

NASDCTEc/NCTEF Finance/Audit Committee

**MINUTES**

**CONFERENCE CALL**

September 8, 2015

3 p.m. – 4 p.m.

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**Attendees:** Pradeep Kotamraju, Connie Beene, Tim Hodges, Sheila Ruhland, Bernadette Howard

**Absent:** Marie Barry

**Staff:** Kimberly Green, Karen Hornberger, Kate Blossveren

**Guests:** Mark Friese, Merrill Lynch Advisor

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

**MOTION:** To approve the June 11, 2015 Finance/Audit Committee minutes.  
Beene; Hodges.

**MOTION ADOPTED.**

**Investment Update:** Hornberger shared the Finance/Audit Committee regularly invites Mark Friese, our investment advisor from Merrill Lynch, to review NASDCTEc and NCTEF's investment portfolios' performance, market conditions and the Board-approved investment policy statements. She introduced Mark Friese from Merrill Lynch who is the advisor for both the association and foundation.

Friese thanked the Finance/Audit Committee for having him and gave a brief overview of the volatility that market has experienced. He shared that this change has resulted in the U.S. market declining about 5% from the all-time historical highs that were reached in May this year. Consequently, this development leaves the market effectively flat, to down slightly for the year. Also concerns over the downturn in commodity prices, the effect that China's weak economic activity may have global economic growth and the timing of when the U.S Federal Reserve may increase interest rates are all contributing factors to the market's recent decline.

Friese shared that this does not mean that some changes and adjustments to our investment portfolio are not warranted. Over 60% of the equity holding for Merrill Lynch clients are in divided producing indexes. The income that this sector produces will most likely not only remain uninterrupted, but also grow over time. He also noted that Merrill Lynch has continued to add to this sector with the most recent market declines. Friese shared they are currently under-weighted in energy due to low oil prices and research indicates prices may decline further in the future.

Friese stated that with interest rates remain historically at an all-time low it makes sense to keep the organization's exposure where it is now. When the interest rates begin to rise and bonds begin to have a negative rate of return, Friese will then lower the organizations' bond exposure and increase our stocks. Friese shared that the organizations are doing well in the stocks and receiving a 2.5% rate of return on the investments. As stated in his report the allocation of the equity investments look fine and is in line with the investment policy statement.

**Overview of Financials:** Kotamraju shared with the Finance/Audit Committee that the fiscal year end ended strongly for NASDCTEc. He also shared there were some partnerships and

grants in the works that will potentially bring in approximately 1.7 million over the next 5 years to NCTEF.

**NASDCTEc 15 Overview:** Hornberger shared that the Association had received 100% of their dues and ended with 94% of the budgeted income. She also brought to the attention of the Finance/Audit Committee that all income categories were exceeded except for the reserve withdrawal funds – which was not needed and is considered a positive fiscal position. In the case of the communication campaign, direct expenses were only 42% of the projected expenses and the second reserve withdrawal, which was not needed, was originally planned to balance the budget. If the reserve fund withdrawal was removed and the campaign reserve fund withdrawal aligned with the actual expenses, this would bring the budgeted income to 111%. Hornberger stated the expenses for FYE 15 were on target and at 93% of the budget projections. There were a couple of line items that were slightly over due to the increased registrations for the fall and spring meetings. With these additional registrations, a few expenses increased in line with increased revenue (audio visual, printing and credit card fees).

**MOTION: To approve the NASDCTEc FY15 year-end financial statements as presented. Howard; Ruhland.**  
**MOTION ADOPTED.**

**NASDCTEc FY 16:** Hornberger shared that this budget only represented 8.5% of the fiscal year as the financial statements were only reconciled to July 31 when these reports were created. Hornberger stated that to date, state memberships are at 94% and the associate and organization is at 99% of budgeted income. She also noted that the overall 8% of revenue received is a little bit deceiving as the budget includes \$353,082.55 – or 31% of the overall budget - in reserve withdrawals for the Summit, project- based work and payments to the NCTEF. Expenses are at 9% and in line with projections. She also noted that the \$110,000 in Microsoft funds were moved from restricted to unrestricted funds.

**MOTION: To approve the NASDCTEc FY16 financial statements as presented. Howard; Ruhland.**  
**MOTION ADOPTED.**

**NCTEF FYE 15:** Hornberger stated income trailed projections at 54% of the budget. The largest disappointment was the lack of revenue from workshops, which only achieved 10% of the budget. Hornberger noted that only 53% of the planned reserve withdrawal was used to balance the budget due to additional revenue from product sales, contracts and the revenue share with NOCTI, as well as a very fiscally conservative approach by management. Hornberger stated that expenses were in line with revenue, at 54% with a few over overages as the Finance/Audit Committee have been continually made aware of.

Green shared that the expenses aligned to the shifting priorities of the organization throughout the fiscal year. It was a year of reimaging and rebuilding.

**MOTION: To approve the NCTEF FY15 year-end financial statements as presented. Hodges; Ruhland.**  
**MOTION ADOPTED.**

**NCTEF FY 16:** Hornberger shared that income is minimal being that we are 8.5% of the budgeted year. There were no products sales in July but she noted that we have received a few orders in the month of August and September due to marketing and a sale to move the older products. Expenses are in line with income, at 1% of the budget. Green added that the Career Cluster products are being refreshed for a launch in November 2015 at ACTE Vision. She also noted that the reimbursement from ACTE will occur in the first quarter of 2016. The NASDCTEc reimbursement to NCTEF for project –based work will take place after December 31 and again at fiscal year-end.

**MOTION: To approve the NCTEF FY16 financial statements as presented.  
Hodges; Ruhland.  
MOTION ADOPTED.**

**Auditor Rotation:** Hornberger shared with the Finance/Audit Committee the plans to move forward with the required RFP to benchmark audit costs in October. The draft RFP will be shared with the Committee prior to sending out for any comments or feedback. Once the proposals are received back the staff will bring a full report to back to the committee at the next meeting on December 5, 2015. In December, we will also be reviewing the draft audit and 990's for FY14-15.

Kotamraju thanked the Finance/Audit Committee and asked if there were any further discussion or questions. No further questions or comments.

**Meeting adjourned 3:34 p.m.**