

# 20 Questions Board Members Should Ask to Assess Financial Health

*Board members can't provide financial oversight if they don't know what to look for. The following questions address some of the most important issues board members should raise when reviewing the organization's finances.*



## **Financial Planning**

1) Is our financial plan consistent with our strategic plan?

## **Sufficient Available Cash**

- 2) Is our cash flow projected to be adequate?  
3) Are our cash-flow projections reasonable, objective and not overly optimistic?

## **Satisfactory Reserves**

- 4) Do we have sufficient reserves?  
5) Has the board adopted a formal policy for the establishment of reserves?

## **Meeting the Budget**

- 6) Are we regularly comparing our financial activity with what we have budgeted?  
7) What procedures do we use to make sure that the differences between what was budgeted and what actually happened are being appropriately addressed?

## **Propriety of Expenditures**

- 8) Does the board provide oversight of contractual agreements to ensure that the organization's exempt status will not be questioned or impaired?  
9) Does the board provide for internal controls over expenditures?  
10) Are we fulfilling our tax-exempt purpose as granted by the IRS?

## **Internal Controls**

- 11) Do we have the appropriate checks and balances necessary to prevent errors, fraud and abuse?  
12) Are we alert to the possibility of fraud within our organization and are we taking safeguards to try to prevent fraudulent activities?

## **External Audits**

- 13) Do we have an external audit?  
14) Does our annual audit have an unqualified ("clean") opinion? If not, why not, and what is being done about it?

## **Financial Documents**

- 15) Is our financial staff providing us with accurate and timely financial statements that allow us to understand the financial state of the organization?  
16) Do we regularly review the IRS Form 990? Does it accurately represent our organization?

## **Signs of Financial Distress**

- 17) Are our key sources of income rising or falling? If they are falling, what are we doing about it?  
18) Are our key expenses, especially salaries and benefits, under control?

## **Making Investments**

- 19) When was the last time our investment policy was reviewed?  
20) Are we satisfied with the performance of our investments, given the level of risk appropriate for these funds?