

MEMORANDUM

TO: House of Delegates
FROM: Kevin Monteiro, CAE, Executive Director
DATE: May 17, 2021
RE: FY22 Budget Summary

Background

The July 1, 2020 – June 30, 2021 budget, as approved by the Board in September 2020, proposed a deficit of approximately \$1.9m. The financial impact of the pandemic forced the organization to reduce hours for several staff while fully terminating 10 employees. A number of member programs were completely stopped or transformed given the staffing and financial challenges created by the pandemic. With all of the challenges from FY21, the MDS staff has worked tirelessly to support our members through PPE distributions, transforming Yankee to virtual, and planning for the new outdoor event, Dentalpalooza.

Attached for review is the proposed operating budget for the July 1, 2021 – June 30, 2022 fiscal year. The budget was drafted by the individual staff budget managers with the direction of the Executive Director and approved by the Board of Trustees during its May 2021 meeting. Funds are generally allocated to best meet the goals and objectives as outlined in the strategic plan. Given the significant financial impact of the COVID-19 pandemic on the organization and the ongoing uncertainty of our revenue opportunities due to the residual impact of the pandemic on the organization, staff were asked to minimize expenses as much as possible without negatively impacting revenue generating opportunities. Staff were also asked to maximize revenue where possible. Even with that, we took a conservative approach to both dues and Yankee income.

Income

Yankee

This budget is detailed in the budget packet. Although many conventions were beginning to see downturns prior to the pandemic, Yankee remained financially strong in the years leading up to this past year. With wide availability of vaccines, we are optimistic that Yankee will occur and that we will be able to host a large audience. There is continued concern on how many people will feel comfortable attending a large convention, like Yankee. With that in mind, we have projected revenue from Yankee 2022 to be approximately 20% lower than Yankee 2020 actuals. On the expenses, we have also aimed to reduce expenses where possible. It is important to keep in mind, reducing expenses can lead to diminishing returns by offering members an inferior experience.

Dues

As membership organizations struggle to retain current members and attract new members, we needed to be conservative with our approach in the budget. Further, it is our understanding that the ADA now only has about a 51% market share nationally. MDS continues to enjoy a high

market share in Massachusetts, but we must remain vigilant of changing market trends, especially with lagging member segments. It is important to note, many member practices are still not at 100% capacity due to pandemic-related issues. As members pay closer attention to where they are spending their money, MDS must prove its value to members. The budget includes an approximate drop of 300 members with a slight increase of faculty members (at reduced dues as approved at the 2021 House of Delegates).

Expenses

Personnel

As mentioned above, the MDS lost over 25% of the staff through terminations and reduced hours. As shown on the Personnel Expenses sheet, I am budgeting \$600,000 less in salaries than 2020 actual. This significant decrease in staff directly translates to decreased services and programs. Everything that the organization does takes dedicated professional staff time to accomplish. If not possible in the short-term, I hope to see this line item grow to enable us to provide more value to members while seeking new non-dues revenue opportunities. Also included within the salary line is the Executive Director base salary plus maximum possible bonus amount.

Facility

This line includes a significant decrease in facility expenses from previous years. MDS currently occupies suites on the first and second floors of the MDS building at Two Willow Street. With the decreased headcount and a strong need to have all employees within one suite, I am putting the first-floor suite on the market to be rented by an external tenant. To appropriately fit the team in the second floor suite, it will require redesigning the suite and upgrading existing furniture. Not only will this help breakdown silos across departments, but it will also create an environment that is more conducive to collaboration.

Governance

Attending the ADA House of Delegates is a significant expense for the organization. The average expense of the past three in-person ADA House of Delegates was \$97,000 annually. There is a new line item included here “Board Development and Training”, but this is truly a line item that generally would appear as a non-recurring expenditure on the statement of operations, such as Governance Remodeling or Strategic Planning. By inserting this line here, it is more transparent that the Board regularly hears from speakers or receives guidance from expert facilitators.

