

CREATING AN EFFECTIVE BOARD PACKAGE: **A Guide for Private Company CEOs**

AN ARMANINO WHITE PAPER





Financial performance of company and subsidiaries



The following table shows the financial performance of the company and its subsidiaries for the period ending 31st March 2023. The figures are in millions of dollars and are based on the consolidated financial statements of the company and its subsidiaries.





CREATING AN EFFECTIVE BOARD PACKAGE: A GUIDE FOR PRIVATE COMPANY CEOs

Board of directors meetings are one of a CEO's critical responsibilities. To lay the groundwork for a productive meeting, CEOs and their teams need to compile a package of board materials that's informative, insightful and provides directors the necessary level of financial detail and analysis.





MAP THE FLOW OF THE MEETING

Overall, the board materials should outline and explain significant variances from plan (both positive and negative), illustrate management’s execution against plan, and show the management team’s ability to understand and clearly explain the factors impacting execution. The package maps the flow of the board meeting, which typically follows some variation of this general schedule:

1. **Opening Remarks** from the CEO
2. **Approval of Minutes** from the prior meeting
3. **General Session**
The CEO:
 - Outlines the focus areas for the meeting
 - Summarizes performance vs. goals since the last meeting
 - Discusses factors impacting operations, both positive and negative
 - Reviews major operational issues/concerns
 - Discusses big-picture, strategic topics of interest to the board
 - Provides a summary outlook for the business
 - Establishes goals for the next meeting
4. **Closed Session**
(board members, corporate counsel and CFO only)
 - Review fair market value of common stock
 - Approve new stock options
 - Discuss other financial matters requiring board action (such as the upcoming renewal of a line of credit)
5. **Executive Session** (outside directors only)
 - Discuss performance and other company issues

Depending on the level of detail the board wants, this may include an operations review by department: Engineering/R&D, Marketing/Sales, Manufacturing/Operations, Finance & Administration, etc.

Financial Statements and Other Data

An effective board package combines financial statements with other information and commentary to provide a complete picture of the company's operations. By helping your board understand these documents and how they relate to one another, you enable them to develop an informed view of your company's financial condition and stability. Include these core financial statements:

Income Statement

(aka Profit & Loss Statement or Statement of Operations)

This is a "flow" statement, meaning it covers a period of time. For this period, it presents total company revenue, deducts all costs and expenses, and derives the resulting income or loss generated by the business.

Balance Sheet

This is a "stock" statement, representing a point in time — the end date of the income statement period. It presents the company's assets and liabilities, and derives the net worth or "equity" of the business by subtracting liabilities from assets.

Statement of Cash Flows

(aka Statement of Changes in Financial Position)

Also a "flow" document, it covers the same time period as the income statement. It combines information from the income statement and balance sheet to illustrate how much cash the business either generated or consumed during the period.

Use appropriate detail from the financial statements to clearly show material variances from plan, both positive and negative. It's important to anticipate the board's reaction to these variances and be prepared to give detailed answers to questions about them. CEOs should also demonstrate an aggressive approach to addressing shortfalls, and the review of operating expenses should show ongoing attention to cost control.

Include the operating metrics/key performance indicators (KPIs) that really matter to your business, such as recognized revenue, cash balance and churn. But don't just report the numbers. You also need to provide an interpretation and analysis of what the metrics mean for the business. For example, along with reporting on the company's cash balance and its change since the last meeting, you need to provide an analysis of the factors impacting cash flow positively or negatively.

(For sample financial statements and examples of KPIs and other relevant financial information to include, see the Appendix.)



	Actual	Budget	Last
	31,087	211,000	211,000
	631,928		3,106,300
	632,967		389,500
	663,850	2,000,000	712,200
	639,000	488,123	798,300
	4,700,000	4,979,806	5,229,800
	54,763	433,855	
	60,311,603		

Income Statement

REVENUE

Sale revenue

Sales

Cost of goods sold

Gross profit



TIMING AND EXECUTION

It's important to distribute the package well in advance of the board meeting to give the directors adequate time to review the information. Send it out three to four days beforehand, at minimum. The CEO should also be available during this time to discuss the package and answer questions.

