



NCSBN
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Past Event: 2022 NCSBN Annual Meeting - Committee Forum: Finance
Committee Video Transcript

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Event

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Presenter

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

Hello, my friends, colleagues, and fellow regulators. Thank you for attending this 44th 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 that we've made over the past year. And I'll ask that you turn to the report to the finance committee in the NCSBN Business Book, where you will find the FY-22 highlights and accomplishments of the committee, the independent auditor reports, the statements of financial position, as well as other detailed information about the organization's finances.

And I think it starts on page 145. Overseeing the finances of a large organization like ours is not a one-person show, so I'd like to take this time to recognize your dedicated and hardworking NCSBN finance committee members who have done a tremendous amount of work throughout the year. And if you're in attendance, if you would please arise when I call your name.

Russ Barron from Idaho, John Etherington from Oregon, Tony Graham from North Carolina, Sue Painter from West Virginia RN, David Saucedo from Texas, and Diana Waterman from Manitoba RN.

Please join me in recognizing all the NCSBN finance committee members for their commitment and dedication to the mission of NCSBN. I'd also like to recognize two additional individuals that work with us on the finance committee and the finances of our organization are in very good hands.

Our Chief Financial Officer, Mr. Bob Clayborne, and our Director of Finance, Ms. Gloria Evans-Melton continued to do an amazing job. For the past few years, they rose to the challenge and evolved our financial operations during COVID-19 pandemic all while continuing to manage our organization's sizable finances with dedication and skill. We extend our sincere and heartfelt.

Thank you to Rob and Gloria and the entire NCSBN finance team for all they do for our organization. And please a round applause for them as well. Our committee charge and charter 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 the recommendations and the budget and recommends the budget to the Board every year. In our August meeting, we reviewed the budget, and will be presented to the Board of directors at their September meeting.

The committee monitors income and expenditures and 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 then forwards them on and recommends them to the Board of directors. The committee oversees the financial reporting processes, the systems of internal accounting and financial controls, and the performance of the independence of the auditors.

The committee recommends to the Board, the appointment of firms to serve as independent auditors, and the finances of the organization are audited every year. Our transparent reports are conducted yearly and we've always had good audit reports. And lastly, the finance committee makes recommendations to the Board with respect to the investment policy and assures the organization maintains adequate insurance coverage.

And the desired impact of the committee work is to provide adequate financial resources to fund the tactical plans necessary to execute NCSBN strategic initiatives over the long-term, and that supports the public protection mission of the organization. To establish a benchmark for the operating reserves to help ensure financial stability and by policy, we are required to keep at least 25% of the annual operating budget in the operating reserves.

We established a capital reserve amount that provides the flexibility for the organization to enhance quality, introduce new program elements, and grow without compromising or jeopardizing core program delivery to nursing regulatory bodies. And that total's \$25 million. We like to keep both the operating and capital reserves at high levels. And lastly, we established a long-term Board-designated fund to supplement the program revenue, and the NCSBN investment portfolio has returned \$166 million over the last 10-year period through FY-21.

And so, for our source of funds, a total of 66% of the total revenue comes from NCLEX for licensure in the U.S. We receive 6% from NCLEX in Canada, 6% for nurses' license verification fees, and 2% for the learning extension. A total of 11% of the revenue budgeted for FY-22 comes from the accumulated earnings on investments.

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

And as we all know, those have been very significantly from year to year. All other sources of operating revenue combined total less than 1% of NCSBN's income budget. And the other income includes, meeting registration fees, associate member fees, CE course revenue, and publication sales revenue. In addition to the program revenues and investment earnings, 11% of FY-22 support was planned to come from the financial reserves.

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

Combined expenditures on other program activities to assist the Board, including committees, meetings, research, NLC legislative support, and online offerings for members comprises 15% of the total budget. Nursys, including ORBS and e-Notify, is 4%. And the IT infrastructure is equal to 9%.

And a combined total expenditures on the supporting services, which includes governance for the Board and executive management, communications, finances, and HR equals 9%. And the occupancy, which is primarily our office spaces is 2%. So, that's a broad overview of how we use our funds at national council.

Now, on this slide, we're going to talk about the fund balance. In looking to the projected value of the fund balance from FY-23, through FY-26, you can see that the fund in this chart is about \$273 million. Thank you. Eleven percent of FY-22 operating will come from the financial reserves as shown in the source of fund slide.

We will project that we will need to continue to use some of those reserve funds to support operations resulting in a decline in the reserve balance. And you will see a slight decline in this graph, but that does not cause for immediate concern. We will still have a very healthy investment balance even with having to use some of those operating or fund balances to provide support to our projects. And while this will not jeopardize NCSBN's financial stability in the short term, the finance committee reviews and consider a strategy to balance the budget over the longer term.

The committee recommended to the Board to consider increasing annual operating revenue to a level that could sustain operations over the long term. However, the U.S. equities rose to all-time highs during the third quarter of FY-21, and the investment portfolio increased significantly in value. The current financial position has been partially obtained through the phenomenal returns in the financial markets.

And although future returns are uncertain, and the gain seen over the past few years are unlikely to be sustained, but the Board determined that the impact of the investment returns on the reserve value along with the reduction in spending for meetings, travel, and other expenditures associated with COVID-19 allowed for a longer timeline to address the forecast of the decline in the fund balance. And the Board determined that it would not propose a fee increase at this time, but may review the recommendations in the future should the fiscal conditions change.

And we will continue to closely monitor the financial performance and update the forecast as required. So, in summary, some of the performance outcome measurements that the finance committee looks at is for a strong financial position that provides an internal source of funds that allows the financial flexibility so that we can expand our services to the members, and to provide a 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 to have an investment policy and strategy in place that produces the desired return on the financial investments within our risk tolerances of NCSBN. We received an audit opinion from the independent auditors, and there are policies in place that guide good internal control practices. And 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 finance report this year. It's a true pleasure to serve as your NCSBN treasurer. I'm honored that you've permitted us 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. [silence]