

NCTEF Financial Report
Report prepared by Kimberly Green, Executive Director

This report provides summary financial information for the period of July 1, 2014 through February 28, 2015 or 67% of the fiscal year.

INCOME:

To cover its expenses, NCTEF has withdrawn \$37,936.97 out of the budgeted \$72,372.31 in reserves. Most other income categories trail expectations but not in a significant manner other than the workshops. Workshops have not met income expectations largely because we were unable to provide pre-session workshops at the ACTE VISION meeting in 2014. A recent marketing push hopes to remedy lagging sales and plans have been secured to offer two workshops at the VISION 2015.

EXPENSES/LIABILITIES:

To date, 37% of budgeted expenses have been spent. The majority of expense categories are on target. Accounting fees are over budget. This was due to an underestimation of baseline accounting costs (those that do not vary regardless of size of organization or quantity of assets) and a slight increase in the accounting firm's fees. Of note, is that the CCTC project has been put on hold by the Executive Committee, so there will be no expenses incurred for that line item this year. Also, the 2014 Institute pre-session revenue share, budgeted for \$3,000, was paid in last fiscal year so no expenses will be incurred in this fiscal year. Staff salaries, at 35% budget, reflect time allocated through December 31, 2014. Although more time will be spent on NCTEF activities in the second half of the fiscal year, due to the elimination of the CCTC project, expenses will mostly likely be below budget at year-end.

ASSETS:

Compared to last fiscal year, the organization's fiscal position is relatively stable. As of February 28, 2015, the Foundation had total assets at \$338,049.93 and total equity at \$338,027.93. This represents a 6% decrease in assets and an 8% decrease in equity compared to 2014.

INVESTMENTS:

The reports have been prepared by Mark Friese, advisor from Merrill Lynch and reflect investments aligned to the Board-approved investment policy statement. At this time, no modifications are requested for the investment portfolio. The equity portion of the portfolio is exceeding last year's cumulative performance (8.13% compared to 5.83%). The overall portfolio is also doing well, at 5.14% compared to 3.54% last year.

APPROVED NCTEF FY15 Budget

	Approved	Actuals	Budget to	Explanatory Notes
Income	FY15	As 2/28/15	Actuals	
			67 % of fiscal year	
NOCTI	\$750.00	\$552.00	74%	Includes two quarters of revenue share.
Product Sales	\$30,000.00	\$16,297.87	54%	Lower than projected. CC products and book sales both lagging.
Interest/Dividend	\$10,000.00	\$3,982.80	40%	Lower than projected due to lower fund balance and more funds needing to be accessible/in cash to cover expenses.
Workshop Revenue	\$27,500.00	\$2,652.57	10%	ACTE was not able to offer any pressions at the 2014 VISION conference, which was assumed in the budget. Overall, workshops are lagging. Marketing push via YouTube videos hope to boost income.
CCTC- from reserves	\$38,400.00	\$0.00	0%	CCSS-CCTC project put on hold by Executive Committee. No funds to be expended this fiscal year.
Reserve withdrawal to balance budget	\$72,372.31	\$33,940.42	47%	
Other income	\$7,500.00	\$7,781.25	104%	Contract income. Received an additional contract via Achieve on competency-based education.
Total	\$186,522.31	\$65,206.91	35%	
Expenses - Specific Projects				
2014 Institute expenses	\$500.00	\$35.00	7%	Postage for A/R follow up.
2014 Institute pre-session revenue share	\$3,000.00	\$0.00	0%	This was paid out in last fiscal year, so there will no expenses incurred in this fiscal year.
CC Leadership Taskforce	\$3,000.00	\$1,228.81	41%	
Shipping fees - product sales	\$1,600.00	\$1,011.70	63%	Above target and not in line with income. Will need to adjust shipping schedule going forward.
Credit card fees - product sales	\$600.00	\$238.26	40%	
Art, printing and copying	\$7,500.00	\$1,360.44	18%	
Direct staff and benefits	\$89,582.06	\$30,935.89	35%	Lower than projected due to hold on CCSS-CCTC project.
Board expenses	\$5,000.00	\$2,806.06	56%	On target, with one Board meeting included in these costs.
CCTC	\$38,400.00	\$0.00	0%	CCSS-CCTC project put on hold by Executive Committee. No funds to be expended this fiscal year.
Fundraising and grant development	\$15,000.00	\$1,098.89	7%	Lower than projected as we have not hired a fundraising consultant as planned. That is on hold until the theory of action was approved.
Subtotal for Specific Projects	\$149,182.06	\$38,715.05	26%	
General CC/Administrative Expenses				
Rent	\$19,700.00	\$12,927.22	66%	Rent paid through February. In line with budget.
Travel	\$500.00	\$297.61	60%	
Communications	\$1,930.25	\$1,253.62	65%	
Postage	\$75.00	\$0.00	0%	
Supplies	\$275.00	\$0.00	0%	
Equipment	\$410.00	\$313.61	76%	
Printing and Copying	\$100.00	\$79.90	80%	
Legal	\$350.00	\$0.00	0%	
Licenses/Fees	\$450.00	\$458.66	102%	Fees increased over last year, accounting for slight over-budget expenses.
Insurance	\$732.00	\$713.25	97%	Annual fees.
Accounting and banking	\$8,068.00	\$8,193.75	102%	This item will be over budget. Accounting estimates were lower than fees are going to be due to necessary baseline work for the audit and 990s.
Banking fees - investments	\$4,750.00	\$2,254.24	47%	Investment fees through February. In line with actual investment returns.
Total G & A expenses	\$37,340.25	\$26,491.86	71%	
Total project expenses	\$149,182.06	\$38,715.05	26%	
TOTAL EXPENSES	\$186,522.31	\$65,206.91	35%	
INCOME LESS EXPENSES	\$0.00	\$0.00		

