

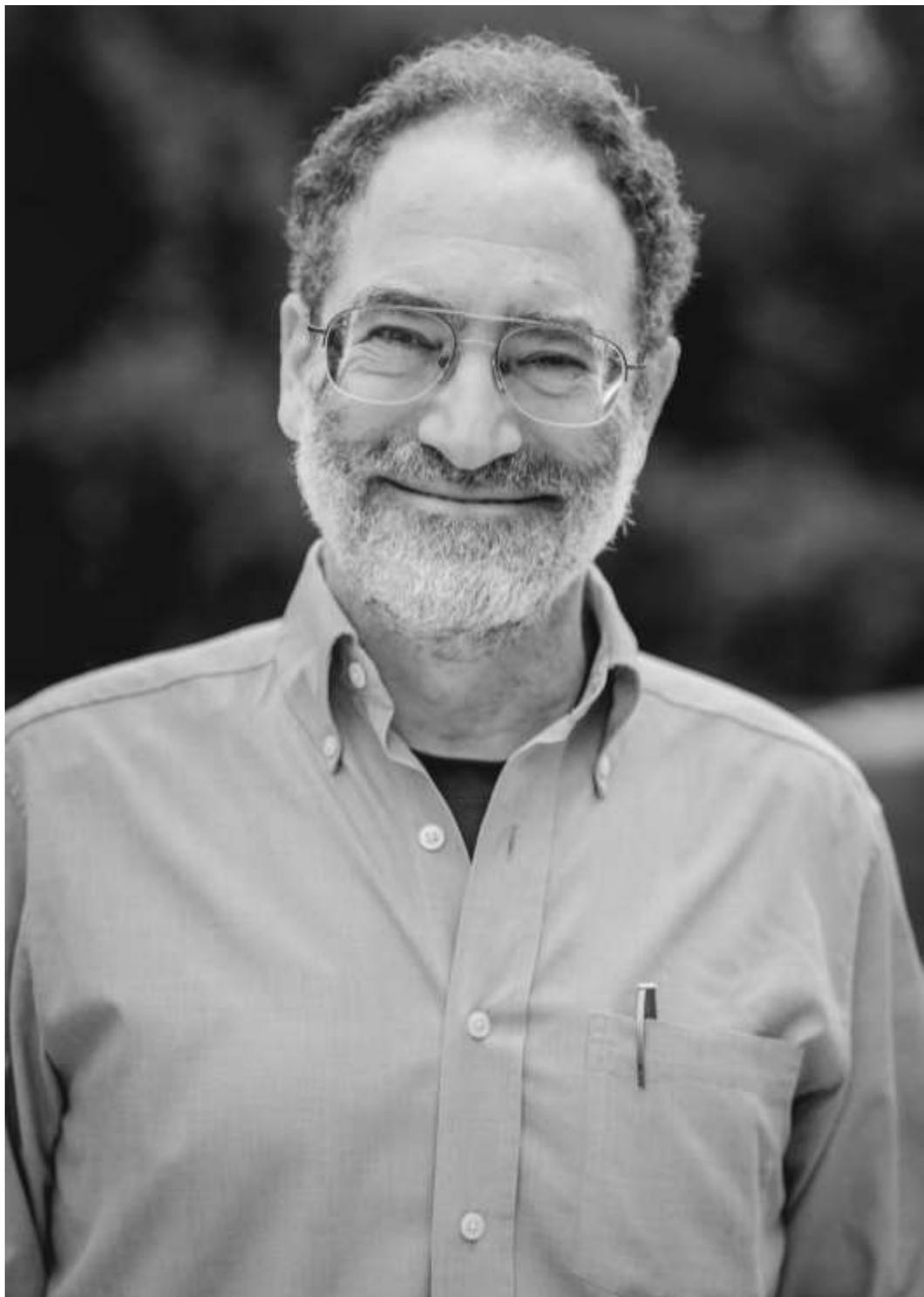
What Every Board Member Should Know About Financial Management...

and probably doesn't



Presented by **Andy Robinson** for the





Welcome!

I'm Andy...

Author, trainer, board
chair, and the Swiss
Army knife of
nonprofit consultants

Poll 1: What's your role?

- Board chair or president
- Board treasurer
- Board member or volunteer
- Executive director
- Other staff: program, education, etc.
- Consultant or funder
- None of the above



Getting started...

What do you want
to learn today?

Why is this topic
important to you?



