APPROVED

Excel Academy Massachusetts

Minutes

Board of Trustees - Finance Committee Meeting

Date and Time
Friday April 11, 2025 at 10:00 AM

Location
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Meeting ID: 263 028 435 834
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Meeting Notice Posted Publicly: 4/8/25

Please note: All items listed on the agenda are subject to a possible vote by the Board of Trustees or its subcommittees.

Committee Members Present
D. Sachs (remote), D. Stolow (remote)

Committee Members Absent
R. Lytle

Guests Present
A. Kaynor (remote), A. Solomon (remote), A. Stelson (remote), O. Stearns (remote)

I. Opening Items

A.

Record Attendance

B. Call the Meeting to Order

D. Stolow called a meeting of the Finance Committee of Excel Academy Massachusetts to order on Friday Apr 11, 2025 at 10:00 AM.

C. Public Comment

No members of the public provided comments at this meeting.

D. Approve Prior Meeting Minutes

D. Stolow made a motion to approve the minutes from Board of Trustees Finance Committee Meeting on 12-10-24.
D. Sachs seconded the motion.
The committee **VOTED** unanimously to approve the motion.

E. Approve Prior Meeting Minutes

D. Stolow made a motion to approve the minutes from Finance Committee Meeting on 03-04-25.
D. Sachs seconded the motion.
The committee **VOTED** unanimously to approve the motion.

II. Finance

A. Vote to confirm selection of auditor for FY25

D. Stolow made a motion to approve the selection of AAFCPAs as Excel MA's audit firm for the FY25 annual financial audit - the same firm that conducted the FY24 audit.
D. Sachs seconded the motion.
D. Stolow asked a clarifying question about whether each of Excel's entities is selecting the same auditor and whether it will be one audit or three separate audits. A. Kaynor clarified that each of Excel's entities is voting separately to approve the auditor selection, and that the recommendation is that one audit firm conduct all three audits for efficiency. A. Stelson clarified that there will be three separate audits, one per entity, and that all three Boards will be invited to participate in all three audits and will receive all of the information about all three entities for the sake of continued inter-entity transparency and collaboration.
The committee **VOTED** unanimously to approve the motion.

B. Update on FY25 Budget trends & review of draft FY26 Budget

A. Stelson presented on FY25 Budget trending and the draft FY26 Budget, as detailed in the Finance Update Slides and FY26 Budget Memo that were provided to the Board.

D. Stolow asked a clarifying question regarding the gap between actual expected and budgeted enrollment, and A. Stelson clarified that we are expecting actual enrollment next year of about 1380 students and that our budgeted projection is about 1360 students, so there is some conservatism built into the budget, in case of lower actual enrollment than planned.

D. Sachs asked a clarifying question about the reasons for the school being ahead of budget this year, and A. Stelson clarified that enrollment has been strong and that tuition is coming in a bit better than projected.

D. Stolow asked to confirm that the budget is adequately accounting for any potential triggers in our debt covenants related to cash balances or otherwise, and A. Stelson and A. Solomon clarified that we are accounting for this and are in very strong position with respect to cash balances and P&L.

D. Stolow asked a clarifying question regarding whether benefits are classified as compensation or non-compensation expenses, and A. Stelson clarified that they are classified as compensation.

D. Sachs asked whether external factors could impact enrollment projections, given depressed local revenue, market disruptions, and broad levels of uncertainty from outside sources.

O. Stearns commented that, while we are always aware of the possible risk of under-enrollment, we have hundreds of students on our waitlist and are continuing to see very strong demand in the market for Excel. The team is confident we will be able to meet enrollment targets.

A. Solomon and A. Stelson updated the Board on progress building a path to rebalancing spending at the school over the next two years in light of possible risks to local and federal funding and other factors. The team is on target.

D. Stolow asked for clarification regarding how difficult the school found the experience of reducing expenses for next year modestly. A. Stelson noted that schools did have to make some choices in the budgeting process, but that there were enough expenses in the "nice to have" category that we were able to tighten spending for next year without significant disruptions or negative impacts on staff morale or programming. The latest staff survey data indicates roughly 80%+ positive staff outlook across the organization, which is trending up from prior surveys.

D. Stolow requested that we break out the fundraising line by MA and RI needs in future presentations, and A. Kaynor clarified that a portion of the fundraising need is to continue to fund post-secondary programming and scholarships for our CAPS Team, and that the

remainder is related to growth in the RI region and will be highly dependent on real estate outcomes and opening of the high school campus in RI.

D. Stolow expressed appreciation to the team for the level of consistent rigor and thoughtfulness put into the budget and financial planning process and asked for an overall "organizational health" reading from the leadership team.

O. Stearns commented that the team is working very hard and balancing numerous simultaneous needs – including major external challenges – but that the team is doing very well despite the broader climate in the sector.

D. Stolow asked a clarifying question regarding whether the Operating Cash Flow by Entity slide includes debt repayments, and A. Stelson clarified that that is not included because it would be factored into operating cash flow, but it is reflected elsewhere in the presentation.

