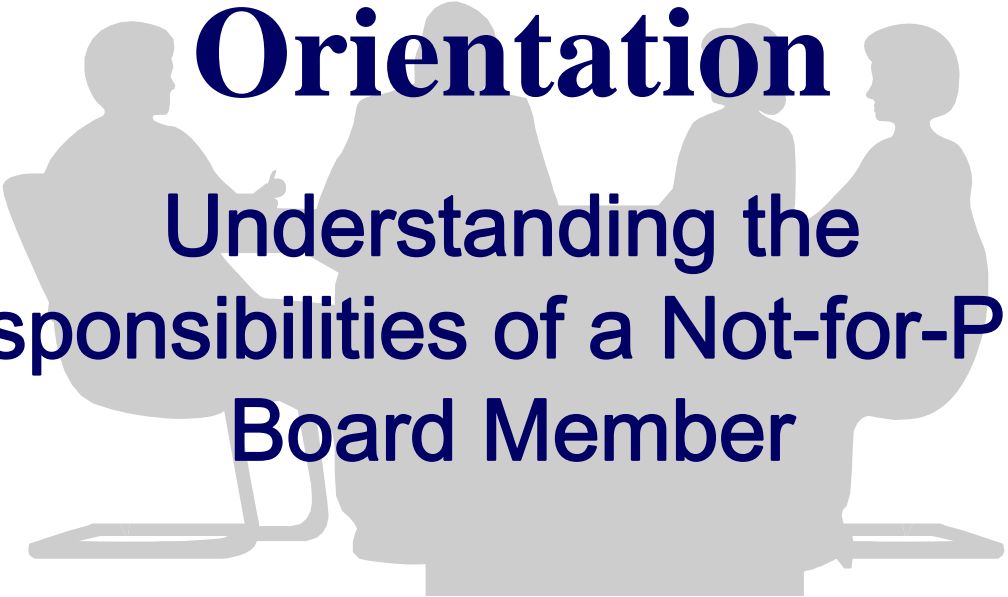




Not-For-Profit Board Member Orientation

**Understanding the
Responsibilities of a Not-for-Profit
Board Member**





Introduction

This presentation is designed to help individuals become effective board members for not-for-profit organizations (NFPs). It is based on the expertise of CPA firms, including Cowan, Guteski & Co., P.A. that work closely with NFPs, their staff leadership and boards of directors.



Outline

- How NFPs Differ from Other Organizations
- Duties of a Board Member
- Financial Literacy
- Management and Measurement Issues
- Sources for More Information





How NFPs Differ

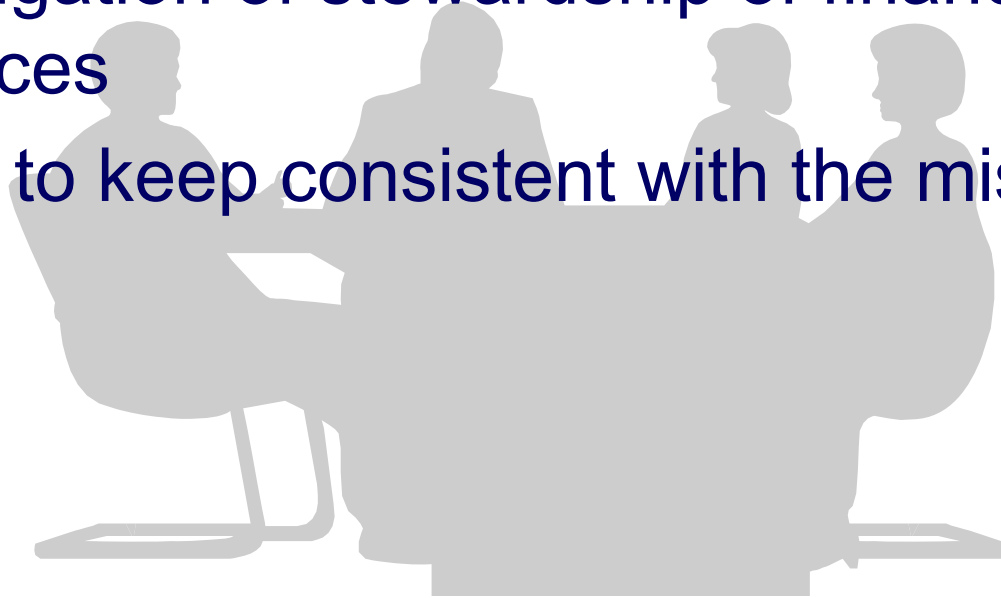
- Dedicated to achieving a mission or a vision
- Gather funding and support from the government, the general public and/or membership fees
- Enjoy tax exempt status, IRS section 501(c)
- Carry an obligation to the public and donors to acquire, manage and allocate financial resources to accomplish the mission



