

KIPP New Orleans Schools

Finance Committee Meeting Minutes

April 20, 2020

A public meeting of the finance committee of the board of directors of KIPP New Orleans Schools ("KNOS") was held April 20, 2020, at 5:15 p.m. as a virtual public Zoom meeting.

The following members of the finance committee were present: Treasurer Drew Marsh, Board Chairman Larry Washington, and Aimee McCarron. 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. No visitors were present.

The committee unanimously approved the December 11, 2019 and February 10, 2020 finance committee meeting minutes.

Mrs. Walmsley reported the financial summary, noting the current projected FY20 adjusted fund balance as a percent of operating expenses of 25.7%. Mrs. Walmsley noted the \$2.6 million increase in projected FY20 surplus from last committee meeting was driven by reduced operating expenses resulting from the state-wide school closures beginning after March 13, combined with adding 100% of contingency to the forecast. Mrs. Walmsley added that FY20 revenues would not be impacted by the impacts of COVID-19 on the economy, because the local portion of MFP comes from the City's prior fiscal year tax collections. However, revenues will decline significantly next year as a result of current declines in city-wide economic activity. Mrs. Walmsley added that Management is actively working to conserve resources and maximize current year surplus to help offset anticipated revenue declines, which will be discussed further with the FY21 budget update.

Next Mr. Rosenblat led a review of the KNOS financial statements, noting that the year-to-date net loss of \$628 thousand remains the result of the timing of NOLA Public Schools' MFP and deferred revenue distributions, of which the majority will be distributed in the final quarter of the year. Mr. Rosenblat added that net income will catch-up to the forecast quickly after NOLA Public Schools completes the true-up to the differentiated funding formula (DFF) and distributes deferred revenue, which is expected to occur within the next month.

Mr. Rosenblat then led a review of the KNOS financial scorecard. Mr. Rosenblat highlighted that grant claims remain on track and in position to close out the year on schedule. Additionally, Mr. Rosenblat added that liquidity remains very strong, as Management opted not to reinvest the last two securities that matured.

Mr. Cortez continued with an update on investments, noting the two maturities occurred since the last committee meeting, which were not reinvested due to the low interest rate environment. Mr. Cortez noted that all investments remain in line with the organization's investment policy, and the current investment portfolio weighted average yield is 2.00%.

Next, Mr. Rosenblat provided an update on FY20 insurance coverages. As previously communicated to the committee, the organization expects to remain with Alliant in the KIPP Foundation-sponsored program that leverages economies of scale for participating KIPP regions. Mr. Rosenblat noted that Management will renew all existing policies in FY21.

Mr. Rosenblat turned to the credit card policy for the committee's review, noting that the policy remained unchanged from the prior year.

Mrs. Walmsley then turned to FY21 budget, sharing that the KNOS finance team had worked very closely with NOLA Public Schools and other stakeholders to develop a city-wide financial model to forecast the economic impacts of COVID-19 on public school revenue over multiple years. Ms. Walmsley shared the three scenarios that NOLA Public Schools presented to city-wide finance leaders. Ms. Walmsley highlighted that the differing scenarios have a significant impact on revenue declines and recovery from FY22 onward, and that for FY21, Management is expecting to see an 8% decrease in total MFP revenue as compared to what was previously shared with the committee, and that the decrease is exacerbated due to the high numbers of KNOS students who receive tiered funding through the differentiated funding formula. Further, Ms. Walmsley conveyed that the total FY21 revenue gap was almost \$12 million, which resulted mainly from the COVID-19 recession along with another \$1.5 million decline due to forecasted enrollment, which decreased by 128 students across KNOS. Ms. Walmsley noted that, after factoring in (i) expected federal CARES Act funding for K-12 education and (ii) NOLA Public Schools temporarily foregoing a FY21 deferred revenue claw-back resulting from declining local revenue, the revenue gap is reduced to \$7.5 million. Ms. Walmsley shared the strategic options that Management is evaluating to close this gap, including using savings from the current year.

Next, Mrs. Walmsley turned to the FY21 enrollment forecast. Based on the latest enrollment reports, along with recruitment work in process at schools, Management recommended decreasing projected enrollment by 128 students as previously noted. The majority of the decrease comes from John F. Kennedy High School, which KNOS is taking over from New Beginnings Schools Foundation at the beginning of FY21.

Mr. Marsh adjourned the meeting at 7:03 p.m.