

Modern Day Financial Governance

Presentation Slides

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streamlining financial operations
so you can focus on the mission

Modern Day Financial Governance

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1

Nonprofit Governance

- Governance – focused on the big picture – mission, policies, financial health
- Management – focused on day-to-day operations (CEO/ED)
- Strong governance = accountability, leadership, compliance



2

Board Responsibilities



- Set strategic direction – guide mission
- Fundraising and advocacy
- CEO/Exec Director oversight – support and accountability
- Financial oversight



3

Fiduciary Duties

- Duty of Loyalty
 - Nonprofit's interests above personal gain
- Duty of Obedience
 - Nonprofit follows laws
 - Operates in line with mission
- Duty of Care
 - Act in best interest with diligence

4


Discussion of Board Responsibilities

- Examples of governance vs. management challenges?
- Examples of fiduciary duties violations?




5

Responsibilities of the Treasurer and Finance Committee



7

Treasurer and Finance Committee

- Treasurer chairs Finance Committee
- Finance Committee provides the overall financial oversight
 - Generally 4 to 7 members
 - Right skill set important
 - Essential to have a CPA or someone with nonprofit financial expertise on the committee



8

Financial Oversight by Finance Committee

- Monitor Financial Health
 - Financial statements, budgets
- Report to the Board
 - Make sure Board members understand financial condition of the organization
- Ensure Compliance
 - Legal
 - Accounting rules and tax regulations
 - Grantors – funds spent per terms



9

Budgeting and Planning

- Develop Budget – collaborate and prioritize
- Monitor Spending – budget vs actual
- Resource Planning
 - Identify when outside contractors needed
 - Select and oversee



10

Risk Management

- Assess Financial Risks
 - Cash flow risks
 - Investment risks
- Maintain Insurance Policies
 - Liability and D&O
 - Workers' Comp
 - Program and event specific policies



11

Financial Policies & Procedures

- Establish policies
- Ensure controls in place
- Monitor adherence
- Seek external opinions as appropriate
 - Audit
 - Process review



12

Key Policies & Procedures Documents

- Accounting Policies
- Accounting Procedures
- Conflict of Interest
- Whistleblower
- Document Retention and Destruction
- Gift Acceptance – non-financial donations
- Investment
- Payroll and Personnel



13

Advise on Financial Strategy

- Long term financial planning
 - Sustainability
 - Investments, endowments, reserves
- Assist Board in decision making
 - Accurate and timely financial information



14

Discussion of Treasurer and Finance Committee Roles

- Accounting Procedures – Board or Staff?
- Existence of Finance Committee
- Size of Finance Committee
- Outside financial expert
- Annual risk assessment
- Policies & procedures



15

Financial Reports



16

Basic Financial Statements

- Statement of Financial Position (Balance Sheet)
- Statement of Activities (Income Statement)
- Statement of Cash Flows
- Statement of Functional Expenses



17

Financial Reports – Supplemental

- Budget vs Actual
- Grant or Restricted Funds Report
- Donor & Fundraising Reports
- Dashboard



18

External Financial Reports

- Audit Reports
- Form 990



19

Discussion of Financial Reports

- Your go-to report(s) for Board meetings?
- Information you wish you could provide to Board?
- Annual audit?



20

Board Members' Personal Liability



21

When Could a Board Member Be Personally Liable?

- Breach of fiduciary duty – knowingly or recklessly
- Failure to supervise
- Unpaid tax liabilities
- Excess benefit transactions



22

Protections for Board Members

- Indemnification in Bylaws
 - Protection if Board members are acting in good faith
- Directors & Officers (D&O) insurance
 - Covers legal costs and damages
 - Won't cover intentional misconduct




23

Minimizing Risks for Board Members

- Maintain oversight
- Ensure policies and procedures are in place
- Attend board meetings
- Ask questions
- Manage conflicts of interest
- Understand tax obligations




24



Questions? Comments?

25



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26