National Career Technical Education Foundation

Balance Sheet

As of February 28, 2015

	<u>TOTAL</u>
ASSETS	
Current Assets	
Bank Accounts	
1010 Cash - Bank of America	27,828.01
1017 Cash - Merrill Lynch	26,512.69
Total Bank Accounts	<u>\$ 54,340.70</u>
Accounts Receivable	
1200 Accounts Receivable	9,354.87
Total Accounts Receivable	<u>\$ 9,354.87</u>
Other current assets	
1050 Mutual Funds	235,424.36
1300 Due from Association	189.75
Total Other current assets	<u>\$ 235,614.11</u>
Total Current Assets	<u>\$ 299,309.68</u>
Fixed Assets	
1100 Furniture	9,053.99
1101 Accumulated Depreciation-Furniture	-8,580.11
1120 Equipment	43,215.40
1121 Accumulated Depreciation-Equipment	-41,823.56
Total Fixed Assets	<u>\$ 1,865.72</u>
Other Assets	
1400 Inventory	36,874.53
Total Other Assets	<u>\$ 36,874.53</u>
TOTAL ASSETS	<u>\$ 338,049.93</u>
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
2006 Due to Association	22.60
Total Other Current Liabilities	<u>\$ 22.60</u>
Total Current Liabilities	<u>\$ 22.60</u>
Total Liabilities	<u>\$ 22.60</u>
Equity	
3900 Net Assets	252,970.85
3902 Temporarily Restricted Net Assets	110,000.00
Net Income	-24,943.52
Total Equity	<u>\$ 338,027.33</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 338,049.93</u>

NASD Executive Investment Recommendation Summary

The last few years have been a very unusual investment environment for both bonds and stocks. For bonds, interest rates are currently near all time historic lows and prices are near all time highs. For stocks, the performance over the last few years has been well above long-term historical averages. At the beginning of 2015, interest rates slowly started to rise. If the U.S. economy continues to improve, there will be Federal Reserve action to further increase interest rates. It is important to note, in a rising interest rate environment bonds decline in value. For this reason both the *NASD Association* account and the *NASD Foundation* accounts are near the high range for equities per the investment policy statement. If the economy continues to improve and bonds decline in value we will reevaluate our exposure to bonds.

