APPROVED

Lawrence Family Development Charter School
"strengthening families ... building community"

Lawrence Family Development Charter School

Minutes

LFDCS Finance Committee Meeting

Date and Time
Thursday August 6, 2026 at 5:30 PM

Location
Zoom

Time: Aug 6, 2026 05:30 PM Eastern Time (US and Canada)

Join Zoom Meeting
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Committee Members Present
C. Needham (remote), G. Lopez (remote), J. Henriquez (remote)

Committee Members Absent
D. DeFillippo

Guests Present
D. Thakkar (remote), M. Ventre (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 Thursday Aug 6, 2026 at 5:35 PM.

C. Approve Minutes from June 4, 2026.

J. Henriquez made a motion to approve the minutes from LFDCS Finance Subcommittee Meeting on 06-04-26.
G. Lopez seconded the motion.
The committee **VOTED** to approve the motion.

Roll Call

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

II. Business Items

A. Finance Overview-End of FY26

Mark V. presented preliminary, unaudited results for fiscal year 2026 and explained that the financial results were significantly affected by several differences between the prior year's budget and actual performance. The prior year's budget had overestimated grant revenue by approximately $2 million while simultaneously underestimating salaries, wages, health insurance, and other accrual-related expenses by approximately $2 million. The school also realized approximately $500,000 in additional savings because it separated from the fund six months earlier than originally anticipated in the budget. Together, these factors resulted in an overall net loss of approximately $3.5 million.

Mark V. emphasized that the figure remains preliminary because the financial audit is scheduled to begin in September following the completion of compliance reviews. The financial statements could still improve depending on the auditors' conclusions regarding maintenance expenses, capital and leasehold improvements, and accrued expenses. Mark V. explained that the school will review maintenance-related costs to determine whether qualifying expenditures can be moved from the income statement to the balance sheet as capital assets, while also reviewing accrued expenses against actual payments made after year-end to determine whether some accruals can be reduced.

Mark V. then reviewed the balance sheet and highlighted that the school's cash balance declined by approximately $3 million compared with the previous year. Although the school still maintains a healthy cash balance, he stressed that preserving and protecting cash is a major priority because the planned acquisition of the campus will require a significant portion of the school's available cash and resources. Mark V. stated that the focus for the next fiscal year and beyond will therefore be on conserving cash and positioning the school to be certain that it can complete the campus acquisition.

Mark V. also discussed changes in leasehold improvements, capital assets, and accrued payroll and related liabilities. Accruals increased because of higher wages, a larger number of employees, sick-time obligations, and health insurance. Mark V. explained that the school previously had not accrued for sick time, but new audit requirements now require the school to recognize the liability as though employees' available sick time could be taken, resulting in an approximately $225,000 increase in accruals. The school also had not previously maintained an accrual for health insurance because it is self-funded. Since health insurance claims can continue to arrive and require payment for three to six months after the fiscal year ends, the school was required to establish an approximately $450,000 health insurance accrual. These two changes alone contributed approximately $700,000 to the reported loss.

Mark V. also explained that the school's prior lease expired on June 30, and the previous year's audited financial statements did not include the current portion or accounting treatment for the new lease that began July 1, 2025. Although the new lease was signed earlier, it was not recorded until March of the current year. Despite the various financial pressures, the school's net position increased by approximately $300,000 compared with the previous year.

Preliminary tuition revenue was approximately $20.25 million, which was relatively flat compared with the prior year. Contracted grant revenue, however, was approximately $2 million lower than what had been included in the budget because the budget had overestimated the amount that would actually be recognized. Mark V. pointed out that the school had already received its first tuition reimbursement payment for the new fiscal year and that the payment was on track with the approximately $22 million expected for the year, which he described as a relief.

Contract grants are expected to remain relatively flat compared with the prior year. Mark V. also explained that certain contributions, including MTRS-related amounts, function as pass-through revenue and expenses because employee contributions are deducted and then remitted to the state. Program fees are expected to increase by approximately 25%, or $75,000, while student fees are expected to increase by approximately $80 per week. Based on the budget, Mark V. projected total operating revenue of approximately $25 million for the upcoming fiscal year, compared with approximately $23.5 million in the prior year.

Mark V. explained that salaries and related personnel costs represented nearly 78% of total expenses and were significantly higher than originally projected. A major contributor to the unfavorable result was an unexpectedly large increase in health insurance expenses. For the upcoming year, the school expects payroll taxes and employee benefits to decrease by approximately $800,000. The school is suspending its 403(b) match, which had cost approximately $300,000, and expects approximately $140,000 in savings from PFML premiums. Because the school established the $450,000 health insurance accrual in the prior year, he does not expect that same level of additional accrual to increase the current year's expenses.