Outcomes for today's workshop

You will learn how to:

- Ask more useful financial questions
- Better understand financial jargon
- Build a financial dashboard
- Understand risk management
- Have fun, increase your confidence



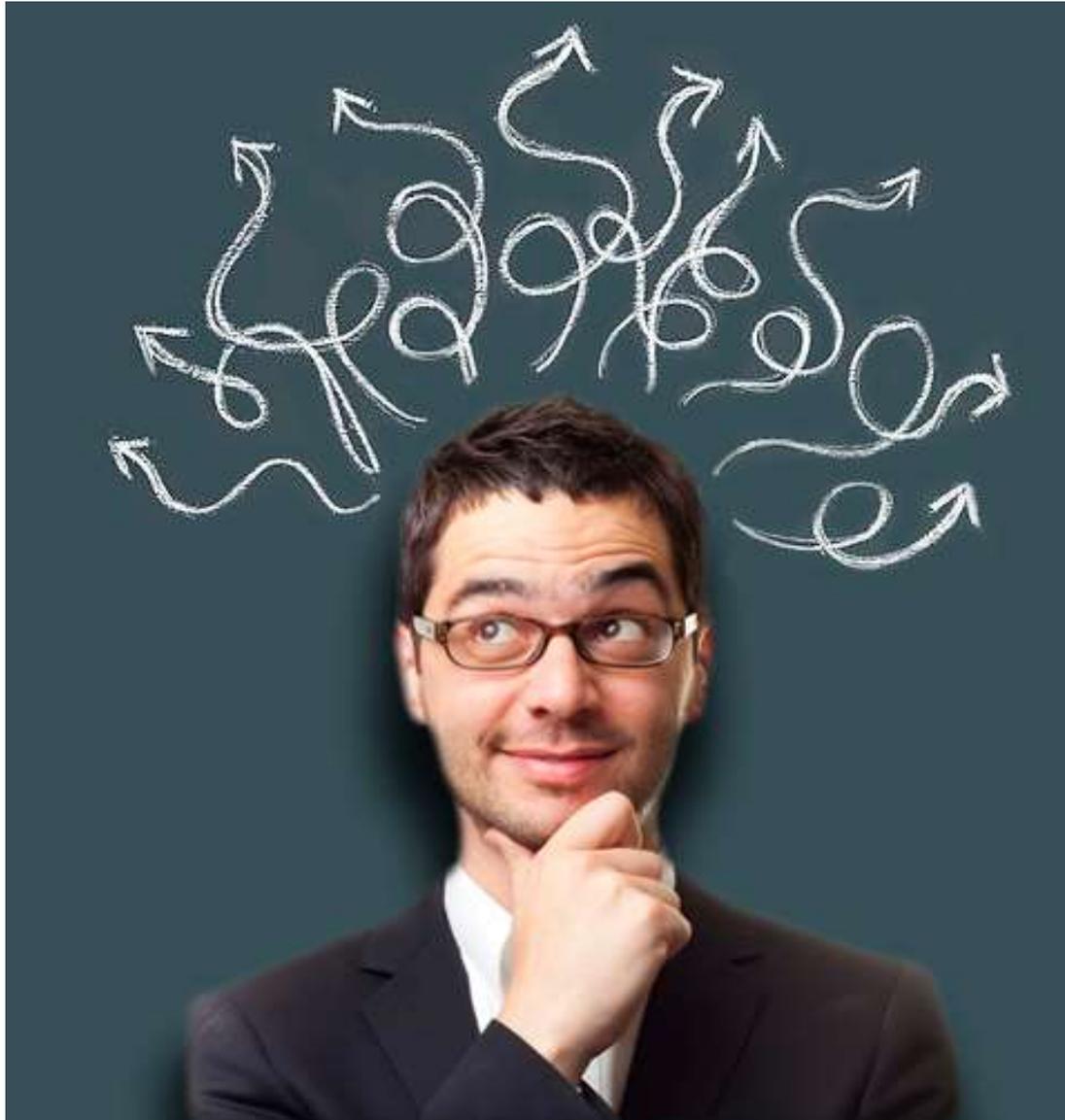
Poll 2: Where are you on the “math person” scale?



1 = yikes!

5 = loving

the math



Surprise!

Financial
management
isn't really
about math...

It's about
asking good
questions

The grocery store quiz

What every board member should know without looking at spreadsheets

Imagine we run into each other in the grocery store and I ask,

“Aren’t you on the board of...”

And you say, *“Yes, I am.”*





Could you answer the following questions...Or would you turn and run?



