

KIPP New Orleans Schools

Finance Committee Meeting Minutes

August 17, 2020

A public meeting of the finance committee of the board of directors of KIPP New Orleans Schools (“KNOS”) was held August 17, 2020, at 5:17 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, and Finance Intern Sameka Lindsay.

The committee unanimously approved the June 15, 2020 finance committee meeting minutes.

Mr. Rosenblat reported the FY20 financial summary, noting the preliminary FY20 adjusted fund balance as a percent of operating expenses of 28.6%, or 24.8% of the FY21 proposed operating budget. Mr. Rosenblat noted that KNOS is expects to add \$5.2 million to FY20 ending adjusted fund balance, in line with what Management previously projected at the June finance committee meeting.

Next, Mr. Rosenblat turned to the FY20 financial statements. Mr. Rosenblat highlighted that final MFP and deferred revenue payments from NOLA Public Schools were received in the final quarter of FY20, bringing net income in line with Management’s full-year expectations. Additionally, Mr. Rosenblat noted that the unaudited \$5.5 million ending accounts receivable balance is unusually large as a result of sizable end-of-year grant claims, of which almost 90% had been collected to date. To the contrary, the unaudited accounts payable ending balance of \$0.9 million is lower than usual, as a result of operating school virtually to end the year, reduced organizational spending resulting of the pandemic, and an effort to reduce outstanding payables at year-end to prepare for going live in a new accounting system on July 1, 2020.

Ms. Walmsley then turned to the FY21 financial summary, noting the projected FY21 adjusted fund balance as a percent of operating expenses of 24.1%. Ms. Walmsley noted that the \$2.3 million increase in projected FY21 surplus from the proposed budget was driven almost entirely by OPSB’s better-than-expected sales tax collections during the final quarter of FY20, resulting in a \$3 million increase to projected MFP revenue in FY21. This, however, was offset by additional investments in the organization’s virtual learning programs, as well as health/safety equipment and improvements.

Ms. Walmsley then turned to the FY21 enrollment forecast, noting that Management held projected enrollment unchanged from the last committee meeting. Ms. Walmsley shared that current enrollment exceeds our budget, but rosters are in the process of being updated for families that moved or left the network, which is harder-than-usual to track in the current virtual environment. Management will be in position to provide an accurate update at the October meeting, when October 1st counts are finalized.

Next, Ms. Walmsley presented the FY21 budget, reminding the committee that the same budget was read to the full board at the June meeting, and that the full board will be asked to adopt the budget formally at its August meeting. Ms. Walmsley recapped the budget and the operating deficit of \$2.9

million, which results from the organization's planned use of \$2.5 million of the new fund balance generated in FY20 to offset an anticipated decline in FY21 revenues due to COVID-19, and to continue paying \$0.5 million in annual rent expense at KIPP Believe until New Market Tax Credit equity is fully realized.

Mr. Rosenblat next led a review of the KNOS financial scorecard, noting that the John F. Kennedy High School was added to the matrix. Mr. Rosenblat highlighted that grants remained on track to close the year, and that FY21 remained in good position. Mr. Marsh inquired if an amendment to the debt covenant would be needed as a result of the projected FY21 operating deficit. Mr. Rosenblat responded that the organization will meet all covenants for FY20, and that Management had engaged Capital One regarding the projected FY21 deficit and scheduled a forthcoming meeting with the NMTC lenders.

To conclude, Mr. Rosenblat turned to the investment summary, reporting that two more investments matured in June, and no new investments were made. Mr. Rosenblat noted that all investments remain in line with the board's investment policy and the current compounded average yield-to-maturity for the portfolio is 1.75%.

With the CFO report complete, Mr. Marsh adjourned the meeting at 6:17 p.m.