and local laws and adheres to its mission.

Core responsibilities of nonprofit Boards

- Ensure effective organizational planning (strategic plan and policies)
- Provide sufficient resources
- Make sure the organization fulfills legal obligations
- Provide proper financial oversight
- Select and evaluate the Executive Director
- Improve the organization's public standing
- Recruit and orient new Board members

Provide proper financial oversight

An important part of effective nonprofit management is ensuring revenue is properly managed. Because organizations are granted tax-exempt status by law to fulfill a public need, the Board's obligations extend beyond the organization's stakeholders. Therefore, poor financial management puts this status at risk. It's good to keep the following in mind:

1. Board members don't need to be nonprofit accounting experts, but they should have a good sense of how much money is coming in and going out of the organization, preferably on a monthly basis.
2. Oftentimes, there is a Finance Committee, who works with the Executive Director and the CFO, which consists of local volunteers who have a banking, accounting, or financial skillset. They can ask good questions, ensure quality practices are in place, and help the Board answer any questions that they may have. However, even without a Finance Committee in place, the Executive Director should be able to provide any information, via the CFO, that the Board, Board Chair, or Board Treasurer may need. In turn, the Executive Director and CFO should carry out any Board Action that is taken at Board Meetings regarding the finances of the organization; failure to do so would be considered insubordination.

NOTE: Not all Finance Committee Members must be Board Members. Certainly, the Treasurer would be a member of this Committee, and potentially 1-2 other Board Members is adequate. It's common for the Executive Director and the CFO to be ad hoc members of this Committee as well. The goal is to ensure transparency by filling the Committee with the knowledge-base to ask fiduciary questions that a layman may not be inclined to ask.

3. The Board should see updated financial statements - financial position (i.e.: a balance sheet) and operating statement (i.e.: an income statement) *at the very least, at every Board meeting*. If the Board doesn't see regular financial statements, the Board is responsible for finding out why since that isn't a best practice, could put your organization at risk, and may lead to long term financial problems that are more difficult to solve.
4. Any time a Board member or ED requests reports from the accounting office, they should be produced immediately with no push back. If there is push back, the Board is responsible for finding out why.
5. As part of providing sufficient oversight, the Board should monitor all financial activities and ensure the organization's program spending is appropriate. A Board management platform with document management capabilities will allow for securely dispersing various financial documents like your statements of cash flow, financial position, and functional expenses amongst the team.
6. To be responsible stewards of your organization's finances, Board members should:
 - Learn how to read and interpret financial statements. The Foundation can help with this.
 - Review and approve the nonprofit's budget.
 - Approve major organizational decisions, such as programming or other large expenditures.
 - Hire an auditor and get audited annually to provide audited financial statements.
 - File the required annual 990 with the IRS.

When developing and carrying out a financial plan, Board members should proactively communicate with key team members to discuss these goals, receive input, and share any progress. Overall, your Board should work cooperatively with the rest of the team, taking their suggestions into consideration. Proper financial management can ultimately set programmatic growth in motion.

