

# Financial Roles and Responsibilities of a Board

- The Board is <u>elected</u> by owners to operate in the best interest of the owners that elected them
  - Not in any individual's best interest
  - Protect the assets, cash flow and profitability of the organization (the financial statements)
  - Must self monitor their performance and the decisions made
    - "The Buck Stops" with the Board

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# Financial Roles and Responsibilities of a Board

- Roles and responsibilities don't stop at just the annual financial statements
  - Establishing and maintaining sound internal controls
    - Will vary based on the size of the organization and the current life cycle of the entity
  - Setting compensation for top level executives
  - Monitoring and managing monthly financial information
  - Communicating financial results with other owners
  - Interacting regularly with top executives

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# Financial Roles and Responsibilities of a Board

- Roles and responsibilities don't stop at just the annual financial statements (con't)
  - Assuring the correct amount of financial resources are going to each stakeholder
    - Owners, employees and customers
  - Approving professional service providers that are knowledgeable, protect the best interest of the entity and have reasonable fees
  - Approving major financial decisions large purchases, borrowing funds, mergers & acquisitions, etc.

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## **Internal Controls Responsibilities**

- Mid to Large Entities
  - Expenditure approvals above set amount (example \$20,000)
  - Prior month disbursement registers checks and ACH
  - Financial statements
  - Loan compliance
  - Executive expense reimbursements

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## **Internal Controls Responsibilities**

#### Small Entities

- Expenditure approvals above set amount (example \$5,000)
- Prior month disbursement registers checks and ACH
- Bank reconciliations and statements review
- Financial statements
- Loan compliance
- Employee expense reimbursements
- Credit card statements

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# **Monitoring and Reporting**

- Periods to Show
  - Current Month
  - Prior 3 Months
  - Prior Month Prior Year
  - Month-to-Date
  - Prior Year Month-to-Date
- Annualized Projection
- Prior Year Actual Year-to-Date
- Budgeted/Benchmark
- Percentage Variances

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# **Budget Key Metrics**

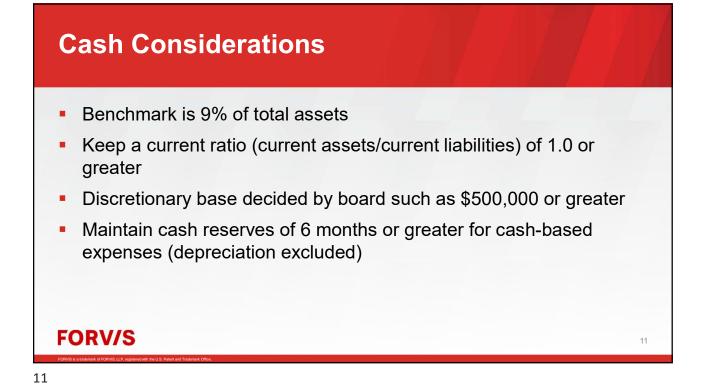
- Revenue growth
- Operating margins
- Payroll to total revenues and expenses ratios
- Benefits to payroll ratio
- Average revenue per customer
- Direct margin per customer per service line
- Current ratio

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# **Budget Key Metrics**

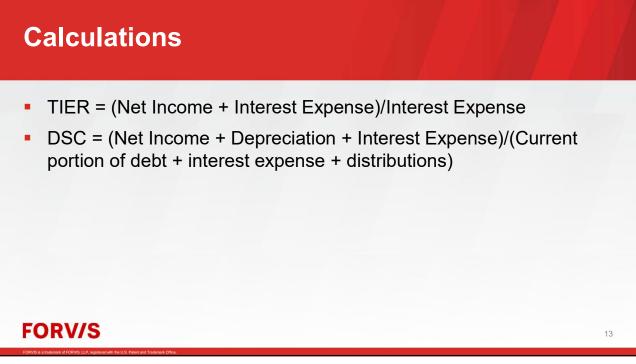
- Return on fixed assets/equity
- Cash and liquid investment reserves



## **Use of Budgets**

- Short and long-term forecasts
- Historical comparisons
- Regular review for check-up on expectations and achievements
- Set goals for where you need to be 1-5-10 years in the future

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# **Key Metrics for Lenders**

Metric	RUS/Benchmark		
TIER	>1.0/9.87		
DSCR	>1.5/5.11		
Equity to Assets	Range/82%		