Mark V. discussed professional and contracted services and said the school expects legal expenses to decline because approximately $150,000 had been spent specifically negotiating the lease, an expense that should not recur at the same level now that the lease is complete. At the same time, professional service expenditures related to the campus acquisition are expected to increase. Mark V. explained that the school believes it may be possible to capitalize acquisition-related professional expenses rather than recognizing the entire cost immediately as an operating expense. This treatment still needs to be confirmed with the auditors, but if approved, qualifying expenses could potentially be amortized over approximately five to seven years or possibly longer. Even if total professional-service cash outlays exceed the $220,000 budgeted amount, Mark V. expects that capitalization could reduce the immediate impact on the operating results. Mark V. also outlined additional planned expense reductions. Staff development expenses are expected to decrease, including approximately $75,000 associated with catering services that the school plans to eliminate. Student technology costs are expected to decline, while transportation expenses are expected to remain relatively flat. The school is targeting approximately $150,000 in savings on program supplies.

Mark V. also discussed nutrition services, explaining that the school had issued a request for quotes for a new food-service provider. This was described as an emergency procurement because the school terminated its existing contract with Stockpot Malden after the provider failed to comply with the agreement and was consequently in breach, requiring termination. Mark V. stated that the school hopes to find a provider that can deliver better service at a comparable rate and begin serving the school at the start of the new school year. Nutrition services are intended to operate primarily as a pass-through and covered by the food-service revenue.

Mark V. explained that amortization related to right-of-use assets will increase, primarily because of the higher rent associated with the Quintana Center (404 Haverhill Street), which the school began leasing as of July 1.

Maintenance expenses remain a significant concern because they were considerably higher than anticipated. Mark V. said the school intends to determine whether some maintenance-related expenditures can appropriately be classified as capital expenditures and moved to the balance sheet. He acknowledged that the school's previous approach to maintenance spending was not the most efficient use of resources and said that, since last fall, there has been a much more intensive focus on controlling maintenance

expenses. He expects this focus to continue into the next fiscal year. Utilities are expected to remain relatively flat or increase only modestly. The school is also speaking with a utility-expense-management provider about opportunities to reduce costs, potentially through participation in a consortium or a fixed-price electricity contract. Insurance is expected to increase only marginally.
The school is negotiating with the Lawrence Housing Authority regarding the possibility of terminating the 580 lease early, ideally before the end of the calendar year.

Mark V. also noted that the school had recently met with Elka Sachs to discuss the QPD proposal. QPD is expected to potentially represent the school in arranging financing for the campus acquisition.
Mark V. explained that operating expenses include professional fees, primarily legal and accounting costs, and that these expenses are expected to decrease. He explained that acquisition-related expenses will be capitalized rather than recorded as current operating expenses. Depreciation is expected to increase, mainly because of the additional leasehold improvements made during the previous year. Since those improvements are now on the books, depreciation expense will naturally increase.

Mark V. also explained that there should be significant savings in office expenses. One example is color printing, which alone is expected to save approximately $75,000. The current office expense also includes the title insurance premium, but the school is hoping to capitalize that expense, which would improve the school’s bottom line. The total operating expenses were projected at approximately $27 million, resulting in a net change in operations of approximately $3.7 million.
Mark V. emphasized that the $3.7 million figure is still tentative and preliminary. He considers it a worst-case estimate and believes the results should improve as the numbers are reviewed with the auditors over the next two months. One area that could improve the results is determining whether certain expenses currently recorded on the income statement can instead be moved to the balance sheet. This could apply to maintenance-related items and capital leasehold improvements. Mark V. explained that many of the invoices do not contain enough detail to clearly support capitalizing the expenses. The school will review these charges with the auditors and hopes to move at least $500,000 of expenses from the income statement to the balance sheet.

Mark V. said another potential improvement could come from reducing accrued expenses. As the school reviews expenditures that occurred after the reporting period, it may be possible to confirm that some of the amounts accrued were higher than necessary. If those accruals can be reduced based on the actual subsequent expenditures, it would further lower the reported loss. Mark V. also noted that approximately $170,000 in interest income helped reduce the total loss, bringing the estimated net loss to approximately $3.5 million. These results are preliminary and will be reviewed and finalized with the auditors.

