

Board Communication: Reporting Financial Information to the Board

- BOARD/GOVERNANCE
- FINANCE

This resource outlines the types of financial reports that are needed by a board, as well as how to present the information to the board.

The board of directors of a nonprofit organization has legal responsibility for the organization's work. The board is responsible for short and long-term planning, and they must ensure that systems are in place for administering and effectively using resources and guarding against misuse. In order to fulfill their responsibilities, board members must be able to rely on financial information that is:

- **Accurate:** Information must be reliable and accurate. Resolve any question about the quality of recordkeeping or accounting first.
- **Timely:** Information should be available to the board within 2 or 3 months at the latest.
- **In context:** Information should be presented in relationship to the history, goals, and programs of the organization.
- **Appropriate:** No one-size-fits-all financial report exists. Reports must be designed to communicate information specific to the organization's current circumstances in a format that matches the knowledge level and role of board members.

What Every Board Needs to Know

Financial reports should be on the agenda at every board meeting. The board should regularly review the organization's:

- **Income statement** showing income and expenses for the period compared to budget;
- **Balance sheet** showing assets and liabilities;
- **Budget**, which should be based on programmatic plans and should be approved annually by the board before the start of the fiscal year.

In addition, once a year the board should review:

- Annual financial report and, if required, an audit report;
- CRA information return.

Presenting Information to the Board

- Invest some time in creating a report format for the board using either your accounting software or a spreadsheet program.
- Use summary categories for income and expenses to enable the board to focus on the big picture for decision making rather than micro-managing day to day details.
- Provide a brief narrative along with financial reports. The narrative should highlight significant items and explain variances from plans.
- Every board member needs training on reading and using the financial reports. Provide an annual orientation and review of the report format, major categories, and the key financial factors for the organization.

<https://www.propelnonprofits.org/resources/reporting-financial-information-board/>