General and Administrative

Overall budgeted expenses in G&A are in line with previous years. There are expected decreased expenses in bank fees and professional services. Bank fees are projected lower due to the decreased revenue through Yankee and dues. If the organization exceeds revenue projections, then bank fees will likely increase accordingly.

Included within G&A is \$300,000 for depreciation. This is the write-off of capitalized assets over their useful lives pursuant to accounting rules. It is a non-cash expense as the underlying assets have been paid for, however, included in the packet there is a proposed capital asset

budget for capital additions. The funding of depreciation expense through the operating budget provides the cash to invest in new equipment and software improvements necessary for effective and improved operations.

Firmin Joint Venture LLC

Firmin, like many commercial real estate entities, has been impacted by the pandemic. One tenant did not renew their lease in the Spring as their entire office was working remote. Thankfully, all other tenants have maintained their leases and continued making lease payments. The Firmin budget assumes that one tenant's lease will renew at the end of this calendar year. It further assumes that only one of the two vacant downstairs front facing suites will be rented this year.

Reflected within the Firmin capital asset additions sheet is the redesign and furniture improvements to the MDS second floor suite. Additionally, paving is necessary as the snow clearing this year caused some damage to a speed bump on the driveway. Lastly, as with any tenant leaving, we will need to make updates to the vacant first floor suite.

Massachusetts Dental Society
Statements of Operations
For the fiscal year ended

05/12/2021

	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2021	6/30/2021	6/30/2022
	Actual	Actual	Actual	Actual (YTD)	Revised Budget 9/20	Actual vs Revised Budget	Budget
Income:							
Yankee Net Income w/o Staff Costs	3,834,770	3,899,688	3,679,741	884,974	712,310	172,664	3,171,556
Dues Income	1,706,074	1,702,712	1,707,185	1,427,704	1,720,500	(292,796)	1,566,459
Income Earned on Operating Reserves	118,662	38,116	38,473	73,816	10,000	63,816	6,000
Total Income	5,659,506	5,640,516	5,425,399	2,386,494	2,442,810	(56,316)	4,744,015
Operating Expenses:							
Personnel Expenses	3,643,994	3,820,032	4,069,876	1,956,729	2,951,802	(995,073)	3,366,307
Facility Expenses	445,963	420,128	434,391	303,495	451,500	(148,005)	288,000
General Administrative Expenses	1,041,887	993,169	907,755	522,411	979,700	(457,289)	988,299
	5,131,844	5,233,329	5,412,022	2,782,635	4,383,002	(1,600,367)	4,642,607
Governance Related Expenditures	224,923	280,735	221,078	3,161	14,300	(11,139)	237,300
Total Strategic Goal Related Expenditures:	417,334	401,313	256,826	(170,262)	(49,112)	(121,150)	126,275
UBIT Taxes	29,600	0	0	0	25,000	(25,000)	25,000
Net Operating Income (Loss)	(144,195)	(274,861)	(464,527)	(229,040)	(1,930,380)	1,701,340	(287,167)
Non Recurring Expenditures:							
Metropolitan District Financial Matters	0	151,718	69,106	0	0	0	0
Employee Termination Related Expenses	0	0	49,275	36,555	0	36,555	10,000
Goverence remodeling	17,106	104,884	20,089	0	0	0	0
ED Search and Transition	0	3,115	268,153	56,350	67,423	(11,073)	0
McNulty Estate expenses	0	0	0	19,873	19,735	138	0
After Closing Costs-Relief Fund	0	0	0	35	0	35	0
Total Non Recurring Expenditures	17,106	259,717	408,613	112,813	87,157	25,656	10,000
Other Income/(Expense):							
Equity in Net Income (Loss) of Affiliates	101,225	63,377	197,464	0	90,000	(90,000)	100,141
Reserve and Building Fund Income/(Loss)	503,223	418,473	(85,021)	581,640	0	581,640	60,000
Total Other Income/(Expense)	604,448	481,850	112,443	581,640	90,000	491,640	160,141
Net Income(Loss)	443,147	(52,728)	(760,697)	239,787	(1,927,537)	2,167,324	(137,026)