Jose H. asked about a variance of approximately $44,000 to $50,000 in the operating expense section. Mark V. clarified that the variance was approximately $49,000 to $50,000 in professional fees. He explained that the professional fees were higher because of legal expenses related to the lease. The school spent approximately $150,000 in legal fees specifically negotiating the lease with the Fund. Now that the lease negotiations are complete, Mark V. expects professional fees to decrease. Although professional service expenses will increase because of acquisition-related activities, those costs are expected to be capitalized and amortized over approximately five to seven years. As a result, Mark V. expects the school to see approximately $50,000 in savings in professional services.

Mark V. then discussed overtime and wage expenses, which Jose H. had previously asked about during budget discussions. Mark V. explained that the school was about to complete its third payroll cycle using ADP, which has provided much better visibility into wage expenses. Based on the information available so far, overtime expenses are significantly lower than they were the previous year. Mark V. explained that, in the past, the school’s time-and-attendance system was not connected directly to payroll. Employees clocked in and out using one system, and that information was uploaded to the payroll company every two weeks. Because of this process, the school did not have real-time visibility into overtime costs. There was also not a strong system for approving overtime or requiring employees to provide justification for the additional hours.
Mark V. explained that the school has now tightened its overtime controls. Overtime has become negligible, particularly in the facilities department. The overtime that does remain is mainly for paraprofessionals who work during the regular school day and then also work in the after-school program. Mark V. said the school is also looking for ways to reduce those costs, including recruiting alumni and high school students to work in the after-school program. He noted that he, Darshan, and Yulissa had discussed this option earlier that same morning.

Jose H. explained that his question about overtime was primarily because he believes overtime expenses should always be accompanied by an explanation of the costs. He said he felt there had not previously been enough transparency around the overtime expenses. Jose H. acknowledged that overtime cannot always be completely controlled, but said that based on his experience, there should always be an explanation for the expense. Mark V. agreed and explained that the school previously did not have enough visibility into overtime and did not have a strong historical record to compare against. He said that this was especially an issue with facilities because those costs were charged to the Fund and then indirectly passed back to the school. As a result, there had not been much transparency or justification for the amount of time being charged.

Jose H. commented that he understood and said that everything the organization had gone through during the previous year had helped everyone better understand how things worked. He compared the situation to going through a storm and now beginning to see the light. Mark V. agreed with that perspective and thanked him.

Mark V. explained that when comparing the preliminary fiscal year 2027 budget to the current year's actual results, the school should see a significant improvement even though the numbers are still tentative. He also said that the timing is favorable because, as the school begins looking for financing for the acquisition, it will have another year of audited financial statements. Those audited results should help demonstrate improved financial performance and could support a higher valuation and greater financing capacity for the acquisition.
Chris N. then asked Mark V. about the fiscal year 2027 budget, noting that there is still a small loss projected. He asked how the lease payments and potential depreciation adjustments or add-backs would affect the school's ability to justify the amount of financing it is seeking. Mark V. explained that AAF currently includes depreciation as an operating expense, but depreciation can be separated out and treated below the line along with interest expense or interest income. He said this would make the school's operating results look stronger for purposes of evaluating its borrowing capacity.

Mark V. further explained that acquiring the campus could produce significant savings. Based on a long-term fixed tax-exempt financing rate of approximately 4.25% to 4.5%, he estimated that the school could save between approximately $1 million and $1.2 million, depending on the valuation of the property. He said that these savings, along with depreciation and other operating savings, would be considered direct add-backs when evaluating the school's ability to support financing. These adjustments should significantly reduce pressure on the school's financial position and increase its borrowing capacity.

Mark V. added that if the acquisition takes approximately 18 months to close, the school should have another year and a half of financial history showing improved cash flow. Having a documented history of improved cash flow should place the school in a stronger position to demonstrate greater borrowing capacity and secure financing for the acquisition.
Darshan T. discussed the potential financial impact of a new federal public charge rule that recently came into effect. He explained that the rule allows immigration officers to consider the use of certain public assistance programs when taking immigration-related enforcement actions. Darshan T. said there is concern that immigrants living in lower-income communities who receive means-tested public benefits, such as SNAP or Medicaid, may become afraid to continue receiving those benefits and may begin unenrolling from them.

Darshan T. explained that this could have an indirect impact on the school because the school reports the number of low-income students to DESE in October and March. If families stop receiving public assistance because of concerns about immigration enforcement, they may no longer be identified as qualifying as low-income for purposes of the data being reported. This could artificially reduce the number of low-income students reported by the school, even though the actual economic circumstances of those students and families have not changed.