Philosophical Mission

The philosophical mission that spurs the establishment of the entity creates:

- An obligation of stewardship of financial resources
- A duty to keep consistent with the mission





Keys to Success

- Clear organizational goals
- Defined performance measures
- Capable, dedicated personnel and management
- Accurate accounting & control measures
- Reasonable constraints on activities
- Effective, capable board of directors
- An audit committee or other non-staff directed oversight body that focuses on organization finances



Effective Boards

- Assure that proper financial management is in place
- Retain and oversee high-quality auditors
- Ensure that hiring policies are sound
- Keep overzealous executives in proper check





Board Responsibility

A major component of the Board's responsibility is to oversee financial management, including:

- Financial Planning
- Budgeting
- Accounting
- Payroll
- Taxes
- Annual Government Filings





Membership Considerations

- Duties and Responsibilities
- The Organization
- Provisions





“Duties” of a Board Member

- Care
- Loyalty
- Manage Accounts
- Obedience





Duty of Care

The care that “an ordinary prudent person would exercise in a like position and under similar circumstances”

- Attending board meetings regularly
- Showing independent judgment
- Being informed about organizational resources
- Delegating only to responsible individuals
- Following up regularly



Duty of Loyalty

- Give undivided allegiance to the organization when making decisions that affect the organization
- Personal, family or business interests cannot be put above the organization's interests
- Avoid conflicts of interest in fact and in appearance





Duty to Manage Accounts

- Ensure financial accountability by:
 - Overseeing the organization's executive director
 - Checking that resources are used prudently
 - Implementing procedures to ensure accurate records
 - Ensuring that no one person has control over finance
- Accurate decision making documentation using Board Meeting Minutes



Duty of Obedience

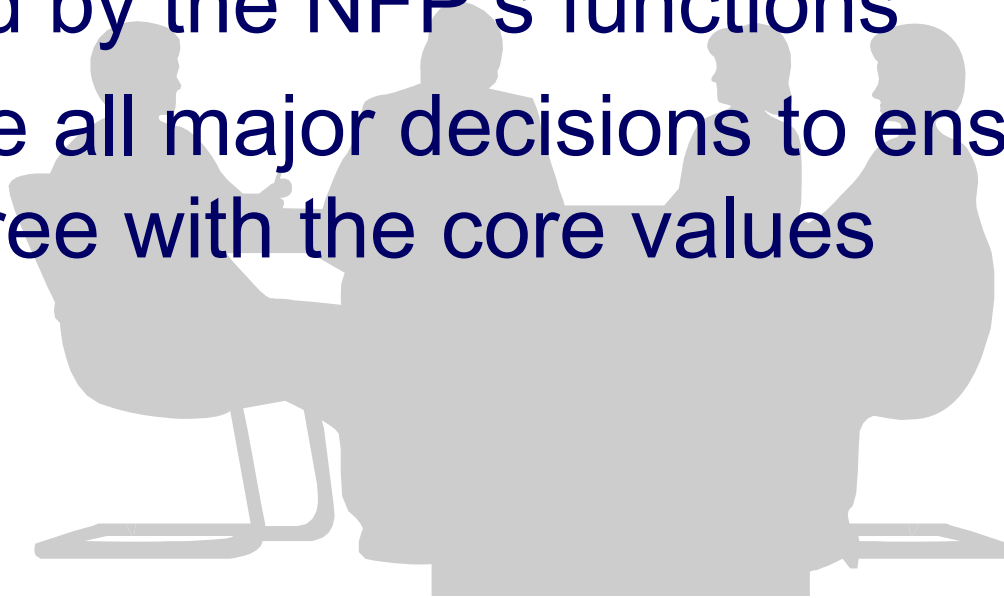
- Ensure that the organization remains obedient to its central purpose
- Establish Accountabilities
 - Policies
 - Programs
 - Performance
 - Process
 - Value
 - Outcomes & Effectiveness
 - Efficiency & Economy
 - Planning, Allocating & Managing





Integrity

- Visibly follow an agreed-upon ethical credo
- Ensure that the publicly held values are reflected by the NFP's functions
- Evaluate all major decisions to ensure that they agree with the core values





Financial Literacy

At least one member should be considered “financially literate”:

- Understands financial statements
- Understands financial risks
- Understands the impact of business decisions on financial statement
- Identify balance sheet risks
- Understand revenue recognition issues on the income statement
- Serves as a liaison with the auditor



Ask

- Do we have a sound financial plan?
- Do we have enough cash?
- Are our reserves satisfactory?
- Are our major expenses in line?
- Are we meeting our budget?
- Are our expenditures appropriate?
- Are we insured appropriately against risks?
- Are we meeting the guidelines and requirements set by the IRS for NFPs?



