

# Revisiting the Financial Oversight Role of Nonprofit Boards: A More than Monitoring Approach

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# Today's Presenters



**Kate Barr**  
Co-founder and  
Strategic Advisor,  
Nonprofit Financial  
Commons



**David Renz**  
Director Emeritus of  
Midwest Center for  
Nonprofit Leadership  
at UMKC, Board Chair  
at NFC



**Keven Ambrus**  
Chief Finance  
Officer, The Wilder  
Foundation



**Jane Thompson**  
President, A Gift For  
Teaching

# Today's Agenda

1. Board responsibilities - fiduciary, strategic, generative
2. Four key elements to move beyond monitoring
3. Case studies: A Gift for Teaching and Wilder Foundation
4. Implementation - roles, organizational characteristics, and training
5. Wrap up

# Legal obligations - Fiduciary

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Duty of Care

Duty of Loyalty

Duty of Obedience

# Poll

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▶ How would you rate your board on their financial oversight?

(Single choice)

- ▶ Excellent
- ▶ Good
- ▶ Average
- ▶ Fair
- ▶ Poor

# Poll

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- ▶ How would you rate your board on bringing strategic and financial plans and considerations together?
  - ▶ Excellent
  - ▶ Good
  - ▶ Average
  - ▶ Fair
  - ▶ Poor

# BoardSource: Leading With Intent 2021



<https://leadingwithintent.org/>

Q: How would you “grade” the board’s performance in the following areas?

## Financial oversight

F=Failing	2.4%
D=Below average	7.0%
C=Average	18.0%
B=Above average	34.8%
A=Excellent	37.9%

