

**Advance CTE/The Center to Advance CTE
Finance/Audit Committee
MINUTES
Conference Call
January 18, 2019**

ATTENDEES: Marcie Mack, Sheila Ruhland, Victoria Crownover, Pradeep Kotamraju

ABSENT: Lee Burket

STAFF: Kimberly Green, Shannon Johnson

GUEST SPEAKER: Terri McKnight, Auditor; Gelman, Rosenberg and Freedman;
Carolyn Skinner, accountant, Dembo Jones

WELCOME: Mack called the meeting to order at 3:03pm.

MINUTES: Mack presented the Finance/Audit Committee minutes from the September 24, 2018 Committee call and asked for questions. After no questions, Mack entertained a motion to approve the minutes.

**MOTION: To approve the September 24, 2018 Finance/Audit Committee minutes.
Ruhland, Crownover.
MOTION ADOPTED.**

Review and approval of the Audit: Mack introduced and welcomed McKnight and called for a review of the audit.

McKnight explained that the firm's responsibility is to conduct the audit then express an opinion on the results of that audit and accompanying reports. She explained that they conducted the audit in accordance with the auditing standards generally accepted in the U.S. (Note: The auditors use the organization's full names, not DBA – NASDCTEc rather than Advance CTE and NCTEF rather than the Center to Advance CTE).

McKnight explained that Advance CTE/The Center to Advance CTE experienced a \$401,337 increase over FY17 in revenue generated from grants and contracts. Expenses for FY18 total \$1,645,416, which is an increase of \$109,809 over FY17. Overall Advance CTE/The Center to Advance CTE's revenues exceeded its expenses.

Armingier gave some additional notes on Advance CTE/The Center to Advance CTE's combined statements:

- Advance CTE/The Center to Advance CTE's financial reports are presented on the accrual basis of accounting;

- Financial statements in this report have been combined since Advance CTE/The Center to Advance CTE are under common control;
- Advance CTE/The Center to Advance CTE consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents;
- Management considers all accounts receivable amounts to be fully collectible within one year. An allowance for doubtful accounts has not been established;
- Inventory consists of publications. For the year ended June 30, 2018, Advance CTE/The Center to Advance CTE adopted FASB Accounting Standards Update (ASU) 2015-11, Simplifying the Measurement of Inventory, and as such, inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory;
- Property and equipment in excess of \$500 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$3,628 and \$3,362;
- The Center to Advance CTE is exempt from Federal income taxes under Section 501(c)(3) of the IRC. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements;
- Deferred revenue consists of member dues and conference registration and sponsorship. Advance CTE recognizes member dues incrementally throughout the year. Advance CTE recognizes conference and sponsorship revenue when the related event has occurred respectively;
- Unrestricted and temporarily restricted grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions;
- Some contracts are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the contracts;
- Contributed services consist of printing and consulting services towards various management and program service functions. Contributed services are recorded at their fair market value as of the date of the gift;
- Advance CTE/The Center to Advance CTE account for a significant portion of their financial instruments at fair value or consider fair value in their measurement. Advance CTE/The Center to Advance CTE have adopted the provisions of FASB ASC 820, Fair Value Measurement;
- Fair value total investments for FY18 equal \$3,562,612. An increase of \$474,656 over FY17;

- Net property and equipment for FY18 equal \$7,633. An increase of \$1,316 over FY17;
- Total temporarily restricted net assets for FY18 equal \$351,994. An increase of \$272,742 over FY17;
- In August 2018, Advance CTE signed a new lease for 4,630 square feet of office space within the same building beginning September 1, 2018 through June 30, 2029. The lease provided for a ten-month lease abatement and a lease incentive up to \$32,410 for reimbursement of moving costs. Base rent is \$12,154 per month, plus a proportionate share of expenses; and
- Advance CTE provides retirement benefits to their employees through a defined contribution plan covering all full-time employees with one year of eligible experience. Advance CTE/The Center to Advance CTE contribute 9% of participants' gross annual salaries to the 401(k) plan. Contributions to the Plan during the years ended June 30, 2018 and 2017 totaled \$52,893 and \$46,467, respectively.

