Veritas Community School Finance Committee
Wednesday, May 20, 2020. 5pm
Dial in: 1-800-697-4304 Passcode: 704-335-9622

Attendees: Absent:

Gretchen Bottrill   Lee Teague
Ed Ritter
Lindsay Betzel
Michael Silver
Mark Chudzinski

The meeting opened with a discussion of the comparison of the 2019/2020 Budget to the April 30, 2020 YTD statements. The original budget contemplated an enrollment of 140 students and had not been adjusted to reflect actual enrollment. Any revisions to the 2019/2020 budget must be approved by the Veritas board before Acadia can make any changes. The committee made the following comments/observations:

1. Mark noted that Veritas's operating position improved to a small surplus at April month-end due to:
    a. Savings on transportation expenses (no need for buses given remote learning)
    b. Moving existing personnel into vacant positions reduced salary expense
    c. The $50,000 draw on the Challenge Foundation loan
2. 016 Summer Reading Camp revenue line- a single student who has been retained twice.
    a. Michael has received guidance that these funds can be used for a class that includes other students who need assistance in reading, but Veritas must demonstrate the funds were used to teach the student who has been retained for two years.
3. 154 COVID Assistance revenue line will likely be utilized for extra cleaning supplies needed to sanitize the school.
4. Local Revenue discussion:
    a. We are significantly behind projections for Contributions/Donations (budget of $100,000, actual $18,853 to date). Need to recommend a revised amount for the final reconciliation, which will likely increase the operating deficit.
    b. CMS does not allow Veritas to profit by subletting its "C" building to the Bethlehem Center Preschool. The $3,000 monthly payment represents Veritas' best estimation as to what it costs to operate that portion of the building.
        i. Bethlehem Center plans to reopen for summer camp on June 15, 2020.
5. Discontinued the before-and after-school program due to low participation.
6. The provision of lunch is very expensive to operate and it is not cost-effective for VERITAS to comply with USDA standards for reimbursement.
7. VERITAS matches 50% of teachers' retirement contributions.
8. The state insurance program is considered expensive for Veritas employees as on average they are younger than other participants. Mark noted it would be prohibitively expensive for Veritas to buy itself out of the state plan.

      a.   Michael noted that participation in the state healthcare plan is very attractive to prospective employees as not all charter schools provide benefits.

9. The Exceptional Children expense is associated with all services that Ms. Ledbetter cannot provide (e.g. physical therapy).
    a. EC care can be very expensive to provide and Veritas is capped at receiving EC funds for more than 10% of its student population, regardless of the number of students who qualify for these services.
10. Audit services are provided by Rebecca Barr, whose fees have remained stable for several years.
11. Cat asked whether Veritas should be accruing principal towards repayment of the Challenge Foundation facility loan. Ed recommended that we reach enrollment of at least 140 students before we begin to accrue that expense.
12. Acadia has passed on the licensing expense for the LINKS system to the charter schools ($4,995).
    a. Michael and Mark are working to understand what this licensing agreement provides as this expense may be outsized for a school of Veritas's size.
13. There are two categories of transportation expenses
    a. Public transportation expenses are often referred to a "yellow buses" and comprise the majority of Veritas's transportation costs.
    b. The Publication transportation – MV category refers to McKinney Yento legislation that requires schools to transport homeless students to/from wherever they are living throughout the school year. We have historically used a company called Kids Cab that serves this population but it can be very expensive on a per student basis.
14. Our April 30, 2020 cash balance was $192K (1.7/month expenses). We expect to receive $145K in inflows before June 30 and will spend approximately $250K, resulting in a $110K reduction in cash balances through the end of the school year.
    a. The Finance Committee needs to make a recommendation as to whether to make an additional draw on the Challenge Fund line of credit to maintain the recommended (2) months cash balances for charter schools.
15. Mark made a recommendation that we update the existing bank resolution, which currently allows him and Dr. Scott to sign checks on behalf of the school.
    a. The BB&T banking resolution will be updated to allow Erika Bowen, Michael Silver, and Gretchen Bottrill to sign on behalf of the school.
        i. Michael has also recommended that D. Thacker be added to the resolution beginning July 1, 2020 (her first day of employment at Veritas).
    b. Ed and Cat also discussed upgrading our financial controls to require a member of the board to sign all checks above $10K. The committee agreed to bring this issue up in a future meeting.

Action Items:

- The Finance Committee will hold an additional meeting before the June 17 board meeting to finalize the following recommendations:
    a. The fundraising amount to be used for the 2019/2020 school year, which will likely lead to both an operating and cash flow deficit.
    b. Finalize the adjustments for the 2019/2020 budget for formal approval to allow Acadia to reconcile actual to budgeted results.
    c. Create the 2020/2021 budget utilizing Acadia's budget software for formal approval at the June 17 board meeting.
        i. Create additional scenarios that include both a 10% and a 20% reduction to state funding for the 2020/2021 school year so that the committee can make immediate cost reduction recommendations to the board if these revenue reductions occur.
        ii. Creation additional scenarios for lower student enrollments that allow us to adjust expenses accordingly during the first months of the new academic school year.