

The Advance CTE Finance/Audit Committee Meeting

January 13, 2022

3-4 p.m. EST

Zoom Meeting

ATTENDEES: Sarah Heath, Katie Graham, Jonathan Beard.

STAFF: Kimberly Green, Kate Kreamer, Krissy Haynes, Tanya Powers.

INVITED GUESTS: Trevor Williams, *GRF CPAs & Advisors*, Bert Swain, *Dembo Jones*.

ABSENT: Whitney Thompson

Welcome: Heath welcomed everyone to the meeting. She informed everyone of Malone's departure and shared that Malone took a new job to serve as a Superintendent for a newly formed statewide charter district.

Heath asked for approval of the minutes.

MOTION: To approve minutes from September 13, 2021, as presented.

Graham; Beard.

MOTION APPROVED.

FY21 Audit Review: Williams reviewed the fiscal year 2021 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. The biggest fluctuation occurred in the cash and cash equivalents. There was a \$1.2 million decrease due to more funds being received in fiscal year 2020. There was a \$2.5 million increase in investment funds for fiscal year 2021. Net assets increased by about \$1.2 million. The organization's total liabilities and net assets total \$9,253,866.

Total revenues for fiscal year 2021 are comparable to fiscal year 2020. The main differences between the two years were an increase in investment income and a decrease in grants and contracts for fiscal year 2021. The total expenses for fiscal year 2021 are up from the previous year. The biggest change was in the grants and contracts program. In fiscal year 2020, expenses were reduced due to the COVID-19 pandemic.

The organizations have a healthy reserve, which is about three years of operating expenses.

Beard appreciated the transparency from management and the thorough audit report. Beard asked if there were any issues brought to management's attention that were off record. Williams stated there were two recommendations made: a cyber insurance policy and a formal procurement policy. Both of which, management stated they are reviewing and considering. Williams also noted that there were no audit adjustment entries. Swain and Williams both commented that the organizations were in an extremely strong financial position and congratulated management. Graham appreciated the clear explanation of the audit. Green noted that as we return to normal business post COVID, she expected the reserve to return to two years' worth of operating expenses. Due to COVID, the organizations were not able to expend funds. Green also acknowledged and expressed her appreciation for all of Haynes hard work during the audit process.

Heath asked for approval of the FY21 audit.

**MOTION: To approve the FY21 audit, as presented.
Beard; Graham.
MOTION APPROVED.**

FY21 990 Review: Swain 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.

Swain 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.

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. There was a \$25,000 contribution listed. Green noted that it was a sponsorship from a funder that needed to be recorded differently. It was not a direct contribution.

Beard asked if there was any unrelated business income. Swain answered that there was not. Haynes noted that the revenue less expense was negative for fiscal year 2021, although less income was received in fiscal year 2021. This was due to grant payments that were received in fiscal year 2020 but the funds rolled over to fiscal year 2021 and expended in fiscal year 2021.

Heath asked for approval of the FY21 990s.

**MOTION: To approve the FY21 Advance CTE 990s, as presented.
Beard; Graham.
MOTION APPROVED.**

**MOTION: To approve the FY21 The Center to Advance CTE 990s, as presented.
Beard; Graham.**

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 November 30, 2021 or 42 percent of the fiscal year. Advance CTE has received 80 percent of its budgeted income for the year, which is on track. There are currently three states/territories that have outstanding dues payments: California, Tennessee, and Ohio. Advance CTE was below target on Associate Memberships due to a higher percentage of turnover, resignations, and retirements than anticipated. There were 275 total registrations for the Fall Meeting which exceeded the registration goal of 250. Haynes noted that income for the Fall Meeting was still being received. Advance CTE received \$35,000 total in sponsorships which exceeded the \$32,160 target.

Advance CTE's expenses are only at 28 percent of the budget and expenses are expected to increase this Spring as travel and in-person meetings are expected to resume. Advance CTE was below target in expenses for the Fall Meeting due to the branding being done in-house. The primary expenses for Advance CTE are staff related costs, operational costs such as rent, accounting, publications, subscriptions, and consulting costs.

Next, Haynes gave an overview of The Center to Advance CTE's FY21 financials, which have also been reconciled through November 30, 2021. The Center has received 84 percent of its budgeted income. The Center received several new grants between October and December 2021. Haynes noted that funders are recognizing the organization's work and they are seeking out the organization to offer grant opportunities. The recent grants received were a \$400,000 grant from Annie E. Casey for work regarding the stimulus, a five-month \$65,000 subgrant from JFF to support phase one of the Stimulus2Systems project, a two-year \$300,000 grant from Walton Family Foundation to support CTE funding research and the CTE without Borders project, and a small \$15,000, fifteen-month grant from Gates through the College in High School Alliance to continue developing the strategic plan and federal advocacy playbook.

The Center's expenses were at 24 percent of its budgeted expenses, which include salary and benefits, rent, consultants, technology subscriptions, and audit and accounting fees. Haynes noted that expenses are below budget on several grants due to recent staff turnover. However, those positions have been filled and management expects to have a new Director of Communications and Membership join the team next month in addition to two new Senior Policy Associates and a Policy Associate. With the increase in staffing, Haynes said there will be an increase in the expenses.

Haynes shared that the organization's investments are doing well. Advance CTE had a 6.44 percent overall rate of return and The Center to Advance CTE had an 8.28 percent overall rate of return. The investment summary provided by Merrill Lynch showed that in 2021 the combined returns for the organization were up about 16 percent and over the last three years, the accounts were up a total of 48 percent.

Heath 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; Beard.
MOTION APPROVED.**

Heath announced the next meeting will be held on March 30, 2022.

Heath called the Advance CTE Finance/Audit Committee Meeting to a close at 4:02 p.m. EST.