

Make Good Use of the Treasurer & Finance Committee

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Most nonprofit boards place a priority on having an active treasurer and finance committee. Too often, though, these crucial roles turn into nothing more than rote reviews of financial reports and audits. Committee members wonder why they accepted the position – and may even dread the meetings for the dull, unimportant tasks on the agenda. Fortunately, it's possible to reinvigorate the treasurer's and finance committee's roles so that they play a truly strategic part in oversight, planning, and governance. The first step is to be sure you have a clear understanding of the treasurer's and finance committee's job descriptions. The second is to find the right candidates for the jobs. Here's how to go about it.

Understand the Treasurer's Job Description

The treasurer's responsibilities are spelled out in the organization's bylaws: maintaining accounting records and bank accounts, and reporting financial results to the board. In practice, the task of accounting and banking are usually carried out by the staff. But no matter who does the accounting, the treasurer must be knowledgeable about the organization's financial affairs. The treasurer's key responsibility is assuring that the board receives accurate and timely financial information and uses it in making decisions. The treasurer is also involved in banking transactions, as an authorized signer for deposit accounts, and in initiating and managing mortgages and loans.



Find the Right Treasurer

A good candidate for treasurer is someone who understands financial information and can communicate

it to the board. The treasurer must take the time to learn the particulars of the organization's finances, restrictions, and requirements. Keep in mind, though, that treasurers shouldn't feel, or be made to feel, that they

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have sole responsibility for the organization's financial health. Their role is to make sure that the board receives accurate financial information in a timely manner and that the board chair gives ample time and attention to priority financial issues. A treasurer's work goes beyond financial reports. The treasurer can become the most important financial advisor to the CEO or CFO, offering knowledgeable perspective and guidance. Ideally, the treasurer will present the financial reports at board meetings and highlight important observations or trends for the board to consider.

Understand the Finance Committee's Role

Finance committees participate in budget planning, recommend fiscal policies, and discuss financial statements in detail. Finance committee members should do more than just look at reports, though. They should use a financial lens to consider the organization's plans and challenges. The best finance committees help the staff and board think through financial questions and develop options. Not every nonprofit has, or needs, a finance committee. A finance committee isn't needed if the board as a whole can understand the financial information, provide guidance, and make financial decisions efficiently. As an example, nonprofits with just a few, understandable sources of income often don't need a finance committee. A finance committee in this case

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Termination

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25, 2010 funding termination notice. Voorhees contended that ACF failed to follow Head Start regulations requiring it to give Voorhees at least 30 days' notice of its intent to deny Voorhees' application for refunding. Rather, ACF approved Voorhees' refunding application and advanced funding within the 30-day period. Moreover, Voorhees received a pre-review document request for another program review on November 19, 2010 and that review was not cancelled until October 20, 2010.

The DAB explained that "Voorhees' argument reflects a misunderstanding of the regulatory scheme." The Head Start regulations "provide that funding will continue during a grantee's appeal of a termination decision and that if a decision has not been rendered at the end of the current budget period 'the responsible HHS official shall award an interim grant to the grantee until a decision has been made.'"⁸ The DAB found that Voorhees was not prejudiced by ACF's continuing to fund Voorhees rather than giving 30 days' notice that it was denying its refunding application. Moreover, the DAB held that even though ACF approved Voorhees' application for refunding prior to the expiration of the current budget period, the approval was required by Head Start regulations which permit grantees to continue operations pending a final decision regarding termination of funding. The DAB explained further that the refunding notice specifically acknowledged that Voorhees was being reviewed for failing to correct prior deficiencies within the allotted timeframe. Thus, Voorhees had notice that approval of its refunding application did not preclude termination of its current grant at later date. (See end notes on page 19)

Lessons Learned

- Establish internal procedures for correcting deficiencies to ensure that they are addressed within the allotted timeframe established by ACF and correct deficiencies within that timeframe.
- Note that any delay by ACF in issuing a grantee review report does not preclude ACF from terminating funding when a grantee fails to correct deficiencies within the established timeframe.
- Understand that ACF is required to continue funding a grantee until a final determination on funding termination has been issued and that continued funding does not preclude a later decision to terminate the grant.

Good Use

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will be underused, and the members could probably be more helpful in another role. On the other end, a finance committee may be crucial for nonprofits with many complex funding sources including grants, contracts, and fees for service, or for organizations that frequently use loans, bonds, or other financing. Without a finance committee, such organizations risk having important financial decisions made without sufficient governance-level input.



Recruit Members for the Committee

While finance committee members need to understand financial reports, don't assume that only accountants, bankers, and businesspeople are qualified. Financial language can be learned, so consider asking board members with a

good understanding of the organization's programs and community to be on the finance committee. Such people often bring fresh viewpoints and creative ideas. Be sure to provide training on the financial basics as soon as they join the committee.

