

KIPP New Orleans Schools

Finance Committee Meeting Minutes

February 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 February 6, 2023, at 5:15 p.m.

The following members of the finance committee were present: Treasurer Drew Marsh 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 Finance Jamiela Sekou.

The following guests were present: Ericksen Krentel audit partner Jeremy Thibodeaux.

Mr. Marsh called the meeting to order. Mr. Jackson made a motion to approve the minutes from the December 5, 2022 meeting; the committee unanimously approved the minutes.

Ms. Walmsley introduced Mr. Thibodeaux to provide a presentation on KIPP New Orleans, Inc. and Friends of KIPP New Orleans, Inc.’s consolidated financial statements for fiscal year 2022. Mr. Thibodeaux stated that Ericksen Krentel is issuing an unmodified opinion across the board that the statements are fairly stated according to GAAP and conducted in accordance with generally accepted auditing standards. Mr. Thibodeaux highlighted that total assets are down \$4 million from prior year attributed to decrease in cash; he subsequently highlighted a \$7.8 million decrease in total liability due to the recognition of the \$10M PPP loan forgiveness. Mr. Thibodeaux continued that total net assets were \$37.5M, or approximately \$3.7M larger than the prior year as reflected in FY22 Net Income. He noted that revenues are just over \$100M, a 20% increase over prior year with a corresponding 20% increase in expenses. He noted that the increase in revenue was due to federal grant activity, with a majority of the expense increase being reflective of the return to in-person learning, pandemic response strategies, and increases in student transportation, food service, and payroll.

From a functional standpoint, Mr. Thibodeaux noted that 95% of expenses are reflected in program with 5% being in administration. He noted that school building expenses were classified under the non-instructional program expense area, whereas the School Support Center rent expenses were classified as administrative expenses. He concluded that cash flow was down by \$5.5M, attributable to operating activities, and that the organization incurred about \$500K in capital expenditures and \$1M of payments on long term debt.

Jeremy Thibodeaux next highlighted new accounting Pronouncements.

1. LEASES:

The new lease standard is now in effect for fiscal year 2023. All Leases will now be recorded on the balance sheet. Leases with OPSB will not be recorded on the balance sheet because they are not considered exchange transactions and instead are considered in-kind.

Ms. Walmsley referred to the Believe building, which is considered a private facility, indicating to Mr. Thibodeaux that this lease may need further discussion which he acknowledged.

2. Presentation and Disclosure of Nonfinancial Assets

The standard does not change the accounting of nonfinancial assets, but it does require entities to include a separate line item on the Statement of Activities; this standard expands the disclosure of these items and the qualitative measure on how a company values these assets, how they are used, and whether they have restrictions.

Mr. Marsh asked how this standard may impact KIPP; Mr. Thibodeaux referenced donated commodities from the food service program and that he determined them to be immaterial. He stated that he does not expect this second standard to impact KIPP.

Mr. Thibodeaux concluded his presentation by indicating that Ericksen Krentel did not identify any deficiencies in internal controls over (i) financial reporting or (ii) compliance or any instances of non-compliance that could have a direct or material effect on KNOS's major federal programs. Ms. Walmsley stated that this is the seventh consecutive year in which KIPP New Orleans has received a clean audit report, and KNOS and FKNO collectively met all debt covenant requirements. Mr. Thibodeaux noted one instance of non-compliance for filing the audit report later than six months after its year end, though noted that KIPP is operating on a valid non-emergency extension request of the Louisiana Legislative Auditor. He further noted that while he is required to note this matter in the audit report, KIPP filed by January 31, 2023; therefore, the matter will not impact the organization's federal funding or status as a low-risk auditee.

Ms. Walmsley excused all KIPP New Orleans staff from the room such that Mr. Marsh could commence Executive Session with the committee and Mr. Thibodeaux. Executive Session ends.

Ms. Walmsley then turned to reporting of current financial activity, beginning with discussion regarding student counts and a recent meeting with NOPS where an update on city wide counts and their predictions on sales and property tax resulted with with an update on the per pupil funding model. NOPS' latest DLFA forecast increased both the base and the tiers as well.

Ms. Walmsley reviewed the financial statements, noting that the income statement showed a deficit which is reflective how our financials paced last year. Block grants have been recorded with a few ESSER claims being reflected on the financials and an additional \$6M expected before we submit the December 2022 statements to Capital One on February 28, 2023. Ms. Walmsley noted that revenues will be particularly lagged this year given that deferred revenue of over \$800/pupil would not arrive until late spring.

Meeting moves to review of scorecard, where Ms. Walmsley reminded the committee that KIPP targets its individual LEA fund balances at 7.5% threshold, compliant to the LDE requirement, as opposed to the 10% that NOPS requires. Mr. Marsh suggests that a new row and footnote be added for our internal target of 7.5% and inquires as to any implications of not following the 10% guideline. Ms. Sekou noted that she will explore this context with NOPS.

Discussion continued regarding the deficit spending performance measure. Mr. Jackson questioned the definition, and Mr. Marsh requested that the deficit footnote include the phrase “three consecutive years.”

Ms. Walmsley then previewed three resolutions that would be on the Board meeting agenda:

1. Signatory Authority Addition
Standing resolution passed by The Board in February 2022 which gives certain key personnel authority to sign on accounts held by KIPP New Orleans. Whitney requires that we pass resolutions on their form for each bank account adding each person by name. This resolution will add Ivette Casey, Controller as an authorized signor.
2. Line of Credit Renewal
KIPP has a two-year term, \$2M line of credit with Hancock Whitney Bank which is due for renewal later this month.
3. Contract Signatory Authority
This resolution was last amended in May 2019; the proposed revisions will remove obsolete positions no longer at KIPP, include current position titles, and make slight increases to dollar thresholds reflective of the larger size of the organization and inflation.

Mr. Marsh adjourns the meeting at 6:45PM.