

KDA Secretary/Treasurer's Report for Annual Meeting July 31, 2020

INTRODUCTION

Now that I am about to end my tenure as Secretary/Treasurer for the Kentucky Dental Association, I believe that I finally understand many of the governing and financial intricacies of the organization. This is due in no small way to assistance I have received from Todd Edwards, the Budget and Finance Committee, lead by B.J. Millay, the Executive Committee, and hours of work spent in revisions of the KDA Employees Handbook and the KDA Policies and Procedures Manual. I wish to thank all of those who have so generously assisted me during my tenure in this position, as well as all of the members of the KDA for entrusting me with the position.

CURRENT FINANCIAL STATUS

The KDA today faces the most challenging financial status that it has faced in my many years of association with the organization. The trend of declining numbers of full dues paying AND assessment paying members that began several years ago has continued to accelerate, despite the hiring of a Membership Concierge financed by a grant from the American Dental Association. This is the number one problem we face in terms of revenue generation for the KDA, because dues and assessments together constitute the single largest revenue source for the organization. In 2014, KDA had 999 Active Members, and in 2020 at this point, we have 729 Active Members despite adding 45 new members. This year, the declining membership problem was undoubtedly influenced in a negative way by the COVID pandemic that wreaked havoc in dental offices all over Kentucky, the US and the world. As dentists saw their income plummet, many either did not or felt they could not, renew their tripartite membership to ADA/KDA/Component Dental Societies. As of the end of July, KDA has experienced a shortfall of dues revenue of \$26,757 and a shortfall of assessments of \$20,000, for a total of **\$46,757**. The only way to reduce this shortfall is to bring those 110 dentists who did not renew their memberships back into the KDA. To do that, we need the help of the component societies of which these dentists belong. Reports have been sent to the Executive Board representative of each component society requesting assisting in making personal contacts to these dentists to try and get them to renew their memberships. PLEASE HELP! Remember, the larger the membership, the lower we can keep the dues for members.

KDA is not alone in experiencing a decrease in membership numbers. The ADA has faced the same problem, and as a result, was forced to discontinue dues discounts that some classification of members had been receiving at its 2019 House of Delegates Meeting. The KDA is proposing the same action by **Resolution 2020-106**. This change will also make all dues paying members responsible for paying the assessment fee, which will sunset in 2030 once the KDA building mortgage is retired. Previously, only Active Members paid this assessment.

Additionally, due to the COVID pandemic, KDA was forced to cancel its in person annual meeting with exhibit booths and continuing education. The budgeted net revenue from the annual meeting was **\$80,000**. While the Treasurer and KDA executive staff have identified between \$55,000 and \$58,000 in expenditure cuts to offset this lost revenue. The plan is to create interactive web based continuing education courses in the very near future to bring in about \$30,000 in revenue to compensate for this lost and thus make the organization “whole” more or less for the cancellation of the annual meeting.

In addition of the reduction in number of members, KDA cash flow has been negatively impacted by two major occurrences. First, the Legislative Fund has been running an increasing deficit for several years, which means that cash from other sources have supported the activities funded by that fund. The Legislative Fund is a dues supported in that a fixed percentage of dues is deposited into this fund annually. The fund supports two major activities: travel by members of the KDA, primarily KDPAC Board Members, to Washington, DC to attend the ADA Washington Leadership Conference and lobby members Congress of Kentucky’s federal delegate for support of dental related issues, and payment of KDA’s professional lobbying firm in Kentucky, McCarty Strategic Solutions (MSS). The KDA pays \$60,000 per year to represent its interests in the Kentucky legislative arena. At this point in time, it is questionable whether KDA can continue to spend at this level for lobbying services despite the higher level of sophistication about legislative matters that we have achieved via the firm’s service. A specific effort aimed at remedying the deficit in this fund is the recommendation by the Executive Board that KDA dues be increased by \$25 and that the full amount be designated as directed into the Legislative Fund, in addition to the percentage of dues that already is earmarked for this fund.

(Resolution 2020-102) The deficit in this fund is also directly related to decreasing numbers of members given that its only source of revenue is a fixed percentage of dues. Future versions of KDA Dues Statements will also include a line to add voluntary contributions to the Legislative Fund. At present, the problem continues to compound as the fund balance for this fund in December 2019 was -\$111,488 and current balance is -\$133,946 even without expenses for the Washington Leadership Conference because that was cancelled this year due to COVID.

The second negative impact on cash flow for KDA was the cancellation of the annual meeting. Much money is collected in advance of the meeting for exhibitor booth fees, patron sponsorship fees, continuing education courses and meeting registration. With the cancellation of the meeting these monies are not coming into the KDA.

As a result of severe cash flow problems brought on by the factors enumerated above, an unprecedented financial exigency developed that caused the Budget and Finance Committee and the Executive Committee into a joint emergency session. As a result of the meeting, Todd Edwards was authorized to take up to \$75,000 from investments in order to meet the ongoing financial commitments of the KDA. At the end of the fiscal year, December 31, 2020, after all revenues and expenditures are

reconciled, if there is money to replace this amount that KDA borrowed from itself, the funds will be replaced. If not, the funds to balance the budget will be taken from the Reserve Fund or the Journal Fund. Depleting the Reserve Fund below the level of 35% of the annual operating budget is contrary to the requirements of the KDA Bylaws in addition to being an unsustainable financial practice.

The sobering status of KDA finances caused the Budget and Finance Committee to develop a much more conservative budget for 2021 than had been passed for 2019 and 2020. Expense cuts were made in many areas, with impacts on officers, the Executive Board, KDA executive staff, and ADA Delegates and Alternate Delegates. The committee believed that the budget overruns of 2018 and 2019 were also to be avoided at all costs, and requested amendments to the KDA Policies and Procedures Manual to add some reporting requirements to the Executive Board so as to make corrective actions mid-year in the future for all KDA Funds and Accounts, not just the Operating Budget. The Work Group assigned to the task was subsequently asked to complete a total review and revision, as needed, of the KDA Employee Handbook and KDA Policies and Procedures Manual. That task is nearing completion. The bottom line is, that KDA must exercise excellent fiscal restraint and hold all expenses to budgeted amounts. Development of additional revenue streams would also be extremely beneficial.

ACTIVITIES OTHER THAN BUDGET AND FINANCE

In addition to assisting the Budget and Finance Committee and the Executive Board in developing the 2021 budget, my role has included the usual Executive Board, Executive Committee, and Council on Government Affairs meetings and calls. I have been actively involved with the KDPAC as Secretary of the board of that organization and have also served as Secretary of the Kentucky Dental Foundation Board. I have participated in two Work Groups, one to revise the nomination and election procedure for KDA officers and ADA Delegates and Alternate Delegates, and one to review and revise the KDA Employee Handbook and KDA Policies and Procedures Manual. Work product from the first of these work groups resulted in **Resolution 2020-302**, whereas work product from the second should be available to the Executive Board for approval at its next meeting. I have delivered donation checks in Frankfort for the KDPAC. I have taken minutes at all meetings, and with assistance from Todd Edwards in the case of the Executive Board, have presented minutes for approval at all meetings.

Respectfully submitted,

Sharon P. Turner, DDS, JD
Secretary/Treasurer, Kentucky Dental Association