



Helping Nonprofits Thrive

The Treasurer and Finance Committee— Who to Recruit and How to Use Them

A resource article by Minnesota Nonprofits Assistance Fund

Overseeing the financial plans and progress of a nonprofit organization is an important part – but only one part – of the responsibilities of the board of directors. Some of the financial tasks are assigned to the elected treasurer and delegated by the board to a finance committee. Who are good candidates for these positions, and what are some guidelines for their role?

Treasurer

The legal role and responsibility of the treasurer is spelled out in the organization's bylaws: Maintaining accurate accounting records and bank accounts, and reporting on financial results to the board. In practice, the task of accounting and banking are usually carried out by the staff, unless a volunteer treasurer does the bookkeeping themselves. Whoever does the accounting, the treasurer must be knowledgeable about the financial affairs of the organization. In particular, the treasurer is responsible for assuring that the board receives accurate and timely financial information and uses it in making decisions. The treasurer is also frequently involved in banking transactions, both deposit accounts and loans.

A good candidate for treasurer is someone who understands financial reports and information and can communicate the information to the board. They have to take the time to learn the particulars of the organization's finances, restrictions and requirements. Keep in mind, though, that the treasurer shouldn't feel, or be made to feel, that they have

sole responsibility for the financial health of the organization. Their role is to make sure that the information is accurate, timely and provided to the board.

Finance Committee

Not every nonprofit has, or needs, a finance committee. Finance committees usually discuss the financial statements in more detail than the whole board, participate in budget planning, and recommend policies on financial matters. The finance committee should do more than just look at reports, though. They should use a financial lens to consider the organization's future plans and challenges. The best finance committees help the staff and board think through financial questions and develop options.

Recruiting finance committee members

While the finance committee members will need to understand financial reports, don't assume that only accountants, bankers and business people are qualified. Financial language can be learned, so consider asking board members with a good understanding of the organization's programs and community to be on the finance committee. They often bring a fresh viewpoint and creative ideas. Be sure to provide training on the financial basics as soon as they join the committee.

Making the committee work

Some common obstacles for finance committees are:

- Unclear roles and responsibilities for treasurer and the finance committee.
- Passive or no working relationship between the board treasurer and staff financial manager.
- Finance committee members who do not understand the organization's key financial factors or reports.
- Finance committee meetings that dwell on details with no higher level analysis or discussion.

- The board assumes that the finance committee is in charge of financial matters and therefore does not accept and carry out its financial role and responsibility.

A finance committee without a clear purpose and goals will usually get stuck on reviewing financial reports – focusing on details rather than the big picture. In order for the committee to work well, the finance committee chair and executive director need to invest some time in planning the meetings, setting goals for the committee, and preparing good information for discussion. This will help inform the board as a whole when it comes time for them to make the final financial decisions.

Authored by Kate Barr, Executive Director of Nonprofits Assistance Fund. The Minnesota Nonprofits Assistance Fund (MNAF) program provides flexible loans and practical financial management training and advice to nonprofits. Other resources and articles on nonprofit financial management topics can be found at www.nonprofitsassistancefund.org. You can contact Kate Barr at 612/278-7180.