Introduction to Financial Management for Health Center Boards

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Introduction to Financial Management

This module will explore the board's responsibilities and management's responsibilities

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Board of Directors

The governing body has legal and fiscal responsibility for administering and overseeing programs and services

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Board of Directors

Effective boards offer

- Character
  - Integrity and good judgment
- Contribution
  - Time and competence
- Constituency
  - Represent more than themselves

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Board of Directors

Responsibilities

Ultimate authority on ethical and financial stewardship issues

Establish and maintain the vision, mission, and values

Develop and oversee strategic direction
- Establish strategic priorities, metrics, strategic plan

Safeguard assets

Oversee financial reporting process

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Board of Directors

Responsibilities, cont.

Provide oversight for development and performance of internal controls

- Ultimate authority on ethical matters
- Lead by example; tone at the top
- Integrity and ethical leadership
- Hold senior management accountable

Establish and/or approve broad policies, including financial and personnel policies and procedures

- Establish accurate accounting and control measures
- Assure proper financial management is in place

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Board of Directors

Responsibilities, cont.

Maintain independence from management

- Impartial oversight of senior management's compliance with ethics standards and code of conduct

Hire and communicate with the independent auditor

- Hire high-quality auditor
- Review and approve annual audited financial statements

Conduct regular meetings

- Review financial information
- Document matters discussed

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Board of Directors

Responsibilities, cont.

Financial literacy

- Understand financial statements and financial risks
- Understand the impact of business decisions on the financial statements
- Understand accounting standards

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Board of Directors

Responsibilities, cont.

- Authorize establishment of all bank accounts and check signers
- Authorize all borrowings of funds and financing arrangements
  - Including credit card and charge accounts

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Board of Directors

Responsibilities, cont.

- Form committees to assist in fulfilling and carrying out responsibilities
  - Refer to the by-laws for board and committee details
- Committees do not have the authority to act alone
- Committees are responsible for the review of particular programs or functions and providing recommendations to the full Board
- Examples
  - Committee to evaluate disclosed potential conflicts of interest
  - Audit committee

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Board of Directors

Responsibilities, cont.

Finance committee typical responsibilities include

- Review and recommend the annual budget (prepared by the staff) for final approval
- Long-term financial planning
- Establish investment policy and monitoring investment performance
- Evaluate and approve facilities decisions (i.e., leasing, purchasing property)
- Monitor actual vs. budgeted financial performance
- Oversee fund reserves
- Review financial policies and procedures and present changes to Board for approval
- Recommend the hiring of an independent financial statement auditor
- Review and approve the final audited financial statements and IRS Form 990

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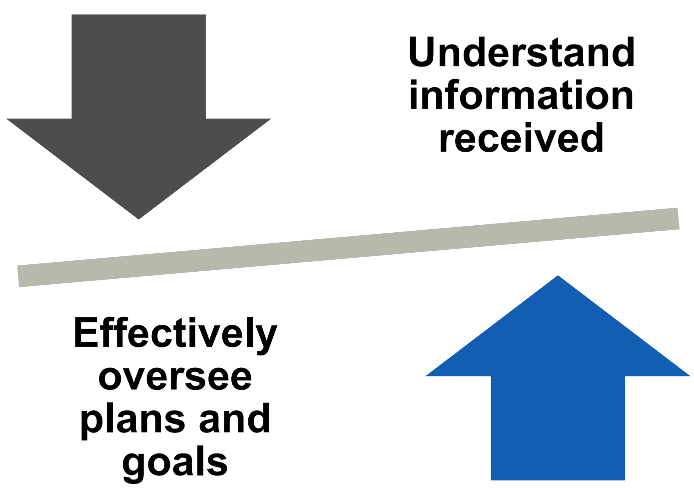
Financial Management



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Board of Directors and Management

Shared Responsibilities

- Practice of Ethical Behavior, Accountability
- Observe high standards of business and personal ethics in the conduct of carrying out duties and responsibilities
- Follow Code of Conduct
  - Best practice – read and sign this each year
  - If an individual has procurement responsibilities – review the contractors each year to identify potential conflicts of interest
- Comply with all applicable laws and regulatory requirements
- Comply with policies and procedures
- Evaluate the entity and create strategic plan
- Protected Personal Identifiable Information (PPII)
  - Ensure that personal, financial, and proprietary information of volunteers, customers, recipients, participants, and employees remain confidential

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Questions to ask / discuss

How do we ensure we are receiving the financial information we need to make informed decisions?

How do we ensure the financial information is timely and complete?

As we look at the reports we receive, what are the reports conveying?

In making financial decisions do we feel we are receiving too much information?

Too little?

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Questions to ask / discuss

Are we receiving the financial information with enough time to review it and form questions?

What is the best way to receive the information to make it easier to understand? Through a narrative format? Numbers? Pictures? Graphs? A Mix?

As a board, what should we do with the information we receive to help the center?

How do we know the finances are ok or not ok?

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