APPROVED

Veritas Preparatory Charter School

Minutes

Finance Committee Meeting

Date and Time
Thursday April 20, 2023 at 4:00 PM

Location
Veritas Prep Charter School 1st Floor Conference Room or Dial-In Number: 866-848-2216, Conference Code: 7783935205, Leader Code: 2356

Join Zoom Meeting
ID: 82384629673
Passcode: 966439

(US) +1 929-205-6099
Passcode: 966439

Committee Members Present
D. Ford (remote), D. Fuller (remote), L. Goncalves (remote), M. Landon (remote), R. Martin (remote), R. Romano (remote)

Committee Members Absent
T. Maxey

Non Voting Members Present
D. Janes (remote)

Guests Present

N. Gauthier (remote)

I. Opening Items

A. Record Attendance

B. Call the Meeting to Order

D. Ford called a meeting of the Finance Committee of Veritas Preparatory Charter School to order on Thursday Apr 20, 2023 at 4:09 PM.

C. Approve Minutes

D. Fuller made a motion to approve the minutes from Finance Committee Meeting on 03-16-23.
R. Martin seconded the motion.
The committee **VOTED** unanimously to approve the motion.

II. Finance

A. Debt Service Covenant Updated Language

The committee will review and recommend to the Board for Board approval to update the Debt Service Covenant to read:

“DSCR: Guarantor and Borrower on a combined basis, shall maintain a Debt Service Coverage Ratio (DSCR) of not less than 1.20:1.00. Defined as: Combined Net income plus depreciation, amortization and interest expense divided by annual principal and interest payments.”

The committee approves the proposed language and will bring it to the Board for an approval vote at the end of the month.

B. 5yr Projections - Scenario A-4

Major Assumptions and Highlights:
1) Enrollment assumes a similar recruitment plan to Veritas' history, backfilling of all seats through 10th grade at 101 per grade, and retention of 80%+ of high school students in 11th and 12th grades

2) Staffing plans have been reviewed by school leadership in depth, see related Staffing Growth Plan on next page (FY23 about 115 staff were employed)

3) Revenue Assumptions:
a) Tuition takes into consideration full funding of the Student Opportunity Act (SOA) by FY27 followed by 1.5% increases each year

thereafter. MCPSA has reviewed and conferred. This version also takes into consideration the release of the Governor's tuition projections which seems to get school to the SOA appropriations quicker. b) Entitlement Grant per pupil rates are stagnant year over year at $1,300
c) ESSER funding ends September 2024 so there is a need to reduce staffing in some areas
d) Competetive Grants will continue to be needed for the high school expansion, early college program, and funding replacement until the full SOA is realized in FY27
e) Private Grants and donations of approximately $400,000 are needed from FY24 through FY26 in addition to the $40,000 each year

4) Cost Assumptions:
a) Staffing and related costs average about 71% of the budget which is typical of Veritas's history
b) Administrative and other fixed costs average about 5% of the budget which is typical of Veritas' history
c) Instructional and student support costs average about 9% of the budget which is typical of Veritas's history
d) Facility and other related costs average about 14% which is higher than Veritas' five year historical percentage of 11% due to leasing the high school facility and higher property taxes than expected

5) The following budget lines will need to be monitored closely over the next few years by leadership:
a) Staffing growth plans over the next 4 years as the high school expands to serve grades 9-12
b) Instructional costs in the areas of high school curriculum development and early college costs as well as overall supply and material costs at both middle and high school. Currently early college costs are slightly above what is called for in the Parthenon Study which is good.

6) Contingency is about 2% of Revenue

Denise would like to know more about staffing at the middle school vs. the high school.

Rachel says we will add this to the narrative note.

Dale talks about the importance of being able to articulate these projections and provide context when we communicate this information with outside constituents.

Rachel agrees and reminds the Board about the assumptions that we discussed at the previous Board meeting and how that will also provide some framing for these projections. Rachel also mentions that the Board will only be voting on the FY24 budget,

not the five year projections. Knowing that we have a lot of grant monies falling off, we wanted to give the Board an idea of the bigger picture.

Dale asks about the line item "instructional costs" and its relation to ED professional development, do we have enough allocated here?

Lynne says that this number is based on historical data around what we have spent on PD in the past and takes into consideration the growth in staff that will occur.

Denise asks about "other public grants" - what are those?

Rachel says we think the bulk of those will be money to fund the early college program, especially because Governor Healey just approved more funds for early college programs. Generally this is money through DESE as opposed to private philanthropy. Our recent early college designation tees us up to be in a good position to take advantage of these grants.

Matt asks what a "culture event" is?

Rachel says these are family and school wide events that requires some budgetary funds.

Matt asks about maintenance and repairs being flat over the years?

Lynne talks about assumptions for the maintenance and repairs line.

Denise asks if Lynne is going to separate out FY24 for approval?

Lynne says yes.

Rachel says ideally the Board will vote on the FY24 budget in May - we have to have the vote by June.

Denise asks if we want to focus the conversation on the Board meeting on the FY24 budget?

Rachel says we can talk about the five year projections but let the Board know that what they're going to be approving is the FY24 budget.

Matt asks about the budget for cash reserves?

Denise says 60 days is our goal.

C.

Monthly Financial Reports

Revenue Highlights and Changes: Actual enrollment is 481 students. The projected tuition revenue is based on an average of 489 students from the beginning of the school year until February. Grants are being monitored closely and trending as expected with the majority of those allowable expenses being related to staffing costs. In January about $24k was recognized from ECF and Medicaid funds that were not previously captured in the budget or projections.

Expense Highlights and Changes: See notes on the bottom of the Statement of Revenue, Expenses and Change in Net Position for more details regarding expenses. Released the full amount of Contingency due to lower than expected student enrollment and increased costs in many of the budget lines.

Change in Net Position: With cash averaging below $1million we are currently experiencing a 30 day window of available cash which is 60 days short of ideally where it would be, so there is strong need for future surpluses to build the available cash back up to a healthy level. There have been recent investments in fixed assets and long term purchases that have been paid for out of cash. The majority of those purchases have been planned ($675k) and some unplanned ($86k) which is what reduced our available cash by about 25 days, just to share a different perspective.

Rachel says we have really dug into expenses this month. For example, our partnerships with Matterlab and Open Architects have been valuable but we had not planned for them and legal costs have been more expensive this year then previously. Rachel and Lynne are going to look for places that they can tighten up on expenses. There are some grants we can pull from to provide some relief in this area.

Denise asks where we think we're going to end up?

Rachel says we would like to find $30,000. It will still end up in a deficit.

Denise asks about the grant report - SOA not awarded?

Lynne says this is a grant that we applied for that was included on the last report but we did not receive these funds.

Denise asks about the cash flow report - increase to cash adjusted by July 2025 (change to 2023).

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 5:15 PM.

Respectfully Submitted,
D. Ford

Documents used during the meeting

- 5yr Projections Scenario A-4 Details.pdf
- 5yr Projections Scenario A-4 Summary.pdf
- 5yr Staffing Growth Chart April.pdf
- 5yr Projection Cash Reservation April.pdf
- Financial Reports to Finance Committee 1 April.pdf