1. What's your annual budget? Do you have the revenue mix that you want?

Mapping your income diversification

	Dollars	%
Operating budget		
Foundations		
Corporate & business		
Government		
Membership dues & donations		
Major gifts & board giving		
Benefit events		
Earned income		
Investment & interest		11
Other		



2. What are your largest expenses? What percentage of the budget do they consume?

3. Does your organization have a reserve fund? How much money is in it, and under what circumstances can it be used?

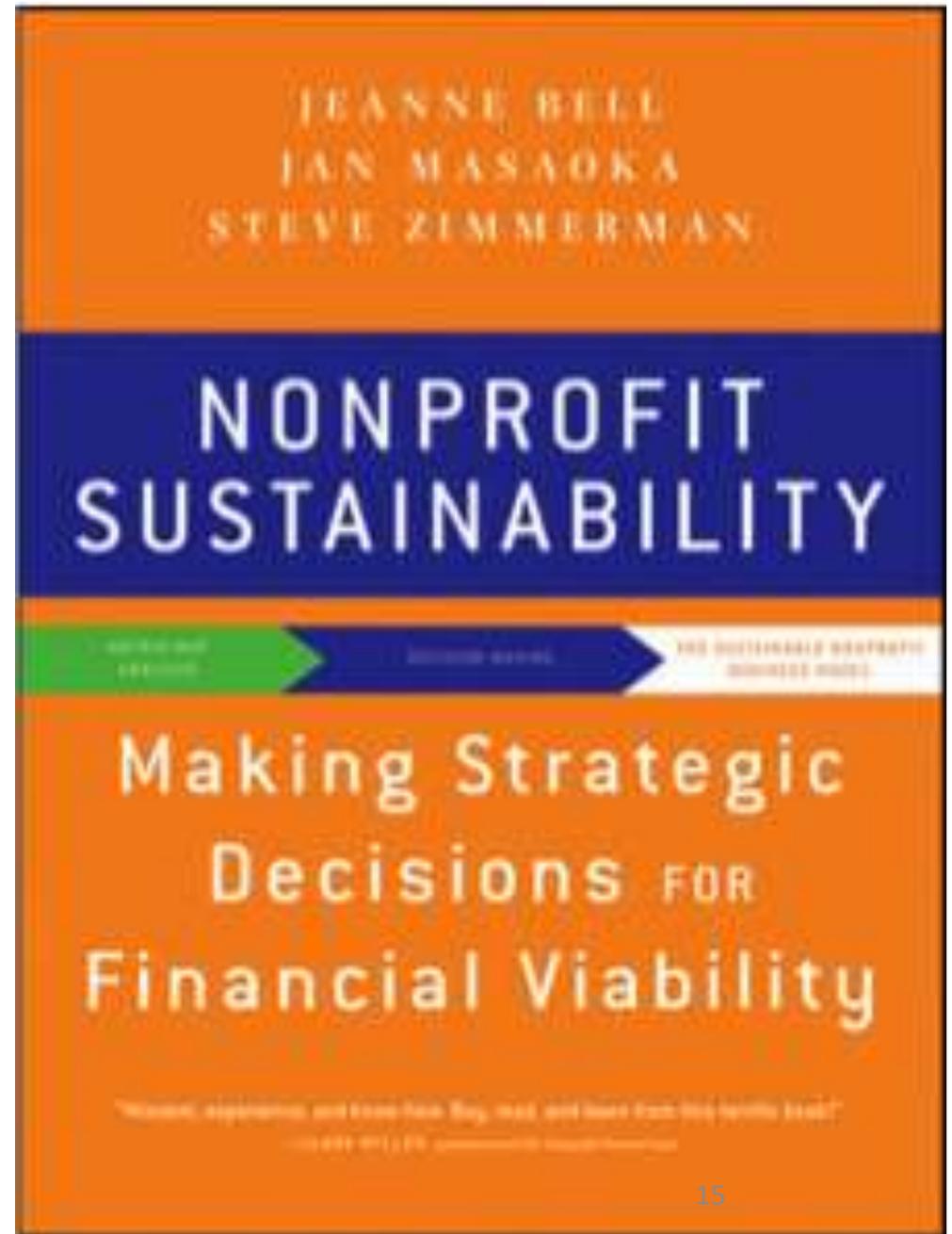




4. Which programs or activities are costs centers? Which are profit centers?

Matrix Map

As presented in:



High Mission Impact



Low

Fundability or Profitability

High

Fundability or Profitability



Low Mission Impact

Is your *board* a profit center ... or a cost center?

Calculate the cost of having a board,
compared to the revenue generated by
your board – if you dare...



5. What is your organization's biggest financial risk?





Breakouts 1

What is your organization's biggest financial risk? Why?



Report-backs

What is your organization's biggest financial risk? Why? ²⁰

6. How do you use financial management tools to measure your impact? Do you compute the cost per unit of service: for each client you serve, audience member you entertain, etc.?





