

The Advance CTE Finance/Audit Committee Meeting
September 13, 2021
4-5 p.m. EST
Zoom Meeting

ATTENDEES: Angel Malone, Katie Graham, Whitney Thompson, Jonathan Beard

STAFF: Kimberly Green, , Kate Kreamer, Krissy Haynes

INVITED GUESTS: Mark Friese, Merrill Lynch

ABSENT: Sarah Heath

Welcome: Malone welcomed everyone to the meeting. Green thanked everyone for their dedication to the Committee. She congratulated Malone for her new role as chair of the committee and welcomed new member Jonathan Beard. Green said that the organization is in a solid financial position. Beard introduced himself and shared that he works for the Ohio Department of Education and has been involved with Career Technical Education (CTE) for a year and a half.

Malone asked for approval of the minutes.

**MOTION: To approve minutes from June 21, 2021, as presented.
Beard; Graham.
MOTION APPROVED.**

Investment Update: Mark Friese, Advance CTE's Merrill Lynch investment advisor, provided a summary of the organization's investment portfolio. Advance CTE and The Center to Advance CTE are diversified with money in both stocks and bonds. Friese stated in March of this 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. Friese shared that year to date, stocks are up by 19%. There is a blended allocation between the Foundation and Association of 75% stocks. 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 organizations are over-weighted in consumer staples, healthcare, and utilities and under-weighted in areas that are more economically sensitive. The organizations are balanced in value and growth investments at 35% each.

With the possibility of an increase in the corporate tax rate, Green asked Friese if he could share how the organization responds when and if there are major fluctuations in the stock market? Friese explained that he doesn't make a move until it happens. If the interest rates rise, bond yields rise and his team would shift money from stocks to bonds. Green noted that our account with Merrill Lynch is a managed account. If something happens, Friese and his team will pivot

the investment portfolio as needed. Beard asked if inflation affects our position? Friese responded stating that inflation is low at 2%. Malone asked if there should be a point of contact prior to the January meeting if there are changes that need to be made? Friese explained that adjustments can be made automatically when needed. Friese shared details for Beard about the broad-based indexes that are owned by the organization. Friese explained that there are not any individually owned stocks in the organization's portfolio. The indexes consist of 100 or more companies and are well-diversified. A large part of the organization's equity holdings are in dividend-oriented indexes. These stocks pay dividends regardless of what the stock market does. They are a good substitute for bonds because bonds are not currently paying much. Friese stated that currently 80% of the income comes from dividends. Green noted that the current investment policy statement is broad to allow Friese and his team the flexibility to make necessary changes to protect the organization's financial position. Green also said that if major adjustments are made, Friese provides written communication that the financial committee will receive and any concerns can be discussed.

Advance CTE and The Center to Advance CTE Financial Reports: Haynes walked through the Advance CTE FY21 financials first. Advance CTE ended FY21 in a strong financial position with a net income of \$420,265. This exceeded income target by 25% due to high membership retention, an influx in members from interest of the Spring Meeting, and high interest and dividend returns. The project with the University of Massachusetts (UMASS) was below income target by \$250. The money was not received in FY21 as anticipated but will be received in FY22. In regards to expenses, COVID-19 continued to limit the organization's ability to spend on meetings and travel. The Center to Advance CTE received several grants in FY21 which increased their share of the operational expenses and decreased Advance CTE's share. The ABC grant ended in FY21 on budget and the NASFAA contract closed under budget. Haynes shared that there are two grants/contracts continuing into FY22. The UMASS (University of Massachusetts) will continue through September 2024. Wonder: Strategies for Good is a sub-grant that was received at the end of last fiscal year to support message field testing. \$25,000 was received for this grant and it was placed in "other income" for FY22. Haynes shared there will be a budget amendment presented at the next Board meeting to include the \$25,000 in the FY22 budgeted income. Advance CTE ended FY21 expending only 54% of budgeted expenses. All income over expenses roll into reserves.

Next, Haynes shared the FY22 financial reports. The financial reports are reconciled through July 31, 2021 or 8% of the fiscal year. Advance CTE has received 46% of the budgeted income, which is primarily membership dues. Haynes noted that all states and territories have indicated they are going to renew their memberships, including Indiana which was not included in the budget. Haynes shared that fall meeting and sponsorship registrations kicked off in late July. Registrations started off slower than in previous years, however with the release of the agenda and a marketing strategy, registrations increased over the past week. Expenses are at 4.5% of the budget, which is on target and are primarily staff related costs.

