

The basics of managing a nonprofit's financial resources are as simple as BINGO: BI – N – GO.

1. Board members should be looking at two reports on a regular basis.



Balance Sheet

A Balance Sheet is a report showing where you stand financially at a point in time. It is also known as a Statement of Financial Position.

Good Questions: Financial statements provide accurate, timely information and help board understand the financial status of the organization, Is our financial plan consistent with our strategic plan? Are we operating at a net gain or a net loss?, Do we have sufficient reserves? Do total assets = Total Liabilities + Net Assets? Is Net Assets positive? This figure should be monitored over time. How does the board oversee reserve funds and endowments (investments and related policies)?



Income Statement

Nonprofits plan for the future and then check reality against this plan, comparing the story of what they see with what the numbers really tell them. An income statement shows operating results over a specific time period. It is also known as a Statement of Activities or Profit & Loss Statement.

Good Questions: Did the board approve the annual budget? Are any specific expense areas rising faster than their sources of income? Are our key expenses, especially salaries and benefits, under control? Are revenue streams diversified? Is total revenue greater than total expenses?

2. You should review your organization's 990 once a year.



Nine Ninety (990); Audit?

A strong 990 highlights a nonprofit's mission and shows its compliance with federal regulations. An IRS Form 990 is an annual required tax filing due the 15th day of fifth month after year-end. After an organization files its 990, it is available on websites and viewed by potential donors. Audit: necessary for operating budgets over \$500,000.

Good Questions: If an audit is required, is the annual audit clean (management letter)? Does the organization have a policy for the organization's governing body, or for an approved committee, or individual, to review Form 990 before it is filed? Audit findings and completed 990 should be presented to the full board.

3. You should have clear systems, policies and procedures in place for tracking and communicating about money and assets.



Giving

Money fuels your work, so nonprofits are mindful of the mix of funds that drive their engines. Healthy nonprofits make use of a wide range of funding sources and are aware that different funding sources come with different accounting needs, donor expectations, and restrictions.

Good Questions: Does the organization have a diversified funding base? Are we meeting guidelines and requirements set by our funders?



Oversight

Nonprofit board members are ultimately responsible for the effective, responsible use of a nonprofit's resources. Oversight includes the policies and procedures designed to prevent fraud and ensure accurate reporting of the affairs of the organization.

Good Questions: Are legal documents being filed timely (Federal Form 990, State of Kansas Annual Report, State of Kansas Registration Statement of Solicitations (several exemptions apply) - K.S.A. 17-1763)? Are cash controls in place?, Has adequate insurance, including D & O, been purchased?, Is our projected cash flow adequate? Is there an annual CEO performance review & compensation adjustment?