Financial Oversight for Board Members:

THE BASICS

MICHIGAN SOCIETY OF ASSOCIATION EXECUTIVES (MSAE)

Financial oversight is one of a board's core responsibilities, but for many board members, this responsibility can feel intimidating at first. It helps to remember that the board is not responsible for the staff's financial work, which includes preparing and monitoring budgets and managing day-to-day financial operations. Rather, the board's responsibility is to provide oversight by understanding the organization's financial position, reviewing regular reports, and asking questions that support accountability and sound decision-making. At its core, the board's financial oversight role is an act of stewardship, not bookkeeping.

“The goal is to understand whether the organization is generally performing as expected,”

Board members should expect to receive financial reports at each regular board meeting so they can monitor the association’s financial position throughout the year, not just at budget time. These updates should help the board see the big picture: how actual revenue and expenses compare to the budget, whether cash and reserves appear healthy, and whether there are any emerging financial concerns or notable variances that may require attention. While the finance committee may review additional details between meetings, the full board should receive information sufficient to support informed oversight of the association’s overall financial health.

When reviewing financial reports, board members should focus less on small details and more on what the information suggests about the association’s overall financial health and direction. The goal is to understand whether the organization is generally performing as expected, whether important trends are moving in a healthy or concerning direction, and whether any developments call for closer attention or discussion. Patterns such as recurring shortfalls, weakening cash position, growing reliance on a narrow revenue base, rising liabilities, or unexplained shifts in performance are often more important than isolated line items. This helps the board stay centered on oversight, judgment, and stewardship rather than day-to-day financial management.

Board members should also expect to see the Form 990 each year before it is filed. The IRS does not require board review, but it does ask whether the full governing body received a complete copy before filing, and it requires the organization to describe its review process on Schedule O. That matters because the Form 990 is a public document. It is often reviewed by donors, members, journalists, watchdogs, and regulators. Board members should read it with a common-sense lens: Does it clearly describe the mission and major programs? Does the financial information appear consistent with what the board has seen during the year? Do the governance and policy answers reflect the organization’s actual practices? For most filers, the return is due on the fifteenth day of the fifth month after the end of the fiscal year.

At its best, board financial oversight is steady, curious, and disciplined. Board members do not need to master accounting vocabulary. They do need to understand enough to notice patterns, ask thoughtful questions, and help protect the association’s financial health.

Four Financial Documents Every Board Member Should Get to Know

Statement of Financial Position

Often called the balance sheet, this shows what the association owns, what it owes, and what is left over at a point in time. In simple terms, it is the organization’s financial snapshot. Board members often start here to understand cash, investments, debt, and net assets.

Statement of Activities

This is similar to an income statement. It shows revenue and expenses over a period of time and whether the organization ended that period with more or less than it started with. It helps board members see whether operations are sustainable and whether results align with the budget.

Statement of Cash Flows

This report shows how cash moved in and out of the organization during the period. An association can appear healthy on paper and still run into trouble if cash is tight, so this statement helps board members understand liquidity and timing.

Form 990

This is the association’s annual federal information return for the IRS, not one of its basic financial statements. It includes financial information, program descriptions, governance disclosures, compensation information, and other details about the organization’s operations. Because it is publicly available, board members should view it as both a compliance document and a public-facing description of the organization.