Our board requires the assistance of standing committees to effectively/efficiently meet its obligations, fulfill its responsibilities and perform its roles because: some aspects of governance work are best tackled by small groups; and our board does not have enough time, when it meets, to accomplish everything required of it. Excluding noted exceptions, standing committees are not authorized to formulate policies or make decisions on behalf of our board. Rather, committees are charged with performing governance “staff work” that leverages our board’s time and effort.

purposes

✔ assist our board to fulfill its responsibility for ensuring ___[organization name]___ financial health

✔ assist our board formulating policies regarding, making decisions about and overseeing ___[organization name]___ financial performance and condition

tasks

✔ develop an annual committee work plan; forward to the executive committee for review/input and approval

✔ working with management, draft annual ___[organization name]___ financial objectives; forward to the board for discussion/action

✔ annually, review the appropriateness/effectiveness of management’s financial planning process; forward analyses and recommendations to the board for discussion/action

✔ annually, review the appropriateness/effectiveness of management’s
capital project evaluation and allocation process; forward an assessment to the board for discussion/action

✔ at least twice each year, review management’s financial plan evaluating the extent it is on target and aligned with the strategic plan, organizational goals and the vision/mission; forward an assessment to the board for discussion/action

✔ review all capital project proposals whose magnitude/risk requires our board's approval; forward analyses and recommendations to the board for discussion/action

✔ quarterly, review/evaluate management’s operational budgets (including estimates, actuals and variances); forward an assessment to the board for discussion/action

✔ draft policies and decisions regarding finances; forward to the board for discussion/action

✔ review and analyze all management proposals regarding finances; forward to the board for discussion/action

✔ specify quantitative metrics (indicators, standards/benchmarks) that should be included in our board’s financial assessment process; forward recommendations to the board for discussion/approval

✔ quarterly, review quantitative financial metrics (indicators, standards/benchmarks); if deficiencies are detected, forward an assessment and recommendations to the board for discussion/action

✔ annually, review/evaluate __[organization name]___financial performance and condition; forward an assessment to the board for discus-
✔ annually, review and evaluate [organization name] credit worthiness; forward an assessment to the board for discussion/action

✔ direct and oversee the investment of excess funds, including:
  - selecting investment advisors
  - developing investment objectives and criteria
  - assessing investment advisors and fund performance
  - making recommendations to the board for discussion/action

✔ as requested, serve as a financial “sounding board” and “brain-storming” group for the President/CEO and Chief Financial Officer

✔ as needed, coordinate its work with other board committees (particularly audit)

✔ perform other tasks, dealing with finances, assigned by the board

✔ annually, forward a report to the executive committee: detailing the committee’s activities/accomplishment; assessing its performance; making recommendations for alteration in functions/processes/procedures

meetings

✔ monthly, 12 times per year

✔ expected duration: 1.5 hours

✔ agenda books and background materials will be distributed to committee members at least ___ days prior to the meeting
composition

✔ at least four directors (voting)

✔ Chief Financial Officer (ex officio without vote)

✔ up to two non-directors with knowledge in the area of corporate finance (voting)

✔ chairperson, must be a director with knowledge in the area of corporate finance

✔ the President/CEO will be invited to attend all meetings (non-member)

✔ the audit committee chairperson will be invited to all meetings (non-member)

staffing

✔ professional: one senior member of the finance staff designated by the Chief Financial Officer

✔ administrative/secretarial: individual designated by the Chief Financial Officer

NOTES:

A charter assists in directing and structuring committee work. This illustrative charter is crafted for the finance committee of a free-standing hospital board based on current best practices; modifications would need to be made for: health system (parent) boards; boards of hospitals which are system subsidiaries; and boards of other healthcare organizations (e.g., medical group, health plan).
This is an illustration and not meant to be comprehensive or inclusive. It is provided as a template, and point of departure, for formulating your board’s finance committee charter.

The charter is grounded on a model of healthcare organization governance forwarded in Board Work by Dennis Pointer and James Orlikoff (Jossey-Bass, 1999).

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