



Board Finance Training Discussion Guide

Module 5 – Key Financial Performance Indicators

Purpose

The Board Finance Training Discussion Guide is designed as an opportunity for participants to expand on what they learned in the e-learning module, Key Financial Performance Indicators. 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 be asked.

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

- What is your understanding of key financial performance indicators?
- As a board member, what should you be looking for?

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:

- **Key Performance Indicators (KPIs)**

KPIs are useful to assess a health center's financial situation and can indicate whether the financial picture is getting better or worse. They are often provided to health center boards through financial dashboards in the monthly board packet. KPIs can also be very useful to compare your health center to other health centers or to industry benchmarks.

- Why is it important to have a basic understanding of the health center's financial statements in order to understand KPIs?



KPIs provide answers to questions about the health center's financial performance. Ask the group to think about some of those questions, such as, "Are we paying vendors on a timely basis?"

- What are the 6 major KPIs that were discussed in this module? Note to the group that the module recommended that these 6 be included, where appropriate, in the reporting on financial statements that the board receives monthly.

- **Current Ratio**

The Current Ratio measures how easy the health center can take care of its current obligations, such as paying vendors for services performed and if the health center can pay its employees.

- What Current Ratio is considered strong for a Health center?
- What Current Ratio should you be looking for that indicates it may need further investigation?

- **Days Cash On Hand**

Days Cash On Hand may be the most popular ratio for a board to monitor. Basically, this means if the health center does not have cash, then the health center cannot fulfill its mission of providing much needed services to the community. Anything less than 30 days Cash on Hand is considered cause for immediate concern.

- What does the Days Cash on Hand ratio tell you?
- What is a good goal for the amount of Days Cash on Hand a health center should have?

- **Net Days Revenue in Net Accounts Receivable**

Net Days Revenue in Net Accounts Receivable calculates the value that has been placed on patient accounts receivable. It calculates how much patient service revenue is on the balance sheet that has yet to be converted to cash.

- What is Patient Service Revenue, and which financial statement provides it?
- What is a good benchmark for the Net Days Revenue In Net Accounts Receivable KPI?



- **Days Expenses In Accounts Payable**

This ratio shows how quickly the health center pays its vendors.

- What is a good benchmark for the Days Expenses In Accounts Payable KPI?
- How many Days Expenses In Accounts Payable could indicate a problem?

- **Debt To Equity Ratio**

Debt To Equity Ratio helps to show if the health center has any borrowing capacity. For example, if the health center board is asked to approve an application to the bank for a loan, then understanding the Debt To Equity Ratio is important to help determine if the health center can pay the loan back to the bank.

- What Debt To Equity Ratio would be considered “unhealthy” for a health center to carry?
- What Debt To Equity Ratio would be an indication that the health center has the capacity to borrow additional funds?

- **Operating Income To Total Revenues**

Operating Income To Total Revenues is a profitability ratio. It measures the performance of the health center over a period of time. An excellent ratio of Operating Income to Total Revenues will generally allow financial flexibility to add money to reserves, pay down debts, or purchase equipment.

- What is considered a good target for this ratio?
- What is considered an excellent Operating Income To Total Revenues ratio?

- **Importance of KPIs**

As a board, it is important to consider all KPIs to understand the overall financial condition of the health center. For example, if the decision is made to try to increase Days Cash On Hand, but the health center slows down the paying of vendors (Net Days Revenue In Net Accounts Receivable) to try and increase cash, the health center is not really any financially stronger just because the cash has increased. HRSA monitors some KPIs to assess health



center performance. It is advisable that these be calculated and monitored by health center management as well.

- Why is it important to look at the trends from period to period?
- Name a KPI that HRSA uses to judge performance of grantees?

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 Key Financial Performance Indicators?
- 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>

Access the Health center Program Compliance Manual in Spanish here:

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

Access the Health center Program Site Visit Protocol here:

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