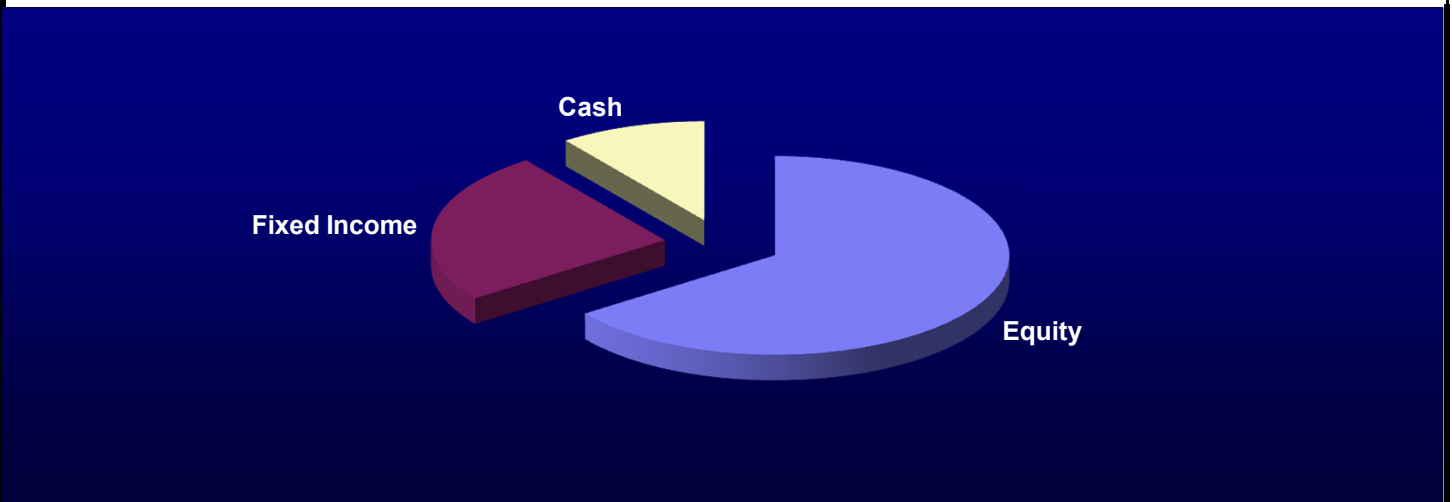
2014 was an exceptional year for the equity markets. The S&P 500 (general market) returned over 11%, exceeding historical averages. Interestingly, and as we expected bonds did not fare so well returning less than 1% for short-term bonds. Although the U.S. economy is showing strong indications of economic recovery the overseas market have not been as favorable. Recently however, positive improvements in Europe have started to emerge. Our current exposure to the international markets is below 1%.

Sufficient cash is available to meet intermediate cash flow needs that were estimated by the association except as noted above.

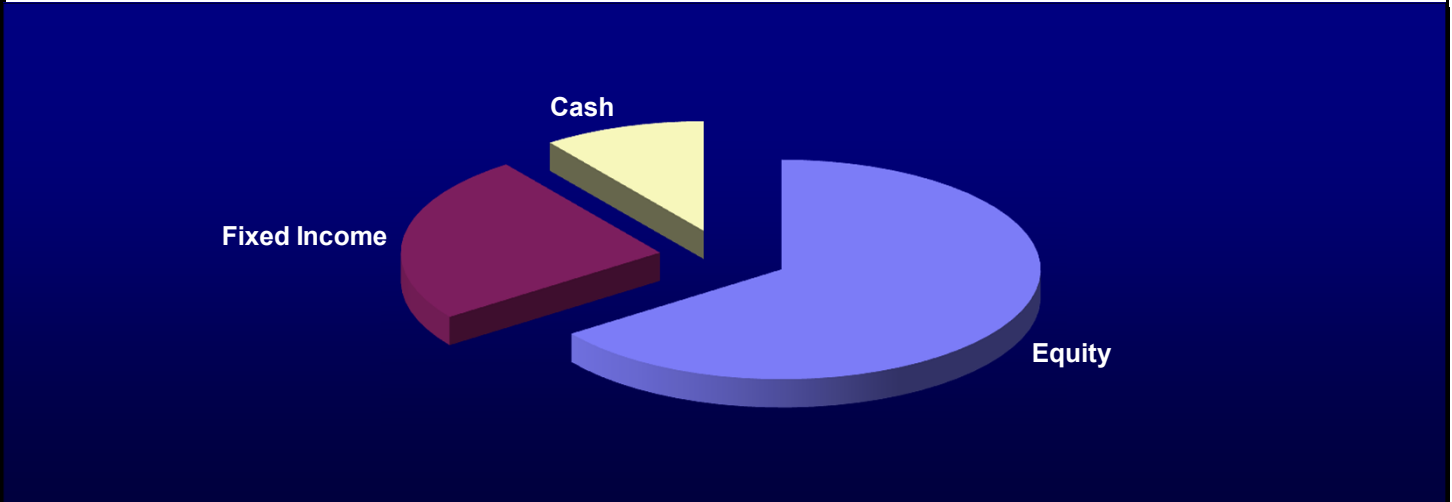
No changes are currently recommended.