Darshan T. said that a lower number of reported low-income students could affect the amount of supplemental federal funding the school receives, particularly Title I funding. It could also affect supplemental state funding that is based on demographic information and the number of low-income students. If the reported number decreases, the school could potentially receive less reimbursement from these funding sources. Darshan T. emphasized that this is a new development that had occurred during the current week, so it is not yet clear how significant the impact will be or whether the rule will remain in effect long-term.

Darshan T. said the school will continue monitoring the situation and will pay particular attention to the number of students identified as part of the low-income demographic when the October data is collected. He explained that once the school submits its information to DESE in October, the school will be able to better calculate its potential financial exposure if the new rule causes families to unenroll from public assistance programs and results in fewer students being identified as low-income.

Mark V. added that Darshan T.'s point was important because it highlighted another potential risk to the school's revenue and student tuition reimbursements. He reminded the group that the school experienced an unexpected reduction in tuition reimbursement during the previous year. Beginning in December, the reimbursement was reduced by approximately $50,000, and beginning in January, it dropped by approximately $75,000 per month. This ultimately resulted in approximately $450,000 in reduced tuition revenue that had not been anticipated in the budget.
Mark V. explained that the previous reduction was particularly concerning because there had been virtually no change in enrollment. The school had approximately 919 or 920 students in the spring and 919 students in the fall when the enrollment numbers were submitted to DESE. Despite having essentially the same enrollment, the school still experienced a $450,000 reduction in revenue because the Governor rejected a portion of the funding mechanism.

Mark V. said this experience demonstrates why the school needs to closely monitor potential changes in enrollment-related data and funding formulas. If a similar reduction occurs again, the school will need to be prepared to respond and make adjustments to its budget and spending. Mark V. agreed with Darshan T. that changes affecting enrollment data, low-income student counts, or the overall revenue calculation represent financial risks that the school needs to continue monitoring closely.

B. QPD Proposal

Mark V. reported that the school had been working with QPD regarding the proposed campus acquisition and financing. QPD is a consulting group that was referred to the school by both AAF and Krokidas & Bluestein. QPD provides construction management services and also works with charter schools and nonprofit organizations to arrange financing. QPD previously led a $50 million financing round for Community Day Group and is currently supervising the construction of its middle school on Andover Street.

Mark V. said the school interviewed QPD's two principals, Bob Baldwin and Lindsay Richard, approximately two weeks earlier. Following that meeting, the school met with Elka Sachs to review QPD's proposal. As a result of the discussions and planning process, the timeline for completing the campus acquisition has been pushed back approximately three months. The school had previously been targeting December 31, 2027, as the closing date, but the more realistic target is now March 31, 2028.

Mark V. explained that the next step is to present a final agreement with QPD at the Board's meeting in September. The Board of Trustees would then vote on whether to approve the agreement. In addition to the agreement, the school plans to present project milestones that will outline the expected 18-month timeline. This timeline will identify the major steps that need to be completed and how the school intends to reach a closing on the campus by March 31, 2028.

Chris N. clarified that the goal for the September Board meeting is to have the Board vote on the contract with QPD. He explained that Elka Sachs is currently reviewing and marking up the contract based on the discussions the school had with her. Mark V. said the school expects to receive the proposed changes sometime during the following week.

C. Audit Update

Mark V. also provided an update on the school's audit. He explained that the auditors at AAF had been conducting compliance testing throughout July, and that work was continuing. The auditors had begun requesting financial information from the school, and the school was providing the requested information on an ongoing basis as the requests came in.

Mark V. said the audit fieldwork is scheduled to begin in September. The auditors are expected to present the audited results at the October Finance Committee meeting and the October Board of Trustees meeting. The Board is expected to approve the audited financial statements in early October. After approval, the school must submit the audited financial statements to DESE by October 31st.

III. Other Business

A. Follow- up to Open Meeting Law Complaint

The Board discussed the Open Meeting Law complaint filed by Mr. Rodriguez and asked if there were any updates. Germinudy L. said she would contact Elka Sachs the next day to ask for an update and request a draft response before the next Board meeting. The Board wanted the draft by Wednesday so that all Board members could review it before the meeting. Germinudy L. agreed to let the attorneys know about the Wednesday meeting and ask them to provide the draft response beforehand.

IV. Closing Items

A. Adjourn Meeting

G. Lopez made a motion to adjourn.
J. Henriquez seconded the motion.
The committee **VOTED** to approve the motion.

Roll Call

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

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 6:11 PM.

Respectfully Submitted,
Y. Rodriguez

Documents used during the meeting

None