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# Presenter



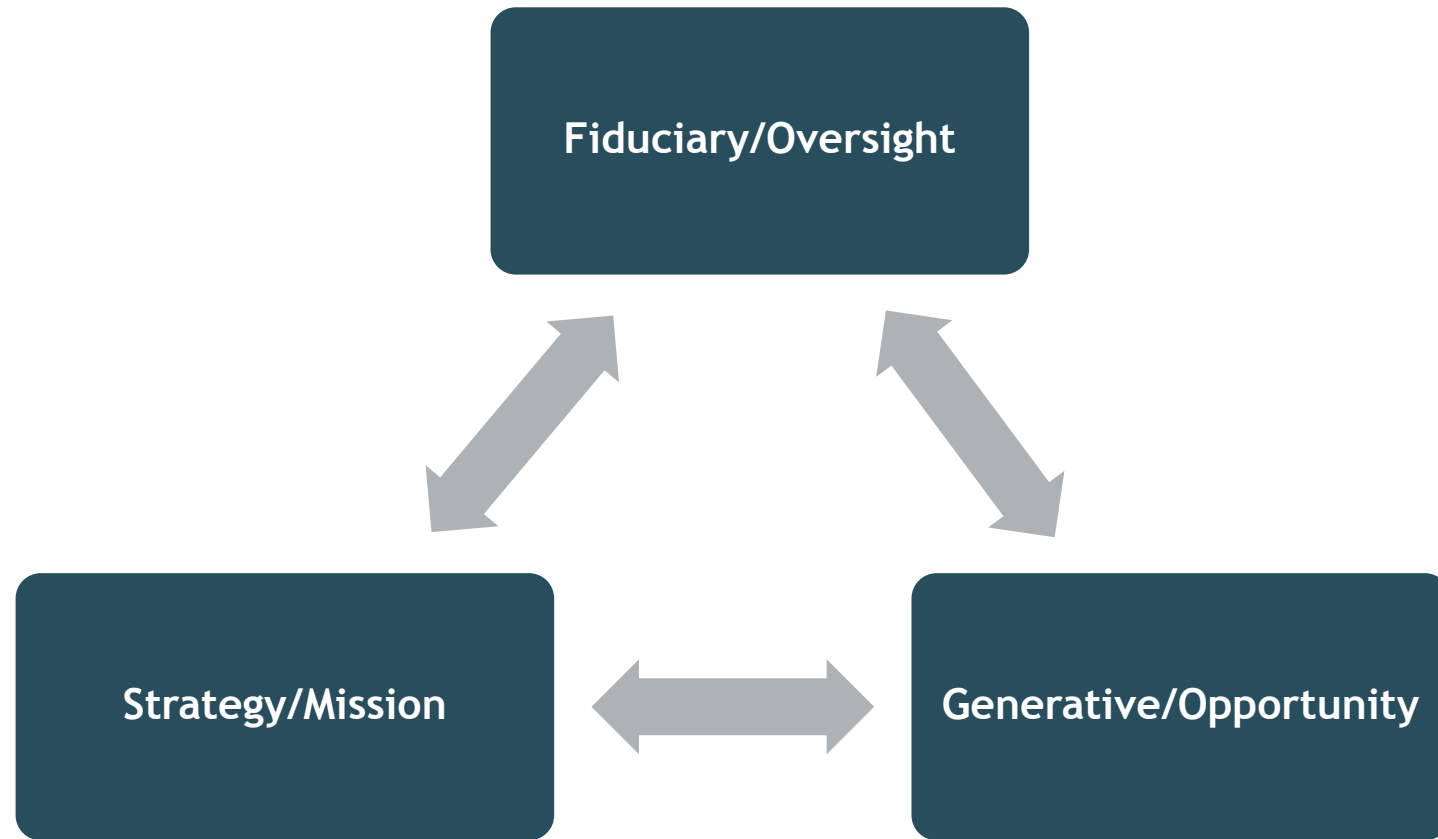
## **David Renz**

Director Emeritus of Midwest Center  
for Nonprofit Leadership at UMKC,  
Board Chair at NFC

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# More than monitoring

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# Financial Leadership *and* Financial Management

Leadership	Management
Guide organization to maximum mission impact while ensuring financial sustainability	Ensure effective & efficient use of financial resources to implement programs and services



# Governance, Strategy, and Effective Financial Leadership



The board and key executive staff partner to:

- Set Mission and Vision, and Establish Strategic Direction
- Ensure That The Organization Secures the Resources Needed to Accomplish Its Mission, Vision, and Goals
- Ensure That The Organization Makes Effective Use of Resources to Accomplish Its Mission, Vision, and Goals
- Ensure Organizational Accountability and Stewardship

*Integral to the accomplishment of all four of these is the determination of an appropriate revenue model or funding model for the next generation of service!*

# Understanding the Nonprofit as a “Financial Creature”

## ► Understand the Resource Cycle:

- ✓ How Funds Are Secured
- ✓ How Funds Flow In
- ✓ How Funds are Allocated
- ✓ How Funds are Managed and Used
- ✓ How Funds Relate to Results Achieved
- ✓ How Organization is Accountable for Use of Funds



# Moving beyond monitoring

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- ▶ Understanding the financial model and drivers
- ▶ Connecting finance to mission and strategy
- ▶ Making financial information meaningful for the board
- ▶ Being clear about roles and decision points

