



Webinar

Financially Fluent

Turning Board Reports into Better Decisions



INSTITUTE OF
COMMUNITY DIRECTORS
AUSTRALIA

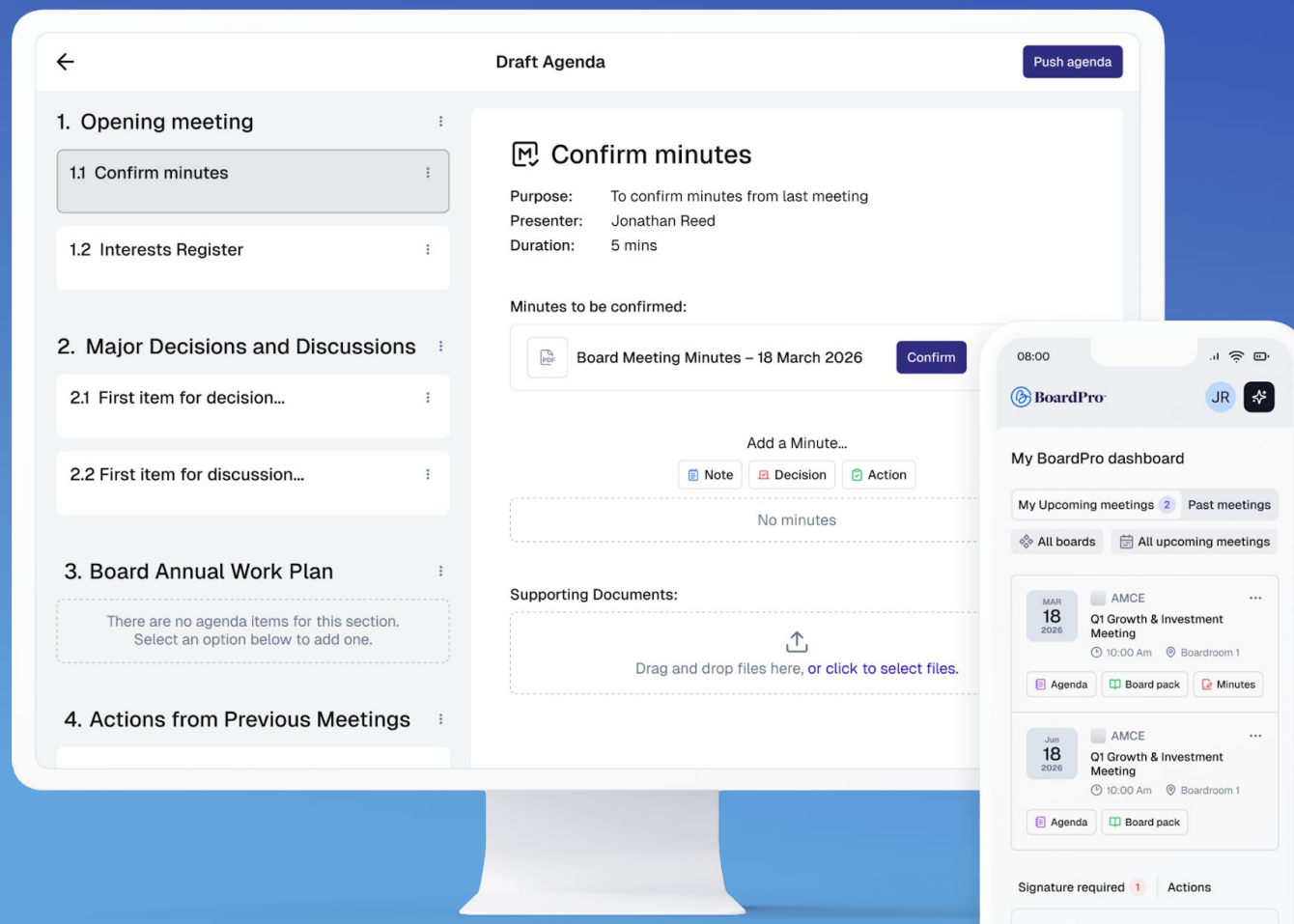
► Knowledge ► Connections ► Credentials







Refreshingly simple board management software





**Making the fundamentals of
governance free and
easy to implement**



Governance Made Easy

Governance Resource Centre

Explore free governance resources for growing your organisation and adopting good governance practises. From meeting minutes templates to CEO reporting templates, our comprehensive guides and templates will cover your governance and business essentials.

