



Nonprofit Board Financial Training Guide

Purpose

This guide helps board members **confidently understand and oversee nonprofit finances**—even without a financial background.

1. The Board's Financial Responsibility

Board members are responsible for:

- Ensuring financial accountability
- Reviewing financial reports
- Protecting organizational assets
- Supporting long-term sustainability

👉 You don't manage the finances—you **oversee them**

2. The 3 Key Financial Reports

1. Statement of Financial Position (Balance Sheet)

Shows: What the organization owns vs owes

Look for:

- Cash available
- Assets vs liabilities
- Financial stability

2. Statement of Activities (Income Statement)

Shows: Revenue and expenses over time

Look for:



- Revenue trends
- Expense patterns
- Surplus or deficit

3. Budget vs Actual Report

Shows: Planned vs actual performance

Look for:

- Over/under spending
- Major differences (variances)

3. What Board Members Should Focus On

Cash Position

- Do we have enough cash to operate?
- Can we cover 2–3 months of expenses?

Revenue Health

- Are donations and grants stable?
- Are we too dependent on one source?

Spending

- Are we spending within budget?
- Are expenses aligned with our mission?

Budget Performance

- Are we over or under budget?
- Why are there differences?

Grant Compliance

- Are restricted funds used properly?
- Are we meeting grant requirements?



4. Questions Every Board Member Should Ask

- “Are we financially healthy?”
- “Do we have enough cash?”
- “Why is this over/under budget?”
- “Are we compliant with grant requirements?”
- “What risks should we be aware of?”

5. Best Practices for Boards

- ✓ Review financials at every meeting
- ✓ Focus on trends, not just numbers
- ✓ Ask questions—no financial expertise required
- ✓ Ensure proper financial controls are in place

6. Simple Financial Mindset

- 👉 **Clarity over complexity**
- 👉 **Questions over assumptions**
- 👉 **Oversight over involvement**