# Understand your business model

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Earned  
income

Individual  
supporters

Grant  
funding

Government  
funding

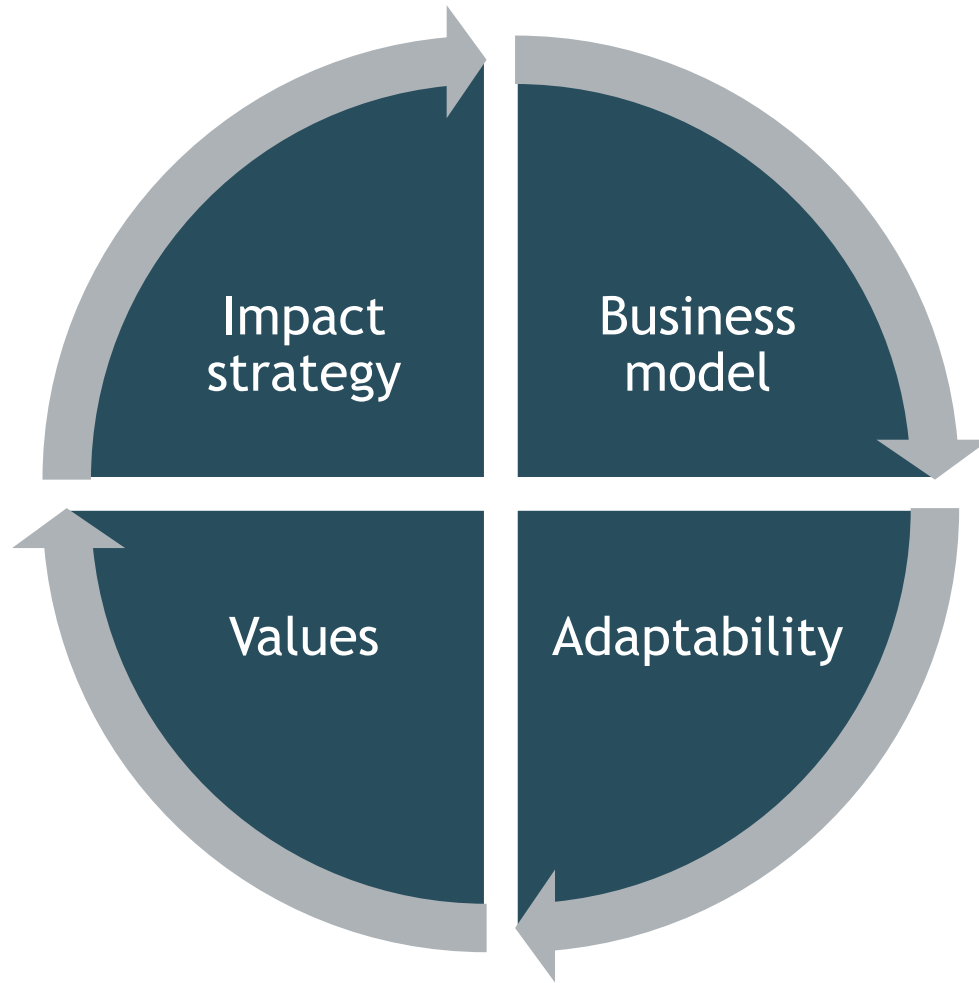
Membership

Blended  
sources

- Primer on the revenue and expense drivers
- Reports that highlight key indicators
- Awareness of external environment
- Considerations during planning
- Budget size, community factors, and life stage all matter

# Finance, strategy, and values

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# What financial information does the board need?

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Compliance/oversight

Evaluation/comparative

Planning/Forecast

Action/Decisions

# Making financial information meaningful

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## Produce financial report

- Is it accurate, timely, and consistent?

## Understand financial information

- Is there special terminology or technical knowledge required?

## Analyze financial information

- What is meaningful and important?

