

KIPP New Orleans Schools

Finance Committee Meeting Minutes

October 18, 2021

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 October 18, 2021, at 5:19 p.m.

The following member(s) of the finance committee were present: Treasurer Drew Marsh, Danielle Willis, and Aimee McCarron. The following member(s) of the finance committee were absent: Larry Washington. 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, Director of Finance Jamiela Sekou, and Senior Accountant Rebecca Guarino.

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

Mr. Marsh called the meeting to order. The committee voted unanimously to approve the minutes of its August 16, 2021 meeting.

Mrs. Walmsley started the CFO report noting that the KNOS annual audit is progressing as expected. The board can expect an audit report by December 31, 2021.

Mrs. Walmsley then reported the FY21 financial summary, noting a projected FY21 adjusted fund balance as a percent of operating expenses of 28.29 percent. The 28.29 percent fund balance represents a large positive variance from the original FY21 board approved budget, but approximately a \$300k reduction since the last finance committee meeting.

Mr. Rosenblat noted that the source of this reduction originates from a change from the forecast in August, at which point the organization planned to claim \$1.75 million of ESSR II funds in FY21. However, given an extended delay in the closure of the Louisiana Department of Education's grant management portal since mid-summer, instead KNOS claimed \$1.1 million of these funds for FY21; the timeline for resuming claims remains unknown. The \$650 thousand variance created by this lapse was offset by nearly \$350 thousand of revenue increases. These increases were from paybacks from previous MFP shortages and HB393 payments for John F. Kennedy High School.

Jeremy Thibodeaux noted that Ericksen Krentel also has not received guidance from the federal government to inform their auditing process. Mr. Thibodeaux further noted that KNOS' drawdown rates are outpacing rates from other charter management organizations in his portfolio.

Mrs. Walmsley then turned to the FY22 revenue and budget targets. Mrs. Walmsley described to the committee that KNOS continues to pace towards board approved targets; however, there is underlying variability in the forecast. The source of this underlying variability stems from a myriad of sources: (1) new expenses related to mitigation response to COVID-delta variant community spread, (2) new school incentive strategies intended mitigate COVID related impacts by encouraging student vaccination, (3)

new expenses from the emergency relocation of FDHS to the Henry Allen School (Ellis Marsalis Building) due to the impacts of Hurricane Ida, (4) savings from recruitment challenges that have hindered a fully utilized staffing model, (5) savings from operational challenges with bussing that led to a reduction in planned bussing expenses, and (6) recent wins from new revenue sources including FEMA reimbursement for COVID related PPE materials and supplies, student device subsidization through the Emergency Connectivity Fund, and a new federal Teacher and School Leader Incentive Program (TSL) grant that will be split over three years to respond to teacher recruitment and retention challenges.

Mr. Rosenblat turned to the FY22 financial statements through August 31, 2021. Mr. Rosenblat highlighted the negative net income of around \$2.8 million. The negative net income stems from a lag in federal grant drawdowns, which is typical at this time of year. Mr. Rosenblat also highlighted that long-term debt from the Payroll Protection Plan (PPP) loan will be reflected as debt until KNOS completes its PPP forgiveness application. Mr. Rosenblat noted that there are no new investments.

Ms. Walmsley noted that the FY22 enrollment forecast is not included in the committee report. The enrollment packet was purposely omitted because there is some data cleanup required before a report of the 10/1 enrollment counts is presented given the disruptions associated with Hurricane Ida. The Louisiana Department of Education has granted extensions to all affected parishes across the state. Mrs. Walmsley highlighted that KNOS is expecting a negative variance from previous enrollment forecasts, along with other operators across the city, and expects per pupil funding to rise citywide as a result. Next, Mr. Rosenblat led a review of the KNOS financial scorecard, noting that several schools may not be on track to meet the 98 percent enrollment target; however, this will become clearer once the 10/1 counts undergo the necessary data cleanup period. It was also noted that grant claims are not current and that KNOS is seeking to hire two new accountants to support the increased need to support federal grant claims.

With the CFO report complete, Mr. Marsh adjourned the meeting at 6:32 p.m.