D. Stolow commended the team for good work conceptualizing and operationalizing the concept of the regional buffer to support the school in the event of a sudden disruption beyond our control and observed the considerable progress the team and Excel's three Boards have made over the past few years in developing clearer practices and principles to guide our decision-making and protect the school's interests.

C. Update on 5-year strategic financial plan

A. Solomon, A. Stelson, and O. Stearns updated the Board on efforts to grapple with and strategize around possible external disruptions that could have drastic impacts on federal funding and/or other aspects of the school's overall financial health, as summarized in the Finance Update Slides.

D. Sachs asked a clarifying question, to confirm that the 5-10% possible reduction referenced on Slide 25 represents a % of total revenue, which A. Stelson confirmed.

D. Stolow requested that we include in the FY26 Budget Memo for the full Board in May/June that the Board is also agreeing to the principle that we will not engage in a dramatic restructuring of the school next year, unless we are exceeding the 10-15% change threshold.

D. Sachs commented that it is very helpful to better understand the levels of impact from broader economic turbulence that we would be capable of sustaining, and D. Sachs and D. Stolow agreed that, if we got to a point of sudden 15% economic impact, we would be in a totally different world and would need to rethink our model completely.

A. Solomon noted that our ability to withstand a 10-15% shortfall would be temporary, and that we would not be able to continue operating beyond one school year at that level without a dramatic restructuring.

A. Solomon added that we are seeing significant increases in staff retention and intent to return, which is very helpful for our academic program and signals the strength of our schools. And this does mean that our overall compensation costs continue to rise, which is important for us to keep in mind as we're engaging in scenario planning and risk management.

D. Stolow and D. Sachs commented that they strongly endorse the recommendations summarized on Slide 27 and appreciate the deep thinking and work that we have engaged in to get to this point.

D. Stolow and D. Sachs commented that the most important indicator to monitor is enrollment. Outside factors impacting costs will impact the whole sector and will be a sector-wide problem, whereas under-enrollment would cause more localized challenges for the school. D. Stolow commented that he is always concerned every year about enrollment in general, given his experience with trends in higher education, but that he has consistently been extremely impressed every year by Excel's enrollment results and grateful that Excel continues to be the school of choice for so many families.

A. Stelson commented that Excel RI facility investments could draw down available cash from Friends of Excel, which would in turn leave Friends less capable of supporting Excel MA in a sudden disruption, but that the cash buffer mechanism is a helpful operationalization of the 'safety net' concept that we have built into the model. D. Stolow added that he believes it would be prudent to be more conservative than usual about insurance, given the increasing likelihood of outside disruptions. A. Solomon agreed and noted that we will look into business interruption insurance as well.

D. Stolow asked that the Friends Board confirm in their budgeting process that Friends has sufficient liquidity of investments, in the event of a sudden shock to the system. A. Solomon commented that we do, but that we will confirm this each year in maintaining the buffer mechanism.

In light of the broad economic turmoil of even just this past few days, D. Sachs asked for an update on how the leadership team is thinking about possible disruptions at the federal level that could require dramatic changes at the state level and impact local tuition. D. Stolow commented that this is the kind of catastrophic level of risk that is essentially too big to plan for at this stage. It would put us far beyond the level of resilience where we would have to restructure completely to contemplate continuing to operate schools. D. Stolow and D. Sachs noted that we do not believe we can do productive planning right now for this hypothetical scenario, but that it would be helpful just to name it on the list of risks we are cognizant of and monitoring for.

D. Stolow commended the staff for exceptional financial stewardship and thoughtful planning over many years, which have positioned our organization to be able to weather these levels of risk and uncertainty that are impacting the sector and country broadly.

D. Vote to recommend approval of FY26 Budget

D. Stolow requested to collaborate with the Finance Team to write an executive summary from the Finance Committee and Finance Team to the full Board summarizing our proposed FY26 Budget and our thinking regarding long-term strategies and risk mitigation.

D. Stolow also requested a report back from the school team on the planned implementation of a van for extracurricular and athletics and requested that the Finance Team develop an annual report to the Board from the leadership team on the implementation of this new practice and management of risks, perhaps synchronized with the annual audit cycle, so that the Board can continue to monitor effectively.
D. Stolow made a motion to recommend approval of the FY26 Budget by the Board, with any necessary edits.
D. Sachs seconded the motion.
The committee **VOTED** unanimously to approve the motion.

III. Closing Items

A. Adjourn Meeting

D. Sachs made a motion to adjourn the meeting.
D. Stolow seconded the motion.
The committee **VOTED** unanimously to approve the motion.
There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 11:00 AM.

Respectfully Submitted,
D. Stolow
List of documents used in the meeting:

- Agenda
- 12.10.24 Meeting Minutes
- 3.4.25 Meeting Minutes
- FY26 Draft Budget Packet
- 4.4.25 Draft Strategic Financial Model
- 4.11.25 Finance Update Slides

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