APPROVED

Lawrence Family Development Charter School

Minutes

Finance Committee Meeting

Date and Time
Tuesday November 4, 2025 at 5:30 PM

Location
Zoom

Committee Members Present
C. Needham (remote), D. DeFillippo (remote), J. Henriquez (remote), L. McRae (remote)

Committee Members Absent
G. Lopez

Committee Members who arrived after the meeting opened
J. Henriquez

Guests Present
Ahmatjan Mamtimin, AAFCPAs (remote), D. Thakkar (remote), David Kelleher, AAFCPAs (remote), M. Ventre (remote), S. Stukuls (remote), Y. Rodriguez (remote)

I. Opening Items

A. Record Attendance

B. Call the Meeting to Order

C. Needham called a meeting of the Finance Committee of Lawrence Family Development Charter School to order on Tuesday Nov 4, 2025 at 5:35 PM.
J. Henriquez arrived at 5:37 PM.

II. Business Items

A. Auditing Update

Chris N. informed the committee that the school received an extension from DESE for submitting the federal audit. Because the school qualifies for a single audit and due to the government shutdown, the submission deadline has been moved to January 1.

David K. and Ahmatjan M., the school's engagement partners from AAFCPAs, joined the meeting to review the draft audit report with the committee. David K. began by reviewing key highlights of the draft report.

Chris N. noted that an additional audit committee meeting will be scheduled in December to continue reviewing the report before it is submitted to DESE.

David K. explained that the audit opinion includes a note indicating that only one year of activity was provided; however, he was pleased to report that the school received a clean, unmodified opinion, which is the desired outcome for an audit.

Regarding the income statement, David K. shared that while a significant amount of cleanup was required due to the transition this year, the school ultimately ended the year in a surplus rather than the expected loss. The school had $22,656,372 in operating revenue and ended with a surplus of $312,744, representing just over 1% of operating revenue. He added that there were numerous entries and cleanup activities this year. Mark V. noted that the school was still closing its fiscal year while the audit was underway, largely due to the financial system undergoing three conversions when it was previously managed by the Fund. He stated that the June numbers were not available until September because of these changes, and the financial package provided by the nonprofit was not what the school considered "audit-ready."

Net adjustments totaled approximately $6,800,000. Major adjustments included fixed assets and an excess payroll accrual, which together amounted to $913,000.

Although the school received an unmodified opinion, David K. shared that there will be findings related to internal controls, as it was evident that certain processes had not been maintained properly. Mark V. reiterated that many of these issues stem from the Fund's management practices last year, but he expects operations to improve moving forward as the school is now in a better position and will be responsible for implementing corrective actions.

As of June 30, 2025, the school had $10,897,119 in cash and cash equivalents. David K. highlighted a required footnote regarding uninsured cash under government auditing standards. Currently, all funds are held at Enterprise Bank/Rockland Trust and are not in

insured sweep products. He suggested the school consider options to protect its cash in the event of a banking issue.

Chris N. asked Mark V. whether an account had been established through Enterprise Bank to distribute deposits across multiple institutions. Mark V. confirmed that this applies to the operating account, which sweeps nightly into another account and is then distributed, but the money market account is not included in that system.

Chris N. asked David K. about practices he has seen at other schools, specifically regarding the use of other banks or financial institutions such as Fidelity. David K. responded that some schools use ICS products and others use Treasury bill ladders to maintain liquidity and manage risk. He noted that what he does *not* see is schools manually spreading funds across dozens of banks. Chris N. expressed interest in Treasury bills.

David K. confirmed for Chris N. that he revised the calculations based on GASB 87 standards. He explained that the Fund had previously calculated the school's financials using FASB standards, which differ from government entity requirements under GASB 87.

Mark V. also referenced a $215,580 receivable from the Fund that is fully reserved and reflected as zero on the balance sheet. Chris N. recommended revisiting this discussion once the lease and audit are finalized.

David K. reviewed the management letter addressed to the Board of Trustees and management, which outlines internal control deficiencies identified during the audit. The most significant issue was a material weakness related to general ledger maintenance, journal entries, and the system of checks and balances.

Mark V. noted that he and Darshan T. must draft a response outlining how the school will remediate these issues. Chris N. indicated that the Board should be involved in developing the responses and suggested creating a task list to track progress within the finance committee.
Chris N. also expressed interest in meeting again with David K. to review the final report before submission.

David K. highlighted additional findings in the management letter, including issues with bank reconciliations, late MTRS payroll withholding submissions (9 out of 12 months), and missing payroll documentation such as I-9 and W-4 forms.

He also noted that separate recommendations for best practices were included in an additional letter that does not require a formal management response to DESE.

Darshan T. mentioned that charter school audit guidelines align with GASB standards, which David K. confirmed are the government accounting standards. David K. explained that the surplus calculation is included in the auditors' submission package. He shared that the school has a cumulative surplus and that the allowable limit for LFDCS is $8,985,498. This year, the school added $312,744 to the surplus. After accounting for capital expenses, principal payments, and depreciation, the ending surplus was $6,844,650, representing 75% of the allowable limit.

Chris N. noted that last year's audit indicated the school had exceeded the allowable surplus. He asked David K. whether he had reviewed that matter. Chris N. reminded the committee that the state requires schools to use excess surplus funds for capital projects, which the school did by investing in leasehold improvements and IT upgrades. Otherwise, the surplus would have had to be returned to the state.

