

KIPP New Orleans Schools

Finance Committee Meeting Minutes

June 15, 2020

A public meeting of the finance committee of the board of directors of KIPP New Orleans Schools ("KNOS") was held June 15, 2020, at 5:21 p.m. as a virtual Zoom meeting.

The following members of the finance committee were present: Treasurer Drew Marsh and Board Chairman Larry Washington. Aimee McCarron was unable to attend. A quorum was established.

The following KIPP staff members were present: Chief Executive Officer Rhonda Kalifey-Aluise, Chief Financial Officer Katie Walmsley, Managing Director of Finance Brad Rosenblat, and Director of Finance Javier Cortez.

The committee unanimously approved the April 20, 2020 finance committee meeting minutes.

Ms. Walmsley then turned to the financial summary, reporting projected FY20 adjusted fund balance as a percent of operating expense of 28.6%, or 24.8% of the FY21 proposed operating budget. Ms. Walmsley noted there was a \$2.2 million increase in projected fund balance from the prior committee meeting, which consisted almost entirely of increased revenue projections. Ms. Walmsley added that \$715 thousand came from management's decision to advance the use of Title I and IDEA allocations previously held for future years, \$860 thousand from new and existing grants coming in higher than expected, namely NSNO Teacher Incentive Fund and Federal High Cost Services, and the remainder from additional formula funding and operational savings from schools returned to the organization.

Next Mr. Rosenblat led a review of the KNOS financial statements, noting that the year-to-date net income of \$445 thousand as of April 30, 2020 remained behind the projected \$5.2 million surplus for the year. Mr. Rosenblat shared that the delay results from NOLA Public Schools delay in updating the Differentiated Funding Formula, and deferred revenue distributions, until May, 2020, along with the new revenues, as highlighted in the financial forecast, not being included in the April 30, 2020 financial statements.

Next, Mr. Rosenblat led a review of the KNOS financial scorecard. Mr. Rosenblat shared that grant claims remain on the appropriate claiming schedule, and that as previously communicated to the committee, management is on track to continue targeting a 7.5% fund balance percentage by school for FY20.

Mr. Cortez provided an update on investments, noting that KNOS had two investments maturing in June, and that the organization has not reinvested any funds given the low interest rate environment. The current compounded average yield-to-maturity for the portfolio is 2.00%.

Ms. Walmsley delivered an overview of the FY21 budget, which posts an operating deficit of \$3,017,929. Ms. Walmsley reminded the committee that the total FY21 revenue gap was almost \$12 million, resulting mainly from the COVID-19 recession along with forecasted enrollment decreases. Ms. Walmsley highlighted the path taken to close the gap, including new revenue from the federal CARES Act, private grants from New Schools for New Orleans, Charter School Growth Fund, and the KIPP

Foundation, and savings from reductions in planned staffing growth at the SSC, school staffing models reductions, without eliminating existing positions, and significant non-payroll reductions across the organization. As a result of these efforts, the organization is budgeting to use \$2.5 million, in addition the \$0.5 million planned use of fund balance to pay rent expense at KIPP Believe until New Market Tax Credit equity is fully realized, of the over \$5 million projected FY20 savings returned to fund balance. Ms. Walmsley added that the extra savings will go toward preparing for further revenue declines in FY22, along with building a fund balance for the organizations newest school, John F Kennedy High School, which will be added to the organizations portfolio on July 1.

To conclude, Ms. Walmsley shared the latest FY21 enrollment forecast, noting that K-12 enrollment is down 66 students from last committee due to conservatism while navigating the enrollment process during the pandemic, and pre-k coming down due to only one new section being allocated to the organization in FY21.

Mr. Marsh adjourned the meeting at 6:46 p.m.