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Financial Literacy for Nonprofit Boards

Nonprofit boards need up-to-date financial information to make informed decisions. But not every board member arrives with a deep appreciation for, or even a passing familiarity with, financial concepts and reports. Help your board increase its financial literacy by reducing the mystery of nonprofit budgets, financial reports, and audits.

Practice Pointers

- Budgets: Yuk or Yay? Help your board be more comfortable with its role to approve the organization's [budget](#).
- Board members are fiduciaries for the nonprofit's assets and therefore have a responsibility to ensure that assets are not misused. A nonprofit board does this by making sure that the nonprofit has adopted and is adhering to [internal controls](#).
- Consider using a [dashboard](#) to make it easier for the board to track the nonprofit's financials.
- Include a short presentation during a board meeting by the staff member or outside contractor who is responsible for tracking and reporting on the nonprofit's finances.

- Do all board members know what happens if someone reports a concern about the nonprofit's financial management? Adopting a [whistleblower policy](#) will require assigning someone (usually a board member or officer, but not the CEO/executive director) as an “ombudsperson” to receive and address concerns about financial impropriety.
- [Scenario Planning](#) can help boards and staff make informed budget and management decisions based on different external and internal scenarios (Propel Nonprofits). See also [Budgeting in uncertain times](#) (Grant Thornton).
- It's important for board members to understand the world of “restricted” funds. [Managing Restricted Funds](#) takes the mystery out of "restricted," "unrestricted," and "temporarily restricted" funds, and gives nonprofit leaders guidance on properly recording and managing contributed income and assets. (Propel Nonprofits)
- Help board members understand the importance of [financial transparency and public disclosure requirements](#).
- Spend a few minutes at a board meeting reviewing your nonprofit's [GuideStar](#) profile so that the board is aware of what anyone else can easily discover about the nonprofit.
- Share the past year's IRS Form 990 and help board members understand what it means.
- Goodies for board orientations from Propel Nonprofits: [Balance Sheet Cheat Sheet](#) and [Characteristics of Financially Healthy Nonprofits](#).
- Both board and staff can benefit from completing this short [Financial Management Self-Assessment Tool](#) developed by the Nonprofit Association of Oregon.
- A common question is, "How much cash should be in reserve?" Help boards with the answer by sharing these resources on [operating reserves](#).

Economic trends

Economic trends in the nonprofit environment touch on many issues, not only whether the stock market is up or down. One of the most significant sources of revenue flowing to nonprofits comes [from governments at all levels](#) to pay nonprofits for services they provide in communities. Other significant trends are unfortunate (and unwarranted) negative attitudes towards [overhead](#) costs, or the [nonprofit workforce shortages crisis](#) of 2021-2022. Board members benefit from

learning about trends in the broader nonprofit environment and in their particular state. Help them connect the dots and understand the implications for your nonprofit's operations. Board members can stay abreast of trends that impact nonprofits through free e-newsletters, such as the newsletter of your [state association of nonprofits](#) and [those from the National Council of Nonprofits](#).

More About Finances

- [Build a better budget](#)
- [Bravo board members who ask questions about financial reports](#)
- [Nonprofit Audit Guide](#)

Additional Resources

- [The board's financial management role](#) (FMA)
- Explore these suggestions for [internal controls appropriate for a very small nonprofit](#). (Blue Avocado)
- The authors of [Nonprofit Sustainability](#) designed a way for board and staff members to visualize the relative impact and viability of a nonprofit's various activities using a "matrix map," explained further in the very-readable sequel, [Sustainability Mindset: Using the Matrix Map to Make Strategic Decisions](#) (free downloadable templates).
- [How to talk about finances so non-financial folks will listen](#) (Bridgespan)
- [What makes a great board treasurer?](#) (Propel Nonprofits)

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