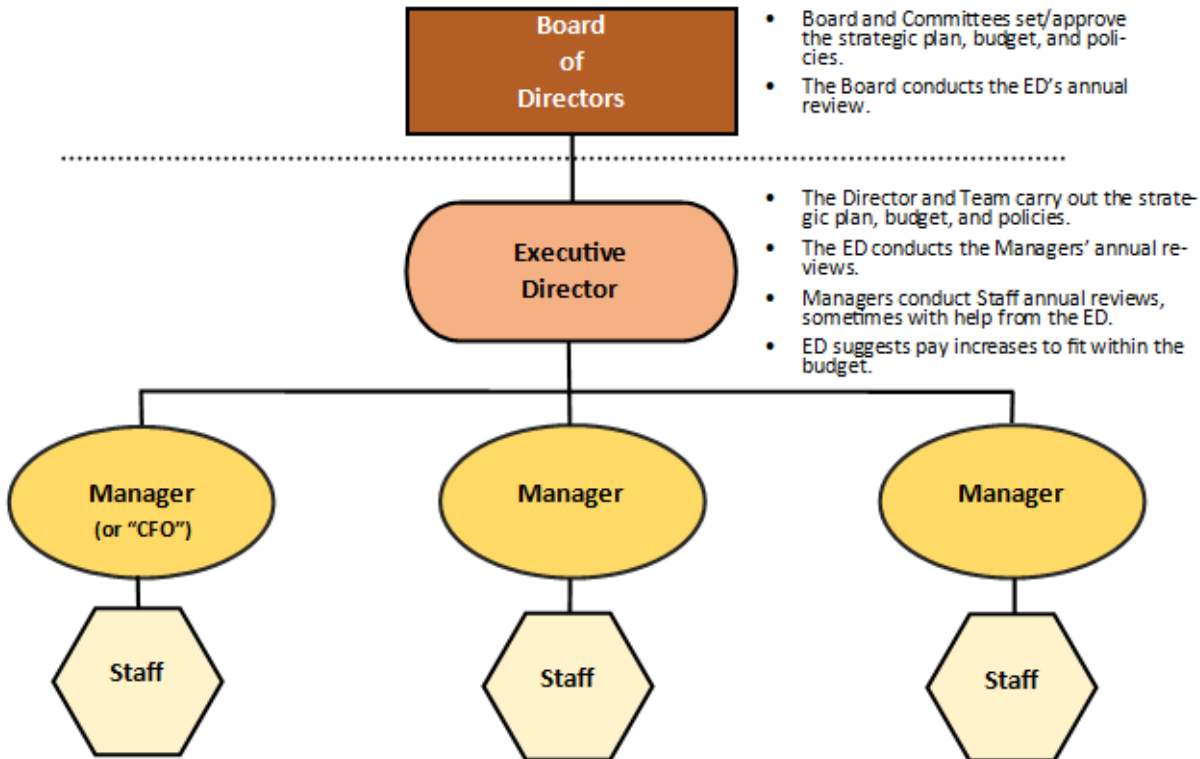
Additional Board member information

To add order and process, every Board should support the following positions, regardless of Board size or type:

- **Chair** – responsible for leading the Board and facilitating meetings
- **Vice Chair** – acts as the Board chair's understudy and second in command
- **Secretary** – responsible for official communications with Board members and recording meetings
- **Treasurer** – oversees all matters related to the organization's finances, property, and budget

Nonprofit organizational chart

The staff reports to managers; managers report to the Executive Director; and the Executive Director reports to the Board. The Board sets the strategic plan, budget, and policies, and the ED, managers, and staff carry them out. **If the Board votes for a policy or any (legal) change, the ED, managers, and staff are required to carry out the decision.** If the ED, managers, or staff refuse to carry out a decision made by the Board of Directors, that is insubordination and is an offense worthy of firing.



DONATIONS

Regulations for donation receipts

Donation receipts are written records that verify a gift was made to an organization with proper legal status, such as a registered 501(c)(3) nonprofit.

1. For donations made in the US, donors need a written acknowledgment, such as a donation receipt, to claim tax returns for single contributions of \$250 or more. **However, in general, it's *always* a good idea to send donation receipts; especially if you would like to receive additional donations from that donor.** Additionally, it may be an indicator that there are other internal operational issues that need to be addressed if receipts are not being issued.
2. Donation receipts can be cumbersome to create and manage, but they're extremely important for individuals and businesses that donate to your organization. Without official written confirmation, donors cannot claim tax deductions. For this reason, timely receipts are a necessity. We recommend following a 'thank before you bank' philosophy to stay on track—meaning that you would send receipts first, then deposit the checks second; always showing gratitude for the gift before the transaction is made.

3. There is no standard format for donation receipts, so you can choose to send letters, cards, postcards, or digital receipts. But there are some elements you always need to include on your donation receipts according to the IRS.