Yankee Dental Congress Revenues

4/30/2021

	Yankee 2021			Yankee 2022		Variance between Original 2021 budget and 2022
	Actual	Revised Budget 9.28.20	Variance	2021 Original Budget	2022 YDC Budget	
Income:						
Exhibits	394,450	366,050	28,400	2,487,250	2,548,800	(61,550)
Hall Sponsorships	290,945	159,300	131,645	205,000	192,366	12,634
Program Revenues						
Scientific Clinicians	1,846		1,846	508,800	479,000	29,800
Scientific Hands On				225,000	224,825	175
Scientific Workshops				33,350	36,250	(2,900)
Specialty Group Programming				80,000	80,000	
Allied Clinicians				350,000	340,000	10,000
Allied Hands On				190,000	175,500	14,500
Allied Workshops				119,000	125,250	(6,250)
Team Conference				12,300	12,375	(75)
Scientific & Allied Clinicians Sponsorships	9,450	59,160	(49,710)	39,000	43,400	(4,400)
Floor Classroom Sponsorships				115,000	91,920	23,080
Educational Sponsorships				50,000	43,400	6,600
Feathr Sponsorship	18,750		18,750			
	30,046	59,160	(29,114)	1,722,450	1,651,920	70,530
Registration	279,123	221,000	58,123	611,000	620,000	(9,000)
Advertising	54,150	20,000	34,150	54,750	52,020	2,730
Miscellaneous	11,871	35,000	(23,129)	76,000	60,350	15,650
Total Yankee Revenues	1,060,585	860,510	200,075	5,156,450	5,125,456	30,994

Yankee Dental Congress
Statements of Income
For the Fiscal Year Ended

4/30/2021

	6/30/2018	6/30/2019	6/30/2020	6/30/2021			6/30/2022
	Actual	Actual	Actual	Actual	Revised Budget 9/20	Variance	Budget
Income:							
Exhibits	3,272,450	3,093,250	3,075,530	394,450	366,050	28,400	2,548,800
Live Program, net	1,087,243	1,088,983	1,014,845	10,476	44,160	(33,684)	811,420
Registration	812,898	818,400	809,354	279,123	221,000	58,123	620,000
Hall Sponsorships	246,600	250,750	240,366	290,945	159,300	131,645	192,366
Advertising	65,950	58,550	67,100	54,150	20,000	34,150	52,020
Miscellaneous	107,451	99,684	79,405	11,871	35,000	(23,129)	60,350
Total Income	5,592,592	5,409,617	5,286,600	1,041,015	845,510	195,505	4,284,956
Expenses:							
General Meeting Expenses	852,232	613,612	722,214	42,357	5,000	37,357	489,800
Social and Cultural Events, net	105,929	87,136	97,790	67		67	(8,100)
Exhibits	525,859	587,522	552,033	57,317	93,200	(35,883)	499,500
Publicity and Promotion	246,387	199,702	216,537	12,301	35,000	(22,699)	127,200
Administrative Expenses	27,414	21,958	18,285	44,000		44,000	5,000
Total Expenses	1,757,821	1,509,930	1,606,859	156,042	133,200	22,842	1,113,400
Net Income	3,834,771	3,899,687	3,679,741	884,973	712,310	172,663	3,171,556

**Massachusetts Dental Society
Historical Annual Dues Rates
2010-2022**

Year	Increase	Dues	Assesment	Total Dues
2022	\$ 10.00	\$ 556.00		556.00
2021	\$ -	\$ 546.00		546.00
2020	\$ 13.00	\$ 546.00	-	546.00
2019	\$ 9.00	\$ 533.00	-	533.00
2018	\$ 6.00	\$ 524.00	-	524.00
2017	\$ 8.00	\$ 518.00	-	518.00
2016	\$ 5.00	\$ 510.00	-	510.00
2015		\$ 505.00	-	505.00
2014	\$ 25.00	\$ 505.00	-	505.00
2013	\$ 100.00	480.00	75.00	555.00
2012	\$ -	380.00	175.00	555.00
2011	\$ 20.00	380.00	175.00	555.00
2010	\$ -	360.00	100.00	460.00