IRS Regulations

- Be aware of intermediate sanctions
- IRS Regulations provide a “rebuttable presumption of reasonableness”





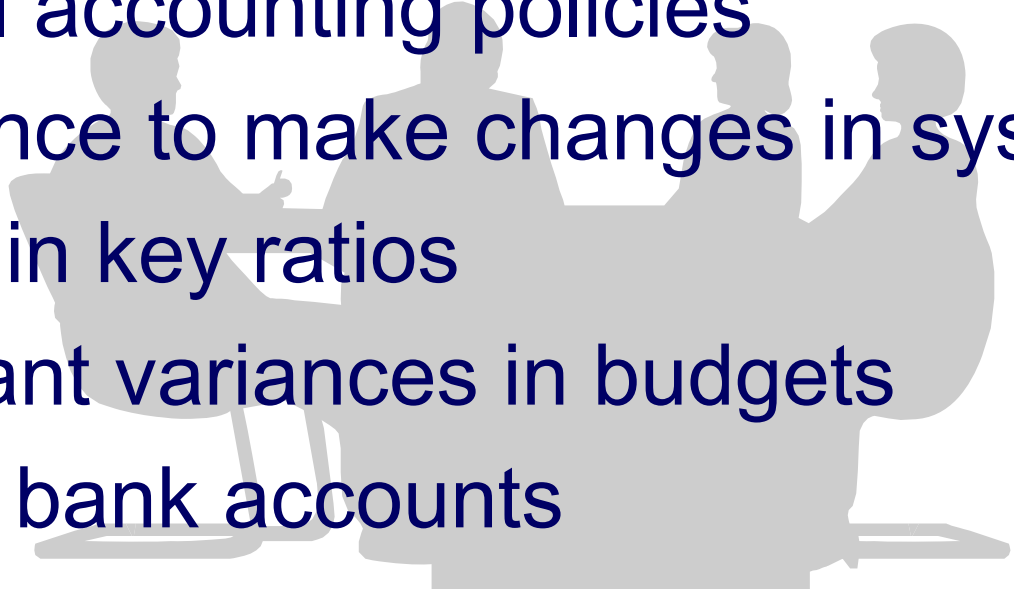
Budget and Income Analysis

- How realistic is the budget?
- How often is the budget monitored?
- Is management's compensation tied to a particular number on the income statement?
- How volatile are the NFPs funding sources?
- Are there any trends in the sources of funds that may impact income?
- Is there adequate documentation of endowments, grants and other donor funding?



Financial Abnormalities

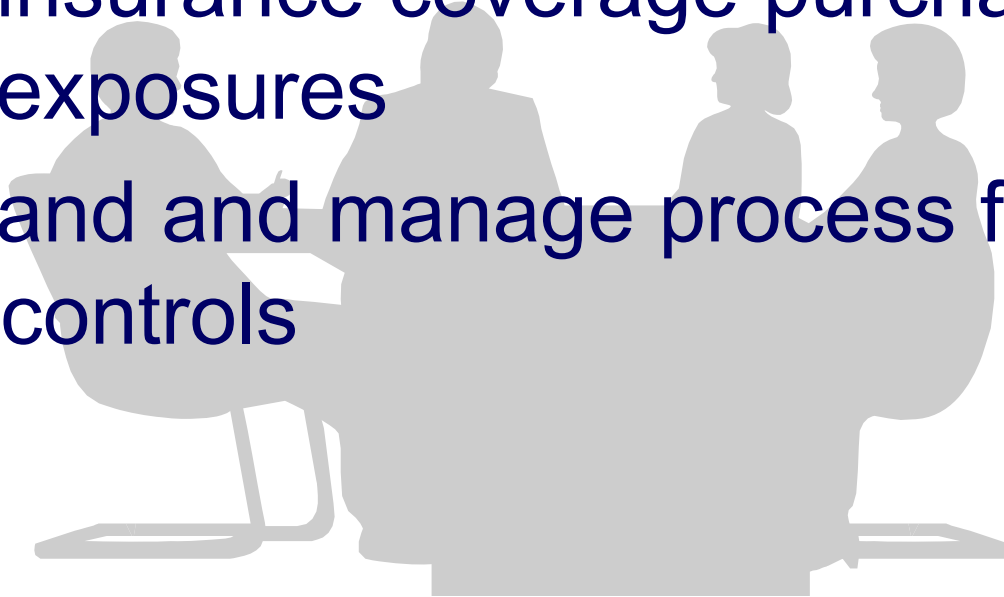
- Complex business arrangements
- Large last-minute transactions
- Unusual accounting policies
- Reluctance to make changes in systems
- Decline in key ratios
- Significant variances in budgets
- Multiple bank accounts
- Large fluctuations in investments





