



**NCSBN**  
Leading Regulatory Excellence

## ***2019 NCSBN Annual Meeting - Committee Forum: Finance Committee Video Transcript***

©2019 National Council of State Boards of Nursing, Inc.

### **Event**

2019 NCSBN Annual Meeting

More info: <https://www.ncsbn.org/13304.htm>

### **Presenter**

Gloria Damgaard, MS, RN, FRE, Treasurer, NCSBN Board of Directors; Executive Director, South Dakota Board of Nursing

So, the finance committee report. I would like to start first by acknowledging the members of the 2018, 2019 finance committee. And if you're here, would you please stand?

First is Gayle Bellamy, from North Carolina. I don't think Gayle is here. John Etherington, from Oregon, Karen Lyon, from Louisiana, Shan Montgomery from Mississippi, David Saucedo from Texas, and Randy Smith from Kentucky.

And we've had a wonderful committee that's been working very hard throughout the year. And I'd also like to acknowledge NCSBN Chief Financial Officer, Rob Clayborne. Are you in the room?

Could you stand if you are? I can't see him. And also our Financial Director, Gloria Melton, they are the real experts in the financial arena. And I want you all to know that the finances of the organization are in very good hands.

So, the Finance Committee Charges are listed here. And we advise the board on the overall direction and control of the finances of the organization. We review and recommend a budget to the board every year. And we worked in July, had our July meeting and completed the budget that will be presented to the Board of Directors at their September meeting.

We monitor the income, expenditures, and program activities against projections. And we present quarterly financial statements to the board. So, prior to every board meeting, the Finance Committee goes over those reports and recommends that then they be forwarded on to the Board of Directors. We oversee the financial reporting process, the systems of internal accounting and financial controls, and the performance, and independence of the auditors.

So, it's the finance committee that recommends to the board the appointment of the firms to serve as independent auditors. And we have already conducted that work this year, and we'll be making a recommendation to the Board of Directors at their September meeting. As you all know, the finances of the organization are audited every year.

And they've always been unqualified reports for as long as I have been on the board and probably, every year previously. So, we've always gotten very good audit reports. The finance committee makes recommendations to the board with respect to investment policy and assures that the organization maintains adequate insurance coverage.

So, the Board of Directors adopts a policy, with input from the Finance Committee, on how our investments will be made. We have investment consultants that meet with the Finance Committee at every meeting that we have. And these consultants help us with setting that policy for the investments. But they do not actually manage the money.

We do have managers that do that. And that's kind of one of the internal controls of the organization. So the desired impact for the Finance Committee is that we'll have adequate financial resources to fund the tactical plans necessary to execute the NCSBN's Strategic Initiatives over the long-term.

And we have our operating reserve. And by policy, we are required to keep at least 25% of the annual operating budget in the operating reserve. We have, however, opted to keep a lot more in that operating reserve so that we don't touch that money.

And then we have a capital reserve that we also have money that's allocated for enhancement of program qualities and introducing new programs, etc. So, we've really looked at advising the board on, you know, keeping both the operating and capital reserves at a high level.

And we also have to make sure that we allocate our finances according to our mission. And the Finance Committee does that as well. This is the revenue stream for National Council. You can see that a total of 70% of the revenue comes from NCLEX for U.S. licensure.

That's not a surprise to anyone. We receive 7% from nurses for licensure verification fees, 4% from the learning extension sales, and 5% from the NCLEX in Canada. While investment earnings are projected to be equal to 12% of the total revenue for this year, ending on September 30th of 2019, that income source is always dependent upon changing conditions in the financial markets and can vary significantly from year to year.

And then the other income that combined, just makes up 2% of NCSBN income includes such things as royalty from the Nurse Aide and MACE exams, the NCLEX practice exam fees, meeting registrations, associate member fees, and then our publication and sales.

So that's the broad overview of our revenue sources. And then how we spend our funds is depicted in this graph. NCLEX is our largest revenue source. It's also our largest expenditure. Fifty-nine cents of every dollar that's spent goes directly to support exams.

And the exams department also receive substantial reports from the other or substantial support from the other 41 cents, in terms of occupancy, administrative services, IT, communications. Exams receive support from all of those areas as well.

So, combined expenditures on other program activities to assist boards, including committees, meetings, research, NLC legislative support, and online offerings, comprise 19% of the total budget. And NURSYS including ORBS and e-Notify is 6% of our budget and our IT infrastructure equals 5%.

So, combined total expenditures on supporting service, which includes governance, communications, finance, and HR equal about 9%. And our occupancy costs are at about 2% of the total budget. So that is, you know, a broad overview of how we spend our funds at National Council.

Now, this next slide is talking about our fund balance. And it's looking to the projected value of our fund balance from the end of fiscal year 2019 through fiscal year 2022. And you can see that the fund balance right now is at about \$212.6 million.

We expect that we're going to have to use some of those funds over the next few years. So you can see the slight decline in the... It looks pretty drastic on the graph. But we still will have a very healthy investment balance, even with having to use some of these operating or the fund balance to provide support for our projects.

And actually, I think in fiscal year 2020, will be the first time that I think National Council has had to use some of these reserve funds to operate programs, but it's not a cause for alarm. As you can see, even through what has been projected through fiscal year 2020, we're still at a very healthy fund balance of over \$190 million, so that the Finance Committee will monitor that very closely and with revenues and expenses.

We know that some of our projects that we're having to fund now will not last forever, that they are time-limited, so we'll watch that very closely and advise the board accordingly. So, in summary, then some of the performance outcome measurement that the Finance Committee looks for is a strong financial position that provides an internal source of funds and allow for financial flexibility so that we can expand our services to the members, of providing for financial stability by planning operating budgets that we can support over the long-term, and preparing budgets that link financial resource allocation to the strategic initiatives, and mission of the organization, and investment policy, and strategy in place that's produced the desired returns on financial investments.

Within the risk tolerance of NCSBN, we received an unqualified audit opinion from the independent accountants. And there are policies in place that guide good internal control practices. We've engaged auditors to conduct a fraud risk assessment to ensure that all best practices for maintaining control are in place.

And from time to time, there are different areas that will require some auditing and then the Finance Committee will make a recommendation that the board does that. So, that is the financial report for this year. I am just very pleased that I was able to serve as your treasurer for the last two years and I'll be passing the torch to some very qualified individuals.

So, with that, if you have any questions, I would entertain any of those at this point in time. Okay. Seeing none, thank you so much.