Massachusetts Dental Society
Personnel Expenses
For the fiscal year ended

4/30/2021

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget (revised 9/20)</u>	<u>Budget</u>
Salaries	2,964,416	3,116,532	3,295,264	2,384,891	2,646,847 (A)
Expenses	<u>679,578</u>	<u>703,500</u>	<u>774,611</u>	<u>566,911</u>	<u>719,460</u>
Personnel Expenses	<u>\$3,643,994</u>	<u>\$3,820,032</u>	<u>\$4,069,875</u>	<u>\$ 2,951,802</u>	<u>\$3,366,307</u>

(A) Included in the 2022 budget line item for Salaries is \$300,125 for salary for the Executive Director. This is comprised of the contracted base salary of \$245,000 plus a potential performance bonus based on accomplishing key performance objectives. As an employee of MDS, the Executive Director is also able to participate in the employee benefit programs offered to MDS employees. The budget for the expenses associated with employee benefit programs is included in the Non Salary Personnel Expenses line item.

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget (revised 9/20)</u>	<u>Budget</u>
Governance Related Expenditures:					
1st Trustee District Delegates Meetings	82,776	128,304	105,869	2,500	105,000
MDS House of Delegates Meeting	52,647	56,297	29,087	0	30,000
Board Stipends	0	0	0	0	0
Trustee Meeting and Other Trustee Expenses	80,653	90,077	75,585	10,250	71,900
Council and Committee Expenses	8,847	6,057	10,537	0	5,400
Board Development and Training	0	0	0	0	25,000
Total Governance Related Expenditures	<u><u>224,923</u></u>	<u><u>280,735</u></u>	<u><u>221,078</u></u>	<u><u>12,750</u></u>	<u><u>237,300</u></u>

Massachusetts Dental Society
 Facility Expenses
 For the fiscal year ended

4/30/2021

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Revised Budget 9.28.20</u>	<u>Budget 2022</u>
Facility Expenses:					
Building and Storage Facility Rent	367,434	345,804	351,500	369,000	217,000
Electric	29,436	27,864	27,864	33,000	22,000
Telephone	44,996	42,064	50,931	45,000	45,000
Internet	4,096	4,396	4,096	4,500	4,000
Total Facility Expenses	<u>445,963</u>	<u>420,128</u>	<u>434,391</u>	<u>451,500</u>	<u>288,000</u>

Massachusetts Dental Society
General and Administrative Expenses
For the fiscal year ended

4/30/2021

	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2021</u>	<u>6/30/2021</u>	<u>6/30/2022</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual (YTD)</u>	<u>Revised Budget 9.28.20</u>	<u>Actual vs Revised Budget</u>	<u>Budget 2022</u>
Office Related Expenses	84,989	88,711	103,784	45,944	58,500	(12,556)	148,000
Depreciation	301,525	294,551	238,067	240,000	300,000	(60,000)	300,000
Insurance Expense	27,712	26,121	31,643	29,490	30,000	(510)	32,000
Professional Services	181,135	184,757	141,753	63,369	105,000	(41,631)	100,000
Professional Dues and Publications	6,921	8,549	5,658	7,395	8,500	(1,105)	11,000
Travel and Entertainment	11,906	13,088	5,719	322	6,000	(5,678)	16,000
Bank Fees	240,211	232,725	211,894	85,895	240,000	(154,105)	169,515
IT Expenditures	228,227	198,179	211,959	113,200	269,700	(156,500)	239,534
First District Meetings (Non YDC Staff)	20,886	6,916	18,549	0	0	0	8,250
Contingency Expense	0	0	0	0	25,000	(25,000)	25,000
Miscellaneous other (Allocations included)	1,378	5572	(61,270)	(63,205)	(63,000)	(205)	(61,000)
Total General and Administrative Expenses	<u><u>1,104,890</u></u>	<u><u>1,059,169</u></u>	<u><u>907,756</u></u>	<u><u>522,410</u></u>	<u><u>979,700</u></u>	<u><u>(457,290)</u></u>	<u><u>988,299</u></u>

