

## Curriculum Guide for Presentation on:

### ***Presenting Financial Statements to the Executive Committee/Boards/Constituents***

**Goal:** To effectively communicate financial matters to the executive committee, boards, and constituents in order to enhance their ability to make financial decisions.

*Points to cover when presenting financial statements to the executive committee, boards, or constituents:*

1. The governing committee has a responsibility to understand the financial statements:
  - a. The governing committee is an integral part of the organization's internal controls.
  - b. Committee members need to understand the financial statements to make informed program and capital decisions.
  - c. The governing committee has a legal responsibility to understand the financial status of the organization.
  
2. Overall considerations:
  - a. Do the financial statements provide evidence of the organization's mission?
  - b. Is the financial information understandable to the governing committee/constituents?
  - c. Are there financial terms that need to be defined?
  - d. Is the financial information presented useful to the governing committee/constituents? Is there a clear purpose for presenting this information?
  - e. Does the information overwhelm or bore the board?
  - f. Is there an appropriate amount of detail?
    - Too much detail may be confusing.
    - Too little detail may also be confusing or not sufficient to comply with minimal standards of disclosure.
  
3. Define the purpose of each financial statement, how they are all related, and note their internal consistency:
  - a. Statement of Financial Position
  - b. Statement of Financial Activity
  - c. Statement of Changes in Net Assets
  - d. Statement of Cash Flows

4. Identify and simply define the purpose of the funds presented:
  - a. Operating Fund – usually focus on this fund
  - b. Plant Funds
  - c. Other Funds
  
5. Identify and define the sections of the Statement of Financial Position, clarifying how they are classified to portray financial liquidity:
  - a. Current Assets
  - b. Non-Current Assets
  - c. Current Liabilities
  - d. Non-Current Liabilities
  - e. Net Assets – ***Stress the distinctions between unrestricted and restricted classes of net assets. Clarify which are directed by the committee and which by donor specifications***
    - Unrestricted
      - Unallocated
      - Allocated
    - Temporarily Restricted
    - Permanently Restricted
  
6. Identify steps to analyze the financial statements:
  - a. Compare the two-years' numbers portrayed in the Statement of Financial Position, noting significant differences.
    - Explain significant changes.
    - Explain how these changes relate to other elements of the Statement.
    - For example, cash may have decreased because current liabilities have decreased or accounts receivable have increased.
  - b. Compare the numbers for the current year in the Statement of Financial Activity to the prior year numbers and to the budget, noting significant differences.
    - Note significant differences, such as whether they are due to timing or other events and explain how they may affect the operating results at the end of the year.
    - Explain how significant variances from budgeted income may affect variances from budgeted expenses.
    - Identify and explain any programs that are using increasing percentages of available income.
  - c. Discuss financial ratios that are particularly meaningful to the organization.
    - Discuss Working Capital as it relates to policy and explain how the governing committee can use that information. Show how working capital relates the Statement of Financial Position to the Statement of Financial Activity.
    - Present only financial ratios that are meaningful and helpful, limiting the ratios presented to 4 or 5 at most.

7. Useful tools for presenting financial statements:
  - a. Graphs and charts help to communicate, summarize and analyze information.
    - They clarify the meaning of the financial information.
    - They make the presentation more attractive.
    - They should be simple and free of clutter. Too much numerical data can be confusing.
    - The title should make the purpose of the graph clear.
    - The horizontal and vertical axes should be clearly labeled, and include appropriate units of measurement.
    - Use a clean, simple font and background, with strong contrast between the text and the background.
  - b. Tables make it easier to read financial information.
    - They make it easier to summarize information.
    - They may clarify the meaning of the financial information.
  - c. Dashboards help the governing committee determine the direction of financial data and ratio trends, whether positive or negative.
    - Dashboards can be tailored to provide information helpful in decision-making.
    - Dashboards bring awareness of financial strengths and deficiencies.
  - d. Benchmarking compares the organization to other similar organizations.
    - Benchmarking assists in making more informed decisions.
    - Benchmarking assists in evaluating best practices.
    - Benchmarking gives creditability to the organization's reports.