

Summary of Key Learnings: Financial Responsibilities of Nonprofit Board Members

2026-02-27 Webinar

This webinar reviewed the core financial oversight duties for nonprofit board members in BC. Board members have a fiduciary duty to act with care, loyalty, and obedience. This means ensuring the organization's funds are used to advance its "reason for being" (mission), safeguarding assets, complying with legal and regulatory requirements (including the Societies Act and CRA rules), and maintaining transparency. Boards are responsible for approving budgets and financial statements, establishing internal financial controls, and where applicable, overseeing audits to reduce the risk of error or fraud.

Understanding Key Financial Statements: Board members should never rely on just one or two people to understand the finances. Instead, it is the responsibility of the entire board to ensure every board member has a basic level of financial literacy. All board members should have access to their organization's Annual Financial and Quarterly Statement(s) which include:

- *Statement of Financial Position* (aka Balance Sheet) shows assets, liabilities, deferred revenue, and net assets at a point in time, helping assess financial health and liquidity.
- *Statement of Operations* summarizes revenues and expenses over the year, showing whether the organization ran a surplus or deficit and whether spending aligns with mission priorities.
- *Statement of Cash Flow* tracks how cash moves through operations, investing, and financing activities, highlighting liquidity and sustainability.
- *Notes to the Financial Statements* provide essential detail on accounting policies, estimates, capital assets, deferred revenue, grants, risks, and economic dependence.

Restricted and Unrestricted Funds: Board members should be advised of the differences between restricted funds, which must be used for specific purposes set by funders, and unrestricted funds, which give organizations flexibility to meet operational needs. Boards must ensure restricted funds are tracked carefully and used only as intended.

Role of the Independent Auditor: An independent audit provides reasonable assurance that financial statements are accurate and transparent and free from material misstatement and enhances credibility with funders and regulators. While management prepares the financial

statements, the board is responsible for overseeing the financial reporting process, understanding the auditor's opinion, and responding to any significant findings or risks identified.

Asking the Right Questions: A key governance role of the board is to ask critical questions, which helps boards to identify risks early and supports informed decision making, such as:

- Does the organization have enough cash to meet short-term obligations?
- Are there significant changes from prior years that need explanation?
- Is revenue sustainable or overly dependent on one-time grants or major funders?
- Are expense increases justified and aligned with mission delivery?
- How is deferred revenue calculated and why has it changed?
- Are capital assets being maintained appropriately?

Effective financial oversight strengthens accountability, transparency, and long-term sustainability. By understanding financial statements, reviewing them critically, and asking informed questions, board members play a vital role in protecting the organization and supporting its *Reason for Being*.