**Massachusetts Dental Society
Proposed Capital Asset Additions
Fiscal 2021/22**

Description	Cost
Network Printers	\$ -
Projectors and LCD TVs	-
Laptops, Monitors, Docking Stations	10,000
Salesforce Database Projects	170,000
Sitecore CMS Projects	65,000
Network Upgrades	\$5,000
	<u><u>\$ 250,000</u></u>

Firmin Joint Venture LLC

Statements of Operations

5/8/2021

For the year ended June 30

	2018	2019	2020	2021	2022
	Actual	Actual	Actual	Budget	Budget
Income:					
Rents	\$ 733,423	\$ 660,346	\$ 840,996	\$ 715,087	\$ 728,081
Operating Expenses:					
Utilities	\$ 79,149	\$ 79,686	\$ 133,817	\$ 135,000	\$ 133,428
Maintenance and Repairs	120,257	107,907	121,362	125,000	141,610
Insurance and taxes	92,269	96,335	95,409	100,000	83,800
Mangement Fees	83,800	86,800	82,800	90,000	95,050
Other	29,147	26,703	36,015	30,000	29,500
Total Operating Expenses	404,623	397,430	469,404	480,000	483,388
Net Income before interest and depreciation expense	328,800	262,916	371,592	235,087	244,694
Mortgage Interest Expense:	87,080	56,104	23,821	750	
Net Income (loss) before depreciation expense	241,720	206,812	347,772	234,337	244,694
Depreciation Expense	140,889	142,766	143,094	144,000	144,039
Net Income (Loss)	\$ 100,831	\$ 64,046	\$ 204,678	\$ 90,337	\$ 100,655

Firmin Joint Venture LLC
Proposed Capital Asset Additions
Fiscal 2021/22

Description	Cost
Paving	\$ 55,000
Suite 200 Renovations and Furniture	\$ 125,000
Suite 100 Renovations	\$ 10,000
	\$ 190,000

	6/30/2019	6/30/2020	6/30/2021
	Actual	Actual	Actual to Date
Assets			
Current Assets:			
Cash and Cash Equivalents	322,192	92,658	2,357,697
Marketable Securities	494,710	224,650	296,405
Accounts Receivable	1,301,261	1,366,255	935,458
Prepaid Expenses	334,921	344,289	317,195
Intercompany Receivables/(Payables)	2,405,000	2,676,096	2,412,943
Total Current Assets	4,858,084	4,703,948	6,319,698
General Reserve Portfolio	6,579,897	4,947,190	4,298,732
Restricted Cash (Building Fund)	856,390	908,171	762,841
Fixed Assets, net	616,757	499,817	400,010
Investments in Subsidiaries	1,167,076	1,364,540	1,364,540
Other Assets	257,062	236,513	
Total Assets	14,335,266	12,660,179	13,145,821
LIABILITIES and NET ASSETS			
Current Liabilities:			
Accounts Payable	289,866	192,357	25,528
Accrued Expenses and Other Liabilities	825,844	1,367,619	2,328,062
Deferred Income	3,607,498	2,269,386	1,300,392
Total Current Liabilities	4,723,208	3,829,362	3,653,982
SERP Liability	257,062	236,513	
PPP Loan(s)			657,773
Total Liabilities	4,980,270	4,065,875	4,311,755
Net Assets			
General Fund	8,498,611	7,686,133	7,925,898
Special funds	856,390	908,172	908,172
Total Net Assets	9,355,001	8,594,305	8,834,070
Total Liabilities and Net Assets	14,335,271	12,660,180	13,145,825
Liabilities (out of balance)	6	1	5

	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual to Date</u>
Assets (out of balance)	1		1