Risk Management

- Identify financial, operational and external risks
- Assess insurance coverage purchased for various exposures
- Understand and manage process for internal controls





Management Issues

- Organizational Structure
- Compensation
- Policy Making
- Compliance

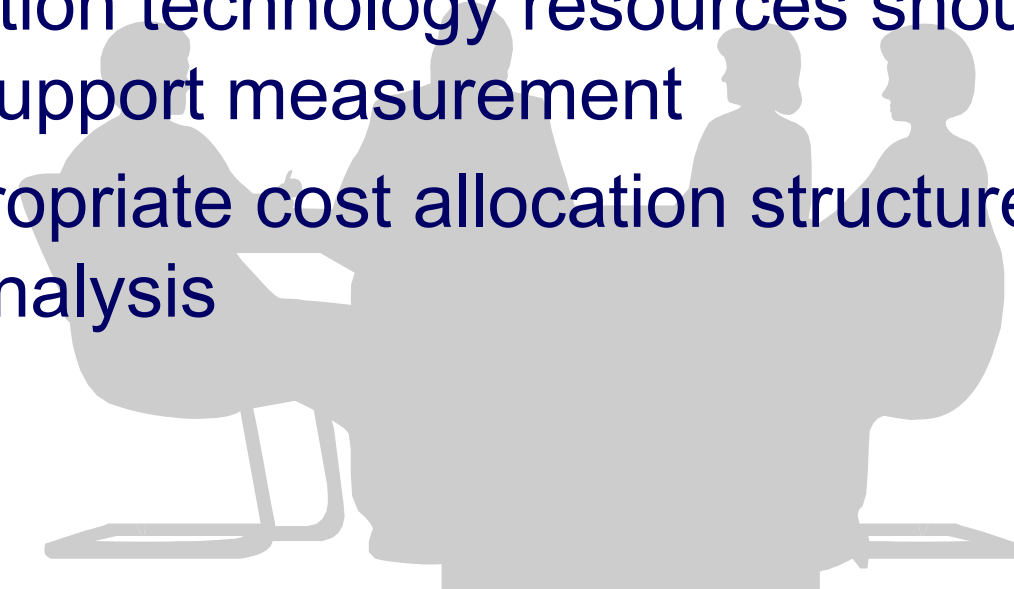




Measurement Issues

Establish performance measures to gauge achievement of the mission

- Information technology resources should assist/support measurement
- An appropriate cost allocation structure will aid in the analysis





Performance Measures

- Effort
- Accomplishment
- Relationship of efforts to accomplishments





Cowan, Guteski & Co. Can

- Proactively facilitate & implement ethics programs
- Influence ethical growth of the NFP
- Help eliminate the gap between values & actions
- Create systems & controls for monitoring the internal effectiveness of ethics programs
- Help the organization stay on track
- Aid with performance measurement
- Orchestrate strategic planning
- Implement risk management tools & assess internal controls



National Information Sources

- BoardSource (www.ncnb.org)
- Guidestar – The National Database of Nonprofit Organizations (www.guidestar.com)
- Internal Revenue Service – tax information for NFPs (www.irs.gov/charities/index.html)
- Internet Nonprofit Resource Center (www.nonprofits.org)



Regional Information Sources

- Alliance for Nonprofit Governance (www.angonline.org)
- CompassPoint Nonprofit Services (www.compasspoint.org)
- The Management Assistance Program for Nonprofits (www.mapfornonprofits.org)
- Nonprofit Boards Clearinghouse (www.nyjl.org/nonprofit.html)



Our CPA firm is a member of CPAmerica International, a network of more than 70 independent firms in the United States. Our network collectively serves more than 1000 Not-for-profit client organizations. As this seminar demonstrates, we bring our clients more than numbers.



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