



NCSBN
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2021 NCSBN Annual Meeting - Finance Committee Forum Video Transcript
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Event

2021 NCSBN Annual Meeting

More info: <https://www.ncsbn.org/15915.htm>

Presenter

Adrian Guerrero, CPM, Treasurer, NCSBN Board of Directors; Director of Operations, Kansas State Board of Nursing

Q&A Moderator: Rob Clayborne, MBS, CPA, Chief Financial Officer, NCSBN

- [Adrian] Hello, my friends, colleagues, and fellow regulators. Thank you for attending this 43rd 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 our financial progress we made over the past year. I'll ask that you please turn to the report of the finance committee in the NCSBN business book where you will find the FY-21 highlights and accomplishments of the committee, independent auditor reports, statements of financial position 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 and I'd like to take this time to recognize your dedicated and hard-working NCSBN finance committee members who've done a tremendous amount of work throughout this year. Russ Barron of Idaho, John Etherington of Oregon, Paula Meyer of Washington, Tony Graham of North Carolina, Sue Painter of West Virginia, RN, David Saucedo of Texas, and Diana Waterman of Manitoba, RN.

This year was unlike the last and then all our meetings were held virtually due to the COVID-19 pandemic. And I'd like to thank all the committee members for your service to the finance committee and for your dedication to the mission of NCSBN. I'd like to recognize two additional individuals that work with us on the finance committee. The finances of the organization are in very good hands.

Our chief financial officer, Mr. Rob Clayborne and our director of finance, Ms. Gloria Evans-Melton, both did an amazing job rising to the added challenge of not only having to manage our organization's sizable finances, but also evolving their operations to address the COVID-19 emergency. They both did a fantastic job with our organization's finances and we extend our sincere heartfelt thank you to Rob and Gloria, and the NCSBN finance team for all they do for our organization.

Our committee charge and charter is to maintain a strong financial position that allows the organization to enhance quality, introduce new program elements, and grow without compromising or jeopardizing core program delivery to nursing regulatory bodies. And as part of that charge, we advise the board on the overall direction and control of the finances of the organization.

The committee reviews and recommends a budget to the board every year. At our July meeting, we reviewed the budget and will be presented to the board of directors at their September meeting. The committee monitors income, expenditures, program activities against projections, and presents quarterly financial statements to the board. Prior to every board meeting, the finance committee goes over those reports and recommends, and then forwards them on to the board of directors.

The committee oversees the financial reporting processes, the system of internal accounting, and financial controls, their performance, and the independence of the auditors. The committee recommends to the board the appointment of firms to serve as an independent auditors, and the finances of the organization are audited every year.

Our transparent reports are conducted yearly and have always had good audit reports. And lastly, the finance committee makes recommendations to the board with respect to investment policy and assures that the organization maintains adequate insurance coverage, adequate financial resources to fund the technical plans necessary to execute NCSBN's strategic initiatives over the long term, strategic initiatives to support the public protection mission of the organization, and to establish a benchmark for operating reserves to help fund the financial stability.

By policy, we are required to keep at least 25% of the annual operating budget in our operating reserves. We establish a capital reserve amount that provides flexibility in 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 to 25 million. We like to keep both the operating and capital reserves at high levels. And lastly, establish a long-term board designated fund to supplement program revenue. The NCSBN investment portfolio has returned 122 million over the last 10-year period which is FY-11 through FY-21.

A total of 67% of total revenue comes from NCLEX, and 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 9% of the revenue for FY-21 comes from the accumulated earnings on investments.

NCSBN budgets amount equal to the long-run average annual expected return on the investment portfolio to supplement program operating revenues. This amount will vary from the actual return in any given year because the actual investment returns are dependent upon changing conditions in the financial markets and can vary significantly from year to year.

All other sources of operating revenue combined total just 1% of NCSBN's income. Other income includes royalty income from the National Nurse Aide Assessment Program or the NNAAP, the Medication Aide Certification Examination or the MACE exams, meetings registration fees, associate member fees, and publication sales revenue.

In addition to program revenues and investment earnings, 11% of FY-21 support will come from the financial reserves. And that's a broad overview of our revenue sources. NCLEX is also our largest expenditure at 59 cents of every dollar spent goes directly to support exams. The exams department also receives substantial support from the other 41 cents.

Occupancy, administrative services, information technology, and communications all provide support to exams. Combined expenditures on other program activities to assist member boards, including committees, meetings research, NLC legislative support, and online offerings for members comprise 17% of the total budget.

NURSYS, including ORBS and e-Notify, is 5% of the budget. IT infrastructure equals 7%. A combined total expenditures on supporting services which include governance for the board and executive management, communications, finance, and HR equal 10%. And occupancy, primarily the office, space equals 2%.

So that's a broad overview of how we use our funds at National Council. Looking to the projected value of our fund balance from the end of FY-21 through FY-24, you can see that the fund balance in this chart is about 204 million. Eleven percent of FY-21 operating will come from the financial reserves as shown in the source of funds slide.

We project that we will continue to use some of those reserve 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 cause for immediate concern. We will still have a very healthy investment balance even with having to use some of these operating fund balance to provide support for our projects.

While this will not jeopardize NCSBN's financial stability in the short term, the finance committee reviews and consider strategies to balance that budget for the longer term. The committee recommended to the board of directors to consider targeting fiscal year 2023 to increase the annual operating revenue to a level that could sustain the operations for the long term, and we continue to closely monitor the financial performance and update the forecast as needed.

In summary, some of the performance outcome measurements that the finance committee looks for is a strong financial position that provides an internal source of funds that allows for financial flexibility so that we can expand our services to the members and to provide 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, to have an investment policy and strategy in place that produces the desired return on financial investments within the risk tolerance of NCSBN.

We received an audit opinion from the independent auditors and there are good 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. And that completes your financial report this year. It's a true pleasure to serve as your NCSBN treasurer. I'm honored that you permitted this time today to update you on the financial standings of NCSBN as we work today, tomorrow, and most importantly, together to continue to lead and prepare our organization towards a strategically sound financial future.

Thank you.

- [Rob] Thank you, Adrian, for your presentation. Adrian is joining us for a live Q&A.

So please type your questions into the Q&A box.

- Thank you, Rob. And good day, members and attendees. And thank you for allowing us the honor of presenting the financial standings of NCSBN during this year's finance committee forum. Rob and I are honored to try to answer any questions you might have.

- Okay. Adrian, we have a question from Pamela Zickafoose. Do you anticipate an increase in NCLEX test fee to increase operating revenue for 2023?

- Thank you, Pam, for that question. Yes, the finance committee has discussed that in order to maintain a strong financial position, at some point, the organization's going to need to raise the NCLEX fee. NCSBN has managed to keep the fee unchanged for over 20 years now, and with our operating expenses exceeding revenue, and projected declining in the fund balance, we're approaching that point where we need to look at that.

And for a long time, NCSBN has been able to expand those services to members without increasing the fees, which NCLEX is our primary source of revenue. However, the discussion is just a bit premature. We're reviewing the financial landscape and depending on how things progress over the next year, we'll be making the official presentation including the timing and possible amount at a future delegate assembly.

- Okay. Well, we don't see any other questions coming in. So, Adrian, thank you for that presentation.

- Well, thank you, Rob. And thank you, members and attendees, for allowing us to present this update on our financial position. Should you have any future questions, you think of something after the fact, please feel free to send those to Rob and I, and we're happy to try to answer them. But thank you again and have a good rest of the conference.