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Dashboards 101: Demystifying Financial Data for Your Board

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(*This article is a sneak peek at a workshop by the same name being led by Erin Welch, CPA and Jacobson Jarvis Partner, at the 2013 Washington Nonprofit Conference on May 17. Please visit the link below the article for information on how to register*.)

When it comes to understanding financial data, not every board member is a numbers whiz and not every board member absorbs information in the same way. But considering that the success of your organization is deeply affected by the ability of your board to make decisions based on financial indicators, and that donors are increasingly using financial reports to validate information in promotional materials, it is crucial that they remain engaged in this area.

The key to engaging board members is to provide information that appeals to various learning styles. In our experience, a well-designed dashboard could be the perfect solution.

What is a Dashboard?
A dashboard is typically a one-page report containing a combination of visual and textual elements that quickly convey key information about organizational performance. While dashboards are a valuable resource, they should not be used as a replacement to the financial reports that your board currently receives.

What are the Benefits of Using a Dashboard?
The benefits are two-fold. First, the dashboard itself facilitates more meaningful conversations for your board around mission-building and decision-making by narrowing focus to a limited number of critical metrics. Secondly, the process of determining key performance metrics for your organization creates and strengthens relationships among the board, management, staff and other internal stakeholders while solidifying what is really crucial for your organization to successfully achieve its mission.

What is the Best Way to Get Started?
When deciding to develop a dashboard, many organizations focus a majority of their efforts on graphic design. While that is certainly an important (and fun!) part of the process, the success of a dashboard will rely more heavily on the quality of information it contains. As such, organizations should first decide on what they want to track *before* designing the visuals. We recommend starting with the following discussion points:

*(1) Decide what to measure***.** Many people assume that dashboards are confined to financial data but some of the most effective dashboards also contain a variety of non-financial milestones, including program impact, fundraising and even board performance. Here are a few examples of financial and non-financial metrics to start the conversation:

- *Financial:* Cash reserves, progress vs. budget, source or composition of revenue or support, expense ratio percentages, net income
- *Program Impact:* Patients served, new clients enrolled, graduation rates, grants or scholarships awarded, membership statistics, attendance statistics, units of housing created
- *Fundraising:* New donors, donor satisfaction, donor retention, growth in giving (by type), median gift size, board giving percentage, measure of donor engagement
- *Other:* Number of volunteers, volunteer hours, board attendance, board recruitment goals, customer satisfaction or other survey results, employee turnover rates, growth in web or social media traffic

*(2) Agree on targets***.** Once key metrics are identified, the next task should be to set targets or goals by which to measure actual results. For financial statistics this may be an easier task since the data can be pulled from your organizational budget, reserve policies, etc. The targets may be less clear-cut in other areas, but keep in mind that there is tremendous value to the types of conversations that this process facilitates.

(3) Develop a reporting plan. Next, create a routine process for gathering and distributing information on a timely basis. Depending on the size of your organization, the plan should include concrete action items relative to who will be in charge of compiling information, how often they are expected to provide it and a list of liaisons from each department that will be involved. Communication will once again be an integral key to success during this phase of the process.

(4) Determine the design. There are many design options, so choose one that resonates with your board and encourages engagement. Whatever format you choose, the goal is to provide a meaningful snapshot of organizational performance and impact that is both visually appealing and quickly tells a story.

Remember that developing a dashboard is an iterative process; the metrics you choose today may or may not be key to your organization five years from now. Your metrics will evolve and change over time. It's best to revisit metrics and targets annually to ensure that they remain relevant.

For more information about developing effective dashboards, including an in-depth discussion about selecting metrics, design tips and other best practices, be sure to catch Erin Welch at the Washington State Nonprofit Conference. Click here to register!

About the Author

Erin Welch, CPA, Consulting Partner, has worked as a consultant and auditor to not-for-profit organizations for the last 12 years. She helps clients develop internal control programs and other processes, conducts financial health assessments, reviews and designs charts of accounts, assists clients with board communications including dashboards, and facilitates board trainings. She can be contacted via phone at 206-628-8990, or via email at erin@jjco.com.