Have a consistent message throughout the materials. And present the information in a format that's consistent from meeting to meeting, with consistent reporting, so the board knows what to expect. This also makes it easier to prepare, because you can create an outline of the board deck and update it for each meeting instead of starting from scratch.

Your directors are all busy people, so make sure the materials are clear and concise. Guide the board by distilling the key aspects of your business. Board packages tend to get longer as companies grow and there is more ground to cover, but in addition to the financial statements, you generally should not need to distribute more than

five to ten pages of written material, absent a special circumstance. For instance, if you are going to present a proposed acquisition to the board, that would require disclosing substantially more information, perhaps in a separate package. It's all a matter of judgement, past practice, and what your directors have come to expect in terms of information load.

A good board package enables you to set clear expectations and communicate your company's performance with complete transparency. This will help ensure that your meeting runs smoothly, with no unpleasant surprises on either side, and is as productive as possible.



APPENDIX

Financial Statements—an Overview Sample Income Statement Format

Current Month				Quarter-to-Date			Year-to Date		
Actual	Plan	B/ (W)		Actual	Plan	B/ (W)	Actual	Plan	B/ (W)
			Revenue						
\$4,417	\$3,336	\$1,081	Revenue	\$7,776	7,772	\$4	\$25,733	\$25,329	\$404
\$1,975	\$1,778	(197)	Cost of Sales	3,740	4,125	385	12,039	13,200	\$1,161
2,442	1,558	884	Gross profit – \$	4,036	3,647	389	13,694	12,129	1,565
55.3%	46.7%	8.6%	Gross margin – %	51.9%	46.9%	5.0%	53.2%	47.9%	5.3%
			Operating Expenses						
637	577	(60)	Research & Development	1,267	970	(297)	4,928	4,262	(666)
434	421	(13)	Sales & Marketing	793	873	80	2,710	2,967	257
140	131	(9)	General & Administrative	269	269	0	1,130	1,206	76
1,211	1,129	(82)	Total Operating Expenses	1,267	970	(297)	4,928	4,262	(666)
1,231	429	802	Operating Profit (loss)	1,707	1,535	172	4,296	3,694	1,232
60	120	60	Other expense (income)	130	240	110	480	960	480
1,171	309	862	Income Before Taxes	1,577	1,295	282	4,446	2,734	1,712
63	35	(28)	Provision for Income Taxes	124	99	(25)	507	141	(366)
\$1,108	\$274	\$834	Net Income (loss)	\$1,453	\$1,196	\$257	\$3,939	\$2,593	\$1,346

			Headcount
9	9	0	Operations
61	60	(1)	Reserach & Development
9	11	2	Sales
8	6	(2)	Marketing
7	9	2	General & Administrative
94	95	1	Total Headcount

