



Board Finance Training Discussion Guide

Module 2 – Reading and Understanding the Balance Sheet

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, Reading and Understanding the Balance Sheet. 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 generate.

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

- What do you think about your role in understanding the balance sheet?
- What about this role do you find challenging and may need additional support?

Discussion

After initial reactions are shared, acknowledge everyone's input and highlight topics from the module that participants mentioned. Remind participants that module 2 is specifically focused on the balance sheet and it is only one part of your health center's financial statements. Further modules will highlight the income statement and statement of cash flows. Then process what was learned in the module using the following questions to prompt participant feedback:

- **The Balance Sheet**

The balance sheet is the financial foundation on which the operations of the health center are built. If the foundation is solid, then the health center (HC) will have a much easier time operating in a financially responsible way. It is difficult to be successful long-term without a solid and stable balance sheet. The balance sheet shows the financial health of the HC and is generally shown with comparable numbers from the prior reporting period to allow readers to review the trends of the HC.

- What are the three components of the balance sheet?
Assets, Liabilities, and equity.
- Does everyone feel familiar with each component?



- **Assets** are what the health center owns, such as cash, amounts that are owed to the HC, and property and equipment.
- **Liabilities** are what the HC owes to vendors, employees, banks or others.
- The **equity** of a HC can be calculated by subtracting the liabilities from the assets and is the accumulation of all the years' operating results of the Organization.

- **Assets**

Cash equivalents are assets that are very similar to cash such as certain money markets accounts or certificates of deposit. The module explains that cash and cash equivalents are considered the most important to a health center.

- Do you agree with this?
- Why do you think these assets are so important to monitor?

- **Patient Accounts Receivable**

Patient accounts receivable represents the amount owed to the health center for services rendered to its patients and determines the expected collection amount. Patient encounters are sorted by financial payers, often referred to as the health center's payer mix.

- What financial classes are often referred to as health center's payer mix?
- Does your HC work with additional financial payers not listed in the module? If so, which ones?
- Payer mix is important to track because self-paying patients and private insurance companies compensate HCs at a higher rate than government programs like Medicare. Is this the case with your HC?

It is important for board members to understand whether increases in accounts receivable makes sense. This is based on the health center's performance and circumstances, or whether this is a cause for concern. If there are major changes in your health center's patient accounts receivable, it may be appropriate to ask questions at board meetings and/or Finance Committee meetings to help understand the cause.

- What can be the cause of significant changes in the HC's accounts receivable?
- Do you feel confident in asking questions on these financial shifts?
- What are some approaches you recommend for newly appointed board members when asking questions about significant changes?



- **Liability**

Long-term debt is typically a loan owed to a bank and considered a liability. These loans typically require a deposit with health center assets.

- What is typically utilized as collateral (or used as a deposit) for long-term debts? (Assets such as a building are usually used as collateral or deposits)

It is also important to review the trends of current liabilities and any unusual increases or decreases in accounts payable. This should be explained by the finance department.

- Is this commonly practiced in your HC?
- If not, what are some ideas on how to implement updates?

One of the most common balance sheet ratios is calculated by dividing current assets by current liabilities.

- What can this calculation or ratio show us?
- When is it recommended to keep an eye on this ratio?
- Does your HC calculate by other ratios?

Finally, it is important to look for any other unexpected change throughout the rest of the balance sheet. Typically, all major property and equipment purchases, and new loans would be approved at the board level. This in turn increases to long-term debt. If decisions are not made at the board level, then it would be appropriate to ask questions.

- If board members are not currently involved in major purchases, what are some strategies or approaches they can implement for an open dialogue with the CEO and CFO?

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 the balance sheet?
- 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:

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

Access the Health Center Program Site Visit Protocol:

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