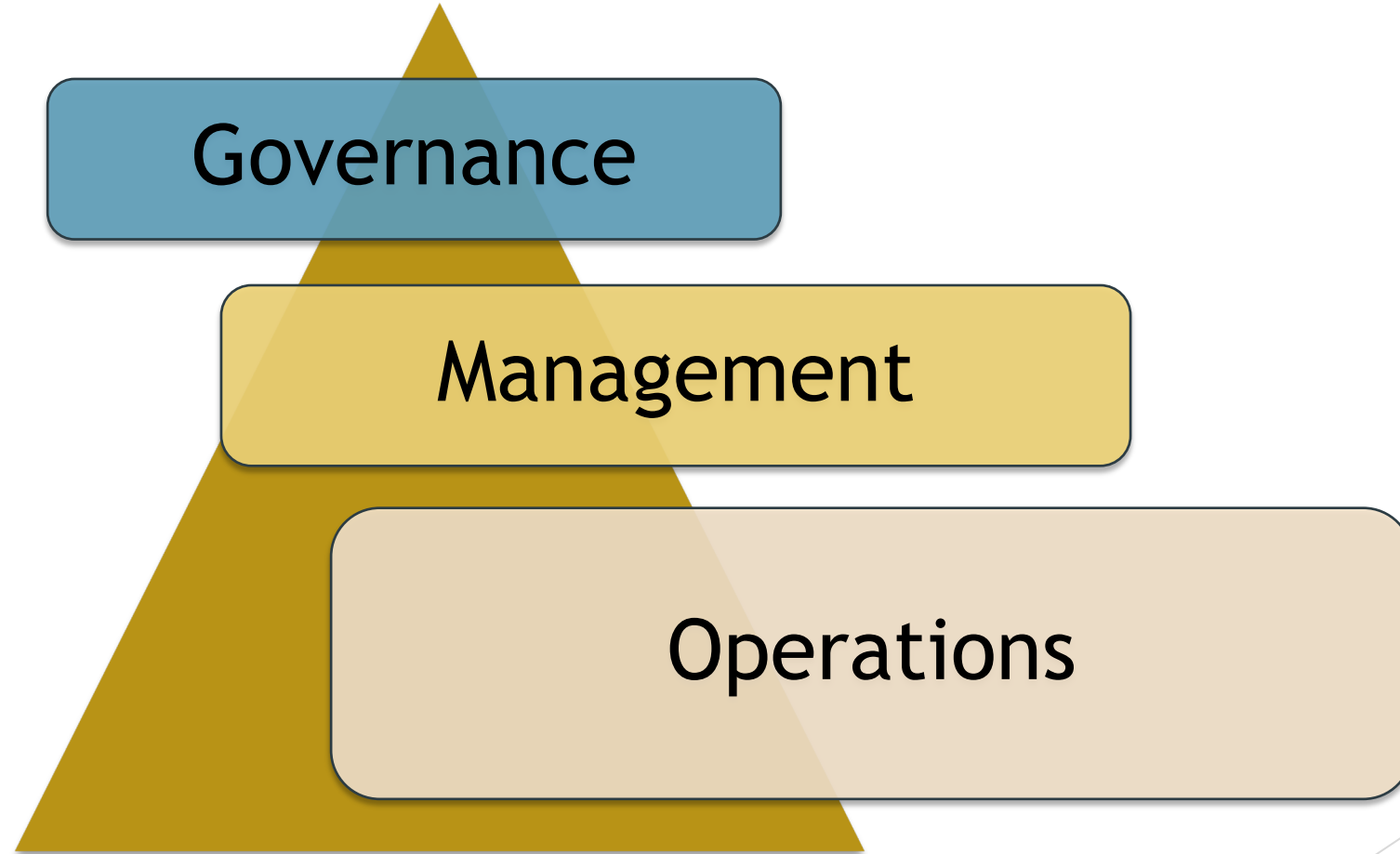
## Interpret financial information

- Is there context? Are there goals or benchmarks?

## Communicate financial information

- Who is the audience? What do they need to know, for what actions?

# Differentiating Levels: Governance, Management, & Operations



# What are the roles?

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## **BOARD OF DIRECTORS**

- Board chair
- Board treasurer
- Executive committee
- Full board
- Finance Committee
- Audit committee
- Investment committee

Recruiting for financial roles

## **STAFF & ADVISORS**

- CEO/Executive Director
- Lead finance staff
- Lead development staff
- Other staff leadership
- Financial consultant
- Audit firm and tax preparer
- Investment advisor

# Organizational characteristics matter

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- ▶ Organizational life stage
- ▶ Organizational budget size
- ▶ Organizational staff composition (or all volunteer)
- ▶ Organizational business model
- ▶ Regulatory, financial, or other external mandates or requirements

# Practical tools and resources

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- ▶ Five Business Models Revealed
- ▶ Nonprofit Dashboards
- ▶ Nonprofit Ratios
- ▶ Nonprofit Reserves
- ▶ Resources and Research Collection
- ▶ Financial Commons Forum

# Meaningful information for your board

- Report format
- Report contents
- Narrative Reports
- Financial Dashboards

	Target	This month	Last month	Last year end
Projected surplus/deficit YTD	\$20,000	\$18,000	\$15,000	(\$12,000)
Total income year-end forecast	\$400,000	\$360,000	\$350,000	\$350,000
Earned income ratio	60%	45%	45%	50%
Days cash reserve	60	42	42	38

# Debunking nonprofit finance myths

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- ▶ Nonprofits can't have a profit (or surplus)
- ▶ Nonprofits can't charge fees
- ▶ Nonprofits “should act more like a business”
- ▶ Risk should be avoided
- ▶ Low overhead is a top priority
- ▶ There are one-size-fits-all benchmarks - cash reserves and other



