



Board Finance Training Discussion Guide

Module 1 – The Boards’ Role in Financial Oversight

Purpose

The Board Governance Discussion Guide is designed as an opportunity for participants to expand on what they learned in the E-learning course, Boards’ Role in Financial Oversight module. The discussion guide can assist facilitators in engaging board members in dialogue after they have viewed the module. Keep in mind that sharing takeaways with others is a key method to remember new content and inspire new ideas.

Let’s get started!

As you begin, be mindful of time and be sure to know everyone’s name and title. Facilitators should remind board members that there is always more to learn about nonprofit governance and encourage participants to ask questions at any point. If conducting a virtual training, consider using polls or the chat feature to gather feedback and engage your audience. If questions have been submitted ahead of time, use them as conversation starters or include them in the appropriate topic areas. As you go through the discussion guide, confirm that the questions have been addressed before going to the next question. Lastly, write down any follow-up questions that may generate.

To kick off discussion, invite members to share a *one-two minute reaction* to the e-learning module.

- What do you think about your role in providing financial oversight?
- What are some of the roles you identified that you feel confident in applying?
- What about those roles do you find challenging and may need additional support?

Discussion

After initial reactions are shared, acknowledge everyone’s input and highlight topics from the module that participants mentioned. Remind participants that providing financial oversight can be challenging especially if they are not familiar with their role. Then process what was learned in the module using the following questions to prompt participant feedback:

- **Financial Oversight**

Authority is placed in the Board of Directors as a collective to govern the health center. What comes to mind when you hear that as a board member a key board duty is providing financial oversight?

- What are the main financial aspects or areas to be monitored?
- How do you currently approve and monitor budgets?
Have participants rate on a scale from 1-5 on how confident they are in approving and monitoring budgets. Depending on their responses, gauge where you think they need added support.
- How can a board member address deviations or differences from the budget?
- Have you had the opportunity to contribute to your health center's financial procedures? If so, how?



- **Financial Roles and Responsibilities**

We often see board members who are unfamiliar with financial statements tend to shy away from asking questions about them.

- How do you feel about the responsibility of understanding and, if needed, challenging the financial information being presented to you?
- How can you help create a culture where questions are welcomed and common practice?

- **Approval of the Annual Budget**

According to the Health Center Program Compliance Manual, health centers are required to prepare two budgets annually: the annual organizational operating budget and the “total budget” or grant budget submitted to the Health Resources and Services Administration (otherwise known as HRSA). The law that created the Health Center program required health centers to submit a budget to HRSA annually that balances to zero, however health centers should also create a more aggressive operating budget to meet to be a financially viable organization.

- What is your understanding of the operating budget?
- What is your understanding of the “total budget” or grant budget?

- **Monitoring Financial Performance and Understanding Financial Status**

As a board member, it is your responsibility to keep abreast of the ongoing financial narrative by paying close attention to the financial statements generated by the CFO.

- How do you feel about your role of being responsible to understanding the financial statements and identifying important changes?
- How prepared do you feel in reviewing the financial statements generated by the CFO?

- **Accounting and Internal Controls**

As part of your responsibility to monitor the financial statements, you need to be assured of their accuracy and integrity. This is done by having a system of internal controls in place.

- Why are internal controls important?
- How often are risk assessments performed at your Health Center?
- How do you feel about making sure that fraud does not exist as part of your internal control oversight?
- According to what you learned in the Module, do you feel that external audits are sufficient to ensure the health center’s internal controls?



- **Policy Approval**

Health Center policies should be updated at least every three years.

- What is the process for making policy changes?
- How are these changes communicated to the staff?
- How can you prepare to approve various financial policies, which may include policies on reserves, investments, gift acceptance, and the annual audit, among others?

- **Independent Financial Audit**

According to the [Health Center Program Compliance Manual](#), every health center is required to have an annual audit and the board has a significant role to play.

Reiterate here why this is an important role. They need to understand the process, but Boards rely on experts in this area who may also be fellow board members.

- How is a board member involved in this process?

- **Strategic Planning**

A strategic plan is a document used to communicate the organization's goals, the actions needed to achieve those goals, and all of the other critical elements developed during the planning exercise.

- Why do you think strategic planning is an important role as a Board member?

Act

As a whole group, use this time to invite participants to share what they learned from the conversation – new insights, “aha” moments, more questions to consider. This is an opportune moment for members to share their takeaways and possibly connect with other participants.

- As a collective board, what are 1-2 things you can put into practice now that will help you provide better financial oversight?
- Any takeaways from this discussion or module?



Board Finance Training Discussion Guide

Module 2 – Reading and Understanding the Balance Sheet

Purpose

The Board Governance Discussion Guide is designed as an opportunity for participants to expand on what they learned in the Reading and Understanding the Balance Sheet module. The discussion guide can assist facilitators in engaging board members in dialogue after they have viewed the module. Keep in mind that sharing takeaways with others is a key method to remember new content and inspire new ideas.

Let's get started!