National Career Technical Education Foundation
 Current Asset Allocation
 Foundation Account 749-04G96
 Period: July 2014- February 2015

<i>Current Portfolio</i>	Asset Allocation Type: Per Investment Policy Statement	
	Equity	65% \$ 170,372
	Fixed Income	25% \$ 65,052
	Cash	10% \$ 26,513
	Sub-Total	100% \$ 261,937
	Cash Reserves	\$ -
Total Portfolio Value		\$ 261,937



<i>Proposed Portfolio</i>	Asset Allocation Type: Per Investment Policy Statement	
	Equity	65% \$170,372
	Fixed Income	25% \$65,052
	Cash	10% \$26,513
	Sub-total	\$261,937
	Cash Reserves	\$0
Portfolio Value		100% \$261,937



Relative Performance - Equity: Yearly

Performance period: 07/01/2014 to 02/28/2015

Period	Actual ROR(%)		S&P 500 Price Return(%)	
	Year	Cum	Year	Cum
2015	2.17	8.13	2.21	7.36
US Equity	2.17	8.13		
2014	5.83	5.83	5.03	5.03
US Equity	5.83	5.83		

With respect to performance shown, various factors, including unpriced securities, and certain adjustments, holdings or activity may cause report results to differ from actual performance. Report results may also differ from results reported by other Merrill Lynch services. Past performance does not guarantee future results.

Reference Indices are included in this report as a general source of information regarding the performance of various types of investments. Allocation models and Indices should not be used to benchmark the performance of a specific account or portfolio. Your Financial Advisor can provide further information regarding the particular allocation models and Indices shown, including how the composition of an index compares to the composition of your account or portfolio.

Time Weighted Rate of Return by Period: Yearly



Performance period: 07/01/2014 to 02/28/2015

Period	Opening Balance(\$)	Contributions/ (Withdrawals)(\$)	Interest/ Dividends(\$)	Appreciation/ (Depreciation)(\$)	Closing Balance(\$)	Total Portfolio ROR		Period(%)	Cum(%)
2015	257,971	0	195	3,772	261,937	1.54	5.14		
2014	249,141	0	3,905	4,925	257,971	3.54	3.54		
Total	249,141	0	4,099	8,697	261,937		5.14		

Note that various factors, including unpriced securities, and certain adjustments, holdings or activity may cause report results to differ from actual performance. Report results may also differ from results reported by other Merrill Lynch services. Past performance does not guarantee future results.