McKnight explained that there will be new accounting pronouncements coming later this year. Some of the changes include: revenue recognition; revenue from contracts and customers; cost allocations; and 2021 lease accounting changes.

McKnight explained the Statement of Functional Expenses for Advance CTE/The Center to Advance CTE highlighting that personnel cost is the largest line item on each statement.

McKnight stated that overall Advance CTE/The Center to Advance CTE had a great financial year and called for questions.

Ruhland wanted to know why Advance CTE/The Center to Advance CTE's rent was so low. McKnight explained the lease abatement due to Advance CTE/The Center to Advance CTE move and new lease.

Ruhland wanted a definition of prepaid expenses. Green explained that prepaid expenses are when Advance CTE/The Center to Advance CTE paid for something in one fiscal year and receive the benefit of that item in another fiscal year. After Advance CTE/The Center to Advance CTE receives the benefit a journal entry is made to remove that item from prepaid expenses and to apply it to actual expenses. McKnight explained that prepaid expenses increased because of rent and some consulting fees.

McKnight mentioned the NASDCTEc & NCTEF 2018 OAC Letter and the NASDCTEc & NCTEF 2018 Combined AU-C 260 Letter. She said that Jennifer Arming, Auditor; Gelman Rosenberg and Freedman highlighted that the revenue recognition changes will not take effect until 2020. She also said that there were no other areas of concern.

McKnight explained that the NASDCTEc & NCTEF 2018 Combined AU-C 260 Letter is a required letter and provides the overall results of the audit. Mack explained that there are three new accounting standards that will be adopted by the required dates. These changes are:

- ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), effective for fiscal years beginning after December 15, 2017;
- ASU 2014-09, Revenue from Contracts with Customers (Topic 606) effective for fiscal years beginning after December 15, 2018; and
- ASU 2016-02, *Leases* (Topic 842) 842), effective for fiscal years beginning after December 15, 2019.

McKnight explained that because of tax reform a tax-exempt organization will now have Unrelated Business Taxable Income (UBTI) to the extent it provides “qualified transportation fringe benefits” (e.g. pre-tax parking and transit passes) to its employees and does not include such amounts in the employees’ income.

**MOTION: To approve the Advance CTE/Center to Advance CTE FY18 audit, as presented.
Mack, Ruhland.
MOTION APPROVED.**

Review and approval of the Advance CTE/Center to Advance CTE Forms 990: Mack introduced Skinner and invited her to review the Form 990 for Advance CTE and The Center to Advance CTE .

Skinner explained that the Forms 990 represent the tax returns for the last fiscal year for Advance CTE and The Center to Advance CTE. She said that the numbers on the forms will match those of the audit though there are differences in the way that items are reported.

Skinner explained that it is good governance for the Board to review the Forms 990 before they are published and made available to the public. The IRS does ask if the Board has reviewed the Form 990.

Skinner explained that the transportation benefit enjoyed by Advance CTE/The Center to Advance CTE’s staff has been effected by the change in the recent Federal tax law, as mentioned above. This means that this benefit is no longer deductible for corporations; it is now subject to unrelated business taxable income. She explained that this change requires Advance CTE/The Center to Advance CTE to file a Form 990T. Advance CTE/The Center to Advance CTE does not pay a lot of money for this benefit and there is a small amount of tax that will have to be paid.

Green explained that this is relevant because Advance CTE/The Center to Advance CTE provides parking and Smart Benefits for Metro/bus.

Skinner explained that there are a number of tax law changes but the vast majority do not effect Advance CTE/The Center to Advance CTE.

Skinner reiterated that it is good governance practice for the Forms 990 to be reviewed by the Board before they are filed. The IRS asks this question to determine whether Advance CTE/The Center to Advance CTE observes what they consider good governance practices.

Mack stated that these statements will be put before the Board before they are filed and made public.

**MOTION: To approve the 2017 Advance CTE/Center to Advance CTE Forms 990 as presented.
Mack, Ruhland.
MOTION APPROVED.**

Mack thanked everyone for joining.

Meeting adjourned 3:52 p.m.