7. What would help you better understand your organization's financial situation?

*How did
you score?*



5-7 You're the treasurer, right?

3-4 Please join the finance committee,
we need you

0-2 Don't feel bad – you're not alone

Yes, they need to know this stuff!



Board members are *fiduciaries*: they are responsible for the financial health of your organization. Period.

Three financial management myths ... debunked!

Myth #1: Attention to finances detracts from the real work.

Truth: Financial management helps you measure your impact – and if you can't measure, how will you know if your work is working?



Myth #2: Only people who understand finances need to look at the numbers.

Truth: You don't need to solve all the financial problems, but you need to know enough to be concerned, engaged, and ask good questions.



Myth #3: I don't understand the language, therefore I can't understand the concepts.

Truth: You know much more than you realize: cash flow, accounts payable, etc.

Is your organization financially healthy? A 3-minute guide



- **Scale:** How big are you, financially speaking? (See quiz question 1)



- ***Liquidity:*** Is there cash in the bank? Can you pay the bills? Healthy organizations have enough ***working capital*** for 3-6 months.



Solvency: Are you worth anything?

If you shut down tomorrow and paid all the bills, would you have anything left?

Profitability: Year by year, are you generating more money than you're spending? Can you keep operating in the same fashion over the long run?





Impact: Are you doing what you set out to do? Are you getting the results you hope to achieve?

Understanding
finances is **easier**
than you think



As a board member, you can learn a
lot by reviewing a one-page **financial**
dashboard.

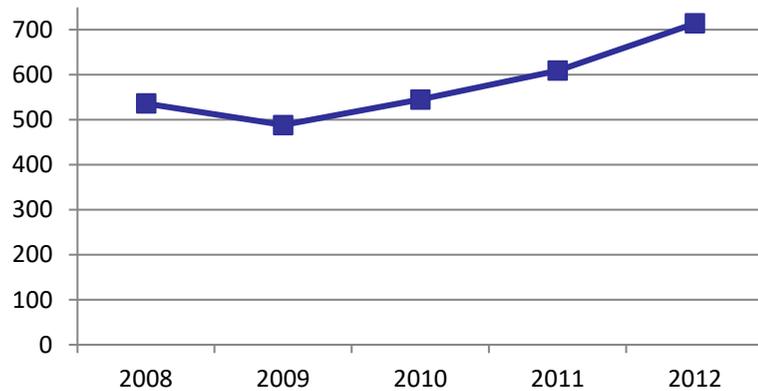
Indicator	How measured	What it tells you	2 years ago final	Last year final	This year target	Year to date 8 mos
FINANCIAL						
Annual budget	Total expenses	<i>Scale:</i> What our work costs	\$307,200	\$323,550	\$ 325,500	\$236,602
Net income () = loss/deficit	Total revenue minus total expenses	<i>Profitability:</i> Do revenues exceed expenses? Goal is positive number	\$12,540	\$4,190	\$240	\$(28,427)
Months cash on hand	Cash on hand/operating expenses per month	<i>Liquidity:</i> Uncommitted cash, goal is at least three months cash on hand	2.53	2.39	2.36	1.52
Net worth (or net assets or fund balance)	Total equity: assets if everything is sold	<i>Solvency:</i> Goal is positive number	\$106,640	\$110,330	\$108,820	\$91,903
Restricted income	Share of total budget for restricted uses	Flexibility in budgeting. Goal varies by group; 67% or less is good target	90%	85%	85%	88%
Govt funding as percent of total income	Govt grants and contracts total income	<i>Dependency:</i> Reliance on government funding, which can be unpredictable	85%	81%	77%	75%
EFFICIENCY						
Cost per client served	Total expenses/total clients	Efficiency in providing services	\$1,299	\$1,123	\$1,415	\$1,127
Cost per volunteer	Total volunteer costs (includes training, coordination)/number of volunteers	Efficiency of using volunteers, who are not "free" labor	\$659	\$625	\$606	\$758
IMPACT						
Number clients served	Unduplicated clients	<i>Reach:</i> Given aging population, goal is 10% increase per year	250	288	230	210
Number of volunteers engaged	Unduplicated volunteers	<i>Reach:</i> Given higher demand, goal is 15% increase per year	78	85	90	75
Average client contact hours per month	Total hours, staff plus vols/ number of clients	<i>Depth:</i> Assumes that more time equals deeper service	5.07	5.12	5.00	4.51
Number of clients still living at home	Annual tracking	<i>Impact:</i> Are we succeeding at our overall goal?	197	255	210	205

