

APPROVED



Springfield Prep
CHARTER SCHOOL

Springfield Prep

Minutes

Finance Committee Meeting

Audit Meeting

Date and Time

Monday September 23, 2024 at 7:30 AM

Location

This meeting will take place on Zoom.

This meeting of the Springfield Prep Charter School Finance Committee will be held on Zoom on 9/25/23 at 7:30 am. Meeting notice was posted on the school's website (www.springfieldprep.org) on 9/20/2023.

Committee Members Present

A. Piela (remote), M. Frodema (remote), R. Molina-Brantley (remote)

Committee Members Absent

None

Guests Present

B. Spirer (remote), J. Callan (remote), M. Velazquez (remote), M. Wagner (remote)

I. Opening Items

A. Record Attendance

B. Call the Meeting to Order

A. Piela called a meeting of the Finance Committee of Springfield Prep to order on Monday Sep 23, 2024 at 7:31 AM.

II. Finance

A. FY23 Audit Report

Matt introduced himself. He is doing a partner rotation after Dave Kelleher was our partner for a number of years. Matt provided a review of the audit.

- It was a clean audit, free of any significant issues or deficiencies. There were no issues with internal controls.
- It was also a pretty consistent audit to last year and there were no new accounting policies this year.
- He thanked Meghan and Marelin for being very easy to work with.

John reviewed the audit.

- He reiterated that this was a positive result for the school and explained that they are issuing a clean opinion.
- He reviewed the change in net position, and noted that there were surpluses in all three entities. He explained that the most helpful number to look at is the change in net position from operations and he reviewed this. For the school, it was \$258,000.
- He reviewed the key drivers of revenue and expenses. Revenue increased due to a tuition increase; expenses increased primarily due to an increase in salaries, with an approximately 6% increase in salaries and some new hires; and occupancy costs were similar.
- He reviewed the balance sheet. The total assets were down a little due to depreciation, but offset by fixed asset additions. Liabilities were down about \$600,000 due to principal payments made during the year. The net position (i.e., capital of the organization), was up about \$340,000.
- Matt noted that the most important number is unrestricted operating net position because that's going to show working capital. He explained that there's a lot of non-cash depreciation given the building loans and that assets will always decrease over time.
- John reviewed the credit risk section in the notes. After the SVB issue, the school moved over a lot of funds to cash sweep accounts, so there is very little that's uninsured.
- There were two adjustments this year, both related to in-kind costs - retirement and transportation. One item from last year was addressed - everything related to financing was recorded based on the recommendation last year. The school also continues to monitor excess surplus.
- John explained that because this is a federal audit, they do a compliance audit. They found no issues and in their opinion, internal controls are designed and operating effectively.

- He also reviewed the ratios and highlighted some key points:
 - He noted that this is a one-year look back since other schools are currently going through their audits.
 - "Current ratios" is a good measure of how liquid we are. I.e., we have \$4.88 for every dollar due, which means we're in a really healthy position, and higher than the average of the schools they audit.
 - "Debt to equity ratio" shows how leveraged we are. They noted that when the NMTC is unwound, a good portion of this will not be required to be paid, so this number is a little misleading.
 - The biggest expenses are personnel and related and student costs, which is consistent with those in the charter sector.
 - "Months operating expenses" show that the school could operate for about 6 months if no tuition or grant revenue came in. This is very healthy - it shows a very healthy balance sheet and working capital position.
- Amy asked about the Benchmarking, i.e., where are there examples of our process strengths and where are there areas we could focus on and/or where the industry is focused on. John said that in terms of process, things are very strong. He explained that given strong communication with the school, his team never gets to the audit without knowing about what has transpired over the course of the year. Matt said that we have very sound policies and procedures. He looks at whether systems are designed appropriately and whether we have preventive controls. He said that there's nothing that raised concerns for him, and he believes we have a good set of controls.
- Amy noted that it's great to see that in a year of partner transition that things were smooth. She said that the school is in a mature position - in its third year at full capacity. Meghan is doing a great job with expenses, especially given inflationary pressures. She also encouraged the school to ensure these controls continue as we incorporate Ben into our systems.
- Bill asked about whether anything jumped out in the ratios. Matt said he highlighted the debt ratio because NMTCs generally look like a lot of debt with more leverage, but this isn't an area of concern. He also looked at revenue compared to operating expenses, and we are in a strong position here.

B. Approve May Finance Committee Minutes

R. Molina-Brantley made a motion to approve the minutes from Finance Committee Meeting on 05-20-24.

M. Frodema seconded the motion.

The committee **VOTED** unanimously to approve the motion.

Roll Call

A. Piela	Aye
M. Frodema	Aye
R. Molina-Brantley	Aye

C.

Monthly Financials - August 2023

Meghan reviewed the August financials. There is typically not a lot to see at this point, but it can be helpful to see some trends in our personnel costs.

- We can see higher projected benefits costs because more staff members are participating and more staff members have families. This is still below the target in our personnel line.
- We got a slight update on tuition projections and got our final entitlement grant allocations and both went up a bit.
- In the next meeting, Meghan plans to report on our capital plan over the next 5 years so we are strategically budgeting around this.

Amy asked about whether we have strong forecasting tools to be able to track potential increases in benefits costs. Meghan shared that she has built a new tool to give us more of a detailed view into our budget tracking work.

Meghan also highlighted the cash flow report because it looks like we're projecting a deficit in all future months, but that is because we do not show private fundraising until it is realized. Bill noted that the school was recently notified that it had received two grants, one from Davis and one from Peabody, so we are in good shape there.

Mary Kate asked about how the transition is going with Ben. Bill and Meghan said it was going well and explained the training they are doing with him to bring him up to speed.

Amy asked if there was a way to show the projected fundraising in the cash flow because while the rationale makes sense, it does not seem to accurately show our actual projections. Meghan and Bill will share some ideas for doing that.

Meghan also noted that she is considering making changes to the dashboard to include enrollment and staffing as additional KPIs because they play such a significant role in our revenue and expenses.

Mary Kate asked about where we are with enrollment. Bill explained that three students recently left and we have three seats that we will need to enroll in 8th grade. We expect to be able to fill these seats after our next lottery, which is 8th grade specific.

Bill shared potential upcoming changes to our board meeting schedule, reducing meetings to every other month, and to increase board approval thresholds. Amy was supportive of these changes.

III. Closing Items

A. Adjourn Meeting

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 8:28 AM.

Respectfully Submitted,
A. Piela

Documents used during the meeting

- Springfield Prep FY24 Audit Drafts 9.17.24.pdf
- 0. SP FY25 August Financial Dashboard.pdf
- 1. SPCS FY25 August Details.pdf
- 2. SPCS FY25 August Summary.pdf
- 3. SP Friends FY25 August P and L.pdf
- 4. SP Realty FY25 August P and L.pdf
- 5. SP FY25 August SNP.pdf
- 6. SPCS FY25 August Cash Flow.pdf