As you begin, be mindful of time and be sure to know everyone's name and title. Facilitators should remind board members that there is always more to learn about nonprofit governance and encourage participants to ask questions at any point. If conducting a virtual training, consider using polls or the chat feature to gather feedback and engage your audience. If questions have been submitted ahead of time, use them as conversation starters or include them in the appropriate topic areas. As you go through the discussion guide, confirm that the questions have been addressed before going to the next question. Lastly, write down any follow-up questions that may generate.

To kick off discussion, invite members to share a *one-two minute reaction* to the e-learning module.

- What do you think about your role in understanding the balance sheet?
- What about this role do you find challenging and may need additional support?

Discussion

After initial reactions to module 2 are shared, acknowledge everyone's input and highlight topics from the module that participants mentioned. Remind participants that module 2 is specifically focused on the balance sheet and it is only one part of your health center's financial statements. Further modules will highlight the income statement and statement of cash flows. Then process what was learned in the module using the following questions to prompt participant feedback:

- **The Balance Sheet**

The balance sheet is the financial foundation on which the operations of the health center are built. If the foundation is solid, then the health center (HC) will have a much easier time operating in a financially responsible way. It is difficult to be successful long-term without a solid and stable balance sheet. The balance sheet shows the financial health of the HC and is generally shown with comparable numbers from the prior reporting period to allow readers to review the trends of the HC.

- What are the three components of the balance sheet?
Assets, Liabilities, and equity.
- Does everyone feel familiar with each component?



- **Assets** are what the health center owns, such as cash, amounts that are owed to the HC, and property and equipment.
- **Liabilities** are what the HC owes to vendors, employees, banks or others.
- The **equity** of a HC can be calculated by subtracting the liabilities from the assets and is the accumulation of all the years' operating results of the Organization.

- **Assets**

Cash equivalents are assets that are very similar to cash such as certain money markets accounts or certificates of deposit. The module explains that cash and cash equivalents are considered the most important to a health center.

- Do you agree with this?
- Why do you think these assets are so important to monitor?

- **Patient Accounts Receivable**

Patient accounts receivable represents the amount owed to the health center for services rendered to its patients and determines the expected collection amount. Patient encounters are sorted by financial payers, often referred to as the health center's payer mix.

- What financial classes are often referred to as health center's payer mix?
- Does your HC work with additional financial payers not listed in the module? If so, which ones?
- Payer mix is important to track because self-paying patients and private insurance companies compensate HCs at a higher rate than government programs like Medicare. Is this the case with your HC?

It is important for board members to understand whether increases in accounts receivable makes sense. This is based on the health center's performance and circumstances, or whether this is a cause for concern. If there are major changes in your health center's patient accounts receivable, it may be appropriate to ask questions at board meetings and/or Finance Committee meetings to help understand the cause.

- What can be the cause of significant changes in the HC's accounts receivable?
- Do you feel confident in asking questions on these financial shifts?
- What are some approaches you recommend for newly appointed board members when asking questions about significant changes?



- **Liability**

Long-term debt is typically a loan owed to a bank and considered a liability. These loans typically require a deposit with health center assets.

- What is typically utilized as collateral (or used as a deposit) for long-term debts? (Assets such as a building are usually used as collateral or deposits)

It is also important to review the trends of current liabilities and any unusual increases or decreases in accounts payable. This should be explained by the finance department.

- Is this commonly practiced in your HC?
- If not, what are some ideas on how to implement updates?

One of the most common balance sheet ratios is calculated by dividing current assets by current liabilities.

- What can this calculation or ratio show us?
- When is it recommended to keep an eye on this ratio?
- Does your HC calculate by other ratios?

Finally, it is important to look for any other unexpected change throughout the rest of the balance sheet. Typically, all major property and equipment purchases, and new loans would be approved at the board level. This in turn increases to long-term debt. If decisions are not made at the board level, then it would be appropriate to ask questions.

- If board members are not currently involved in major purchases, what are some strategies or approaches they can implement for an open dialogue with the CEO and CFO?

Act

As a whole group, use this time to invite participants to share what they learned from the conversation – new insights, “aha” moments, more questions to consider. This is an opportune moment for members to share their takeaways and possibly connect with other participants.

- What exactly are you looking for in the balance sheet?
- Any takeaways from this discussion or module?



Resources

These financial oversight responsibilities are integrated within the [Health Center Program Compliance Manual](#) and the [Health Center Program Site Visit Protocol](#).

Access the Health Center Program Compliance Manual here:

- <https://bphc.hrsa.gov/sites/default/files/bphc/programrequirements/pdf/hc-compliance-manual.pdf>

The Health Center Program Compliance Manual in Spanish:

- <https://bphc.hrsa.gov/sites/default/files/bphc/programrequirements/pdf/health-center-manual-spanish.pdf>

Access the Health Center Program Site Visit Protocol:

- <https://bphc.hrsa.gov/sites/default/files/bphc/programrequirements/pdf/site-visit-protocol.pdf>