Content type



Topic



Persona



Search



**Slides, webinar video, and
transcript will be sent to you.**



Roger Chao

Chair and Non Executive
Director



Steven Bowman

Managing Director
Conscious Governance



FOUNDATIONS



What is usually inside the finance section of a board pack?

→ Different reports answer different governance questions.



Income Statement

Are income and expenses tracking to plan?



Balance Sheet

What do we own, owe and have available?



Cash/Working Capital

Can we meet obligations as they fall due?



Forecast

Where are we heading if current assumptions hold?



KPIs + Narrative

What changed, why, and what does management expect next?

Read the finance section as different views of the same organisation.



Four ratios worth knowing as a director

→ Ratios are warning lights: look at the trend, understand the cause, then ask what it means.

Ratio	Simple calculation	What it tells the board	Question to ask
Operating margin	Surplus or deficit / revenue	Are ordinary activities sustainable?	Are we earning enough to support what we do?
Current ratio	Current assets / current liabilities	Can short-term assets cover obligations?	Do we have enough near-term capacity?
Cash runway	Unrestricted cash / monthly cash spend	How many months could we operate?	How much time do we have if income is delayed?
Funding concentration	Largest funder / total revenue	How dependent are we on one source?	What happens if it disappears or changes?



Revenue is Growing, but The Organisation is Losing Money

→ Higher income can still leave the board with a weaker financial model.

\$000	FY25 Actual	FY26 Budget	FY26 Forecast
Revenue	4,600	5,000	5,400
Employee Costs	3,100	3,300	3,850
Other costs	1,250	1,350	1,500
Surplus / (deficit)	250	350	50

More revenue does not necessarily mean better financial performance.



Budget Margin
7.0%



Forecast Margin
0.9%

Board Decision

Approve recruitment of another six permanent employees to support continued growth.

Question For The Room

Revenue is \$400,000 above budget. Is the organisation performing better/worse than budget?

Follow-up Question

What further questions would you want to ask management before deciding?



CASE 02 | BALANCE SHEET



"We have \$1.2 million in the bank"

Cash in the bank is not the same as cash the board can spend.

\$000	Current month
Cash	1,200
Receivables	280
Other current assets	70
Current assets	1,550
Trade creditors	240
Employee liabilities	310
Grant income received in advance	650
Other current liabilities	100
Current liabilities	1,300



Cash balance is not the same as available cash.

CURRENT RATIO

1.19

RESTRICTED CASH

\$700k

CASH TARGET

\$400k

Board Decision

Approve a \$500,000 strategic investment after management says: "We have \$1.2 million cash available."

Question For The Room

Does this balance sheet support the statement that the organisation has \$1.2 million available to spend?

Follow-up Question

What further questions would you want to ask management before deciding?



We made a surplus, so why has cash fallen?

Profitability and cash movement can tell different stories.

YTD SURPLUS

\$200k

CASH CHANGE

-\$300k

RECEIVABLES RISE

+\$370k

Board Decision

Note the finance report, which describes financial performance | as "strong".

Question For The Room

What is the single most important question these three reports raise?

Follow-up Question

What further questions would you want to ask management?

P&L \$000	YTD	Cash-flow \$000	YTD
Revenue	3,200	Operating cash flow	-180
Expenses	3,000	Capital expenditure	-120
Surplus	200	Financing	0
		Net change in cash	-300

Balance sheet \$000	Start	Current
Cash	700	400
Receivables	220	590



Profitability and cash generation are different things.



Everything is still above zero

Trend can matter more than the current level of any single ratio.

Ratio	12 months ago	6 months ago	Current
Current ratio	1.8	1.4	1.05
Cash runway	5.2 months	3.8 months	2.1 months
Operating margin	5.5%	2.8%	-1.5%
Largest funder / revenue	32%	38%	51%

Board Decision

Consider management commentary: "No immediate financial issues requiring board action."

Question For The Room

Which single number worries you most?

Follow-up Question

What further questions would you want to ask management?



A ratio is most useful when you compare it over time.



A favourable variance that is actually bad news

A cost saving can mask a service-delivery problem.

