

10 KEY PHRASES FOR THE NONFINANCIAL BOARD MEMBER

You have been asked to serve as a member of the Board and you are not sure how much you know about not for profit accounting and finances. Take our Quiz below to get you started.

Draw a line from the phrase on the left to the matching definition on the right.

	Phrase
1.	Statement of Financial Position
2.	Statement of Activity
3.	Cash Flow
4.	Fiduciary duties
5.	Conflict of Interest
6.	Internal Control
7.	Permanently Restricted Net Assets
8.	Temporarily Restricted Net Assets
9.	Accrual basis of accounting
10.	Accounts Receivable

	Definition
a.	Everything that monitors risk in an Organization
b.	Items are recorded when earned and expenses when incurred
c.	Someone owes you money
d.	Income Statement, P&L in a for profit entity
e.	Movement of money into and out of the Organization
f.	Donated item with limitations on use for perpetuity
g.	Balance sheet in a for profit entity
h.	Includes care, loyalty, and obedience
i.	Could be a time or purpose limitation
j.	Person stands to gain personally for a transaction

- | | |
|----------|-----------|
| 1. _____ | 6. _____ |
| 2. _____ | 7. _____ |
| 3. _____ | 8. _____ |
| 4. _____ | 9. _____ |
| 5. _____ | 10. _____ |

Answer key:

1. **G.** The Statement of Financial Position is one of the main financial statements of a nonprofit organization. Also known as the balance sheet it presents the assets, liabilities, and net assets at a given date.
2. **D.** The Statement of Activity, another main statement, reports revenues, expenses, and changes for each class of assets during the period shown in its heading.
3. **E.** Cash flow is the process in which cash is received and used by an organization.
4. **H.** Fiduciary duties of a Board member include the duties of care, loyalty, and obedience. Duty of care- Board members participate in planning and decision making and make sound and informed judgments. Duty of loyalty- put the interests of the nonprofit before any personal or professional concern and avoids conflicts of interest. Duty of obedience – comply with all laws and established mission of the nonprofit
5. **J.** Conflict of interest is an actual or perceived interest by staff or Board members in an action that results in personal or professional gain.
6. **A.** Internal controls represent the processes and procedures used to protect the assets of an organization and to aid in the not for profits efficient operations.
7. **F.** Permanently restricted net assets are the part of the net assets of a nonprofit organization that include for example contributions whose use is permanently restricted by donor stipulation.
8. **I.** Temporarily restricted net assets represent the net assets of the nonprofit that are restricted by donors to a specified purpose or a later date.
9. **B.** Accrual basis of accounting recognizes transactions when they occur as compared to the cash basis of accounting which only recognizes transactions when the money is received or disbursed.
10. **C.** Accounts receivable is used in accrual basis of accounting. It is money that is owed to the organization for services or goods provided, that has not yet been paid for.