

**The Advance CTE Finance/Audit Committee Meeting**

March 31, 2022

4-5 p.m. EST

Zoom Meeting

**ATTENDEES:** Sarah Heath, Katie Graham, Whitney Thompson, Cathie Raymond

**STAFF:** Krissy Haynes, Tanya Powers

**INVITED GUESTS:** Mark Friese, Merrill Lynch

**ABSENT:** Jonathan Beard.

**Welcome:** Graham welcomed everyone to the meeting.

Graham asked for approval of the January 13, 2022 minutes.

**MOTION: To approve minutes from January 13, 2022, as presented.  
Raymond; Heath.  
MOTION APPROVED.**

**Investment Update:** Haynes introduced Mark Friese, Financial Advisor with Merrill Lynch. Friese shared that the market had been volatile this year. It was down 9 percent and the organization was down 3 percent. He noted that 3 percent could be made up in one day. Friese gave an overview of the organization's asset allocation. Last year, adjustments with asset allocations were made. More money was moved to stocks because the interest rates are at an all-time low and the prognosis is that interest rates will remain low for the foreseeable future. Friese said that as rates rise, his team will adjust back to more fixed income exposure. With interest rates at an all-time low, the organization only has 17 percent invested in bonds because the return on bonds is low. The organization has 78 percent invested towards equity. Friese shared that within the last three years, the organization's accounts are up 42 percent in value. Friese shared that despite average Intra-Year declines of 14 percent, annual returns have been positive in 35 of the last 42 years and have averaged over 12 percent annually. Friese stated certain sectors of the market are recommended to be over-weighted to improve long-term performance. These are sectors that tend to perform well during a difficult economic environment and tend to lead the market when things improve. Friese shared that currently, the organization was over-weighted in consumer staples, healthcare, and utilities and under-weighted in areas that are more economically sensitive.

**Review and Approval of Advance CTE Financials:** Haynes shared an update that Green had approved a budget modification on February 2. This modification was under the 10% threshold, therefore did not need Board approval. The major changes included removing the Spring Meeting Sponsorship income as there will be no sponsors for the meetings this spring. The

awards expenses were also removed as the Excellence in Action awards were paused this year. The net income for Advance CTE was reduced by \$9,430 for a total net income of \$13,830.

Haynes walked through the Advance CTE financials, which have been reconciled through February 28, 2022. Advance CTE has received 91 percent of the budgeted income. There are currently two states/territories that have outstanding dues payments; California and Tennessee, but both have indicated their intent to have them paid this fiscal year. Haynes shared that the FY22 membership cycle had slowed down and the organization did not expect to meet the budgeted target for Associate Memberships. The estimate was based on prior years renewal rates, which had always been high. This year, however, there was a very high turnover rate as many of the Associate Members resigned from their positions. Also, the organization lost a couple of organizational members due to not having in-person meetings. Haynes expected memberships to pick back up again next year with the renewal of in-person meetings. Haynes shared that Spring Leadership Retreat and June Meeting Series registrations kicked off in March. Advance CTE was on track to meet the target income.

Advance CTE's expenses are 44 percent of the budgeted expenses which were expected to increase in the last quarter as the website rebuild begins and with the upcoming in-person Spring Leadership Retreat. The primary expenses are staff-related costs, operational expenses, and subscriptions.

Advance CTE's investments are -0.32 percent overall.

Graham asked for approval of the Advance CTE financials, as presented.

**MOTION: To approve the Advance CTE financials, as presented.  
Raymond; Thompson.  
MOTION APPROVED.**

**Review and Approval of The Center to Advance CTE Financials:** Haynes shared an update that the Center also had a budget modification approved since January. It was above the 10 percent threshold and was presented to the Board for approval. The budget increased by \$474,570, as five new grants were received.

Haynes gave an overview of the Center to Advance CTE's financials, which have also been reconciled through February 28, 2022. The Center to Advance CTE has received 90 percent of the budgeted income. Haynes shared that the ECMC Fellows payment had been delayed. 80 percent of the first payment needs to be spent prior to receiving the last payment. Interest and dividend income was slightly below target due to the decline in the market, so depending on the market over the next few months, the budgeted income may be below target.

The Center to Advance CTE's expenses are 39 percent of the budgeted expenses but are also expected to increase in the last quarter with the upcoming in-person meetings and website rebuild. Labor costs continue to be below budget due to the turnover. However, the organization

hired five new staff members since January: the Director of Communications and Membership, two Senior Policy Associates, and two Policy Associates. Haynes shared that the full staff met in person in March for the first time and it was full of great energy and excitement.

The overall rate of return on investments is 1.86 percent. Green and Haynes are meeting with Mark Friese on April 1, 2022, to discuss options to ensure that grant funding is not in jeopardy with the declining market.

Graham asked for approval of the Center to Advance CTE financials, as presented.

**MOTION: To approve the Center to Advance CTE financials, as presented.  
Raymond; Heath.  
MOTION APPROVED.**

Graham announced the next meeting will be held on June 16, 2022.

Graham called the Advance CTE Finance/Audit Committee Meeting to a close at 4:42 p.m. EST.