

KIPP New Orleans Schools

Finance Committee Meeting Minutes

October 14, 2019

A public meeting of the finance committee of the board of directors of KIPP New Orleans Schools ("KNOS") was held October 14, 2019, at 5:16 p.m. at the KNOS School Support Center.

The following members of the finance committee were present: Board Chairman Larry Washington. Treasurer Drew Marsh joined via conference call, rendering him unable to participate in any voting and precluding his participation from counting toward a quorum. Aimee McCarron did not attend. A quorum was not 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, and Director of Finance Javier Cortez.

The following guests were present: Nathan Lomonaco

The committee reviewed the minutes of its August 19, 2019 meeting without comment.

Mr. Rosenblat then led a review of the FY19 financial summary, noting a \$97K increase in projected surplus from the prior committee meeting. The increase resulted primarily from the return of planned school and regional expenditures as the fiscal year closed. Mr. Rosenblat highlighted that the projected ending adjusted fund balance as a percentage of FY19 and FY20 operating expense is 24.6% and 22.7%, respectively. Lastly, Mr. Rosenblat shared that net fixed assets increased by \$830K in FY19 as a result of one-time strategic facility investments in the new Believe facility, as well as in the Sylvania Williams and Douglass facilities.

Mr. Rosenblat provided an update on the FY19 audit process. He reminded the committee that Ericksen Krentel was engaged to conduct its first audit for KIPP New Orleans, and shared that everything remained on schedule to have reports completed prior to the December meeting.

Next, Ms. Walmsley provided an update on FY20 enrollment. Ms. Walmsley shared October 1 enrollment projections, which were estimated to be 36 students below budget for the region. KIPP Leadership experienced the largest enrollment shortfall, and management has worked with the school to right-size operational expenses, specifically transportation routes, as a result. With regard to budgeted and un-budgeted excess seat capacity, the region's excess capacity is focused in the lower elementary grades, which is consistent with enrollment patterns across the city.

Ms. Walmsley then led a review of the FY20 financial summary, reporting a projected-adjusted-fund-balance-to-operating-expense ratio of 22.2%. Ms. Walmsley noted that the \$112K decrease in projected FY20 surplus from the last committee meeting was driven almost entirely by three items. First, an \$800K decrease in revenues as a result of enrollment coming in below budget. Second, an offsetting \$500K decrease in salary and benefit expense resulting from unfilled positions and the return of a salary hold for schools. Third, \$260K increase from other revenues and expense savings, such as higher than expected Medicaid revenue.

Mr. Rosenblat then turned to the FY20 financial statements. Mr. Rosenblat noted that accounts receivable were lower than usual at this time of year, and the \$390K year-to-date loss was in line with expectations, as there are significant costs incurred early in the year, and the majority of grant claims occur on a reimbursement basis.

Next, Mr. Rosenblat turned to the finance scorecard. He noted that the finance team is a few days behind schedule with FY20 grant claims as a result of vacancies on the finance team. Mr. Rosenblat shared that the new Controller will start in early November, and the finance team is making good progress on filling a vacancy in the payroll position. Mr. Rosenblat reminded the committee that, in accordance with KNOS financial planning, the finance team will continue to target an LEA fund-balance-to-general-fund-revenue ratio of 7.5%, which falls below OPSB's 10% guideline. Correspondingly, several LEAs will report FY19 deficit spending resulting from inter-fund transfers. Mr. Rosenblat reminded the committee that OPSB considers an organization's overall financial health before arriving at recommendations.

Mr. Marsh inquired about the organizations liquidity in light of being behind on submitting grant claims, and recommended adding a liquidity measure to the financial scorecard. Ms. Walmsley reported on how management monitors liquidity and responded in agreement that the management team would add a liquidity metric to the scorecard.

Mr. Cortez next turned to the investment update, reporting that one investment matured since the last committee meeting, which the management team decided not to reinvest immediately. He added that \$2.5 million of investments mature at the end of December, at which time the team will look into reinvestment options.

Mr. Washington adjourned the meeting at 6:10 p.m.