Account Review Summary 07/01/2014 - 02/28/2015

Account 749-04G96

Security Name	Quantity	Cost Basis	Date Purchased	Date Sold/Mat	Sale Price	Market Value	Gain or (loss)	Realized Gain/Loss	Yield
Foundation-E.T.F's (749-04G96)									
<i>Ishares 1-3 Year Credit Bond ETF (CSJ)</i>	37	\$ 3,902	5/6/2014	-	-	3,898	\$ (4)	-	n/a
<i>Ishares Barclays Intermediate (CIU)</i>	30	\$ 3,288	05/06/14			3,320	\$ 32		n/a
<i>Ishares Barclays 3-7 Year (IEI)</i>	40	\$ 4,845	05/06/14			4,933	\$ 88		n/a
<i>Ishares DJ US Consumer (IYK)</i>	99	\$ 4,227	04/03/09			10,680	\$ 6,453		n/a
<i>Ishares Dow Jones US Energy (IYE)</i>	53	\$ 2,006	07/10/12			2,369	\$ 363		n/a
<i>Ishares Tr Dow Jones US Tech (IYW)</i>	170	\$ 11,951	07/10/12			18,491	\$ 6,540		n/a
<i>Ishares TR Dow Jones Select Divid (DVY)</i>	67	\$ 3,359	08/03/11			5,322	\$ 1,963		n/a
<i>Ishares TR Dow Jones Select Divid (DVY)</i>	69	\$ 3,569	06/08/11			5,481	\$ 1,912		n/a
<i>Ishares TR Dow Jones Select Divid (DVY)</i>	108	\$ 5,981	06/07/12			8,580	\$ 2,599		n/a
<i>Ishares TR Dow Jones Select Divid (DVY)</i>	315	\$ 17,728	07/10/12			25,024	\$ 7,296		n/a
<i>Ishares TR Dow Jones Select Divid (DVY)</i>	68	\$ 4,810	02/14/14			5,402	\$ 592		n/a
<i>Prudential Jennison Health Sciences (PHSZX)</i>	59.217	\$ 1,927	07/10/12			3,324	\$ 1,397		n/a
<i>S&P US Pfd Stk Index (PFF)</i>	546	\$ 21,354	07/10/12			21,927	\$ 573		n/a
<i>Vanguard Consumer Discretionary (VCR)</i>	116	\$ 7,524	04/26/11			14,220	\$ 6,697		n/a
<i>Vanguard Dividend Appreciation (VIG)</i>	271	\$ 15,252	06/07/12			22,439	\$ 7,187		n/a
<i>Vanguard Dividend Appreciation (VIG)</i>	320	\$ 18,098	07/10/12			26,496	\$ 8,398		n/a
<i>Vanguard Dividend Appreciation (VIG)</i>	66	\$ 4,845	02/14/14			5,465	\$ 620		n/a
<i>Vanguard Reit ETF (VNQ)</i>	125	\$ 7,979	07/10/12			10,421	\$ 2,442		n/a
<i>Vanguard Total Bond MKT (BND)</i>	328	\$ 26,405	03/30/10			27,250	\$ 845		n/a
<i>Vanguard Total Bond MKT (BND)</i>	46	\$ 3,761	05/06/14			3,822	\$ 61		n/a
<i>Wisdomtree Tr Midcap Div Fund (DON)</i>	76	\$ 5,895	05/05/14			6,560	\$ 665		n/a
Total		\$ 178,706				235,424	\$ 56,718		

NASDCTEc/NCTEF Finance and Audit Committee

MINUTES

CONFERENCE CALL

January 15, 2015

3 p.m. – 4 p.m.

Attendees: Jo Anne Honeycutt, John Fischer, Tim Hodges, Bernadette Howard, Mike Mulvihill

Staff: Kimberly Green, Karen Hornberger, Kate Blosveren

Guests: Don Marshall, Kim Hoffman, Carolyn Skinner

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

Approval of Finance Committee Minutes: Honeycutt presented the minutes from the September 18, 2014 conference call of the Finance/Audit Committee.

MOTION: To approve the September 18, 2014 Finance/Audit Committee minutes. Mulvihill; Howard.
MOTION ADOPTED.

FY 13-14 Audit Report: Hornberger introduced the auditor, Don Marshall from Dembo, Jones, Healy Pennington & Marshall, PC. Marshall was pleased to share that the audit went well again this year. There were no issues with the financial statements and the records are in very good shape. He also mentioned that the statements are combined statements covering both the Association and the Foundation due to the shared governance. Marshall explained that the accountant and the staff prepared the footnotes and the financial statements. He stated that no adjustments were needed. Marshall noted that the finances are well-managed, including having good internal controls and bookkeeping practices.

Marshall pointed out that based on the recommendation from the lawyer, it is recommended that the \$110,000 funds from Microsoft, currently sitting in a restricted asset account, be shifted to general NCTEF income next fiscal year. Marshall also mentioned that as NCTEF considers its future fundraising plans, if the organization were to receive any government grants in excess of \$750,000, more rigorous and special auditing requirements kick in due to the OMB a-133 circular.

