

KIPP New Orleans Schools

Finance Committee Meeting Minutes

February 10, 2020

A public meeting of the finance committee of the board of directors of KIPP New Orleans Schools ("KNOS") was held February 10, 2020, at 5:16 p.m. at the KNOS School Support Center.

The following member of the finance committee was present: Treasurer Drew Marsh. Board Chairman Larry Washington participated by phone, rendering him unable to vote. Aimee McCarron did not attend. A quorum was not 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.

Ms. Walmsley reported the financial summary, noting the current projected FY20 adjusted fund balance as a percent of operating expenses of 22.3%. Ms. Walmsley highlighted the \$750,223 increase in projected FY20 surplus from last committee meeting. Ms. Walmsley shared that the increase was the result of; 1) a \$1.1 million increase in projected revenue from (a) OPSB's expected FY19 deferred revenue true-up upon conclusion of their FY19 audit, and (b) OPSB subsequently increasing its FY20 pay-out projections based on FY19's higher results, offset by 2) the executive team advancing on strategic priorities, such as a new tutoring initiative, along with small movements in final federal grant allocations.

Next, Mr. Rosenblat led a review of the financial statements. He noted that total current assets were \$2.7 million lower than prior-year. The decrease was the result from (1) a customary net-loss of \$700 thousand through the first-half of the year based on the customary delay of OPSB's payment of deferred revenue from the prior year coming until quarter three, combined with (2) payables decreasing by \$2 million from June 30, 2019, which was the result of significant facility investments in Sylvania, Douglass, and Believe at the end of FY19 being paid in early FY20. Mr. Rosenblat explained that, due to seasonality of revenues and expenditures during the school year, it is normal to experience a net-loss at this point of the year, as expenditures typically exceed revenues through the first half of the year.

Next, Ms. Walmsley led a review of the KNOS February 1, 2020 enrollment counts. Ms. Walmsley highlighted that total Tier 1 – 5 counts from the Orleans Parish Differentiated Funding Formula were within six students of the budgeted number. Revenues, however, increased by \$115 thousand due to having slightly more students classified as Tier 2 rather than Tier 1 when compared to the budgeted estimate. Additionally, the number of English Language Learner (ELL) students almost doubled when compared to the initial budget estimate. Ms. Walmsley shared that this result was in-line with the student support teams' expectations from over the past few months. Lastly, Mrs. Walmsley shared the expectation that the KNOS February 1 total student enrollment counts will meet or exceed the budgeted number, and that management would update the Committee on the final results, and insights learned, at the April Committee meeting.

Next, Mr. Rosenblat led a review of the KNOS financial scorecard. Mr. Rosenblat highlighted the new location of the liquidity measure on the scorecard and confirmed that minimum cash balances remained in excess of two payrolls, as indicated.

Mr. Rosenblat proceeded to provide an update on the FY21 Enrollment Forecast, noting that Management decreased projected kindergarten enrollment slightly for KIPP Central City Primary. Mr. Rosenblat also shared that the freshmen enrollment forecast, though unchanged, remains another spot that Management is watching closely.

Mr. Cortez then turned to FY21 budgeting updates. Mr. Cortez explained that projected per pupil funding increased from initial expectations based on the FY20 shifts highlighted earlier. He also added that block grant funding assumptions in the FY21 budget shifted slightly as a result of our final allocations for current year awards.

Mr. Cortez provided an update on investments, noting that staff reinvested \$2 million in January and that all investments are in line with the organization's investment policy. He reported that the current investment portfolio should yield a return of 2.1%.

To conclude, Mr. Rosenblat and Ms. Walmsley highlighted that each board member would be asked to complete the annual financial disclosure and conflict of interest statement at the upcoming meeting. Lastly, they solicited the committee's input into the manner in which management carries out their duties and responsibilities pertaining to employee retirement plans sponsored by the organization.

Mr. Marsh adjourned the meeting at 6:56 p.m.