

**The Advance CTE Finance/Audit Committee Conference Call**

January 22, 2021

3-4 p.m. EST

Zoom Meeting

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**ATTENDEES:** Laura Scheibe, Bernadette Howard, Katie Graham, Whitney Thompson, Victoria Crownover

**STAFF:** Kimberly Green, Kate Kreamer, Krissy Haynes

**INVITED GUESTS:** Trevor Williams, GRF CPAs and Advisors, Alison Albrecht, GRF CPAs and Advisors, Carolyn Skinner, Dembo Jones

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

**MOTION:** To approve minutes from September 23, 2020, as presented.

**Howard; Crownover.**

**MOTION APPROVED.**

**FY20 Audit Review:** Williams reviewed the fiscal year 2020 audit with the Committee. The firm's opinion is that Advance CTE/The Center to Advance CTE's combined financial statements present fairly in all material respects. This is an unmodified and clean opinion, which is the best opinion an auditor can give.

The total assets of the organizations are up from the previous year. One of the largest increases is in investments, which is due to increased investment purchases. Net assets with donor restrictions increased about \$1.6 million due to grant funding. Net assets without donor restrictions increased about \$400,000. The organization's total liabilities and net assets total \$8,087,784.

Total revenues are up from the previous year, while the total expenses are down over the same period. Salaries and benefits are the largest expense, which comprise 55% of the expenses. The biggest fluctuation in expenses was in travel, meetings, and meals. These expenses were reduced due to the COVID-19 pandemic.

Two accounting pronouncements were adopted by the organizations in FY2020: ASU 2014-09 *Revenue from Contracts with Customers* and ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. These pronouncements are the new revenue recognition standards.

The organization had a prior period adjustment for net assets, which is due to adopting the new accounting pronouncement ASU 2014-09. The adjustment corrected net assets previously recorded as without donor restrictions to net assets with donor restrictions.

ASU 2019-01 *Leases* will need to be adopted after December 15, 2021. This pronouncement requires organizations to calculate the fair value of lease over the full length of lease and record a right of use asset and a right of use liability on the statement of financial position.

Crownover asked why retirement contributions were so much lower in FY20 than FY19. Green explained that the retirement plan does not require the organization to make a contribution until an employee has been employed for 12 months. Due to employee turnover, there were fewer employees eligible for retirement contributions in FY20.

Scheibe asked if the reserves are bordering on too much. Williams said that the organizations purchased investments, so there is not much more that can be done to change the composition of the assets. This high reserve amount likely would not deter a potential donor. Green added that a large percentage of the organization's collective budget is from grants, which is obligated to be spent in a prescribed timeframe. Due to this, less money has been put into investments to ensure the money is on hand to be spent in the required timeframe. She has been more cautious and is working with the investment advisor to ensure the organizations has sufficient cash liquidity.

Next, Albrecht walked the Committee through the letter AUC 260 which is a required communication with governance letter. The letter lists the newly adopted accounting standards, ASU 2014-09 and ASU 2018-08, as well as the accounting standard that must be adopted by December 15, 2021, ASU 2019-01.

The letter also states that no transactions were entered into accounting system that lacked authoritative guidance, and that the firm did not have any difficulties in dealing with management. Albrecht said that Management was timely and answered all questions.

Finally, the letter mentions that there was a prior period adjustment made to the financial statements, although there were no other adjustments proposed to the internal financial statements. This shows that one can rely on the financial statements presented by Management as being complete and accurate.

Albrecht noted that there is no formal management letter this year, which is good news for the organization.

Scheibe asked for approval of the FY20 audit.

**MOTION: To approve the FY20 audit, as presented.  
Graham; Howard.  
MOTION APPROVED.**

**FY20 990 Review:** Skinner reviewed the 990 for both Advance CTE and The Center to Advance CTE. The 990s are completed only after the audit is complete and are in line with the audited financial statements.

Skinner highlighted page two, which is a narrative of what the organization has accomplished during the fiscal year. Since they are public documents, the wording is important for the public to understand what was accomplished throughout the year.

She also highlighted page six, which are governance policy questions. These are important as the public can see if the organization has good governance policies. Page seven lists the Board members along with a very rough estimate of the time dedicated to the organization. Page nine lists the revenues of the organizations, which shows that grants and contracts are a big percentage of the total revenue.

The Foundation 990 contains schedule B that lists who has contributed funds to the organization. This is not public information and asks that the Board does not disclose this information outside of the organization.

She also noted that Schedule A is required for the Foundation which is a 501(c)(3) organization, but not the Association which is a 501(c)(4). Schedule A ensures that the organization is getting revenue from varying sources and not just one. This is important to maintain a tax-exempt status.