Financial Statements—an Overview Sample Balance Sheet Format

Prior			Current			
Actual	Plan	Var	(\$000 Omitted)	Actual	Plan *	Var
			Assets			
			Current Assets:			
\$3,488.7	\$2,816.5	\$672.2	Cash	\$4,533.0	\$3,858.8	\$674.2
5,305.4	\$4,691.1	614.3	Accounts Receivable, net	5,774.7	4,727.1	1,047.6
1,265.0	3,281.7	(2,016.7)	Inventory	1,193.4	3,210.1	(2,016.7)
793.2	396.4	342.8	Prepays & Deposits	565.9	225.2	340.7
10,798.3	11,185.7	(387.4)	Total Current Assets	12,067.0	12,021.2	45.8
			Long-term Assets			
3,399.9	5,197.1	(1,797.2)	Fixed Assets	3,399.9	5,197.1	(1,797.2)
(2,689.5)	(4,357.3)	1,667.8	Less: Accumulated Depreciation	(2,749.9)	970	(297)
559.7	5,038.1	(4,478.4)	Intellectual Property	555.4	1,535	172
105.7	114.5	(8.8)	Other Long-Term Assets	105.8	240	110
1,375.8	5,992.4	(4,616.6)	Total Long-Term Assets	1,311.2	1,295	282
\$12,174.1	\$17,178.1	(\$5,004.0)	Total Assets	\$13,378.2	\$17,948.9	(\$4,570.7)
			Liabilities & Equity			
			Current Liabilities:			
\$2,383.2	\$1,727.7	\$655.5	Accounts Payable	\$2,880.2	\$2,624.7	\$255.5
2,098.3	2,619.7	(521.4)	Accrued Expenses	2,064.2	2,630.6	(566.4)
10.1	49.1	(39.0)	Accrued Wages & Benefits	46.2	85.2	(39.0)
0.0	0.0	0.0	Current Portion of Long-Term Debt	0.0	0.0	0.0
3,246.4	2,000.0	1,246.4	Notes Payable	3,291.4	2,000.0	1,291.4
1,167.6	698.4	469.2	Deferred Revenue	914.7	445.4	469.3
8,905.6	7,094.94	1,810.7	Total Current Liabilities	9,196.7	7,785.9	1,410.8
			Long-Term Liabilities			
878.5	1,189.0	(4,616.6)	Total Long-Term Liabilities	684.0	994.6	(310.6)
9,784.1	8,283.9	(\$5,004.0)	Total Liabilities	9,880.7	8,780.59	1,100.2
			Shareholder's Equity			
32,750.6	33,382.3	(631.7)	Common Stock	32,750.6	33,382.3	(631.7)
			Preferred Stock:			
21,549.0	22,357.9	(808.9)	Preferred Series A, Net of Issuance co	21,549.0	22,357.9	(808.9)
			Retained Earnings			
(54,740.7)	(50,070.4)	(4,670.3)	Retained Earnings – Prior Period	(54,740.7)	(50,070.4)	(4,670.3)
2,831.1	3,224.4	(393.3)	Retained Earnings – Current Period	3,938.6	3,498.6	440.0
2,390.0	8,894.2	(6,504.2)	Total Shareholder's Equity	3,497.5	9,168.4	(5,670.9)
\$12,174.1	\$17,178.1	(\$5,004.0)	Total Liabilities & Equity	\$13,378.2	\$17,948.9	(\$4,570.7)

Financial Statements—an Overview Sample Statement of Cash Flows Format

Current				Year-to-Date		
Actual	Plan	Var		Actual	Plan	Var
\$1,108	\$274	\$834	Net Profit/(Loss)	\$3,939	\$2,593	\$1,346
63	64	(1)	Add: Depreciation & Amortization	572	923	(351)
			(Increase) Decrease in Assets:			
(469)	(36)	(433)	Accounts Receivable	(289)	1,113	(1,402)
72	72	0	Inventory	(43)	(1,993)	1,950
171	171	0	Prepays, Deposits & Other Assets	300	679	(379)
			Increase (Decrease) in Liabilities:			
497	897	(400)	Accounts Payable	573	715	(142)
(34)	5,197.1	(1,797.2)	Accrued Expenses	258	884	(626)
81	36	45	Accrued Salary & Benefits	(527)	46	(573)
(253)	(253)	0	Other Current Liabilities	7	(1,321)	1,328
1,236	1,236	0	Net Cash Flow from Operations	4,790	3,639	1,151
			Cash Flow from Investment Activities:			
0	0	0	Increase (Decrease) in Notes & Leases	124	(39)	163
0	0	0	(Increase) (Decrease) in Equip & Property	(532)	(846)	314
0	0	0	Net Cash Flow from Investment Activities	(408)	(885)	477
			Cash Flow from Financing Activities:			
(194)	(194)	0	Notes Payable— Borrow/(Repay)	(317)	12	(329)
0	0	0	Convertible Debt	0	(1,888)	1,888
0	0	0	Common Stock	(17)	0	(17)
0	0	0	Preferred Stock	0	2,500	(2,500)
0	0	0	Stock Issuance Costs	0	0	0
(194)	(194)	0	Net Cash Flow from Financing Activities	(408)	(885)	477
\$1,042	\$1,042	\$0	Net Cash Flow	\$4,048	\$3,378	\$670
\$1,042	\$1,042	\$0	Cash Balance—Beginning of Period	\$4,048	\$3,378	\$670
\$4,533	\$3,859	\$674	Cash Balance—End of Period	\$4,533	\$3,859	\$6740

