

Advance CTE/The Center to Advance CTE
Finance/Audit Committee
MINUTES
CONFERENCE CALL
September 24, 2018
3 p.m.-4 p.m. ET.

Attendees: Pradeep Kotamraju, Marcie Mack, Sheila Rutland, Victoria Crownover

Absent: Lee Burket

Staff: Kim Green, Kate Kreamer, Shannon Johnson

Guests: Mark Friese, Merrill Lynch

Introductions: Green led introductions.

Review and Approval of Minutes: Mack presented the Finance/Audit Committee minutes from the June 18, 2018 committee call and asked for questions. After no questions, Mack entertained a motion to approve the minutes.

MOTION: To approve the June 18, 2018 Finance/Audit Committee minutes.
Ruhland; Kotamraju
MOTION ADOPTED.

Overview of Finance Manual Revision: Johnson shared that recently Advance CTE reviewed the current manual and made updates to bring the manual into alignment with current practices, new technological solutions and staff structures. An overview of the revisions was shared with the Committee electronically.

MOTION: To approve the updated Finance Committee manual.
Ruhland; Kotamraju
MOTION ADOPTED.

Review of Investment Portfolio: Mark Friese thanked the committee for the opportunity to join. He provided an overview of the organization's approach to investing and asset allocation. The organizations leverage an adjustable allocation, providing flexibility to change investments as needed and based upon the economy.

The organizations currently own indexes, which are generally less expensive compared to mutual funds. Most investments are targeted towards dividends (which are unaffected by policy, interest rate changes or the economy) to ensure the organizations have enough cash on hand. Friese shared that his firm is compensated based on value of investments rather than on trade fees.

Friese provided the analysis that the market is very high at the moment, but that the organizations' investment strategy is to still remain cautious and in defensive mode, over-weighted in "defensive" or less volatile sectors.

Green asked Friese to share how decisions are made to balance risk vs. return. Friese responded that his job is to have highest fiduciary responsibility, meaning they will always choose the option that costs less money and works in the best interest of the organization. For example, while bonds carry a lower risk than stocks or indexes, there are concerns that interest rates will rise, which means bonds prices will come down and have less value. The flexibility under the asset allocation options allows the firm to make informed decisions that keep risk vs. return in balance.

Mack thanked Friese for joining and asked if anyone had question to please send them to her or Green.

Review and Approval of Advance CTE Financial Reports: Green presented Advance CTE's FY18 financials and shared that Advance CTE ended the year in a very strong position. We needed up exceeded income targets and slightly underspent. One place Advance CTE was overbudget was on salaries and benefits. Green shared there is always guess work when projecting staff time over the course of a year. Those projections inform the organizational split used for other overhead expenses. We ended up spending more time on Advance CTE than The Center efforts in part because of time Green spent on Perkins reauthorization (rather than grant-funded projects). Advance CTE also had a contractor to support New State Director Leadership Program, but the work was largely brought back in house after the contractor had to step down for personal reasons. Finally, the accounting costs went down quite a bit due to decision to invest in a bookkeeper rather than solely pay an external accountant.

For the FY19 budget, Green shared there were some unique aspects to the budget, particularly the office move, which shows our rent payments as well under where they would be in a non-move year.

Finally, Green shared how we do reconciliation for staff time. Advance CTE pays for all staff time and benefits upfront, and allocates funds to The Center for any grant-funded or The Center-specific work on a quarterly basis. The quarterly reconciliations mean there is a lag on The Center side in terms of actuals.

Kotamraju asked about impact of Perkins V on this Board-approved budget and whether changes were anticipated. Green shared that we are in process of developing budget modification to bring to the Board in October. We are hopeful that we will have some potential funding sources to offset costs. We have committed using reserve funds to offset costs for Perkins implementation, for example, covering the registration fees for up to five members per state for the regional meetings.

Mack asked for other questions and for a motion to approve the Advance CTE financials.

MOTION: To approve the Advance CTE financials.
Kotamraju; Ruhland
MOTION ADOPTED.

Review and Approval of The Center to Advance CTE Financial Reports: Green presented The Center to Advance CTE's financials. Green shared this was where the majority of new funds are coming in and thanked Kreamer for her role in helping lead development work as well as management of multiple grants.

Green shared that the diversity of income has made our systems more complex. In FY18, we were very successful in development, including increasing our role and income for JPMC-New Skills for Youth; securing a second grant from the Siemens Foundation; and securing a new grant from the Joyce Foundation.

Green also shared some income streams that were less than originally anticipated. The ACTE VISION reimbursement was adjusted to correct for misaligned expectations. We have updated our MOU for 2018 to ensure we have more accurate estimates. The Center also had a contract with EDC (STELAR) that ended up being more advisory than expected. While originally The Center expected over \$23,000 in income, we have only invoiced for about \$3,000 based on work completed. We did not need to withdraw from reserves and investments have continued to do well.

On the expense side, The Center was generally under budget, in part because staff do not work 40 hour work week, leading us to bill our time to grants at a lower rate than originally budgeted. Green and Kreamer have a call scheduled this week to get some expert advise on how to meet accounting principles, while better documenting accurate time and effort.

The Center was slightly over-budget in a few areas. The first is for the Career Cluster products, as we had to reprint pocket guides based on customer demand (we also exceeded our projected income on products). In addition, other project-based staff time (e.g., The Center activities not covered by specific grants, but by reserve funds) was higher than projected. Specifically, the staff time was overspent on development/fundraising as well as Excellence in Action Award program. The Career Clusters Task Force was over-budgeted on staff time because work was brought in house rather than having a contractor lead it. Finally, the Virtual Institute is a relatively new investment for The Center, which has had huge success.

Green then presented The Center's FY19 budget. She pointed out that JPMC is now being paid on a quarterly basis. For Siemens, we are working with the accountants to figure out how to show funds that were received in one fiscal year but expended in a different fiscal year.

Green gave a heads up of grants that will be coming online soon. A new JPMC grant has been submitted upon request by the Foundation for a \$475,000, two-year grant to document JPMC's place-based investments in the U.S. and internationally. In addition, The Center is part of the Partnership to Advance Youth Apprenticeships (PAYA), and will receive \$100,000 in FY19, which will help fund a new position. Finally, a proposal is in to the Bill & Melinda Gates Foundation to help pay for Perkins V implementation and Career Clusters revision.

Mack called for a motion to approve The Center's financials.

MOTION: To approve The Center to Advance CTE financials.

**Ruhland; Crownover
MOTION ADOPTED.**

Audit Update: Green shared that we have moved up the audit to this week (rather than December). We changed partners but are working with the same firm to stay in compliance with the organization's internal policies. We will be ahead of schedule to have draft audit statements by late December or early January. The organizations' auditor and accountant will join January 2019 Finance Committee meeting.

Mack thanked everyone for joining.

Meeting adjourned 3:58 p.m.