Chris N. asked the committee whether they had any questions regarding the audit and reiterated that it will be reviewed again before submission.

B. Approve Minutes

D. DeFillippo made a motion to approve the minutes from LFDCS Finance Subcommittee Meeting on 10-01-25.
J. Henriquez seconded the motion.
The committee **VOTED** to approve the motion.

Roll Call

D. DeFillippo	Aye
C. Needham	Aye
G. Lopez	Absent
L. McRae	Aye
J. Henriquez	Aye

C. Lease

Mark V. reported that the survey work has been completed. Krokidas & Bluestein, the school's legal counsel, is currently working on the title documentation. He noted that some property titles have not been updated in many years because the properties did not generate revenue for the city. Krokidas & Bluestein are preparing new titles for all four buildings and associated parking lots. They expect to complete this work by mid-November, after which Feldman Geospatial will require approximately one additional week to finalize the survey report with the updated titles. The purpose of this effort is to create a clear and accurate legal description of all properties to be incorporated into the lease. The goal is to have this completed by the end of November.

At the previous meeting, the plan was to sign the lease with a placeholder for the survey report, which would be amended once the final version was available. However, the Fund

has not responded regarding the execution of the signature, which may indicate that they are unwilling to sign the lease until the survey is complete.

Mark V. also shared that Anthony C., the school's attorney, has been in communication with the Fund's attorney regarding the logistics of signing the lease prior to the final survey being available. However, there has been no update on the outcome or success of those communications.

Chris N. asked whether the school is current on its lease payments, and Mark V. confirmed that it is. He explained that the school is effectively operating as a tenant-at-will until the lease is signed. Mark V. stated that he anticipates the lease will be finalized and incorporated into the audit before the audit submission deadline.

Chris N. asked whether finalizing the lease would result in adjustments to the FY26 audit. Mark V. confirmed that it would, noting that it will create a non-cash negative entry on the income statement. However, because the lease execution is considered a subsequent event, no adjustments will be made to FY25. He also confirmed that this will not impact IBTA.

III. Other Business

A. RIMKUS Engagement

Mark V. reported that if the school proceeds with due diligence on the properties, it would need to engage RIMKUS to conduct the environmental assessment, at an estimated cost of $185,000.
Chris N. stated that while the school has sufficient cash to support this investment, he would like to evaluate the broader feasibility of moving forward with the environmental assessment. He noted that engaging a financial advisor will also be necessary as part of the overall purchase planning.

Mark V. added that he anticipates the assessments will identify some deficiencies. However, these findings are expected and would be factored into negotiations regarding the purchase price.
Darshan T. recommends the board approve this expense, emphasising its necessity for the potential acquisition of the school buildings.

Chris N. asked whether the committee was being requested to vote on approving and recommending this expense to the full board. Mark V. reiterated that the estimated cost is $185,000, but noted the potential for additional expenses should unforeseen circumstances arise.
Dave D. acknowledged the necessity of the assessment and suggested that the committee vote to approve the $185,000 expenditure with a stipulation that costs may not exceed 20% above this amount without further committee approval.

D. DeFillippo made a motion to approve engagement of RIMKUS to conduct the environmental inspection of LFDCS properties at an estimated cost of $185,000, with a contingency allowance of up to 20% above the estimate, without requiring additional Finance Committee approval.
J. Henriquez seconded the motion.
The committee **VOTED** to approve the motion.

Roll Call

J. Henriquez	Aye
D. DeFillippo	Aye
C. Needham	Aye
L. McRae	Aye
G. Lopez	Absent

Mark V. reported that John Clark, the school's health insurance broker, will join the upcoming Board meeting to provide an update on health insurance premiums.

Chris N. indicated that he would like the auditors to be present at next week's Board meeting to provide a draft update and to inform the Board that the Audit Committee will reconvene to review the final report before submission to the state. Mark V. noted that other representatives will attend in place of David K.
Dave D. inquired about the Fund attorney's lack of response regarding the lease execution and whether it should be a concern. Mark V. reassured the committee that the Fund has been hesitant from the outset to sign the lease without the survey. He indicated that he will follow up with Anthony C. for an update and share any information with the committee.

Chris N. also asked Mark V. whether he had received the financial records and covenant information requested from the Fund. Mark V. confirmed that he has not. He noted that Enterprise Bank has not requested any financial information directly from the school. Chris N. emphasized that any default by the Fund under this loan agreement could have significant implications for the school as guarantor.

Mark V. added that there have been no updates from either the Fund or the bank regarding the fulfillment of loan obligations. The only document he has seen is a statement showing a balance of $5.2 million. Chris N. recommended that the lease include a requirement for the Fund to provide regular updates to the school regarding the covenant. Mark V. stated that Anthony C. believes the Fund has no obligation to provide this information until the new lease is signed. Chris N. noted that once the lease is executed, failure by the Fund to provide covenant information would constitute a default under the lease.

IV. Closing Items

A. Adjourn Meeting

D. DeFillippo made a motion to adjourn the meeting.
J. Henriquez seconded the motion.
The committee **VOTED** to approve the motion.

Roll Call

J. Henriquez	Aye
C. Needham	Aye
G. Lopez	Absent
L. McRae	Aye
D. DeFillippo	Aye

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 6:36 PM.

Respectfully Submitted,
Y. Rodriguez

Documents used during the meeting

None