Example Metrics for Board of Directors Package

Key Metrics

	Prior Qtr.	Current Qtr.	Next Qtr. Plan	Next Qtr. Forecast
Recognized Revenue	\$XXX	\$XXX	\$XXX	\$XXX
Deferred Revenue	\$XXX	\$XXX	\$XXX	\$XXX
Average Recurring Revenue	\$X.XX	\$X.XX	\$X.XX	\$X.XX
Cost of Acquisition	\$Y	\$Y	\$Y	\$Y
Churn	Z%	Z%	Z%	Z%
Customer Count	###	###	###	###
Cash Balance	\$XXX	\$XXX	\$XXX	\$XXX (funded through [date])



Waterfall (Operating Data)

Revenue 2019

Jan	Feb	Mar	Apr	May	Jun	Jul
385.0	385.0	530.0	775.0	825.0	900.0	1,085.0
246.0	230.0	495.0	650.0	700.0	800.0	700.0
	230.4	495.0	500.0	500.0	500.0	800.0
		493.5	250.0	250.0	500.0	400.0
			93.4	250.0	500.0	400.0
				221.4	500.0	250.0
					427.3	150.0
						48.1

Operating Expenses 2019

Jan	Feb	Mar	Apr	May	Jun	Jul
874.2	921.5	1,106.4	1,350.1	1,384.5	1,631.1	2,012.8
954.1	920.0	1,125.0	1,350.1	1,384.5	1,631.1	2,012.8
	920.0	1,160.8	1,275.3	1,384.5	1,631.1	2,012.8
		1,279.8	1,290.0	1,384.5	1,603.6	1,590.9
			1,150.6	1,350.6	1,525.0	1,466.0
				1,376.5	1,525.0	1,410.0
					1,567.7	1,410.0
						1,315.0

Operating Profit (Loss) 2019

Jan	Feb	Mar	Apr	May	Jun	Jul
(765.9)	(813.2)	(924.9)	(1,197.0)	(1,220.4)	(1,405.3)	(1,661.0)
(878.3)	(690.0)	(630.0)	(700.1)	(684.5)	(831.1)	(1,312.8)
	(804.7)	(665.8)	(775.3)	(884.5)	(1,131.1)	(1,312.8)
		(1,042.0)	(1,040.0)	(1,134.5)	(1,103.6)	(1,190.9)
			(1,128.3)	(1,100.6)	(1,025.0)	(1,066.0)
				(1,280.5)	(1,025.0)	(1,160.0)
					(1,337.7)	(1,260.0)
						(1,323.2)

Headcount 2019

Jan	Feb	Mar	Apr	May	Jun	Jul
48	49	52	61	66	70	80
45	48	52	62	69	74	83
	44	48	60	67	72	81
		47	59	66	71	80
			57	64	67	70
				60	63	66
					61	63
						61

Aug	Sep	Oct	Nov	Dec	Total	
1,285.0	1,530.0	1,463.0	1,700.0	2,100.0	12,963.0	Plan
700.0	900.0	800.0	800.0	1,100.0	8,121.0	Forecast 2-20
800.0	800.0	1,000.0	1,000.0	1,200.0	8,071.4	Forecast 3-18
400.0	400.0	500.0	500.0	500.0	4,669.9	Forecast 4-25
400.0	400.0	500.0	500.0	500.0	4,513.3	Forecast 5-21
250.0	250.0	350.0	350.0	350.0	3,584.7	Forecast 6-16
200.0	200.0	300.0	300.0	300.0	3,162.0	Forecast 7-25
150.0	150.0	150.0	150.0	300.0	2,660.1	Forecast 8-22
84.1	141.0	100.0	100.0	190.0	2,375.2	Forecast 9-26
	186.7	100.0	100.0	190.0	2,420.9	Forecast 10-16
		168.2	100.0	153.0	2,452.1	Forecast 11-28