In the United States, a donation receipt must include:

- Name of your organization
- Donor name
- Cash contribution amount
- Description of any non-cash contribution (if applicable)
- Statement that no goods or services were provided by the organization (if applicable)
- Description and estimate of the value of goods or services that the organization provided in return for the contribution (if applicable)
- Statement that any goods or services that the organization provided in return consisted entirely of intangible religious benefits (if applicable)
- *Statement that their contribution, upon receipt, becomes the property your organization, completing the donation*

Getting into the routine of sending tax receipts in a timely manner is a great way to build positive, lasting relationships with your donors.

Tip: When you send out donation receipts, include a personal thank-you letter. Receipts tend to be very transactional, so throwing in an appreciative gesture helps transform an administrative necessity into an opportunity to build goodwill.

SEPARATION (SEGREGATION) OF DUTIES

Mail, Donations, Cash, Checks

One person should never be responsible for opening the mail, preparing donations, posting donations, preparing the deposit, taking the deposit to the bank. Even in smaller offices, separation of duties is possible and necessary.

- Two people (A and B) open the mail and copy/scan/record donations received.
- A enters the donations in the software.
- C posts the donations in the software.
- D prepares the deposit.
- B takes the deposit to the bank.

Invoices

One person should never be responsible for paying invoices, writing checks, and signing checks.

- The Executive Director or a Board member approve invoices to be paid.
- The Accountant pays the invoices and writes the checks within the software.
- The Executive Director and a Board member sign the checks and compare to the invoices.
- The Accountant or another employee mails the checks.

Credit Cards

Not everyone needs nor should have a credit card. The Executive Director, potentially the Development Officer, and whomever makes purchases for the organization may be the only ones who need a credit card. To keep control over purchases, an organization may need to use a purchase order process, which takes all purchases through the main office/accounting office. Regardless, there should be a limit on every credit card issued that wouldn't devastate the organization if misuse was found. For example, if an Executive Director maxed out the credit card quickly with unapproved expenses, wherein the limit was \$50,000, that would be devastating to a small organization. However, the limit should make sense for a monthly expense budget, depending on the user, and any misuse should be rectified immediately or reported to the Board of Directors as soon as possible.

Additionally, there should be a policy in place stating that the cards should only be used for business purposes along with other rules for use (our policy is attached). The policy should include:

- Spending limit
- How unauthorized charges are handled, including disciplinary action
- Documentation – all card holders must provide receipts for every transaction
- Prohibited use – cash advances, bank checks, travelers' checks, electronic cash transfers, personal expenses, and possibly alcohol or any other items inconsistent with your organization's mission and values

Some organizations won't have a high enough credit rating to get credit cards without personal guarantees, which puts the employee at risk for any non-business-related purchases. This can also pose problems when there is staff or Board turnover and increases the chance of purposeful or accidental "co-mingling" of organizational funds with personal funds. The nonprofit may also be missing out on an opportunity to build its creditworthiness and become a more favorable candidate for similar programs in the future, as the organization's good credit behavior is attributed to the guarantor. If your nonprofit is turned down for a business credit card without a personal guarantee, talk to your bank, escalating to a manager if necessary. If you still don't find satisfaction, call around to other local banks or credit bureaus.

Resources for supporting the policies above:

<https://www.belfint.com/implement-a-policy-for-credit-card-use/>
<https://bernardjohnson.com/non-profit/>

POLICIES

All nonprofits should adopt these policies at the bare minimum:

- Conflict of Interest and Disclosure
- Confidentiality
- Whistleblower
- Document Retention/Destruction
- Gift Acceptance
- Board Terms

Note: The Community Foundation has sample policies available, if needed.

Recommended Reading

<https://philanthropynewsdigest.org/features/book-reviews/how-effective-nonprofits-work>

<https://www.wildapricot.com/blog/nonprofit-Board-responsibilities>

<https://www.councilofnonprofits.org/tools-resources/Board-roles-and-responsibilities>

<https://Boardsource.org/fundamental-topics-of-nonprofit-Board-service/roles-responsibilities/>

<https://www.wildapricot.com/blog/nonprofit-fundraising-laws#receipts>