Marshall stated that he had discussed the investments with Green/Hornberger when reviewing the draft audit with them. Green shared the recent investment policy statement change adopted by the Finance/Audit Committee and Boards which gave the investment advisor flexibility to increase the exposure for stocks/bonds. Marshall pointed out at that time and wanted to underscore with the Committee that he finds the organization to have a lot of money in stocks and bonds in relation to total assets. This is fine when the markets are up but creates a lot of exposure and potential loss if markets decline. The gains, both realized (from sales) and unrealized gains (from holding securities that have gone up in value but you haven't sold yet) can really help the bottom line of the organization and actually become part of the budgeted revenues. The problem is what will the organizations do if the markets go down? A ten percent drop in the markets would translate into a \$250,000+ loss, whether realized (sold) or just the value of holding the securities (unrealized).

Marshall stated that in FY14, there was \$248,403 of net investment income (realized and unrealized gains, interest, dividends, less investment advisory fees). Therefore, if there is a \$250,000 loss, that translates into a swing of negative \$500,000 vs. the \$248,403 gain in FY14.

Marshal feels that the organization may need cash to further fund NCTEF as it reorients itself to a new funding model. This may be one reason to cut back on stocks and bonds. The obvious downside, Marshall pointed out, is that if the markets go up, the potential growth of those investments is lost. In his opinion, we have too much exposure to market fluctuations. Marshall also wanted to note that he is not a registered advisor but has a MBA in finance and is closely tuned into the markets and what advisors are saying.

Mulvihill asked what intra-entity asset and intra-entry liability is on page six. Hornberger stated that it was the Foundation's reimbursement to the Association for staff salaries and benefits dedicated to Foundation-focused work from January 1 – June 30, 2014.

MOTION: To recommend the NASDCTEc and NCTEF FY 13-14 audit report and financial statements to the full Boards of Directors for approval. Howard; Fischer.

MOTION APPROVED.

Review of the 990's: Green shared with the Finance/Audit Committee that once the audit is complete the 990's (tax forms) can be completed because all of the numbers in the tax filing are drawn directly from the audited financial statements. Green specifically brought attention to page six where it describes the policies in place to protect the organization (e.g. whistleblower, records retention, conflict of interest). Carolyn Skinner, Accountant from Dixon Hughes Goodman, LLP, joined the call and shared that there were no areas of concern that she needed to highlight. She indicated that Green and Hornberger go through the 990's very carefully, read all the statements and make adjustments to the statements or ask questions where they are unsure of the language or numbers. This level of attention to detail is commendable. Hornberger asked if there were any other questions for Skinner. There were no further questions.

MOTION: To recommend the NASDCTEc 2013 990's and NCTEF 2013 990's to the full Boards of Directors for approval. Fischer; Mulvihill.

MOTION APPROVED.

Auditors: Hornberger stated that staff is looking to the Finance/Audit Committee for guidance on selection of an audit firm for FY15. Marshall shared that there is no legal need to change partners or switch firms. With that said, he stated most non-profits do either rotate firms or partners after five years to be proactive and be in alignment with Sarbanes-Oxley (which does not directly apply to non-profits but is used as a guide by most as a measure of good practice).

The original agreement with Dembo, Jones, Healy, Pennington & Marshall, PC was for three years. The agreement was extended to cover the audit for FY14. Staff is seeking guidance for FY15:

- Should we stay the current course and stick with the same firm, same partner?
- Stay with the same firm but change partners?
- Conduct an RFP to select a new firm?

Staff recommends a one-year extension with the current auditing firm, after doing a cost benchmarking. The NCTEF financials will be substantially simpler due to the limited activity in FY15, therefore staff believes the price should be reduced to reflect reduced effort by the auditing firm. Staff further recommends work to begin soon to conduct a RFP solicitation for FY16. Green suggested that there might be times when it is in the best interest of the organizations to consider a new firm, as sometimes firms get comfortable with clients. Starting with anew brings a fresh set of eyes to the books.

**MOTION: To recommend extending the contract with current audit firm for the FY15 audit. Staff shall benchmark the fees to ensure FY15 audit rates are fair and reasonable given the status of the NCTEF financials. Staff shall begin the RFP process for selecting a new auditing firm for FY 16-20.
Mulvihill; Howard.
MOTION APPROVED.**

Green stated that there are no Board-approved policies in place that guide the decision on when or if we should change auditing firms or partners. The Finance/Audit Committee agreed that the organizations should have a policy in place and asked that staff conduct research and bring forward information and a draft audit firm/partner rotation policy to the next Finance/Audit Committee call.

Meeting Adjourned: 4:01 p.m. ET