Indicator	How measured	What it tells you	2 years ago final	Last year final	This year target	Year to date
FINANCIAL						
Months cash on hand	Cash on hand/ expenses per month	<i>Liquidity:</i> Goal is at least three months	2.53	2.39	2.36	1.52
EFFICIENCY						
Cost per client served	Total expenses/ total clients	Efficiency in providing services	\$1299	\$1123	\$1415	\$1127
IMPACT						
Number of clients still living at home	Annual tracking	Are we succeeding at our overall goal?	197	255	210	205

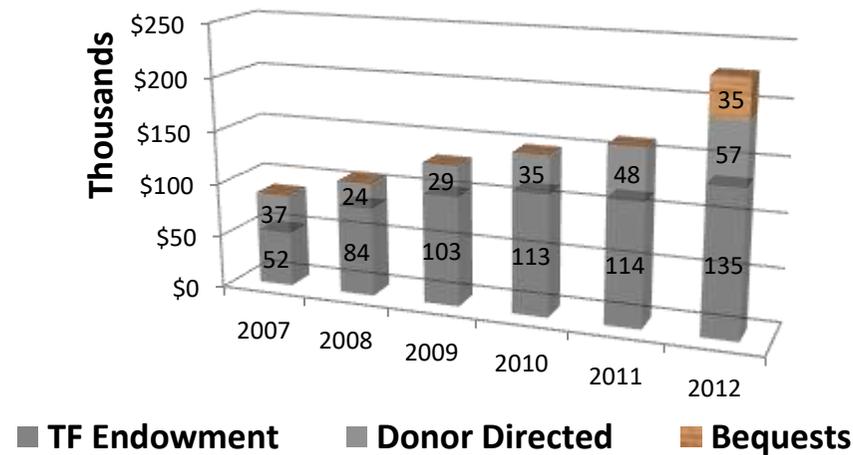
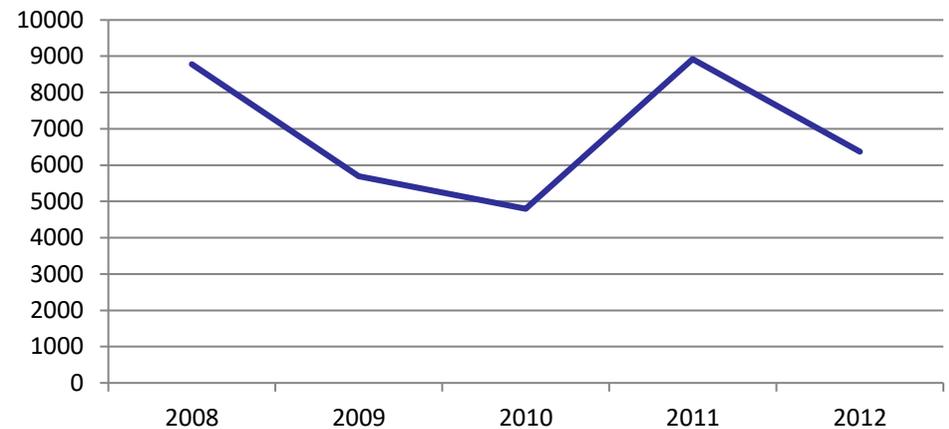
Use graphics!