Make the Committee Work

Some common obstacles for finance committees:

- The board assumes that the finance committee will take care of all financial matters and therefore doesn't carry out its financial responsibility.
- Finance committee meetings dwell on details with no higher level analysis or discussion.
- The treasurer's and finance committee's responsibilities are unclear.
- The board treasurer and the staff financial manager have a poor working relationship.
- Finance committee members don't understand the organization's key financial factors.

A finance committee without clear goals will get stuck on reviewing financial reports – focusing on details rather than the big picture. After recruiting strong members to the committee, it's a shame to assign them low-level work that the treasurer could complete without a committee.

A sampling of agendas for a high level finance committee includes:

- **Develop key guidelines** and assumptions before budget planning begins.
- **Analyze trends** in income sources.
- **Discuss changes** in types and reliability of income.
- **Hold in-depth discussions** of factors that will influence budgets for the next three years.
- **Review and discuss** the organization's financial policies. Are these policies adequate in light of the organization's size, complexity, and life-cycle stage? This review requires more than applying simplistic "best practices" from another organization.
- **Evaluate the pros and cons** of buying vs. leasing a new facility and the impact on cash flow, capital campaign needs, depreciation, and costs of ownership.

A more engaged finance committee will require a different role for the CFO or finance director - one that may not be as easy as working with a more perfunctory committee. The payoff in the quality of review, understanding, and financial governance will be worth it. For the committee to work well, the finance committee chair and CEO or CFO need to invest time in planning meetings, setting goals and expectations for the committee, and preparing good information for discussion. These activities will help inform board members when it comes time for them to make the final financial decisions.

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End Notes

Revised Americans with Disabilities Act Regulations

1. 29 C.F.R. § 1630.2(g).
2. Appendix to Part 1630—Interpretive Guidance on Title I of the Americans With Disabilities Act.
3. 29 C.F.R. § 1630.2(i).
4. 29 C.F.R. § 1630.2(i)(2).
5. Appendix to Part 1630—Interpretive Guidance on Title I of the Americans With Disabilities Act.
6. 29 C.F.R. § 1630.2(j)(1).
7. Appendix to Part 1630—Interpretive Guidance on Title I of the Americans With Disabilities Act.
8. 29 C.F.R. § 1630.2(j)(3).
9. 29 C.F.R. § 1630.2(j)(1)(ii).
10. Appendix to Part 1630—Interpretive Guidance on Title I of the Americans With Disabilities Act.
11. 29 C.F.R. § 1630.2(j)(4).
12. 29 C.F.R. § 1630.2(g)(3).
13. 29 C.F.R. § 1630.2(j)(1)(ix).
14. 29 C.F.R. § 1630.2(g)(3).

May Employees Lend a Helping Hand?

1. 29 C.F.R. § 785.44.
2. See U.S. Department of Labor ("DOL") Wage and Hour Division Opinion Letter (Sep. 30, 1999) and DOL Wage and Hour Field Operations Handbook §10b03(c).
3. 29 U.S.C. § 203(e)(4)(A)(i). 29 C.F.R. §§ 553.101 and 553.103.
4. *Brooklyn Savings Bank v. O'Neill*, 324 U.S. 697, 707 (1945).
5. See DOL Wage and Hour Division Opinion Letter No. FLSA2006-4 (January 27, 2006).

DAB Disallowance

1. Complete decision can be found at <http://www.hhs.gov/dab/decisions/dabdecisions/dab2333.pdf>.
2. See 45 C.F.R. § 74.42.
3. HHS Grants Policy Statement, page ii and Section I-3.
4. HHS Grants Policy Statement, Section II-7.
5. See 2 C.F.R. Part 230, Att. B, ¶ 37.b.8 stating that the allowability of consultant fees depends on a number of factors including the "[a]dequacy of the contractual agreement of the services (e.g., description of the services, estimate of time required, rate of compensation, and termination provisions)."
6. See 2 C.F.R. Part 230, Att. B, ¶ 37.1.
7. See 45 C.F.R. § 74.25(c)(7).
8. See 2 C.F.R. Part 230, Att. B, ¶ 8.m.13.

DAB Grant Termination

1. Complete decision can be found at <http://www.hhs.gov/dab/decisions/dabdecisions/dab2351.pdf>.
2. 42 U.S.C. § 9836A(e)(1)(C).
3. 45 C.F.R. § 1304.60(f).
4. *Babyland Family Services, Inc.*, DAB No. 21209, at 21 (2007).
5. See 42 U.S.C. § 9836A(f)(1).
6. See 42 U.S.C. § 9836A(c)(4)(A).
7. 45 C.F.R. § 1304.60(b).
8. 45 C.F.R. § 1303.14(f)(1).

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Robinson, Bridget, "Financial Stability: An Impossible Dream?", Nonprofit World, Vol. 15, No. 3. Ruiz, Rosemarie, "Are You Fulfilling Your Financial Trust?", Nonprofit World, Vol. 17, No. 1.

These resources are available at www.snpo.org/members. Also see Learning Institute programs on-line: Board Governance (www.snpo.org/li).

Helping Boards be Responsible Fiscal Stewards

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