



**BOYS & GIRLS CLUBS  
OF AMERICA**

## BOARD BRIEF: Fiduciary Responsibilities

Board Briefs are "at-a-glance" resources that help board volunteers better support their Boys & Girls Club. They are designed to occur as five-minute education opportunities at board meetings.

### SUMMARY

Maintaining fiscal accountability is a prime responsibility of the board of directors. Board members must understand financial basics; establish and monitor key financial trends and indicators; approve an annual budget; ensure annual filing of Form 990; and oversee the annual independent audit. The board should establish committees to lead this oversight, and ultimately the full board is responsible for financial accountability.

### FIDUCIARY RESPONSIBILITIES OF THE BOARD

Fiduciary duty requires board members to stay objective, unselfish, responsible, honest, trustworthy, and efficient. As stewards of the public trust, they ***must act for the good of the Club rather than for the benefit of board members or staff***. They must exercise reasonable care in all decision-making, without placing the organization under unnecessary risk.

#### Understanding Financial Basics

Not every board member is a finance professional. Each one, however, needs to be a ***financial inquisitor***. It is essential to understand the basic terminology, be able to read financial statements, ask relevant questions, and recognize trends and warning signs that might indicate a change in the overall health of the Club. Regular training of all board members should take place to ensure adequate fiscal understanding of fiduciary responsibility.

#### Questions Board Members Should Ask

- Is our budget aligned with our strategic plan? Are we reviewing comparisons of budget versus actual on a regular basis?
- Is our cash flow projected to be adequate to fund ongoing operations and do we have enough reserves?
- Does the CEO play an active and appropriate role in leading and managing the Club's financial business?
- Are any specific expense areas rising faster than their sources of income? Are our expenses appropriate to carry out our mission?
- Do we have the appropriate policies, procedures, and controls in place to protect the organization and prevent errors, fraud, and abuse?
- Are we meeting restrictions set by our funders/donors?
- Are we clear on how expenses are being categorized into key functional areas (program, fundraising, and management) and following best practice?

## Establishing and Monitoring Key Financial Trends and Indicators

Typical nonprofit financial statements include the following:

- Balance Sheet: summarizes *assets, liabilities, net assets*.
- Income Statement/Budget versus Actual: includes revenue, expenses and *net surplus/deficit*.
- Cash Flow Projection: reports on *cash receipts, payments, and projected balances*.

As well, at least annually during the budgeting or strategic planning process, boards should use the Financial Results Summary (four-year trends) to better understand organizational financial trends and results.

## Public Disclosure Requirements

Nonprofits must make certain documents available to the public. The primary public disclosure document is the **IRS Form 990**, which must be filed annually. It provides information so that the IRS can determine whether the nonprofit continues to fulfill the requirements to retain its tax-exempt status. While the IRS claims no direct authority over the structure of a nonprofit's governing body, boards should ensure that the governance section (Section VI) is complete and does not raise any unnecessary red flags.

## Financial Committees

A **finance committee** is the key liaison between staff and board and monitors. An **audit committee** selects the independent auditor and oversees this annual process.

## Audit Oversight

Organizations with annual revenues less than \$250,000 must submit a review of financial statements by an independent public accountant. All other organizations must annually conduct and submit to BGCA an audit by an independent certified public accountant. All board members should receive the audit report and have the opportunity to meet with the auditor in private to ask questions prior to the meeting at which the audit is discussed and accepted.

## QUESTIONS FOR DISCUSSION:

- What does the board do well in terms of its fiduciary duties? How can it improve?
- Are we all aware of our duties for financial oversight? If not, how can we rectify this?
- Does every board member understand the three key financial statements, how to read them, and ask key questions?
- Do we have an effective committee structure? What changes are needed?
- Are the policies, procedures, and controls adequate to protect the Club, board, and staff?

