

# Processing financial reports correctly

By Ann G. Macfarlane, Professional Registered Parliamentarian



There are three broad types of financial reports that a board of directors needs to process. Here is an explanation of how to handle them.

## **Expenditures requiring board approval before payment**

Some boards have the responsibility of approving payments before they are made. In this case, the list of checks, warrants, expenditures, etc. will be included in a meeting agenda for approval. It is fine to include this list in the “consent agenda,” which means that the board will approve it, along with other routine, non-controversial items, in a single vote. [Read about consent agenda here.](#)

## **Expenditures already made and presented for board information**

Depending on staffing levels, some boards receive monthly statements of financial position (balance sheet) and activities (profit and loss). Others may receive more detailed reports listing AP vouchers, payments, checks, payroll, etc. AFTER PAYMENT. These are presented to the board for its information. The board should take no action on such reports. Instead, they are listed under a heading like this:

- Reports received for information only
- Financial reports
- Payroll
- Accounts paid, etc.
- Treasurer's Report (current financial position)



It is a common but misguided practice to include such reports in the consent agenda. The board should not vote to approve these reports and they should NOT be placed on the consent agenda. Instead, the minutes can say, “The financial report [or whatever report it is] was received for filing.”

The reason for this guidance is that the board members have no way of knowing whether the regular monthly reports of this type are accurate. They should not vote to approve reports that they cannot verify. *Robert’s Rules of Order* says:

**No action of acceptance by the assembly is required—or proper—on a financial report of the treasurer** unless it is of sufficient importance, as an annual report, to be referred to auditors. [Full citation below.]

**It is not necessary for an assembly to vote** that a board or committee report be “placed on file,” as that is done without a vote. [Full citation below]

### Annual auditors’ report

At the end of the fiscal year, the board may receive an auditors’ report. This is a different type of document from the regular monthly financial reports. The board has a responsibility to satisfy itself that the auditors’ report accurately reflects the agency or nonprofit finances over the previous year. The board should review it and vote to approve it (or not, if there are questions about the report, its contents, or recommendations).

If your board serves a very small nonprofit or agency that cannot afford a formal audit, the board should appoint an Audit Committee (which does not include the treasurer). The Audit Committee can similarly present its report to the board.

### What Robert’s Rules says about financial reports

This information is based on *Robert’s Rules of Order, Newly Revised*, 12th edition, as cited below. If your attorney says something different, please follow your attorney’s guidance.

**Section 47:35** When written reports are received from boards or committees, the secretary records on them the date they were received and what further action was taken on them, and preserves them among his records. It is not necessary for an assembly to vote that a board or committee report be “placed on file,” as that is done without a vote.

**Section 48:20** At each meeting of a society, the chair may ask for a “Treasurer’s report,” which may consist simply of a verbal statement of the cash balance on hand—or of this balance less outstanding obligations. Such a report requires no action by the assembly.

**Section 48:21** In addition, the treasurer is required to make a full financial report annually, and in some societies more often. Such an annual report should always be audited. It is compiled and dated as of the last day of the fiscal year, if there is one, or December 31, if no different financial year is stated in the bylaws.

**Section 48:24** No action of acceptance by the assembly is required—or proper—on a financial report of the treasurer unless it is of sufficient importance, as an annual report, to be referred to auditors. In the latter case it is the auditors’ report which the assembly accepts.

**Section 48:25** In ordinary societies and those in which the expense of a professional cannot be justified, it is practical to have the financial reports audited by an auditing committee of two or more members of the society.

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