VACANCIES

8 unfilled

WAITING LIST

60 → 145

SERVICE VOLUME

-17%

Board Decision

Note management commentary: "Costs are being well controlled and the organisation remains close to budgeted surplus."

Question For The Room

Is the \$220,000 favourable employee-cost variance good news?

Follow-up Question

What further questions would you want to ask management?

\$000	Budget	Actual	Variance
Service revenue	2,000	1,720	-280
Employee costs	1,400	1,180	+220
Other costs	400	350	+50
Surplus	200	190	-10



Favourable financial variances can signal poor organisational performance.



Strong net assets, weak liquidity

→ A property-rich organisation may still have a near-term cash problem.

\$000	Current
Cash	250
Receivables	200
Property	4500
Other assets	300
Total assets	5250
Current liabilities	600
Long-term liabilities	650
Net assets	4000

CURRENT RATIO
0.75

NET ASSETS
\$4.0m

CURRENT ASSETS
\$450k

Board Decision

Approve a further \$300,000 commitment while management describes the balance sheet as "very strong".

Question For The Room

Can an organisation with \$4 million in net assets have a liquidity problem?

Follow-up Question

What further questions would you want to ask management before deciding?

Solvency, liquidity and net assets are related, but they are not the same thing.



CASE 07 | CASH FORECAST



The forecast says cash never becomes negative

→ Positive cash is not the same as adequate headroom.

CASH LOW POINT

\$90k

BOARD BUFFER

\$300k

FEB GRANT

\$500k

➤ Board Decision

Management asks the board to accept the cash forecast because closing cash remains positive throughout.

➤ Question For The Room

Is "cash remains positive" sufficient assurance for the board?

➤ Follow-up Question

What further questions would you want to ask management?

\$000	Forecast Closing Cash
July	\$620K
August	\$510K
September	\$390K
October	\$280K
November	\$170K
December	\$90K
January	\$160K
February	\$410K



The question is how much headroom exists before cash reaches zero.



A financially successful program?

→ Allocated overhead can obscure the decision-relevant cost of closure.

\$000	Current
Revenue	800
Direct Costs	600
Allocated Corporate Overhead	260
Reported Result	-60



Allocated cost and avoidable cost answer different board questions.

DIRECT COST SAVED
\$600k

OVERHEAD SAVED
\$40k

OVERHEAD REMAINS
\$220k

Board Decision

Consider management's recommendation: "The program is loss-making and should be closed."

Question For The Room

Will closing the program improve the organisation's financial result by \$60,000?

Follow-up Question

What further questions would you want to ask management before deciding?



CLOSING



From report to board decision

→ A financially fluent board conversation leaves a visible chain of reasoning.

01

What changed?

Name the number or relationship that deserves attention.

02

Why does it matter?

Connect it to cash, service delivery, risk or sustainability.

03

What assumption matters most?

Identify what would make the forecast or decision wrong.

04

What would we do?

Make the decision, set a condition, or agree a trigger.

The aim is not to become the accountant in the room. It is to understand enough to govern the decision.



**Steven
Bowman**

in www.linkedin.com/in/stevenbowmangovernance



Roger Chao

in www.linkedin.com/in/roger-chao

Governing with impact in the new AI world

AUSTRALIA

Sydney: October 16th

Brisbane: October 19th

Perth: October 21st

Melbourne: October 23rd

NEW ZEALAND

Auckland: October 30th

Wellington: November 2nd

Christchurch: November 4th



Supporting community
governance in Aotearoa

www.boardpro.com/governing-with-impact-au-nz



Thanks for watching!

Join our community portal for the slide deck, transcript and resources from this webinar — plus our full library of past webinars.

community.boardpro.com →

FREE TO JOIN



Product Webinar

Walk into every meeting as the expert

Introducing AI Assistant in BoardPro



Webinar

**Tension Tolerance:
Fostering healthy debate
around the board table**



Webinar

Presenting to boards



Slide decks



Transcripts & resources



Governance community



Thinking about board management software for your organisation?



INSTITUTE OF
COMMUNITY DIRECTORS
AUSTRALIA

► Knowledge ► Connections ► Credentials

—→ 30 Day free trial

—→ No credit card required

www.boardpro.com/free-trial