Scheibe asked for questions. There were no questions from the Committee. Scheibe asked for approval of the FY20 990s.

**MOTION: To approve the Advance CTE and The Center to Advance CTE 990s, as presented.  
Thompson; Crownover.  
MOTION APPROVED.**

**Audit RFP:** Haynes reviewed the Audit RFP with the Committee. An Audit RFP is required every five years to benchmark costs, per Board approved policy. This ensures continuous improvement, benchmarking of fees and that the Boards are meeting their fiduciary responsibility. The requirements presented in the RFP are the following:

- The audit team must have expertise in GAAP (Generally Accepted Accounting Principles) and GAAS (Generally Accepted Auditing Standards)
- The auditor must be a certified public accountant
- The auditor meets the independence standards of the American Institute of Certified Public Accountants' Code of Professional Ethics

The Audit RFP requests the following information be submitted:

- References from like-sized non-profit clients
- List of the engagement staff with their biographies
- Description of audit firm's approach to proposed services, including capability and experience conducting virtual audits
- Total fixed price by year for a three to five year agreement

Haynes asked for feedback or questions. Crownover asked if there are any exclusions, such as is the current auditing firm eligible to submit a proposal. Haynes confirmed that the current auditing firm has been conducting the audit for the last five years and is eligible to participate in this RFP process as long as the lead partner changes.

Scheibe asked if there is set criteria for evaluating the proposals. Green said that there is not a rubric, but the firms were previously evaluated based on reputation/references and cost.

Crownover recommended that the contract with the audit firm contain an escape clause. Green assured her that there will be an escape clause.

Scheibe asked for approval of the Audit RFP.

**MOTION: To approve the Audit RFP, as presented.  
Howard; Crownover.  
MOTION APPROVED.**

**Advance CTE and The Center to Advance CTE Financial Reports:** Haynes walked through the Advance CTE FY21 financials, which have been reconciled through December 31, 2020. Advance CTE has received 89 percent of its budgeted income for the year, which is on track. There are currently four states/territories that have outstanding dues payments: American Samoa, Virgin Islands, Illinois (40 percent) and California (50 percent). Advance CTE is 31 percent above target for organizational and individual memberships. The ABC Equity grant and NASFAA contract have been completed. Interest is already 23 percent above the budgeted target for the year. Advance CTE will start receiving Spring Meeting registration and sponsorship income in January.

Advance CTE's expenses are only at 27 percent of the budget, with the primary costs being staff related costs, audit and accounting fees, rent and the New State Director Institute. The NASFAA project met 55 percent of its budgeted target in expenses, so the remaining 45 percent of funding reverts to the Advance CTE reserves. The ABC Equity grant spent 100 percent of its budgeted expenses, which was on target. Advance CTE is below target in expenses as more and more expenses are covered by The Center to Advance CTE.

The Advance CTE investments are doing very well with a 24.17 percent equity only return and 15.17 percent overall rate of return.

Next, Haynes gave an overview of The Center to Advance CTE's FY21 financials, which have also been reconciled through December 31, 2021. The Center has received 85 percent of its budgeted income. The Center received a new grant for the College In High School Alliance through Gates, which is reflected in Other Income. The PAYA grant has been extended through September 2021 with an additional \$100,000 in funding. The Center also received \$18,000 in Summit Sponsorships, with another \$25,000 expected from Strada, which will help fund the vision release. Interest is already 166 percent above the budgeted target for the year.

The Center's expenses are only at 36 percent of its budget, which include salary and benefits, rent, consultants, technology subscriptions, and audit and accounting fees. The investments have a 22.09 percent equity only rate of return with a 12.49 percent overall rate of return.

Scheibe asked if there was a target for Summit sponsorships. Kreamer explained that there was not a target, but the funds were intended to be used to offset costs as the Summit was originally planned as an in-person event. Sponsorships were also sought to have funders put their name behind the Summit to raise the visibility.

Scheibe asked what the collection efforts for the five outstanding state dues payments looked like. Haynes explained that only one of the five members has not responded to payment reminders, Virgin Islands. This was escalated up to the Director of Communication and Membership, Katie Fitzgerald, who reached out but also did not receive a response. This has now been escalated up to Kimberly Green, who will now be reaching out to the State CTE Director for Virgin Islands to see if they wish to continue their membership.

Scheibe asked for approval of the FY21 financial reports.

**MOTION: To approve the Advance CTE and The Center to Advance CTE FY21 financial reports, as presented.  
Graham; Thompson.  
MOTION APPROVED.**

Scheibe announced the next meeting will be held on March 26, 2021.

Scheibe called the Advance CTE Finance/Audit Committee Meeting to a close at 4:04 p.m. EST.