

KIPP New Orleans Schools

Finance Committee Meeting Minutes

December 7, 2020

A public meeting of the finance committee of the board of directors of KIPP New Orleans Schools ("KNOS") was held December 7, 2020, at 5:15 p.m. at the KNOS School Support Center with a virtual Zoom meeting option.

The following members of the finance committee were present: Board Chairman Larry Washington, Treasurer Drew Marsh, 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, General Ledger Accountant Rebecca Guarino, and Finance Intern Sameka Lindsay.

The following guests were present: KIPP New Jersey / KIPP Miami CFO Mike Small, and New Orleans East Hospital CFO Danielle Willis.

The committee voted unanimously to approve the minutes from its August 17, 2020, and October 19, 2020 meetings.

Ms. Walmsley introduced representatives from Ericksen Krentel ("EK"), the Certified Public Accountant firm hired to conduct FY20 audits for KNOS and Friends of KIPP New Orleans (FKNO), members: Partner Jeremy Thibodeaux, Manager Gretchen Fischer, and Senior Accountant Mike Hymel. Mr. Thibodeaux and Ms. Fischer delivered the firm's FY20 draft audit results. Mr. Thibodeaux stated that, once the audit is finalized and EK's internal review procedures are complete, he expects to deliver a clean audit report free of any findings or management letter comments. Ms. Fischer then discussed the consolidated financial statement report, highlighting year-over-year changes on the draft audit. Mr. Thibodeaux updated the committee on the federal Office of Management and Budget (OMB) delays in providing Single Audit testing guidance for funds awarded to, and claimed by, KNOS in FY20 under the Elementary and Secondary Emergency Relief (ESSER) program, which Congress passed as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Mr. Thibodeaux highlighted that KNOS, with EK's guidance, may need to file an extension request with the Louisiana Legislative Auditor (LLA) to submit the audit later than December 31, 2020 due to OMB's delay in providing testing guidance. Mr. Thibodeaux noted that a large number of non-profit organizations are in the same situation and will likely have no choice but to file extensions as well. Mr. Marsh asked if any complications or compliance challenges could arise from requesting an extension. Ms. Walmsley noted that Management would communicate closely with the Louisiana Department of Education (LDOE), Capital One and New Orleans Public Schools (NOLA-PS) regarding this potential need for an extension in order to mitigate complications. Mr. Thibodeaux indicated that he would communicate closely with the LLA in order to mitigate complications as well. He also relayed that he expects to learn more about the pending release of single audit guidance on Thursday, December 10th and would relay an update to Management shortly thereafter. Mr. Thibodeaux closed his comments by commending the organization's work, and subsequently, the EK representatives left the meeting.

Next, Ms. Walmsley reported the financial summary, noting the current projected FY21 adjusted fund balance as a percent of operating expenses of 24.4%. Ms. Walmsley noted that the \$1.2 million decrease in projected FY21 surplus from the last committee meeting was driven by several items, including: 1.) a

decrease in MFP due to 10/1 enrollment landing 19 students lower than expected, a decrease in private facility funding, and a slight decrease in differentiated funding; 2.) a decrease in federal grants as a result of initial FY21 grant awards remaining flat from the prior year; 3.) a decrease from delaying the anticipated receipt of FEMA funding past the end of FY21; 4.) a reduction in forecasted SPED tiered funding, offset by; 5.) operational and payroll savings. Management also continues to hold the full budgeted contingency as a conservative practice at this stage of the fiscal year.

Ms. Walmsley then turned to FY21 October 1, 2020 enrollment results, which were 49 students below budget for the region, of which 43 were K-12 seats and 6 were Pre-K seats. The Pre-K seats have since filled. John F. Kennedy experienced the largest enrollment shortfall of 74 students. The overall shortfall in the primary grades of 68 students was offset with an overage of 67 students in the middle schools.

Next, Mr. Rosenblat turned to the FY21 financial statements. Mr. Rosenblat highlighted the net loss of \$477K through October 31, noting that this loss was in line with the overall FY21 board approved spending deficit. Mr. Rosenblat led a review of the KNOS financial scorecard, noting that FY21 grants remained in good position.

Mr. Rosenblat then turned to the FY22 budget process, noting that the timeline would remain similar to prior years, and that all timelines were backward-planned from deadlines embedded in state law. Staff will request finance committee approval of the budget and the initial board reading in June 2021. Final board approval will then take place in August 2021.

Ms. Walmsley then turned to the FY22 enrollment forecast, highlighting expected growth from the 10/1/20 enrollment baseline in K-12 grades of 104 students. She indicated that the organization is also pursuing two additional sections of LA4-funded Pre-K, and if granted, those sections would create 40 new Pre-K seats.

Mr. Rosenblat then shared that NOLA-PS expects combined state and local MFP funding levels to decrease by 8.7% next year as a result of depressed sales tax collections during the current fiscal year, as well as some commercial ad valorem tax reductions. The anticipated per-pupil impact is forecasted to be about a \$645 decrease in base student funding and another \$680 decrease in per-pupil deferred revenue. Mr. Rosenblat explained that the decrease in deferred revenue means that schools are expected to owe money back to the district based on the delta between what the district plans to pay schools this year and what the district is collecting this year. However, NOLA-PS has communicated a strong interest in deferring the cash flow impact of recouping deferred revenue until a future date, by which deferred revenue returns to a positive amount, which NOLA-PS currently expects to occur in FY23. Mr. Rosenblat highlighted that block grants are forecasted to remain flat year-over-year. Mr. Rosenblat turned to non-recurring revenue, highlighting that \$5 million less in non-recurring revenue has been identified to-date for FY22 as compared to FY21: \$2.5 million of this year-over-year change is due to one-time COVID relief funds, and another \$2.5 million of this year-over-year change is due to large declines in funding from growth-oriented grants and TIF5.

In closing, Mr. Rosenblat provided the investment summary, reporting no changes from the prior committee meeting. The current compounded average yield-to-maturity for the portfolio is 1.62%.

With the CFO report complete, Mr. Marsh adjourned the meeting at 6:57 p.m.