



Sharpening Your Financial Skills **Louise Woerner, MBA, FAAN**

Why sharpen your financial skills, when you are seeking to be on or serving on a Board? Even when you think your primary contribution to a Board might be in the area of quality or patient satisfaction, you will need financial skills, not only to be able to marshal your arguments in areas of satisfaction or quality in a business case, but also to contribute to the primary purpose of the Board, which is to ensure sustainability of the organization, which might mean profitability or generating reserves.

The organization's financial position determines its ability to meet its mission. Board directors must be aware of the impact of the decisions being made, or recommended, by management on the short and longer-term success of the organization. This financial oversight and the responsibility of Boards to safeguard the assets of the organization is a fiduciary responsibility of a board director. This means that Board Directors are obligated to act in the best interest of the organization, and without financial knowledge it would be impossible to fulfill this duty. You don't need to be a financial expert. Most Boards recruit separately for that skill set. However, if you cannot analyze and understand the financial statements that will be presented and discussed at Board meetings, the presentations about potential investments, the relationships between the organization's expenditures and revenues, or the allocation of resources among initiatives and departments, for example, you are not fulfilling your fiduciary responsibilities.

Board service is "accrual world." (Finance joke!) You need to be aware of the reasons to use cash or accrual accounting and understand how this decision affects the bottom line. This is a basic. Another basic would be your ability to analyze return on investment (ROI), in order to evaluate the fiduciary merit of a project or investment. Ways to look at ROI are net present value (NPV) or internal rate of return (IRR). If you are beginning to glaze over, you want to assure you have the financial literacy necessary for successful contributions to a Board. You can test your financial literacy looking at such references as:

3 Financial Acumen Skills You Don't Want to Ignore:

<http://www.amanet.org/training/articles/3-financial-acumen-skills-you-dont-want-to-ignore.aspx>

Test your Financial Literacy:

<http://www.finra.org/investors/highlights/can-you-ace-quiz-test-your-financial-literacy>

While these references are not directly on point, they will give you an idea of where you stand and how you might want to proceed to gain the understanding of financial statements you will need for Board service. More directly on point would be:

12 Things You Need To Know About Financial Statements:

<http://www.investopedia.com/articles/basics/06/financialreporting.asp>

Five Reasons You Need Accounting/Financial Experience on Your Board:

<http://nonprofitinformation.com/reasons-accounting-financial-experience-nonprofit-board/>

Developing the financial literacy, acumen, and ease of working with the monthly, quarterly, and annual financial statements varies with the complexity of the organization. A good way to learn about the financial

position of an organization is to review the annual audit or annual report. If none exists, you need to ask for financial statements. An audit, when done by an outside firm, gives you confidence in the information you have been presented. The notes to the financial statement included in the audit give you insight into potential issues the organization might have in presenting its financial results.

I hope this essay has inspired your to sharpen your financial skills, whether you are already serving on a board, or are seeking an appointment to one.