Beard asked what was the basis of getting paid on the grants? Are they typically reimbursement-based? Haynes responded that they are fixed-fee. Grants are given for the full amount and the organization allocates funds appropriately for the fiscal year. Green noted that there are many grants and contracts that are fixed fee and if deliverables are met and money

spent is under-budget, the remaining funds can be rolled into the organization's reserves. Most of the grants from philanthropy require reporting to show how and where money was spent. If delivered under-budget, then funding is reallocated appropriately. Kreamer shared that most of the organization's partners allow no-cost extensions to move forward with the work.

**MOTION: To approve the Advance CTE FY21 and FY22 financial reports, as presented.
Beard; Thompson.
MOTION APPROVED.**

Next, Haynes gave an overview of The Center to Advance CTE's FY21 financials. The Center to Advance CTE also ended FY21 in a strong financial position with a net income of \$832,427.30, which was below targeted budget by 0.6%. Haynes shared that unlike Advance CTE, the majority of unspent funds do not roll into reserves as they are restricted funds but are allocated to specific grants outlined in the budget. The remaining funds will roll into FY22 to continue the work. Haynes stated that income targets were exceeded for other income due to receipt of a few Summit sponsorships and high interest and dividends. PAYA and CHSA-Gates exceeded income targets due to underestimating FY21 expenses. Haynes shared that additional income needed to be recognized to cover those expenses which was pulled from reserve funding set aside for those projects. The Center only spent 74% of its budget for expenses as most projects were underspent due to no travel or in-person meetings. The budget also included an office expansion that did not take place. The funding for the expansion was from the New Skills grant and the budget grant has been reworked to reallocate those funds. Haynes stated that there were two grants that ended on budget in FY22: Gates 2 and Lumina. There were two contracts that ended below budget with the remaining funds added to reserves: Strada and Iowa. Haynes noted several grants that will continue through FY22 and beyond: CHSA-Gates, PAYA, Joyce 2, NSFY Innovation, CHSA-Joyce, Siemens 3, Gates 3, ECMC Data Quality, CHSA-ECMC, ECMC Fellows, and New Skills ready network.

Then, Haynes presented The Center to Advance CTE's FY22 financials, which have also been reconciled through July 31, 2021 or 8% of the fiscal year. The Center to Advance CTE has received 58.7% of the budgeted income, which is mostly carry forward of grant income. Haynes noted that a budget amendment will be proposed to the Board at the September meeting for the NSFY Innovation, Joyce 2, Siemens 3, and CHSA-Gates grants to adjust the carry forward to align with the actuals for FY21. Expenses for FY22 are at 4.1% of the budget and are primarily staff related costs, consulting and operational expenses.

Kreamer gave an overview of items coming up in FY22. There are several new staff positions. Two new Senior Advisors will start September 27, 2021. Kreamer stated that an offer for the State Policy Manager position will be going out next week and there will be three other positions posted soon: Director of Communications & Membership, Federal Policy Manager, and Director of Operations. Kreamer also shared that a grant agreement with Walton Family Foundation was signed September 10, 2021 and the first payment of \$150,000 is expected within two-weeks. This is a two-year grant that directly supports two priorities within the Vision. Kreamer also shared that the organization is part of a multi-partner, multi-funder initiative around ensuring that the federal stimulus investments leads to states building systemic career pathways focussing on

quality and equity. JFF is serving as the fiscal agent. Kreamer said the Center anticipates to have a grant agreement through February for \$60,000 signed within the next week. Kreamer also noted that the current Joyce 2 grant ends in December 2021 and The Center was invited to submit a concept letter or proposal to continue the grant. The additional funding will help continue a lot of the equity work the organization has already started.

Green added that the organization is generally cautious about hiring ahead, however after working with Delivery Associates on the Strategic Plan, they also worked on capacity mapping which shows what staff is needed in order to fulfill the aspirations of the strategic plan. This inspired the organization to hire ahead.

Malone asked for approval of The Center to Advance CTE FY21 and FY22 financial reports.

**MOTION: To approve The Center to Advance CTE FY21 and FY22 financial reports, as presented.
Beard; Graham.
MOTION APPROVED.**

Malone announced the next meeting will be held on January 13, 2021.

Green shared that there will be changes needed to the finance manual and more information will be provided soon.

Malone called the Advance CTE Finance/Audit Committee Meeting to a close at 4:52 p.m. EST.