Samples courtesy of **Trees Forever**

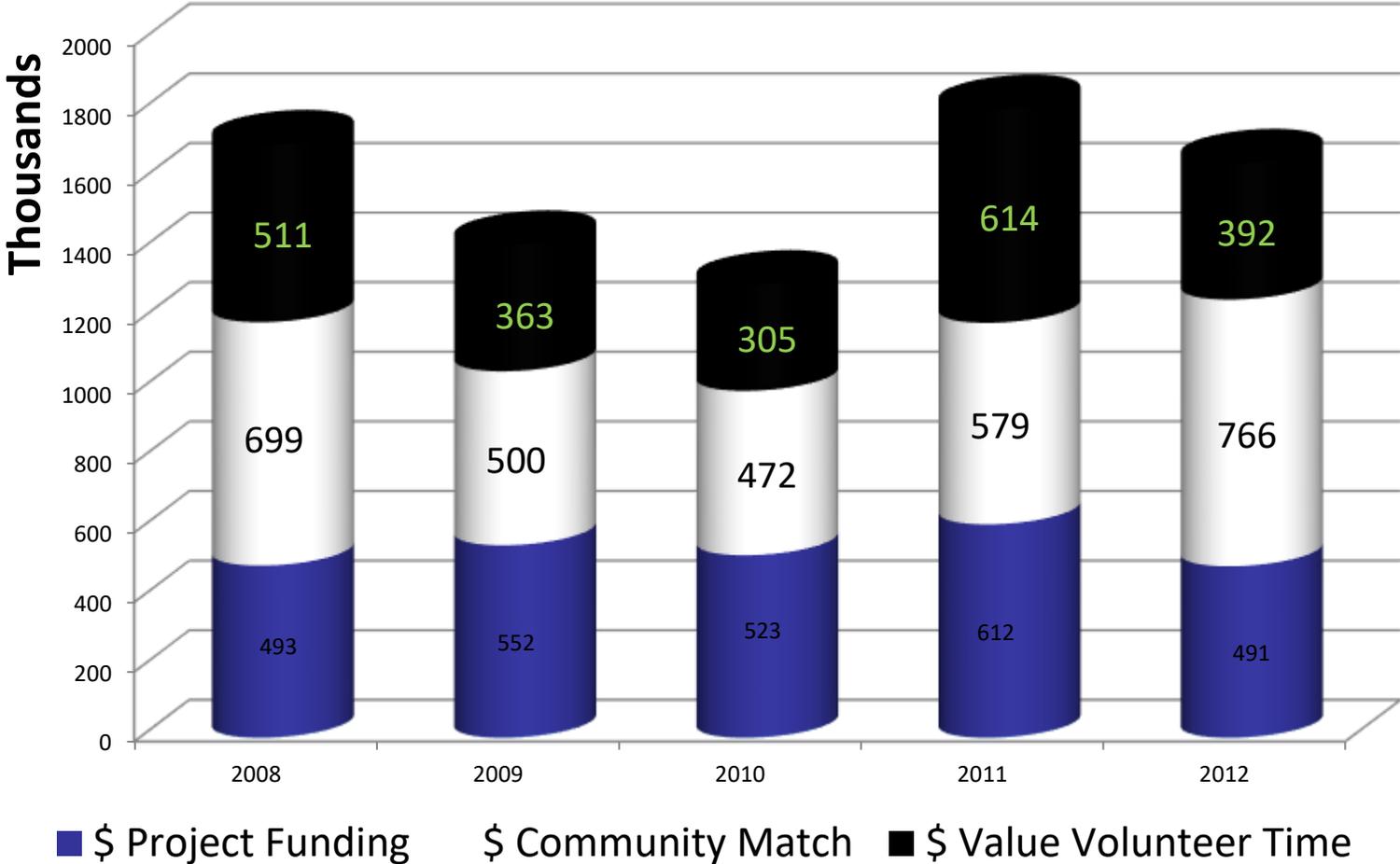
Members



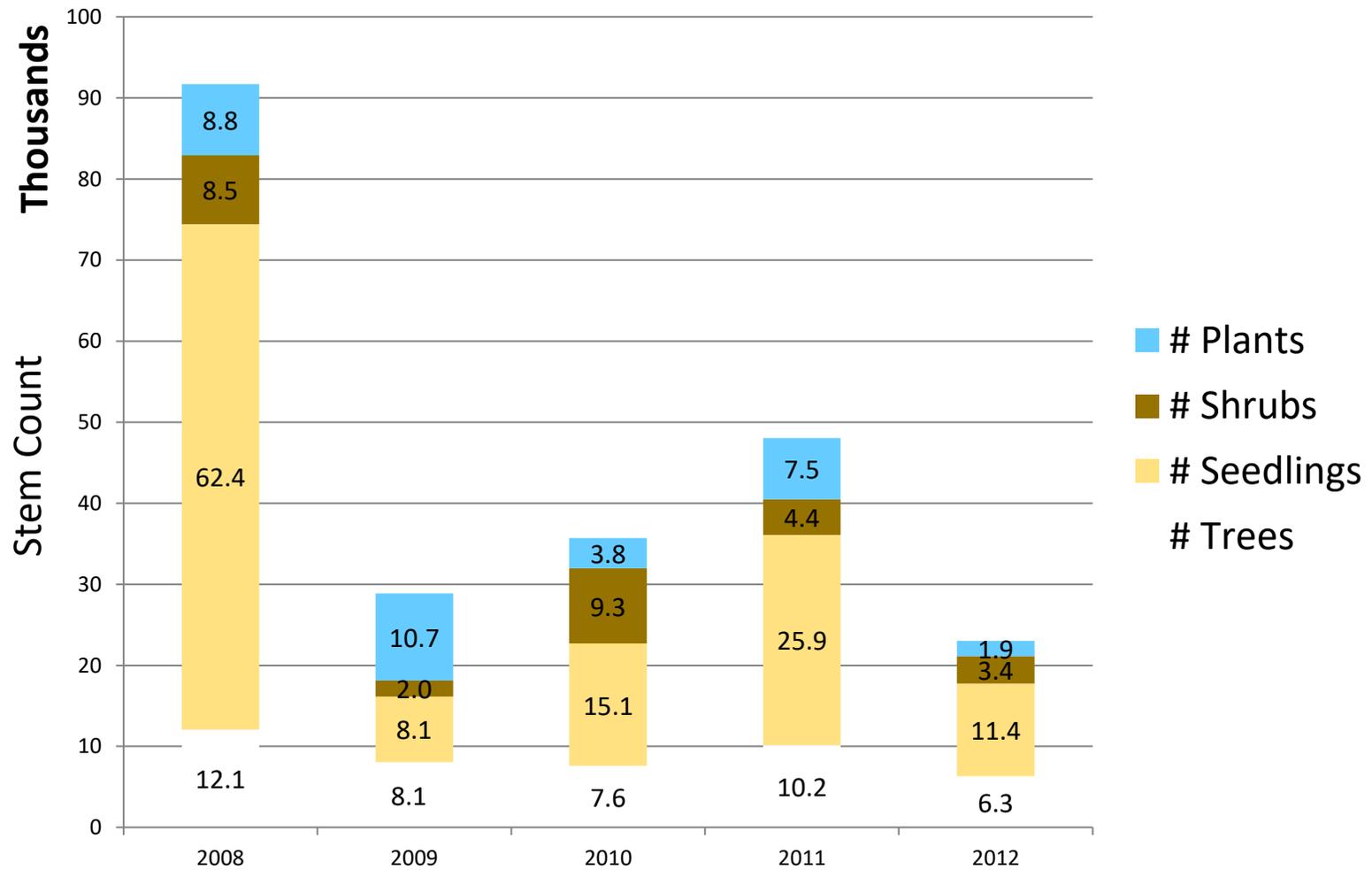
Volunteers



Revenue



Planting Projects





Breakouts 2: What would you include in your financial dashboard?



Report-backs

What would you include in your financial dashboard?

Managing risk

- Diversify your income
- Create separation of duties and strong financial controls
- Buy appropriate insurance: liability, automobile, directors & officers, etc.
- Create plans for business continuity, site security, and data back-up



