

How to Give a Brilliant Board Report

When Communicating Financial Information, Focus on Striking a Balance

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When communicating financial data to board members, there is an art to striking the right balance of information that is meaningful and, at the same time, comprehensive and concise. If you inundate your board members with minutia, they will do one of two things: (1) tune out and disengage or (2) take it as an invitation to micromanage. But if you provide too little information, you run the

risk of glossing over emerging issues and trends that are significant to the organization.

So, how do you strike the right balance? Get their input. Engage them, summarize information and lay it out so it can be readily understood, and involve them in the decision-making. Ask the board to establish an agreed-upon format for the performance reports they need to oversee the organization. If your organization has a dedicated finance committee, that is a perfect forum for a discussion on report formats.

Remaining Focused on Mission

Help board members understand how the pieces of the organization's financial operations fit together to achieve the mission. Questions you might anticipate include:

What are the major sources of revenue and expense?

What services are being provided to your primary constituents, and how effective and efficient are those services at remedying the issues they are designed to address?

If key sources of revenue are trending downward or expenses are trending upward, are remedial steps being taken to address the issues?

Are there significant variances from the approved budget and, if so, what are the underlying causes?

What capital investments are needed to support the organization's operations?

What reserves are available to ensure the organization is sustainable and able to weather unexpected events?

Do you have the resources to ensure stable programming and program growth?

Using Dashboard Reports

Some organizations use dashboard reports to keep their board focused on strategic thinking. Dashboards highlight key metrics and illuminate trends. They are typically provided in addition to the customary financial statements and budget reports. Dashboards include key performance indicators ("KPIs") that are essential to measuring the organization's overall health, performance and success.

A common approach is to use charts and graphs that capture the essence of the organization's operations in an easy to read format that appeals to both analytical and visual learners. Dashboards report on performance that demonstrates mission success and operational success.

When combined with mission-related KPIs, the dashboard becomes a balanced scorecard. When you add benchmarking to the balanced scorecard, you have a very powerful tool that captures the essence of the organization's operations and compares it to peers. This enables you to identify opportunities for increased efficiencies and to optimize systems and processes for greater impact. (To learn more about dashboards, check out this webcast

(http://www.cpa2biz.com/AST/Main/CPA2BIZ_Primary/PRDOVR~PC-WC1131001/PC-WC1131001.jsp) coming up on April 20.)


Finally, make sure you provide information to the board on a periodic and timely basis. Periodically reevaluate your organization's reporting needs, which will vary depending on the entity's business model and stage of its life cycle. Work with your board to decide on the right mission-critical information. A good time to review your dashboard is during strategic planning, before embarking on a new fundraising campaign or starting a new program. And last but not least, try to make the information you


present to the board consistent with your annual financial statements and tax returns. The information can be more detailed or summarized, but one should be able to readily trace or reconcile major category totals from one to the other.


Additional Resources




A Guide to Board Orientation (/content/dam/aicpa/not-for-profit-board-orientation.pdf)

 (PDF) Board Responsibilities: An Overview (/content/dam/aicpa/not-for-profit-board-responsibilities.pdf)

 (PDF) Performance Measurement for Not-for-Profits (/content/dam/aicpa/not-for-profit-performance-measurement.pdf)

 (PDF)

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