

## **KIPP New Orleans Schools**

### Finance Committee Meeting Minutes

June 13, 2022

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 June 13, 2022, at 5:28 p.m.

The following members of the finance committee were present: Treasurer Drew Marsh and Danielle Willis. Aimee McCarron and Larry Washington did not attend. It was stated to the committee by the Treasurer, Drew Marsh, that Aimee McCarron and Larry Washington resigned. A quorum was established.

The following KIPP staff members were present: Chief Executive Officer Rhonda Kalifey-Aluise, Chief Financial Officer Katie Walmsley, Director of Finance Jamiela Sekou, and Chief Strategy Officer Constance (Connie) Jackson.

Ivette Casey joined the meeting as a guest.

A vote to approve the minutes from the February 15, 2022, and April 19, 2022, meeting was called and unanimously approved.

Mrs. Walmsley reported the financial summary, noting the current projected FY22 adjusted fund balance as a percent of operating expenses of 27.70 percent. This projection aligns closely to the fund balance reported during the last committee meeting. Mrs. Walmsley noted that the source of the nearly \$2.5 million variance to approved budget is from the release of contingency, end of year surplus spending, and slight decreases in revenue. Revenue decreases were initiated given greater clarity regarding revenue recognition timelines; particularly as it relates to our Medicaid and ESSR funding. The return of the 100 percent of contingency was initiated after greater clarity around OPSB's 2021-2022 expected MFP funding allocations. The increases in projected expenses were done to facilitate end of year surplus spending on reoccurring maintenance, safety, campus beautification, and the advance purchase of materials and supplies.

Then, Mrs. Walmsley, turned to the FY22 financial statements. Mrs. Walmsley highlighted the net loss of nearly \$4.8 million through April 30<sup>th</sup>, noting that the loss is less than last committee meeting due to advancements in KNOS grant claiming activities. The long-term debt from the Payroll Protection Plan (PPP) loan is reflected as debt because KNOS did not receive confirmation of debt forgiveness from the Small Business Administration until early May. However, with the PPP Loan Forgiveness loan now formally forgiven, Mrs. Walmsley expects KNOS to end the year with a positive net income. It was further noted that nearly 80 percent of expected revenue has been recognized, which is on pace for this point of the year. Mrs. Walmsley noted that there are no new investments, but that KNOS will revisit our investment portfolio in the coming months.

Next, Mrs. Walmsley led a review of the KNOS financial scorecard, noting that several schools did not meet the 98 percent budgeted enrollment target as of the 10/1 count. Grant claims status is on track and thus noted as current on the financial scorecard.

Mrs. Walmsley then turned to the FY23 revenue and budget targets. Mrs. Walmsley shared that total revenue is budgeted and expected to be up 9.7 percent, or \$2,028 per pupil, from the prior year's

budget. This increase was driven by the Federal ESSER revenue in FY23, increases in the recurring MFP revenue, and new recurring funding to support teacher retention and pay raises. Ms. Sekou highlighted that budgeted expenses and revenue increase by \$9.889 million from prior year, accounting for a 9.6 percent expense increase. Ms. Sekou shared that most of the increased budget was related to increased costs in programs intended to address student learning, attendance, missed academic content, and mental health supports by investing in salaries and benefits as well as purchased services. Mrs. Walmsley noted that these decisions were preceded by substantial contingency planning about what services would be trimmed and what roles would not be rehired for in future years when non-recurring ESSER funding is no longer available. The other largest source of the budget increase included growing costs in facilities and overhead expenses, in accordance with national inflationary trends, and that the organization would be watching economic trends closely over the coming year in advance of FY24 facilities and operational contract re-negotiations. Mrs. Walmsley further shared that the budgeted deficit of \$467,500 is in-line with the planned use of fund balance to pay rent expense at KIPP Believe until New Market Tax Credit equity is realized.

Then, Mrs. Walmsley turned to FY23 enrollment forecast, highlighting that KNOS FY23 enrollment projections are now informed by main round application results. It was noted that KIPP Believe was awarded new Pre-K seats leading to a positive net change of 21 seats in the current FY23 enrollment forecast. It was further noted that the organization projects a drop in high school enrollment from the FY22 10-1 count to the projected FY23 10-1 count due to an increase in citywide high school seats and a decrease in projected citywide high school enrollment.

Next, Mrs. Walmsley previewed a list of proposed Finance Committee meeting dates for the FY23 fiscal year and asked the committee to review and share feedback.

In conclusion, Ms. Walmsley provided an overview of the resolutions that Management recommends presenting to the full board on Thursday that updates the school leader signatories on School Activity Fund accounts where there is a known school leader transition.

With the CFO report complete, Mr. Marsh adjourned the meeting at 6:59 p.m.