

KIPP New Orleans Schools

Finance Committee Meeting Minutes

October 17, 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 October 17, 2022, at 5:19 p.m.

The following member(s) of the finance committee were present: Treasurer Drew Marsh and Danielle Willis. 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, Controller Ivette Casey, and Chief of Staff Connie Jackson.

Mr. Marsh called the meeting to order. The committee voted unanimously to approve the minutes of its August 17, 2022 meeting.

Mrs. Walmsley commenced the CFO report with the FY22 financial summary, noting a projected FY22 adjusted fund balance as a percent of operating expenses of 30.71 percent. The 30.71 percent fund balance represents a large positive variance from the original FY22 board approved budget, but approximately a \$420k reduction since the last finance committee meeting.

Ms. Walmsley noted that the source of this reduction originates from additional surplus spending that we advanced in the final month of the fiscal year on materials and supplies, specifically classroom technology investments, as well as maintenance projects that were prioritized on our campuses. Ms. Walmsley continued with a summary of the projected FY22 income statement, noting that MFP revenue is proportionally lower-than-ever given the impacts of pandemic-related revenue volatility, but that higher-than-ever non-recurring other miscellaneous revenue – specifically our Payroll Protection Program loan that was forgiven – was well-timed this fiscal year to assist the organization in weathering that downturn in recurring funding.

Mrs. Walmsley then turned to the FY23 enrollment update as a preface to her report on the FY23 financial summary. Mrs. Walmsley described to the committee that KNOS expects to exceed board approved budgeted enrollment targets by 44 K-12 students, though the distribution of said variance was not proportionally distributed among the divisions. Specifically, our primary schools exceeded their budget targets by 76 students, middle schools exceeded targets by 28 students, and high schools missed their collective targets by 60 students. Mr. Marsh asked whether the dip in high school enrollment disproportionate impacts funding, to which Mrs. Walmsley answered that high school students do receive approximately \$100 more per student, but that overall, this result had a positive impact on the organization’s forecast. Ms. Willis asked whether the organization had a theory about the root cause of the high school variance, and Ms. Kalifey-Aluise responded by pointing to the unexpected increase of 9th grade seats in Orleans Parish this school year.

Mrs. Walmsley then turned to the FY23 financial summary, noting a projected FY23 adjusted fund balance as a percent of operating expenses of 28.13 percent and remarking that while this percentage is lower than the percentage reported on the FY22 financial summary, that the project net income in FY23 is actually quite positive, and that this decrease is a result of the board-approved FY23 budget being larger than in FY22. Mrs. Walmsley completed this section of the report by noting variance from approved budget of approximately \$1.5 million, driven largely by increased enrollment and offset by increased bussing expenses.

Ms. Sekou turned to the FY23 financial statements through August 31, 2022, highlighting the negative net income of around \$4.48 million. The negative net income stems from a lag in federal grant drawdowns, which is typical at this time of year, and specifically because the Louisiana Department of Education has had the organization's COVID-relief Achieve budgets under review for several months. Ms. Sekou noted that there are no new investments.

Next, Ms. Sekou 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.

Mrs. Walmsley concluded the CFO report noting that the KNOS annual audit is progressing but that it proves to be more extensive and complex than ever because of the increased size of the organization's budget, the increased scale and scope of restricted public funding, and the addition of the Board of Elementary & Secondary Education (BESE) Agreed-Upon-Procedures (AUP) audit. She concluded that lead audit partner Jeremy Thibodeaux plans to attend the next Finance Committee meeting on December 5, 2022 to provide a report to the committee.

With the CFO report complete, Mr. Marsh adjourned the meeting at 6:04 p.m.