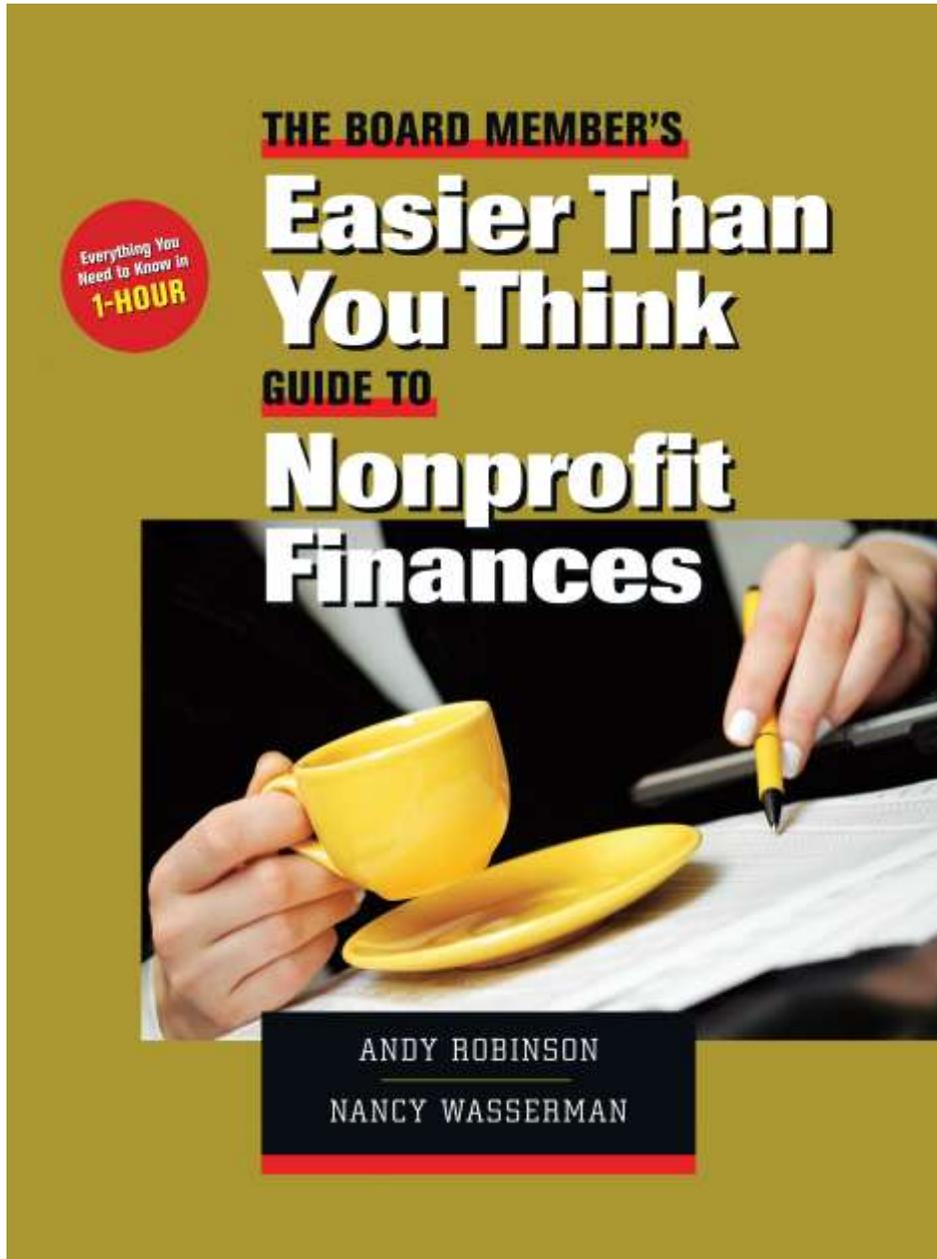


Finally,

- Focus on strategy, not line items
- Because it's not your money, create policies to avoid conflicts of interest
- Invest the time to train the board to understand your financial statements

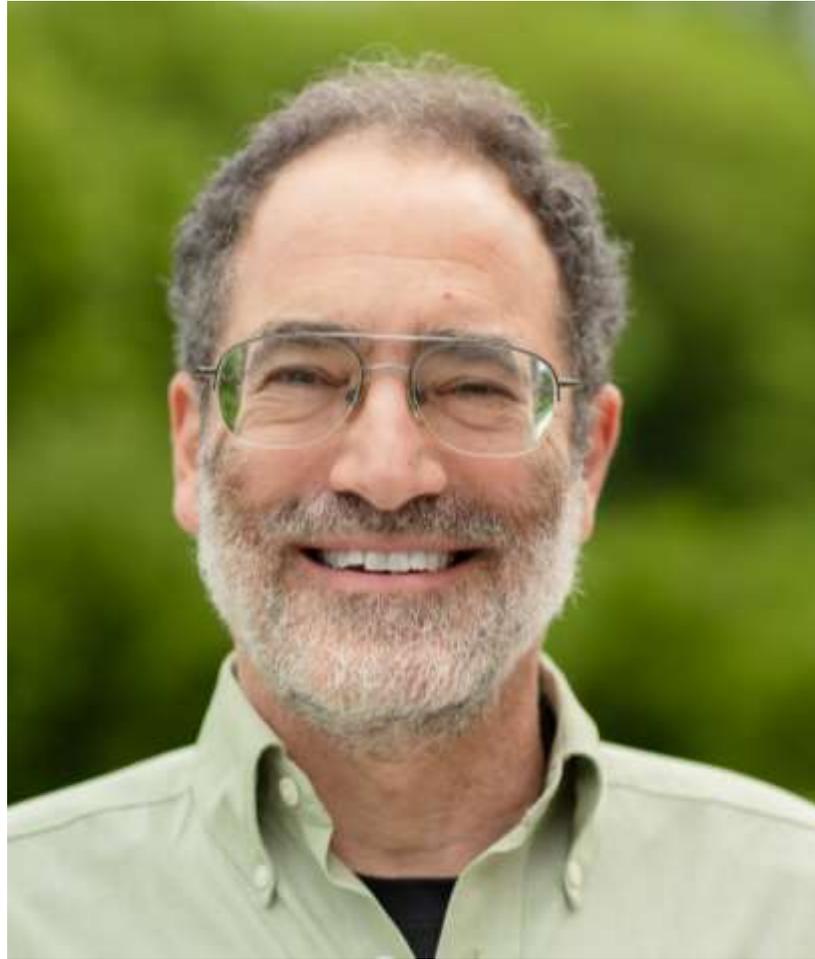
Questions?





**Andy's book
(with Nancy Wasserman)**

Available from
[https://hilborn-
civilsectorpress.com/](https://hilborn-civilsectorpress.com/)



Carry on and stay in touch!

andyrobinsononline.com

trainyourboard.com