



Board Member's Guide to Public Funding

When a nonprofit receives public funds, it is being entrusted with the people's money. That means a certain level of transparency and accountability is required, perhaps more than what private foundations or donors expect. The agency that gave you those funds is being held accountable by an elected official or council. Records related to that grant or contract are public. Agency staff members must ensure that all transparency laws are upheld, and their ability to manage risk related to grantees may be limited.

Role of the board

The board is responsible for the governance of the organization. Governance is all about accountability. The board ensures that the organization is accountable to the community, to state and federal authorities that determine nonprofit status, and to the organization's funders. **In the case of public funding, it is the board's responsibility to ensure the money given for a specific purpose is used for that purpose.**

The board treasurer leads the board's financial oversight efforts. This includes financial oversight, the activities of the finance committee, and monitoring budget to actual information. Organizations without a treasurer should update their by-laws to include that position.

Steps to success

- Know the job.** The first step to success is awareness. When you know that your job encompasses compliance and accountability, you are more able to pay attention to those elements of your work. Spend time learning about board service individually and as a whole board.
- Know your organization's funding sources and restrictions.** The board collectively stewards the assets of the organization. You receive regular financial statements. You can learn more about them in the "Financial Practices for Managing Public Funds" video and workbook. As a steward of assets, you will know:
 - What income sources your organization has.
 - What restrictions exist on each individual source (if any). Public funds come with restrictions.
 - How restricted funds show up on your financial statements. You should have a line item at the bottom of your Balance Sheet that calls out your restricted funds.
 - Who to ask if you have any questions about the funding sources and/or restrictions on funds that your board is stewarding.
- Have current policies in place.** Good practice includes:
 - Current **financial policies** and procedures to ensure you are protecting your assets.
 - Current **nonprofit policies** that show good governance. (They are listed on page six of the IRS Form 990. They include conflict of interest policy, executive compensation policy, and document retention and destruction policy.)
 - Current **inventory tracking policies**, if relevant.
 - **Other policies** that ensure you are transparent in how you steward assets.
- Integrate your understanding of public funding in board-level decisions.** For example:
 - Budget for the full cost of programs so staff have the resources they need to perform the monitoring and tracking duties incumbent in public funding.
 - Consider the systems and time staff need to maintain the records required by public funders.