



Furkids Board of Directors FINANCE COMMITTEE CHARTER

Overall Roles and Responsibilities

The role of the finance committee is to provide financial oversight for the organization. Typical tasks include budgeting and financial planning, financial reporting, and the creation and monitoring of internal controls and accountability policies.

Budgeting and Financial Planning

1. With executive and senior administrative staff, develop an annual operating budget
2. Approve the budget within the finance committee
3. Monitor adherence to the budget, quarterly
4. Set long-range financial goals along with funding strategies to achieve them
5. Develop multi-year operating budgets that integrate strategic plan objectives and initiatives
6. Present all financial goals and proposals to the Board of Directors for approval

To be effective, the finance committee should fully engage with executive-level and senior administrative staff when drafting the annual budget. The committee should also set long-term financial goals for the organization. Working with staff, the committee should determine the financial implications of the organization's Strategic Plan and plot them into a multi-year organizational budget that will support implementation of the strategies.

The CEO makes all staff assignments. The committee does not usurp the authority of the CEO or the Board, and neither directs nor oversees staff.

Reporting

1. With staff involvement, develop financial reports that are in readable formats
2. Work with staff to develop a list of desired reports, noting the level of detail, frequency, deadlines, and report recipients
3. Work with staff to understand the implications of the reports generated
4. Present the financial reports to the full board.

For the finance committee to be effective, the organization's staff should provide highly contextual reports clearly communicating the organizations' financial and cash position, its adherence to the budget, its allocation of resource toward the accomplishment of its mission, and its support of any donor-imposed restrictions on contributions. Having a predetermined list of reporting expectations permits staff to allocate enough time to produce accurate, high quality report and not be caught off guard by ad hoc requests. All reports should help to focus the board's discussion about expected outcomes and potential strategies for overcoming setbacks or changes in the financial environment.



Internal Controls and Accountability Policies

1. Create, approve, and update (as necessary) policies that help ensure the assets of the organization are protected.
2. Ensure policies and procedures for financial transactions are documented in a manual, and the manual is reviewed annually, and updated as necessary.
3. Ensure approved financial policies and procedures are being followed.

Although the entire board carries fiduciary responsibility for the organization, the finance committee serves a leadership role in this area, making sure appropriate internal control procedures for all financial transactions are documented in a manual and followed by staff. The committee should also play a role in determining and updating bank account signatories as well as overseeing all legal and governmental filing deadlines are met.

Finance committees are also often charged with ensuring compliance and/or developing other policies that further serve to protect the organization and manage its exposure to risk. These include establishing policies surrounding:

- Personnel policies
- Executive compensation packages (in the absence of a separate human resources committee)
- Long-term contracts or leases
- Loans or lines of credit
- Internet use and computer security
- Capital purchases
- Disposition of donated stock
- Insurance requirements and reviews
- Record retention
- Gift acceptance

Covering Audits and Investments

The finance committee may be called upon to coordinate audits and oversee any investments held by the organization. These duties may include:

Recruiting and selection of the auditor

Review the draft audit and 990 as presented by the auditor

Present the audit report to the full board, if the auditor does not present it

Draft an investment policy detailing the objectives of the organization's investment portfolio, guidelines on the asset allocation based on a predetermined risk tolerance, authorizations for executing transactions, disposition of earned income, etc.

Ensure provisions of the policy are followed

Review the policy at least annually and update as necessary

Hire and evaluate investment managers/advisors where necessary



Role of the Finance Committee Chair

The finance committee chair is most often the board treasurer, whose specific duties are usually described in the organization's bylaws. The main function of the finance committee chair is to ensure the committee does its job. Specific duties may include:

1. Serving as principal liaison between the committee and the full board
2. Working with the staff leader to set an agenda for each committee meeting
3. Notifying committee members of the meeting
4. Ensuring handouts and reports are prepared and sent to committee members in advance

The treasurer or finance committee chair does not always have to be a professional 'numbers' person but good judgment, logic, curiosity, and a commitment to accountability and the long-term financial stability of the organization are vital traits. A good treasurer or finance committee chair will have, or quickly develop, an understanding of nonprofit financial reporting and the IRS 990.

The presence of a fully engaged finance committee is a strong indication that an organization is committed to good stewardship and is actively building and preserving the financial resources necessary to support the accomplishment of its mission, both for the short and the long term.