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Questions From the CHAT

"How often should the Finance Committee meet?"

"Should the Finance Committee members be financial experts or should it have variances in expertise?"

"We understand that we send the financial statement on a timely basis, but should the Finance Committee provide feedback as to the vitality of the 'patient'?"

"Can the Audit Committee consist of the same members as the Finance Committee?"

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The Roles of the Finance Committee and the Audit Committee



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The Purpose of Board Committees

1. Dig deep into topics by individuals who are knowledgeable.
1. Save valuable time at board meetings.
1. Allows administration to prepare to respond to potential questions from the Board.
1. Monitor progress on plans and hold administration accountable.

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How Are Committees Are Created?

- Vote of the governing board.
- Membership.
- Chair of the committee. Chair of the Finance Committee and Chair of the Audit Committee should be different
- Charter/terms of reference.

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Membership

3-5 Board members. Invitees as needed.

Board members who are knowledgeable about finances or audits or risk management or business.

Audit Committee must be independent. No member of the administration should be a member. Different committee chairs.

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No, or 1, or 2 Committees?

- No Finance Committee and No Audit Committee. Duties accomplished by the full Board.

OK

- One Committee as the Finance and Audit Committee.

GOOD

- Separate Finance Committee and Audit Committee.

BEST AND HIGHLY RECOMMENDED

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Charter/Terms of Reference For Board Committees

- Defines the responsibilities of the committee.
- Defines the authority of the committee.
- Minimum number of meetings per year.

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Sample Charter/Terms of Reference For Finance Committee

1. Purpose
2. Membership
3. Meetings
4. Reports
5. Authority
6. Responsibilities
 - Oversight of financial information.
 - Long term capital plan.
 - Investments.
 - Benefits and retirement plans.
 - Risk management and insurance coverage.

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Sample Charter/Terms of Reference For Audit Committee

1. Purpose
2. Membership
3. Meetings
4. Reports
5. Authority
6. Responsibilities
 - Oversight of internal controls.
 - Oversight of independent auditor.
 - Ethics and compliance.
 - Oversight of internal auditor.

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How Often Should the Finance Committee Meet?

- Prior to each board meeting.
- At the call of the Board Chair or Committee Chair.
- Once a month (or more often) when financial turn around plans are developed and implemented.

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How Often Should the Audit Committee Meet?

- Many audit committees meet twice a year—once to engage the auditor and once to receive the audit.
- At the call of the Board Chair or Committee Chair.

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Next Question From the Chat

"If you get hired as an administrator of an institution that has not been audited for years, can you have an arbitrary start date and from that date onward have books which are in order and be audited"?

Yes
How?

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Statement of Financial Position/Balance Sheet

- An overview of the assets, liabilities and past gains/losses as a snapshot **in time**.

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Income Statement/Statement of Financial Activity

- A view **over a specific period of time** of the financial performance of the organization.

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What The Auditor Does

Previous years audited balance sheet.



Income and expenses for the year that is being audited.



Creates a new balance sheet representing the end of the year being audited.

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Step Number 1

- On the last day of your fiscal year create an organizational balance sheet.
- Current and Long Term Assets
 - Cash
 - Accounts receivable
 - Inventory
 - Notes receivable
 - Value of plant, land, equipment

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Step Number 1 Cont.

- On the last day of your fiscal year create an organizational balance sheet.
- Current and Long Term Liabilities
 - Accounts Payable
 - Notes Payable
 - Salaries Payable

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Step Number 2

- Engage an auditor to give an opinion on the created balance sheet.

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Step Number 3

- Keep accurate records of the financial activity for the next fiscal year.

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What The Auditor Does

Previous years created audited balance sheet.



Income and expenses for the year that is being audited.



Creates a new balance sheet representing the end of the year being audited.

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Step Number 4

- Engage an auditor who can do the audit for that fiscal year.

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Questions From the Chat

- “When the result of the audit is “No Opinion” what does it mean?”
- “What happens when the financial audit is qualified? What should the Board actions be?”

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Audit Findings and Board Actions

Finding—Unqualified; No major problems were found.

Board Action:

- Accept the audit.
- Understand the items in the management letter and monitor corrective action.
- Continue the oversight of the finances.

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Audit Findings and Board Actions

Finding: Qualified

Examples of Reasons: Lack of confidence in inventory.
Concerns about internal controls.

Board Action:

Understand why the audit is qualified and monitor the corrective action.

Accept the audit.

Understand the items in the management letter and monitor corrective action.

Continue the oversight of the finances.

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Audit Findings and Board Actions

Finding: No Opinion

Examples of reasons: Financial records cannot be audited.
Administration will not cooperate.

Board Action:

Understand why the auditor's opinion is "No Opinion."

Take steps to correct the problem.

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Audit Findings and Board Actions

Finding: Going Concern

Reason: Auditor is concerned about the ability of the organization to continue into the future.

Board Action:

Understand why the auditor's opinion is "Going Concern".

Ensure that administration is correcting the concern. **Turn around plan.**

Accept the audit.

Understand the items in the management letter and monitor corrective action.

Take action to monitor on a regular basis the turn around plan.

Continue the oversight of the finances.

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Sept. 19 Session The Board's Role in Planning.

"I would like to hear more about the Boards role in planning for a financial turnaround."

"How can an organization turnaround its financial status? What strategies can be used?"

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Submit Questions in the Chat

