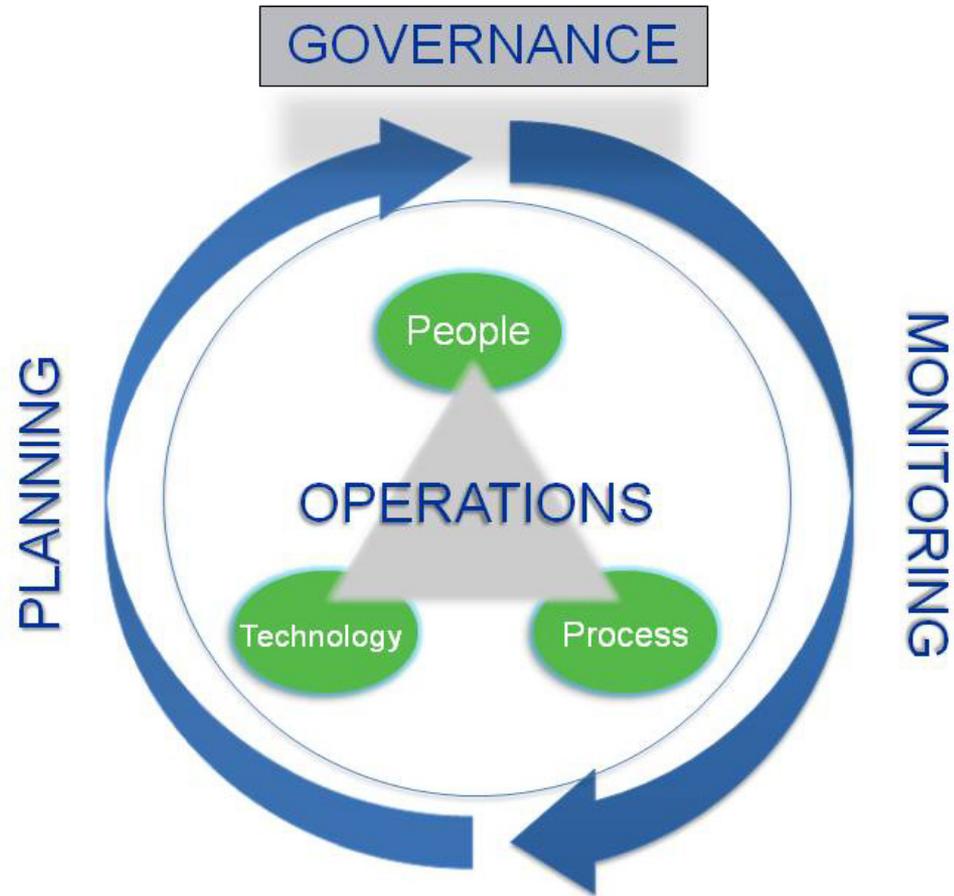




# The Board's Financial Leadership

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# Governance over Financial Matters

## Key board fiduciary responsibilities

- Ensuring regulatory compliance and risk management
- Ensuring financial health and setting strategic direction



