



NCSBN
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2020 NCSBN Annual Meeting - Committee Forum: Finance Committee Video Transcript

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Event

2020 NCSBN Annual Meeting

More info: <https://www.ncsbn.org/14657.htm>

Presenter

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♪ [music] ♪ Hello, my friends, colleagues, and fellow regulators. Thank you for attending this 42nd Delegate Assembly. My name is Adrian Guerrero and I'm honored to serve as your NCSBN treasurer. Thank you for permitting me a few short minutes to update you on the financial progress we've made over the past year.

Please turn to the report of the finance committee in the NCSBN Business Book, where you will find the FY-20 highlights and accomplishments of the finance committee, statements of financial position, independent auditor reports, as well as other detailed information about the organization's finances. Overseeing the finances of a large organization like ours is not a one-person show.

I'd like to take this time to recognize your dedicated and hard-working NCSBN finance committee members who have done a tremendous amount of work throughout this year. John Etherington of Oregon, Paula Meyer of Washington, Sue Painter of West Virginia, David Saucedo of Texas, Diana Waterman of Manitoba, Canada.

I'd also like to recognize outgoing committee member, Shan Montgomery of Mississippi. Shan has sadly reached the end of her term and she has been a wonderful committee member and has shown a great deal of commitment and dedication to the mission of NCSBN. Thank you, Shan, for your service to our organization. This year was a slight change in that most of our meetings were held virtually due to the COVID-19 pandemic.

I'd like to thank the members of the committee for sharing your time, and expertise, and hard work throughout this difficult year. I'd also like to recognize two additional individuals that work with us on the finance committee. I want you all to know that your finances of your organization are in very good hands. Our Chief Financial Officer, Mr. Rob Clayborne and our Director of Finance, Miss Gloria Evans-Melton.

I cannot say enough about Rob and Gloria. This year they had the added challenge of not only having to manage our organization's sizable finances, but they also had to quickly reinvent and evolve their operations to address the COVID-19 emergency. They both do an absolutely amazing job managing our organization's finances. Their time and investment in our organization continues to pay dividends even in the down markets.

We extend our sincere and heartfelt thank you to Rob and Gloria for all you do for NCSBN. I'd also like to recognize the NCSBN Board of Directors who ultimately review and approve all actions of the finance committee. Your Board of Directors is a dedicated and hard-working collective who regularly considers challenging and complex policy issues and who make informed decisions, in part, based on the financial standings as it pertains to the strategic initiatives of NCSBN.

Thank you, members of the Board of Directors. The charge of the finance committee includes, to address the board on the overall direction and control of the finances of the organization. The committee reviews and recommends budget to the board every year. At our July virtual meeting, we will review the budget and we'll present it to the Board of Directors at our September meeting.

The committee monitors incomes, expenditures, program activity against projections and presents quarterly financial statements to the board. Prior to every board meeting, the finance committee goes over these reports and recommends and then forwards them on to the Board of Directors. The committee oversees the financial reporting process, the systems of internal control accounting and financial controls, and the performance of the independent auditors.

The committee recommends to the board the appointment of firms to serve as independent auditors. The finances of the organization are audited every year. Our transparent reports are conducted yearly, and since I have been on the board they've always had very good audits. Lastly, the finance committee makes recommendations to the board with respect to investment policy and assures that the organization maintains adequate insurance coverage.

This was one of our accomplishments this year. The committee reviewed these policies and informed the board that the current investment policy and strategy appear to be appropriate for NCSBN. Adequate financial resources to fund tactical plans necessary to execute NCSBN strategic initiatives over the long-term and then support public protection mission of the organization.

To establish a benchmark for operating reserves to help ensure financial stability. By policy, we are required to keep 25% of the annual operating budget in the operating reserves. We establish a capital reserve amount that provides flexibility for the organization to enhance quality, introduce new program elements, and grow without compromising or jeopardizing core program delivery to the member boards, and that totals \$25 million.

We like to keep both the operating and capital reserves at a high level. And lastly, allocate financial resources to the investments based on mission value. For our source of funds, a total of 66% of the total revenue comes from NCLEX. As you might expect, this is our main revenue stream for NCSBN. We receive 6% from nurses for license verification fees, 2% from the learning extension sales, and 4% from NCLEX in Canada.

A total of 11% of the revenue for FY-20 comes from accumulated earnings on investments. NCSBN budgets an amount equal to the long-run average annual expected return on the investment portfolio to supplement program operating revenues. All other sources of operating revenue combined equal a total of 1% of NCSBN's income.

Other income includes, royalty income through the National Nurse Aide Assessment Program, or the NNAAP, and the Medication Aide Certification Examination, or the MACE exam, meetings registration fees, associate member fees, and publication sales revenue. In addition to program revenues and investment earnings, 10% of FY-20 support will come from the financial reserves.

And that's a broad overview of our sources of revenue. How we use those funds is depicted in this graph. NCLEX is our largest expenditure with 61 cents of every dollar spent goes directly to support exams. The exams department receives substantial support for the other 39 cents in terms of occupancy, administrative services, information technology, communications, all provide support to exams as well.

Combined expenditures on other program activities to assist the boards includes committees, meetings, research. NLC legislative and secretariat support, and online offerings for members comprise 18% of the total budget. Nursys, including ORBS and e-Notify, get 6% of the budget, and IT infrastructure equals 6%.

Combined total expenditures on supporting services which include, governance, the board and executive management, communications, finance, and HR equals 7%. And occupancy, primarily the office space, equals 2%. So that's a broad overview of how we use our funds at the National Council.

On this slide, we're going to talk about our fund balance. Looking to the projected value of our fund balance from the end of FY-20 through FY-23, you can see that the fund balance right now is \$220 million. Ten percent of the FY-20 operating support will come from financial reserves as shown in the Source of Funds slide.

We project that we will continue to need to use some of those revenue funds to support operations resulting in a decline in the reserve balance. You will see a slight decline that looks pretty drastic in this graph, but that's not a cause for immediate concern. We will still have a very healthy investment balance even with having to use some of those operating and fund balances to provide support for our projects.

While this will not jeopardize NCSBN's financial stability in the short-term, the finance committee is reviewing and considering strategies to balance the budget in the longer-term, and we will be watching this very closely. In summary, some of the performance outcome measurements that the finance committee looks at is a strong financial position that provides an internal source of funds that allows for financial flexibility so that we can continue to expand our services to the members.

To provide financial stability by planning operating budgets that we can support over the long-term and preparing budgets that link resource allocations to the strategic initiatives and mission of our organization, to provide an investment policy and strategy in place that produces desired returns on financial investments within the risk tolerance of NCSBN.

We have received an audit opinion from the independent auditors, and there are policies in place that guide good internal control practices. We've engaged auditors in the past to conduct a fraud risk assessment to ensure that all best practices for maintaining control are in place. From time to time, there are different areas that could require additional auditing, which the finance committee would recommend to the Board of Directors.

And that completes your finance report this year. It's a true pleasure to serve as your NCSBN treasurer. I am honored you have permitted us time today to update you on the financial standings of NCSBN as we work today, tomorrow, and together to continue to lead and prepare our organization towards a strategically-sound financial future. Thank you.