

**2013
Nonprofit and
Association
Roundtable
Series**

September 25

**Finance &
Audit
Committee
Responsibilities**



Presented by:

**Bobbie Hales,
CPA**

**David Ljung,
CPA**



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CPAs and Advisors

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Finance & Audit Committee Responsibilities

September 25, 2013

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Agenda

- Finance Committee Roles
- Nonprofit Integrity Act Considerations
- Requirements Under the Act
- Audit Committee Roles and Charter
- Selection of Committee Members
- Best Practices
- Expectations of Your Auditors



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➤ **Your Board Members Should Really Be Here!**

➤ **Let us know if you would like for us to provide training for them**

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Finance Committee Roles

- Participate in budget development
- Develop long-range financial goals
- Monitor financial results
- Develop useful and impactful report formats with staff
- Report results to Board



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Finance Committee Roles

- Policies and procedures – review and recommend those affecting internal controls and operating practices
- Fund development – sets targets; considers alternative sources
- Review and approve important contracts and agreements



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Finance Committee Roles

- Risk management – assess organizational risks and plans to mitigate
- Manage investments (?)
- Review 990 (or the Audit Committee)



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Nonprofit Integrity Act / SOX Considerations

- Member composition and restrictions
- Conditions requiring an audit or audit committee
- Legal liability
- Applicability of Sarbanes-Oxley Act



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Independent Audit Requirement

- Charitable corporations with gross revenues of \$2 million or more must prepare annual audited financial statements by an independent certified public accountant (CPA)



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Independent Audit Requirement

- \$2 million-threshold excludes grants received from governmental entities, if the nonprofit must provide an accounting of how it uses the grant funds.

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“Act” Requirements

- Audit committee may include non-board members. While it may include members of the finance committee, the chair of the audit committee may not be a member of the finance committee, and members of the finance committee must constitute less than half of the audit committee
- Audit committee may not include any member of the staff, including top management, or any person who has a material financial interest in any entity doing business with the charitable organization



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Audit Committee Roles

➤ Five roles of the audit committee are spelled out in the Nonprofit Integrity Act. Audit committees:

- Shall recommend to the board of directors the retention and termination of the independent auditor
- May negotiate the compensation of the auditor on behalf of the board
- Shall confer with the auditor to satisfy the committee members that the financial affairs of the charitable organization are in order



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Audit Committee Roles

➤ Five roles of the audit committee are spelled out in the Nonprofit Integrity Act. Audit committees:

- Shall review and determine whether to accept the audit
- Shall approve performance of any non-audit services to be provided by the auditing firm



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Executive Compensation

- The governing board or authorized board committee must review and approve the compensation of the CEO or President, and of the CFO or treasurer, to ensure that the payment is “just and reasonable”



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Audit Committee Charter

- Financial expertise
- Meeting frequency
- Executive sessions
- Hiring and firing independent auditors
- Review scope of work
- Review and assess internal controls



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Audit Committee Charter

- Review annual audit report
- Discuss SAS#114 report, “Required Communications” with auditors
- Consider “whistleblower” procedures
- Evaluate independent auditor performance
- Review committee effectiveness and prepare a report to the Board



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Selection of Committee Members

- Qualifications
- Board members?
- Number
- Nonprofit Integrity Act considerations



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Best Practices of Finance & Audit Committees

- Combine committee meetings during audit presentation
- Seek help outside the Board
- Devise a presentation strategy for the Board (“less is more”)

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Expectations of Your Auditor

- Meet with Audit Committee at least twice per year (a planning and an exit meeting)
- Fresh ideas and business advice
- Frankness and objectivity
- Benchmarking data



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Q & A

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