Finance Committee Guide for Non-Accountants

A plain-language guide to responsible financial oversight

Your job is not to be the accountant. Your job is to understand the organization's financial story well enough to recognize risk and ask informed questions.

What to Review Each Month

- Statement of financial position or balance sheet
- Income statement or statement of activities
- Budget-to-actual report
- Cash-flow or cash-position report
- Accounts receivable and payable, when material
- Grant and restricted-fund status
- Enrollment, volume, fundraising, or other revenue drivers
- Forecast and year-end projection
- Major financial risks, exceptions, or corrective actions

Five Questions for Every Financial Report

1. What changed since the prior month or forecast?
2. Why did it change?
3. Is the result temporary or likely to continue?
4. What is management doing in response?
5. What does the board need to monitor, approve, or understand next?

How to Read the Core Reports

Report	What It Tells You	What to Look For
Balance sheet	What the organization owns, owes, and has available at a point in time.	Cash, debt, receivables, payables, reserves, restricted funds, and changes in net assets.
Income statement	Revenue earned and expenses incurred during a period.	Large variances, recurring deficits, revenue shortfalls, unusual expenses, and trend direction.
Budget-to-actual	How actual performance compares with the approved plan.	Material differences, explanations, timing issues, and whether a budget amendment is needed.
Cash-flow report	Whether the organization can meet obligations as they come due.	Months of cash, timing of receipts, payroll pressure, delayed reimbursements, and projected low points.
Forecast	Where management expects the year to end.	Changed assumptions, expected deficit or surplus, risks, and management actions.

Financial Warning Signs

Item	Yes	No	Needs Attention	Notes
Repeated operating deficits	☐	☐	☐	
Declining cash or reserves	☐	☐	☐	
Revenue below budget without a corrective plan	☐	☐	☐	
Large unexplained variances	☐	☐	☐	
Late or incomplete financial reports	☐	☐	☐	
Growing accounts payable or overdue obligations	☐	☐	☐	

Item	Yes	No	Needs Attention	Notes
Unreconciled accounts or recurring audit findings	☐	☐	☐	
Dependence on one-time funds for recurring expenses	☐	☐	☐	
Restricted funds used for unrelated purposes	☐	☐	☐	
Management forecasts that change without explanation	☐	☐	☐	

Questions to Ask Management

- What are the three most important financial developments this month?
- Which assumptions have changed?
- What is the projected year-end result?
- How many months of cash are available?
- Which expenses are fixed, and which can be adjusted?
- Are grants and restricted funds being used as intended?
- What corrective actions are underway?
- Are any board decisions required?

Committee Meeting Agenda

6. Confirm quorum and approve the agenda.
7. Review prior action items.
8. Receive the financial overview and key changes.
9. Review budget-to-actual results and forecast.
10. Review cash flow, grants, debt, reserves, and major risks.
11. Discuss management's corrective actions.
12. Identify questions or recommendations for the full board.
13. Confirm follow-up items, owners, and deadlines.

What the Committee Should Report to the Board

The committee report should summarize the organization's current financial condition, important changes, major risks, management's response, any recommended board action, and the items the board should monitor next.