The Board’s Financial Leadership
Strategic Financial Management

GOVERNANCE

OPERATIONS

People

Technology

Process

PLANNING

MONITORING
Key board fiduciary responsibilities

• Ensuring regulatory compliance and risk management
• Ensuring financial health and setting strategic direction
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
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
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.
<table>
<thead>
<tr>
<th>Audit Committee</th>
<th>Finance Committee</th>
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<tbody>
<tr>
<td>Hires the audit firm and oversees the audit process</td>
<td>Monitors and responds to the financial realities of the organization as presented by the Executive Director/CFO, in cooperation with the Treasurer</td>
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<td>Stewards the systems of internal control</td>
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Note: In some (particularly smaller) organizations, the finance and audit committees are combined into a single committee unless state law requires separation
<table>
<thead>
<tr>
<th>Program Managers</th>
<th>Executive Director</th>
<th>Board of Directors</th>
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<tbody>
<tr>
<td>• Budget-to-actual revenue &amp; expenses for the program(s) and grants/contracts they oversee</td>
<td>• Budget-to-actual revenue &amp; expenses</td>
<td>• Management narrative</td>
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<td>• for each program</td>
<td>• Performance dashboard</td>
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<td>• organization-wide</td>
<td>• Budget-to-actual revenue &amp; expenses</td>
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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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