Advance CTE/The Center to Advance CTE
Finance/Audit Committee
MINUTES
CONFERENCE CALL
June 14, 2016
3 - 4 p.m. ET.

Attendees: Pradeep Kotamraju, Connie Beene, Tim Hodges, Bernadette Howard
Absent: Marie Barry, Sheila Ruhland
Staff: Karen Hornberger, Kate Blosveren, Kimberly Green

Welcome: Kotamraju welcomed the Finance/Audit Committee and thanked them for joining the call

Budget Overview: Kotamraju reported that by and large as the documents articulate a sound fiscal position. He noted that in the proposed budgets there are adjustments sharing of the operational expenses between the association and foundation; these shifts are based on projected allocation of staff time. He turned over the report out of the proposed FY17 budgets to Hornberger and Green.

Advance CTE FY 17 Proposed Budget: Hornberger reported that based on the projected time staff will be spending on Center to Advance CTE initiatives, along with the two new staff positions supported by JPMC grant, it was necessary to update the organizational split that gets applied to all operational expenses (e.g. rent, telephone, insurance, etc.). For FY17, this split was 85% Association, 15% Foundation. The split proposed for 58% Association and 42% Foundation with 75% allocated to JPMC, 15% IDIQ (4 months of the year) and 7% general. Hornberger reviewed the income projections, noting that state memberships were based on 95% of invoiced dues, less Puerto Rico and Alaska. Alaska was removed out of the calculation due to the state budget situation and the State Director being laid off at the end of June. Associate and organizational memberships have increased by 25% to reflect the increased realized in FY16. Hornberger also noted that the conference sponsorships have been increased, reflecting the shift back to two regular meetings a year (FY16 included only one meeting – spring – and the fall summit, which had no sponsors).

Hornberger shared that on the expense side of the proposed budget, most expense lines represent a decrease as compared to FY16. This is mostly due to split of organizational expenses and reallocation of some staff time to the Foundation. Green shared that the printing cost increased covers the Board-approved printing of *Putting Learners First* and providing each state with up to 500 free copies. She also noted that the audio visual budget is increased to provide for internet at the Advance CTE meetings, a change being made due to member feedback. Green also wanted to note that the proposed budget includes additional legal expenses which represents ten hours of time should the governance taskforce's recommendation require a bylaws revision. Green asked if anyone had any further questions. No questions asked.

Beene shared her appreciation of the detailed explanatory.

MOTION: To approve the FY 17 Advance CTE budget as proposed and advance to the full Board of Directors for consideration.
Beene; Howard.
MOTION ADOPTED.

The Center to Advance CTE FY16 Proposed Budget: Green shared that the new JPMC grant is a fixed price contract, which means the income received comes in a single lump sum payment at the beginning of the fiscal year. As a result, staff will be income item to accrual accounting, similar to how dues are handled on the Association side. Green noted that this is the first year of a revenue share with ACTE that provides for a baseline reimbursement for staff time and travel costs, as well as a variable revenue share based on registrations. The budget estimate at $7,000 for the variable revenue share is very conservative. Green shared that some activities that have direct member benefit will continue to be reimbursed by the Association, including the Excellence in Action Awards and the CTE Campaign. The Merrill Lynch interest/expenses have increased because of the anticipated money that we will have in our accounts from the grants; relative interest earned is also proportionately increased.

Hodges noted that he appreciates the clarification on the ACTE VISION revenue share. Green also shared that the JPMC two expense line items, one that covers allocated expenses aligned to deliverables and one that is a contingency fund. Given that the JPMC grant has potential for at-yet-to-be-defined technical assistance, the contingency fund was set aside to support that work. Green shared that if we don't use these contingency funds by the end of the fiscal year, those funds would be rolled into reserves.

MOTION: To approve the FY 17 Center to Advance CTE budget as proposed and advance to the full Board of Directors for consideration.
Hodges; Beene
MOTION ADOPTED.

Review of Investments: Hornberger gave an overview of the investments through March 31, 2016 and noted that the investments are beginning to pick up as we stay the course with our investment policy statement. She shared that the equity portion of the Advance CTE portfolio is exceeding las year's cumulative performance 3.85% compared to (.58%). The overall portfolio is also doing well, at 2.76% compared to (.72%) last year. For The Center to Advance CTE, the equity portion of the portfolio is also exceeding last year's cumulative performance (7.70%) compared to 1.91%. The overall portfolio is also doing well, at 5.79% compared to 1.93% last year.

Accountant and Auditor Update: Hornberger reported that our accountant notified Advance CTE that Dixon Hughes Goodman, our current accounting firm, will no longer be working with small, non-profit clients. She shared that the partners and accounting staff will be moving to another firm by mid to late June. The firm that was chosen is to assume our account is currently our auditing firm, Dembo, Jones and Healy. Having our accountant at the same firm as the auditor is a conflict of interest, so when this move is made we will have to select a new auditing firm. The accountant is recommending that we go with another firm that responded to our initial RFP. This firm came in at a higher price but has a good reputation.

Hodges asked if the accountant recommending a different auditing firm would be a conflict of interest, since the auditor is also checking their work. Hornberger reported that the current auditing firm came at the recommendation of the accountant. Hornberger assured Hodges that the staff would due their due diligence in making sure that followed appropriate procedures and that there were no conflicts of interest. Green also stated that we would also check references and review the RFP before committing to them. Green also asked Hornberger to check the original notes presented to the Finance/Audit Committee and see where the recommended firm ranked. Hornberger agreed and noted that we could also run the RFP process again if necessary.

Note: Hornberger checked the past RFP and notes that the auditing firms were not listed by who was at the top of the list but listed for cost and benefits. While the firm being recommended was higher in cost – they were in line with the other proposal for services. Staff will pick an additional firm from the RFP's received and follow through with references and review the proposals before presenting the options to the Finance/Audit Committee for selection of a new auditing firm.

Review and Approval of Minutes: Kotamraju presented the Finance/Audit Committee minutes from the March 31, 2016 committee call.

MOTION: To approve the March 31, 2016 Finance/Audit Committee minutes.
Howard; Beene.
MOTION ADOPTED.

Meeting adjourned at 4 p.m.