

NASDCTEc/NCTEF Finance/Audit Committee

**MINUTES**  
**CONFERENCE CALL**

September 26, 2012

4 p.m. - 5 p.m.

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**Attendees:** Scott Stump, Jeanne-Marie Holly, Lee Burket, Bernadette Howard, Donna Yurdin, Pat Ainsworth

**Staff:** Kimberly Green, Karen Hornberger

**Welcome:** Stump welcomed the Finance/Audit Committee and thanked them for joining us.

**Approval of Finance Committee Minutes:** Stump presented the minutes to from the May 30, 2012 Finance call to the Finance/Audit Committee.

**MOTION:** To approve the May 30, 2012 Finance/Audit Committee minutes.  
Ainsworth; Howard.

**MOTION ADOPTED.**

**NASDCTEc Financial Reports:** Green provided an overview of the NASDCTEc financial reports.

**FINANCIAL SNAPSHOT: FY 12** - This report provides summary financial information for the period of July 1, 2011 through June 30, 2012 or 100% of the fiscal year.

**INCOME:** At fiscal year end, NASDCTEc received 98% of its budgeted income. Of note is that memberships in both categories (state and associate) exceeded targets, as did conference sponsorships. The majority of the rest of the income categories were very close to meeting the targets. The Crosswalk project was below target; however it was proportional to the expenses incurred. The funders of this project chose not to conduct an activity, which resulted in less expenses and less reimbursed income. The *other income* category exceeded the budgeted target due to additional honorarium received for speaking engagements and participation in technical working groups, as well as a fiscal management fee for a small project NASDCTEc acquired. We had budgeted \$73,800.40 to be drawn from reserves, however it was not necessary to do so given the positive income position. The staff salary/benefits due to the association is higher than projected due to the foundations work with the CCTC and CRPC.

**EXPENSES/LIABILITIES:** Overall, NASDCTEc expended 64% of projected expenses. The reduction in expenses was achieved due to being very fiscally conservative. The only category that went over-budget was accounting (+13%), which was anticipated and approved.

**FINANCIAL SNAPSHOT: FY 13** - This report provides summary financial information for the period of July 1, 2012 through August 31, 2012 or 17% of the fiscal year.

**INCOME:** It is early in the fiscal year, but the income position is very strong. Dues are coming in strong, with several states that were unable to renew dues last year, committing to membership this year. We are optimistic that we will achieve 100% state participation this year. Registrations and conference

sponsorships for the fall meeting are below target. We are watching this carefully and will proportionally reduce expenses to align with the final registration numbers.

**EXPENSES/LIABILITIES:** To date, all expenses are on target. The expense items that show a high percentage of actuals to budget are expenses that are incurred either annually or quarterly. Communication campaign expenses total \$196,295.97.

**NCTEF Financial Reports:** Green provided an overview of the NCTEF financial reports.

**FINANCIAL SNAPSHOT: FY 12 -** This report provides summary financial information for the period of July 1, 2011 through June 30, 2012 or 100% of the fiscal year.

**INCOME:** At fiscal year end, NCTEF received 88% of its budgeted income. Product sales and the revenue share with NOCTI (related to the workplace readiness assessment) lagged projections. Institute registrations and sponsorships exceeded projections, as did interest. The K & S revalidation, which is the budget category that covered the revalidation of the Career Clusters™ knowledge and skills statements, CCTC and the Career Readiness Partnership Council, were expenses to be off-set by a drawn down from reserves. We only drew down the funds needed to balance the budget, which were far less than projected due other income categories exceeding projections.

**EXPENSES/LIABILITIES:** Overall, NCTEF expended 91% of projected expenses. The lower expenditures was achieved due to being very fiscally conservative, as well as some intentional decisions to hold back on projects, such as new product development, because of staff capacity due to the CCTC work.

**FINANCIAL SNAPSHOT: FY 13 -** The report provides summary financial information for the period of July 1, 2012 through August 31, 2012 or 17% of the fiscal year.

**INCOME:** It is early in the fiscal year, and as is typically the case for NCTEF, limited income (0.56%) has been received. The majority of the income is derived from the Institute, which occurs in the last month of the fiscal year.

**EXPENSES/LIABILITIES:** To date, expenses have been limited and are on target at 5.72%. The large expenses incurred to date are either annual or quarterly expenses.

**MOTION:** To approve the NASDCTEc and NCTEF year-end and current fiscal year financial statements as presented. Lee; Ainsworth.  
**MOTION ADOPTED.**

**Audit Update:** Hornberger reported that the audit is going well. The auditors expect to have a draft report ready in November/early December.

**State Accounts:** Green reported that in the spring of 2012, staff requested that the attorney review the contract to ensure that it was still legally compliant, up-to-date and afforded NASDCTEc the maximum protection needed. In addition, NASDCTEc sought legal advice due to the activity of a state with a state account. This state's activity has become substantial (both in terms of amount of funds and frequency).

Also, some payments authorized by this state are being made to individual contractors, which require a 1099 from NASDCTEc; staff was concerned about the liability this may pose, as well as the expense. NASDCTEc retains the interest earned on the fund placed in the state account. The costs to NASDCTEc are staff time to process payments, supplies and postage for mailing of payments, and additional 1099 and audit preparation. Below is the reply received from the attorney:

*"I have reviewed the agreement and the policy, and they both remain entirely adequate for their purpose. I do not have any edits from that perspective. And while I agree that payment of contractors by NASDCTEc makes NASDCTEc responsible for any 1099 requirements, while I understand that is an administrative burden, it does present material legal risk to the Association (other than a nominal penalty for failure to file the 1099).*

*I do have a broader question/concern, however. Not to complicate matters, but it does seem to place NASDCTEc at some risk for it to be disbursing funds for non-NASDCTEc matters. If there ever were a question about the propriety of payments, NASDCTEc of course could be directly implicated in that. The contract protects NASDCTEc well from liability to a particular State, but it cannot prevent third parties, such as a State AG or Inspector General, from pursuing some action. And of course any negative media attention is another matter entirely.*

*Perhaps I am over thinking this, and certainly I do not want to disrupt something that may be a valuable service to members, but we do seem to be essentially taking it on faith that all payments are proper. In a perfect world I think we would limit disbursements to NASDCTEc activities and programs. Or perhaps we could extend it to offerings by 501(c)(3) or (c)(4) organizations, and any request would need to be accompanied by a copy of the IRS determination letter indicating tax-exempt status. All that said, if modifying the current arrangement is not practically feasible, it would not be fatal or foolish to leave it in place, as long as the risk is understood and accepted."*

**Committee Discussion:** The Finance Audit Committee will present the following recommendation to the Board of consideration in October 2012.

**MOTION:** To recommend the elimination of the State Accounts with the following provisions:

- *NASDCTEc end the practice of hosting state accounts.*
- *No new state accounts can be opened.*
- *States/district with funds on account cannot add additional funds to the accounts.*
- *The states/district that currently have funds on account be given the option of:*
  - *Immediate dissolution and the funds be sent back to the state/district*
  - *The funds on account continue to be held by NASDCTEc and drawn down and applied for NASDCTEc-related activities only – dues, conference registration fees, products or professional development.*
  - *If the second option is chosen, a modified version of the state account contract would be signed by the state and association to ensure continued protection of the organization's interests.*

**Howard; Burket.**  
**MOTION APPROVED.**

**Meeting adjourned 5:00 p.m.**