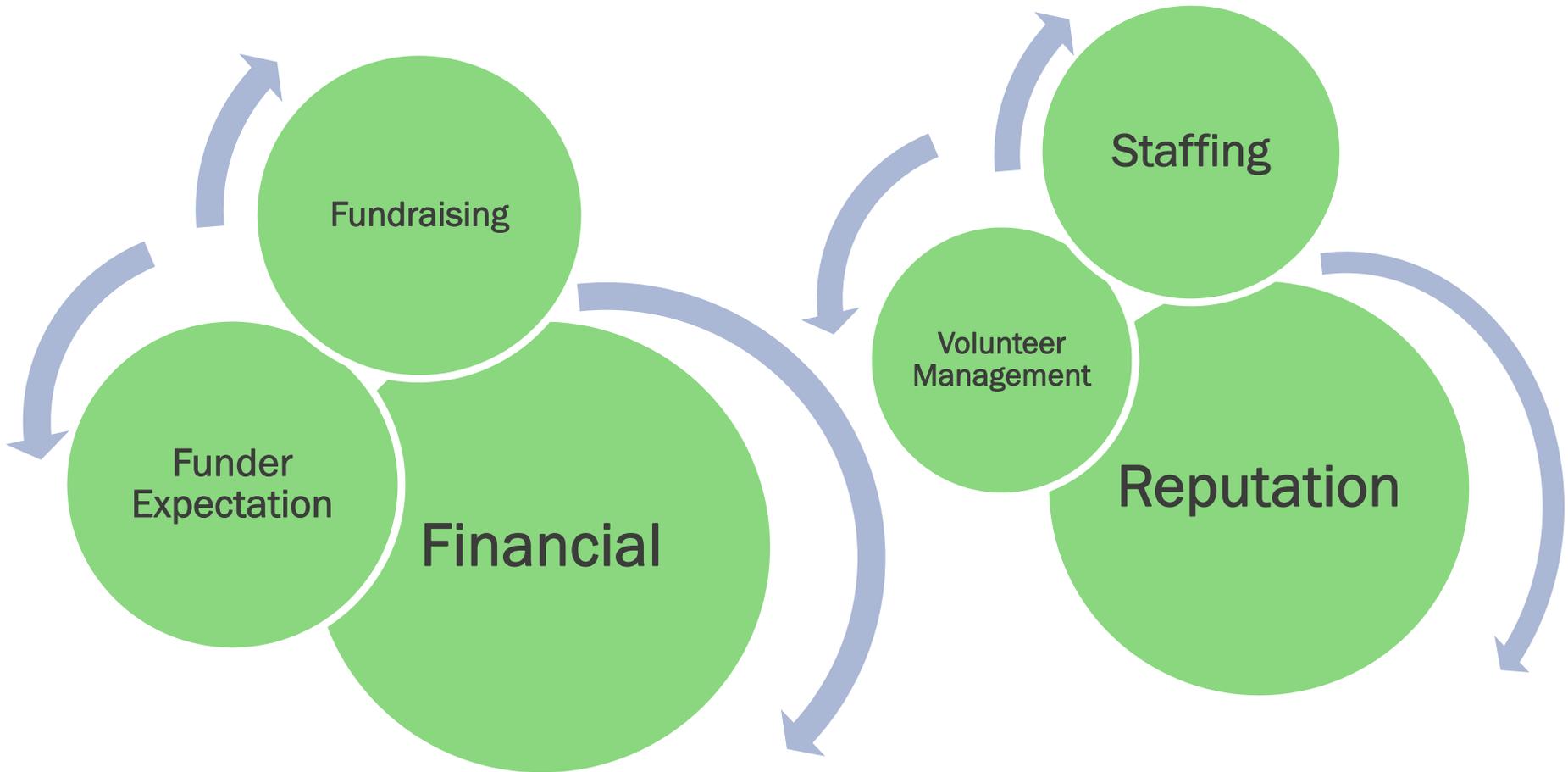
# Board Fiduciary Responsibilities

## Compliance and Risk Management

1. Ensure compliance with federal, state and other reporting requirements
2. [Hire the independent audit firm](#) and oversee the audit process
3. Act as the steward of internal controls
4. Establish policies for long term investments
5. Assess and [manage operational risk](#)



# Enterprise Risk Management





# Board Fiduciary Responsibilities

## Financial Health and Strategy

1. Set annual and long term financial goals and plans
  - a. Understand the [full costs of programming](#) and ensure sufficient revenue
  - b. Plan for capital needs, including both [operating cash flow](#) and [fixed asset investments](#)
  - c. Establish [operating reserves](#) and policies on their use
2. Establish mechanisms for budgeting and [monitoring financial performance](#), incorporating [scenario planning](#) and forecasting mechanisms



# Operating Reserves

## Liquid Unrestricted Net Assets (LUNA)

- Represents the portion of an organization's unrestricted net assets that could be converted to cash relatively easily
- Measure of funds available for purposes such as supplying working capital, guarding against downturns, and pursuing new opportunities

$$\text{LUNA} = \text{Unrestricted Net Assets} - (\text{Fixed Assets} - \text{Mortgages})$$

Benchmark: LUNA sufficient to cover 3-6 months of operating expenses is generally considered healthy, but *this depends* on an organization's business model, plans and goals.



# Committee Structure

## Audit Committee

- Hires the audit firm and oversees the audit process
- Stewards the systems of internal control

## Finance Committee

- Monitors and responds to the financial realities of the organization as presented by the Executive Director/CFO, in cooperation with the Treasurer

*Note: In some (particularly smaller) organizations, the finance and audit committees are combined into a single committee unless state law requires separation*



# Financial Reports

Program Managers	Executive Director	Board of Directors
<ul style="list-style-type: none"><li>• Budget-to-actual revenue &amp; expenses for the program(s) and grants/contracts they oversee</li></ul>	<ul style="list-style-type: none"><li>• Budget-to-actual revenue &amp; expenses<ul style="list-style-type: none"><li>• for each program</li><li>• organization-wide</li></ul></li><li>• Balance sheet (and supporting schedules)</li><li>• Cash flow projection</li><li>• Year-end projection(s)</li></ul>	<ul style="list-style-type: none"><li>• Management narrative</li><li>• Performance dashboard</li><li>• Budget-to-actual revenue &amp; expenses<ul style="list-style-type: none"><li>• for each program</li><li>• organization-wide</li></ul></li><li>• Balance sheet (and supporting schedules)</li><li>• Cash flow projection</li><li>• Year-end projection(s)</li></ul>



## About Fiscal Management Associates, LLC

FMA is a management consulting firm established in 1999 to serve not-for-profit organizations around the country.

- We provide customized financial management, accounting, software, organizational development, human resources, and other consulting services.
- We work directly with organizations or through funder-supported management and technical assistance programs.

*FMA works to build a nonprofit sector where every organization practices the sound and effective management necessary to carry out its mission.*

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