**KIPP New Orleans Schools**

Finance Committee Meeting Minutes

December 11, 2019

A public meeting of the finance committee of the board of directors of KIPP New Orleans Schools (“KNOS”) was held December 11, 2019, at 3:10 p.m. at the KNOS School Support Center.

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, Director of Finance Javier Cortez, and Controller Christine Bozinis.

Ms. Walmsley introduced representatives from Ericksen Krentel (“EK”), the Certified Public Accountant firm that the finance committee enlisted to conduct FY19 audits for KIPP New Orleans, Inc. and Friends of KIPP New Orleans, Inc.: Partner Jeremy Thibodeaux and Senior Accountant Mike Hymel. Mr. Thibodeaux and Mr. Hymel delivered the firm’s FY19 draft audit results. Mr. Thibodeaux discussed the consolidated financial statement report, highlighting that the presentation adopted the FASB accounting standards update for not-for-profit entities and hence includes a statement of functional expenses for the first time. Ms. Walmsley shared that the management is currently working with EK to finalize the presentation to accurately reflect functional expenditure groupings. Mr. Thibodeaux stated that, once the presentation of functional expenses 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. Mr. Thibodeaux closed his comments by commending the organization’s work, and subsequently, the EK representatives left the meeting.

Next, the committee turned to reviewing EK’s performance. The management team shared their perspectives about EK’s performance during the FY19 audit process and recommended retaining EK for the FY20 consolidated audit as previously adopted by the finance committee through the spring 2019 multi-year RFP process. The committee accepted management’s recommendation.

The committee then voted unanimously to approve the minutes from its August 19, 2019, and October 14, 2019, meetings.

Next, Ms. Walmsley reported the financial summary, noting the current projected FY20 adjusted fund balance as a percent of operating expenses of 21.4%. Ms. Walmsley noted that the $624K decrease in projected FY20 surplus from the last committee meeting was driven almost entirely by the leadership team’s strategic spending plan to maximize the programmatic impact of expected surplus funds. Management also continues to hold the full budgeted contingency as a conservative practice at this stage of the fiscal year. Ms. Walmsley highlighted a few additional expenditures, such as outfitting three new pre-k sections and incurring initial JFK start-up costs to prepare for FY21.

Mr. Rosenblat then turned to the financial statements, noting that net income is running positive, which is ahead of schedule for this point of the year. Mr. Rosenblat noted that the balance sheet remained healthy and that grants claims were on schedule as evidenced by the large receivable balance.

Mr. Rosenblat then turned to the KNOS financial scorecard. Mr. Rosenblat highlighted the new liquidity measure on the scorecard, as requested by the committee, and confirmed that minimum cash balances remained in excess of two payrolls, as indicated.

Next, Ms. Walmsley introduced the organization’s FY21 budgeting process. She reported that the process 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 2020. Final board approval will then take place in August 2020.

Ms. Aluise then turned to the FY21 enrollment forecast, highlighting the large enrollment target at JFK along with three new pre-k sections: two at Leadership and one more at East. Ms. Aluise also shared that, as a result of the city’s continued excess capacity in lower grades, Management has reduced their targeted section count for kindergarten at Central City, and kindergarten and first grade at Leadership, from four to three. Ms. Aluise shared that staff will continue to monitor and revise those targets as the February 1st student count in the current year solidifies, and she plans to report any changes to the finance committee at its next meeting.

Ms. Walmsley then explained that state and local per-pupil funding levels for the current year are not confirmed, but that the staff would forecast a 2.0% increase in assumed state and local funding, along with a significant increase in projected deferred local funding, resulting from OPSB’s millage roll-forward. Staff will continue to work with NOLA-PS and revisit these assumptions after learning more about current year funding, and then report any changes to the committee during its February 2020 meeting. The FY21 surplus target will remain negative $467,500, which aligns with the board’s decision to use the existing KNOS fund balance to finance the construction of the new KIPP Believe facility. Ms. Walmsley concluded by reporting that the contingency rate would remain at one percent of forecasted revenues.

To conclude, Mr. Cortez turned to the investment update, reporting that $1.25 million had been reinvested since the last committee meeting in a Wells Fargo security maturing in January, 2021. He added that the next maturity will also be a Wells Fargo security maturing on January 15. All investments remain in line with the organization’s investment policy, and the current average yield-to-maturity is 2.26%.

With the CFO report complete, Mr. Marsh adjourned the meeting at 4:38 p.m.