

**KIPP New Orleans Schools
Finance Committee Meeting
December 6, 2023**

A public meeting of the finance committee of the board of directors of KIPP New Orleans Schools (“KNOS”) was held in person at the KNOS School Support Center on December 6, 2023, at 11:00 a.m.

The following members of the finance committee were present: Drew Marsh, Danielle Willis, and Reggie Jackson. A quorum was established.

The following KNOS staff members were present: Chief Executive Officer Rhonda Kalifey-Aluise, Chief Financial Officer Katie Walmsley, Controller Ivette Casey, and Director of Accounting Rebecca Guarino.

The following guests were present: Barrett Green of Entergy and Erickson Krentel auditors Jeremy Thibodeaux and Gretchen Fischer.

The meeting is called to order. Mr. Jackson made a motion to approve the minutes from the October 16, 2023 meeting; the committee unanimously approved the minutes.

Mr. Thibodeaux and Ms. Fischer then commenced their presentation regarding the 2023 Fiscal Year audit. They shared that the audit was near completion with only some minor issues that remained in the process of finalization.

Ms. Fischer informed the committee that the firm plans on issuing unmodified opinions on the financial statements and that they are fairly stated in all material respects and in conformity with US generally accepted accounting principles.

Following the pronouncement, Ms. Fischer ran through financial highlights with a year-to-year comparison on the Statement of Net Position and a three-year trend on the Statement of Activities, noting that the presentation’s appendix contained more details. During the review, Ms. Fischer pointed out the new lease standard that requires non-profit organizations to report operating lease right of use assets with a corresponding lease liability. This \$5.7 million change to both assets and liabilities was reflected in the Statement of Net position. This change was implemented in 2023, resulting in a difference in those financial statement line items over 2022.

Upon completion of their presentation, the auditors opened the room for questions. Mr. Jackson inquired about potentially investing excess cash. Katie Walmsley responds that she will have a better estimate once the FY25 budget is complete but estimates potential short-term investments of several million dollars with staggering maturities being possible, but also noting that the strategy will take into account the re-financing of the Believe facility in October of 2024.

Mr. Jackson then inquired about the \$15 million receivable which has been reflected on the books for several years. Ms. Walmsley explained that the receivable appears on the Friends of KIPP New Orleans, Inc. balance sheet, which also reflects loan payable liabilities that the organization holds given its role as the leveraged lender in the NMTC deal.

Ms. Walmsley began her CFO report. The focus of the meeting turned to the financial position of the organization with the potential uses of current fund liquidity and the potential investment and uses of

any surplus now that ESSER funds will be ceasing. Ms. Walmsley stated that the current FY24 year-end adjusted fund balance projection as a percentage of operating expense is over 34%, and that KIPP New Orleans Schools continuously targets 25%. In the coming months, Ms. Walmsley affirmed that the committee will be weighing strategic decisions regarding the fund balance as Believe re-financing approaches and plans to look to the committee to advise and recommend meaningful ways that that fund balance can be used.

Ms. Walmsley then provided a quick review of enrollment, stating that assumptions have not changed from the last Board meeting: KIPP's enrollment is currently 190 students above what was budgeted and reflects an increase from last year's actual student count.

She then turned to the Balance Sheet and Income Statement through October 31st, noting that Net Assets show a small loss due to most of the expenses for the year being purchased in the first quarter and federal grant claims being processed on a quarterly basis. On the Income Statement, the organization reported recognition of 33% of budgeted revenue and 34% of budgeted expenses. Ms. Walmsley concluded that the next Finance Committee meeting will be more encompassing since it will include two full quarters of activity, and federal grant claims occur quarterly.

Ms. Walmsley's presentation of the Finance Scorecard reflected some shifts in green and red, noting that a higher percentage of the organization's expenses were coded to LEAs outright, limiting the expenses that were charged to the school support center and subsequently limited the management fee that the school support center could charge the LEAs. As a result, the majority of FY23's net operating surplus landed in LEAs' fund balances, and most LEAs look strong heading into FY24 and the coming sunsetting of ESSER funds in FY25.

Ms. Willis adjourned the committee meeting at 12:32pm.