Aug	Sep	Oct	Nov	Dec	Total	
1,801.0	1,956.7	1,836.5	2,607.5	1,921.9	19,404.2	Plan
1,801.0	1,956.7	1,836.5	2,607.5	1,921.9	19,501.2	Forecast 2-20
1,801.0	1,956.7	1,836.5	2,607.5	1,921.9	19,462.2	Forecast 3-18
2,243.9	2,150.9	1,980.6	2,476.5	2,276.3	20,151.1	Forecast 4-25
1,685.0	2,150.9	1,980.6	2,476.5	2,276.3	19,215.4	Forecast 5-21
1,325.0	2,486.9	2,066.0	2,684.3	1,922.6	19,100.8	Forecast 6-16
1,410.0	2,450.0	2,066.0	2,460.0	2,350.0	19,394.7	Forecast 7-25
1,575.6	2,324.6	2,064.4	2,359.6	2,622.0	19,509.9	Forecast 8-22
1,515.4	2,314.3	2,052.2	2,357.1	2,616.5	19,419.2	Forecast 9-26
	2,603.2	1,897.5	2,478.8	2,208.0	19,266.6	Forecast 10-16
		1,990.1	2,503.2	2,304.5	19,480.1	Forecast 11-28

Aug	Sep	Oct	Nov	Dec	Total	
(1,426.4)	(1,544.5)	(1,298.3)	(1,970.1)	(1,163.1)	(15,390.1)	Plan
(1,101.0)	(1,056.7)	(1,036.5)	(1,807.5)	(821.5)	(11,550.4)	Forecast 2-20
(1,101.0)	(1,156.7)	(836.5)	(1,607.5)	(721.9)	(11,676.1)	Forecast 3-18
(1,843.9)	(1,750.9)	(1,480.6)	(1,976.5)	(1,776.3)	(16,022.2)	Forecast 4-25
(1,285.0)	(1,750.9)	(1,480.6)	(1,976.5)	(1,776.3)	(15,314.2)	Forecast 5-21
(1,075.0)	(2,236.9)	(1,716.0)	(2,334.3)	(1,572.6)	(16,253.6)	Forecast 6-16
(1,210.0)	(2,250.0)	(1,766.0)	(2,160.0)	(2,050.0)	(17,167.5)	Forecast 7-25
(1,523.1)	(2,272.1)	(2,004.4)	(2,299.6)	(2,502.0)	(18,395.9)	Forecast 8-22
(1,470.8)	(2,265.0)	(2,012.2)	(2,317.1)	(2,540.5)	(18,400.3)	Forecast 9-26
	(2,451.0)	(1,857.5)	(2,438.8)	(2,312.0)	(18,144.8)	Forecast 10-16
		(1,903.2)	(2,463.2)	(2,220.5)	(18,303.4)	Forecast 11-28

Aug	Sep	Oct	Nov	Dec	Total	
83	86	92	94	96	96	Plan
85	90	97	99	103	103	Forecast 2-20
83	88	95	97	102	102	Forecast 3-18
83	88	95	97	103	103	Forecast 4-25
78	82	88	96	101	101	Forecast 5-21
79	80	88	96	101	101	Forecast 6-16
65	74	86	94	100	100	Forecast 7-25
65	72	84	92	98	98	Forecast 8-22
62	72	84	92	98	98	Forecast 9-26
	65	69	74	80	80	Forecast 10-16
		67	73	78	78	Forecast 11-28

ABOUT US

Armanino LLP provides an integrated set of accounting and consulting services to a wide range of organizations—privately held companies, non-profit organizations and public entities—operating in the U.S. and globally. We provide four main areas of service: assurance/audit, tax, consulting and business management. Our technology focus and global services are key aspects of our service lines. We work with clients in a large range of industries, including technology, manufacturing, and distribution, consumer-retail, nonprofit, private schools, real estate, professional services, life sciences, insurance and healthcare.

Armanino provides interim CFOs and Controllers who work as members of our client management teams, whether for one day a week or full time. Our CFOs have raised money, provided strategy, and led companies through massive growth as well as through adversity. Our serial controllers have experience setting up accounting operations with numerous companies in multiple industries that focus on providing optimized accounting solutions.

Contact us if you have any questions.



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