Finance Committee

Without the discipline that results from a profit line, some nonprofits fail to behave in a businesslike way. It is the responsibility of the Finance Committee to ensure that the Covenant Partner employs solid business principles and practices. This assures ongoing financial security and maximizes the number of families that can be housed. The Finance Committee will benefit from having successful business people, including a banker and lawyer, as members.

Tasks

The tasks of the Finance Committee include:

BUDGET—working with the Board of Directors and all committees to develop an operating budget. Given the uncertainties of fund raising, the budget will be subject to periodic revision, but having a working budget will improve the likelihood of financial stability. Creating the budget, however, is just the first step. The Committee should review the budget against actual income and expense on a regular basis and keep the Board aware of variances.

BOOKKEEPING—the Finance Committee is responsible for setting up and overseeing a bookkeeping system that will allow for regular reporting to the Board of the organization's financial condition. There are off-the-shelf products that can adequately provide the necessary tools. A successful accounting system depends on the correctness of the input, so the Committee must regularly monitor it to assure proper assignment of income and disbursements.

AUDIT & REVIEWS—the Committee should work with the board to have annual, independent reviews of the books. Some donors and/or governmental entities may require a certified audit. These are expensive in both time and money, however, and should not be necessary on an annual basis unless otherwise mandated. The Finance Committee is responsible for submitting the Annual Activity Report to The Fuller Center headquarters by July 15.

MORTGAGES—the committee is responsible for developing the mortgage documents, which should be prepared to conform to Fannie Mae requirements and state and federal law. Properly prepared mortgage files are necessary if mortgages are later sold to secondary markets. The laws covering mortgage lending are significant and the Committee should seek professional assistance in creating these documents.

The Covenant Partner has a great deal of latitude in structuring payment plans that will accommodate the ability of needy buyers to meet. The mortgage term can be extended, for example, to result in lower monthly payments. Or the mortgage can be structured to allow for lower payments in the early years with the amount paid adjusted upwards as the family's income increases. Affordable housing lenders often set aside a 6 month payment reserve in escrow which allows the local family support committee time to help nurture families through difficult financial challenges that may arise.

MORTGAGE PAYMENTS—the Committee must create a system for receiving mortgage payments, for escrowing homeowners' insurance premiums and property taxes and for paying those premiums and taxes as they come due. The Committee may want to look into having this service performed by a bank or other agency if it can be done affordably. Of course, with small repair or renovation projects, there is no mortgage, as costs are recovered using the Greater Blessing Program.

DELINQUENCIES—if the Covenant Partner does not experience periodic difficulties with collections it may be selecting the wrong beneficiary families. Those coming from a background of limited means often find it difficult to make regular payments on time. That said, however, it is unfair to the other homeowners and to those who are awaiting the blessing of a new home to allow families to fall seriously into arrears or to stop making payments altogether. It is up to the Finance Committee to monitor payment habits and then to work with the Family Partnering Committee to resolve problems.

INSURANCE—the Committee is responsible for securing general liability, non-owned and hired auto, builders risk, property, workers compensation and volunteer accident insurance. The Committee works with the Construction Committee to secure certificates of general liability and workers compensation insurance from subcontractors.