[](http://www.ecfa.org/ToolsAndTemplates/Tool_06_Board_Annual_Financial_Management_Audit.pdfhttp:/www.ecfa.org/ToolsAndTemplates/Tool_06_Board_Annual_Financial_Management_Audit.pdf) **The Board’s Annual Financial Management Audit**

**20 Statements the Board Must Address Annually**

Your board should expect clarity and honesty from the CEO, the CFO, staff, and the board’s finance committee. To provide clarity—so board members understand financial reports and financial trends— the information should be presented with a variety of approaches (for the diverse learning styles of your board members) and can include verbal and written reports, dashboards, and graphs. But there’s another important step—an annual checklist.

**TRUE OR FALSE?** Here are 20 statements that can be adapted for your ministry. Ask your CFO to provide the answers for the question, “How does the board know?” Ultimately, of course, for the board to have faith and trust in the accuracy and veracity of the answers to these statements—the board will be dependent on the honesty and integrity of the CEO and the staff.

Adapt these statements for your ministry—and review the answers at least annually.

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| **The Board’s Annual**  **Financial Management Audit** | **True/ False** | **How does the board know?** |
| 1. Our board receives timely, relevant, and accurate financial information that is readily understood by the board. |  |  |
| 2. Our board has assessed the ministry’s financial health within the last year and appropriately addressed any concerns. |  |  |
| 3. We orient new board members on how to interpret the ministry’s periodic financial statements and board-approved benchmarks. |  |  |
| 1. Cash reserves compare favorably with the ministry’s goal for:    1. Operations    2. Donor-restricted net assets    3. Mortgage covenants    4. Capital needs    5. Other ministry expansion opportunities |  |  |
| 5. Our significant revenue elements are increasing. |  |  |
| 6. The average size of our contributions is increasing across all gift size ranges. |  |  |
| 7. The number of regular contributors is increasing. |  |  |

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| **The Board’s Annual**  **Financial Management Audit** | **True/ False** | **How does the board know?** |
| 8. Our total unrestricted revenue is increasing. |  |  |
| 9. Our ministry is adequately communicating with our financial institutions regarding loan renewals, international fund transfers, line of credit, and bank accounts. |  |  |
| 10. Accounts payable, payroll taxes, and other current liabilities are being paid on time. |  |  |
| 11. Our net assets without donor restrictions, after deducting net property, plant, and equipment less related debt, shows a positive trend. |  |  |
| 12. Our financial statements do not reflect designated net assets in excess of what is available for designation. |  |  |
| 13. We have an appropriate investment policy and it is followed. |  |  |
| 14. Our bank accounts do not exceed FDIC limits. |  |  |
| 15. We have engaged an independent CPA firm to perform an audit, review, or compilation or applied other appropriate accountability measures. |  |  |
| 16. The staff has provided a written response to the board in relation to any management letter comments from the CPA firm. |  |  |
| 17. We have identified the three greatest financial risks of our ministry and the steps we should take to mitigate those risks. |  |  |
| 18. All significant related-party transactions are reported to the board for their review and action. |  |  |
| 19. The staff has informed the board of the total compensation, including fringe benefits taxable and non-taxable, of any member of the top leader’s family who is employed by the organization or any of its subsidiaries or affiliates. |  |  |
| 20. Our board complies with ECFA’s Policy for Excellence in Compensation-Setting: [*https://www*](http://www.ECFA.org/Contents/Comment6a)*.ECF*[*A.org/Contents/Comment6a*](http://www.ECFA.org/Contents/Comment6a). |  |  |