# **Key Metrics for Broadband**

Vietric	Benchmark	
Revenue growth	2.6%	
Broadband growth	8.9%	
Payroll to total expense	21.8%	
Overheads to payroll	41.8%	
Revenue per employee	\$386k	
Broadband per connection	\$767	
Operating margin	15.6%	
OIBDA to revenue	36.1%	
Broadband to total revenue	26%	

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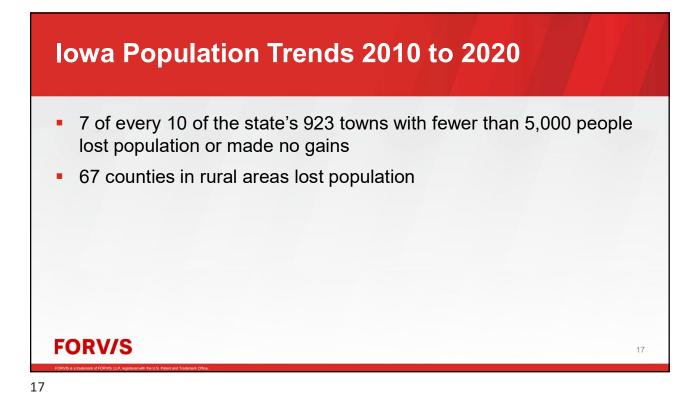
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#### **Trends for Budgeting**

	2032 (Trend)	2027 (Trend)	2022 (Actual)	2016 (Actual)	2012 (Actual)
Local Telephone Service as a % of Operating Revenue	3.3%	4.6%	6.4%	10.7%	11.1%
Internet Service as a % of Operating Revenue	60.9%	39.8%	26.0%	14.5%	13.1%
Video Service as a % of Operating Revenue	?	?	10.7%	7.8%	6.8%
Payroll as a % of Operating Expense	23.6%	22.3%	21.8%	19.6%	18.9%
Revenue per Employee	\$508k	\$446k	\$386k	\$331k	\$306k
Benefits as a % of Payroll	41.0%	42.1%	42.8%	44.6%	45.4%
Inflation Rate			3.0%	1.23%	2.1%

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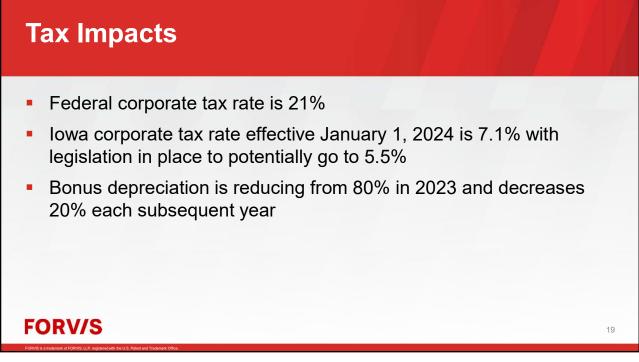
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## **Payroll Data**

- Projecting 3.9% for 2024
- Nation increase for 2023 was 4.2%
- National increase for 2022 was 5.1%
- National increase for 2021 was 4.2%

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#### **National Competitor Results** Lumen Technologies (Centurylink) 10-K - Fiber broadband increased 5% - Other broadband (copper) decreased 36% - Voice declined 40% AT&T broadband ARPU at \$62 per month up from \$57 Comcast 10K - Video customers decreased by 2.0m (12%) Comcast went from 18m in 2021 to 14m in 2023 Peacock added 10 million subscribers to 31 million in 2023 FORV/S 20



#### **Employee Benefit Savings** Employee contribution changes for - Health insurance - Pension Incentive based component to wages - Growth goals - Expense reduction goals Overtime controls Comparisons to industry benchmarks Cashflow impact by using deferred comp for manager level instead of payroll FORV/S 22

# **Employee Benefit Savings**

- Sharing of staff with other companies or outsourcing on-call responsibilities
- Offering early retirement and incentive to do so
  - Lump sum cash payment
  - Health insurance payments until Medicare
  - Combination of items or other incentives
- Replacing full-time employees that leave with part-time ones

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# Payroll Allowing for part-time Early retirement packages Staff sharing with other neighboring companies Overtime controls Revenue Growth Training on upselling Better bundling Gain Share Programs

- Based on new customer growth
- Profitability

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