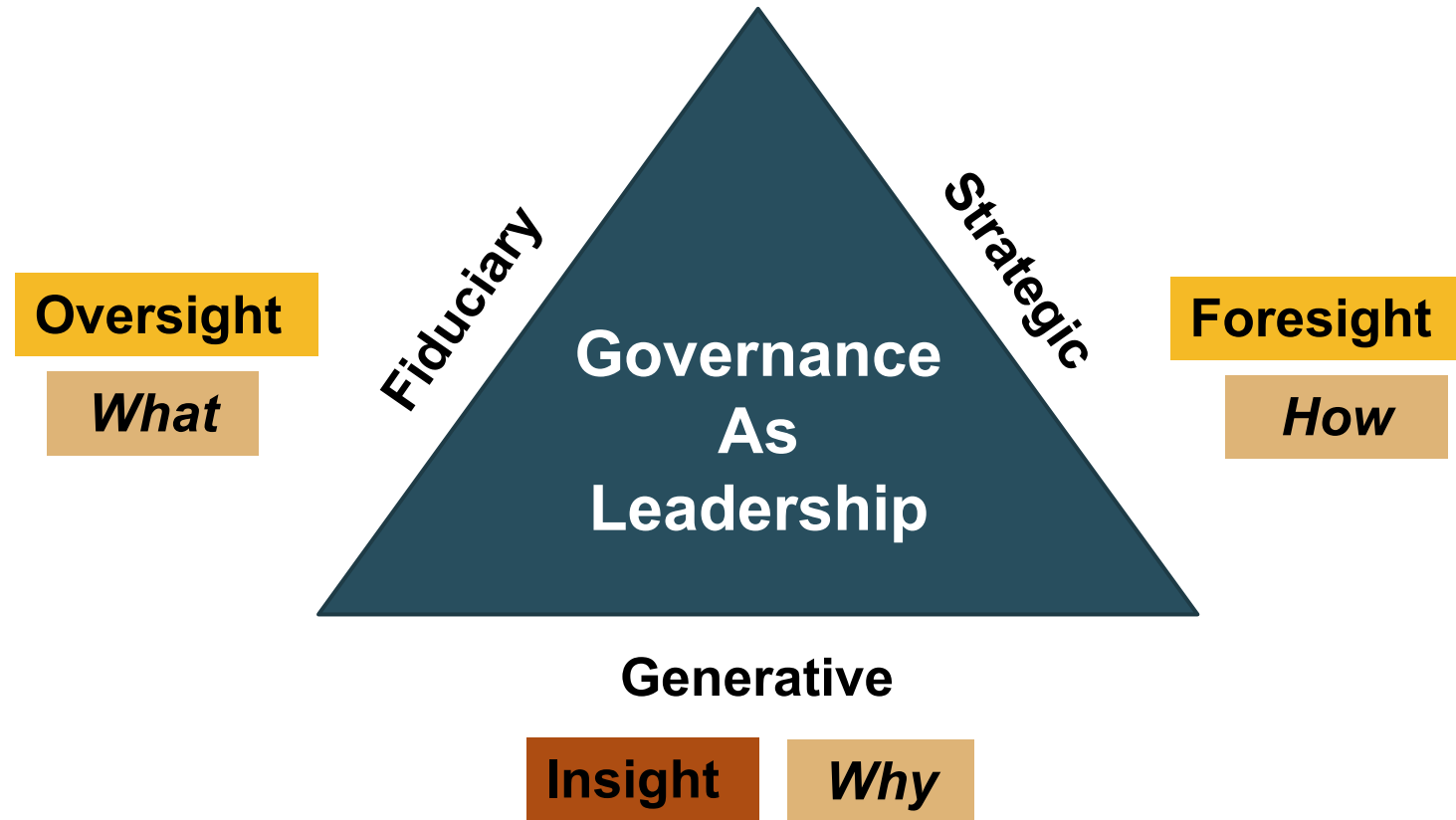
# Training and guidance for the board

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- ▶ New board member orientation
- ▶ Information provided with financial reports
- ▶ Annual financial primer/refresher
- ▶ Meetings/presentations with outside accountant/auditor
- ▶ Training and resources from the Financial Commons and others

# Three Modes of Governance

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# Key Takeaways

- ▶ Boards have a role beyond fiduciary oversight of finances, including strategic and generative questions and decisions.
- ▶ In order to bring a strategic view to financial considerations, board members need to have an understanding of the organization's key financial drivers, or business model.
- ▶ Make financial reports for the board meaningful with analysis and interpretation through narratives, dashboards, and key indicators.
- ▶ Assess the roles of board members, staff, and advisors in financial leadership and recruit for the roles that are needed and not just to fill a seat.
- ▶ Consider your organization's context, including budget, financial condition, and life stage, as you implement these ideas.

# Stay Connected on the Forum

## YOUR FORUM AWAITS...

Most commons have a forum where community members can meet to surface mutual concerns and exchange resources. At the Nonprofit Financial Commons, THIS is that space. Any question you have about nonprofit finances, whether it has to do with high strategy or granular practice, can be brought here. Here you can glean the rich wisdom of your peers and share your own hard-won insights and knowledge. Be and spread the change you wish to see.

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