



Committee Report

Committee Name:	Budget & Finance
Date of Report:	9/23/2020
Written/submitted by:	Jennie Winter
Date of last meeting:	9/23/2020
Date of next meeting:	<p>10/21/2020, 5-6:30 pm, online: Please join my meeting from your computer, tablet or smartphone. https://www.gotomeet.me/diecisf/nova-classical-academy---finance-meeting</p> <p>You can also dial in using your phone. United States (Toll Free): 1 866 899 4679 United States: +1 (571) 317-3116</p> <p>Access Code: 408-910-245</p> <p>(Board members: please be aware that with four board members on the Budget & Finance committee, we are close to a six-person Board quorum. Should you visit a Budget and Finance meeting, please be prepared to sign off as needed to avoid breaking open meeting law. All other public are welcome to visit our meetings. Thank you.)</p>

Motions/Action Items for the	8/24/2020	Board Meeting	Goal
NA			N/A

2020 - 2021 Committee Goals		
Goal	Brief Update on Progress	Completed
1. Monitor and recommend 2020-21 budget revisions to Board of Directors for review and approval.	<p>In August, committee recommended and board approved:</p> <ul style="list-style-type: none"> • Making new \$246,000 Covid line for Coronavirus Relief Fund spending 	In process

In accordance with Minnesota’s open meeting laws, this communication is intended solely to provide information about deliberations that took place in a board or committee meeting and is not meant to advocate for or against any position and should not be considered deliberative in its own right.



	<ul style="list-style-type: none"> Moving \$60,000 from technology to a contingency fund. 	
2. Review and recommend 2021-22 budget, which includes five-year pro forma projections, to Board of Directors for review and approval.		No
3. Review and update financial controls.		No
4. Finish the year within two percent of projected revenue and expenses.		No

Committee Discussion Highlights:

IN BRIEF

- Nova is currently in a good position financially:
 - Strong enrollment and resulting revenue
 - Responsible application for and use of coronavirus-related aid
 - Continued careful spending.
- We need to keep an eye out for:
 - PPP guidance clarifications so that we make the best possible application for loan forgiveness - this may require a board decision when the time comes, if we decide to ask for more loan forgiveness than previously planned.
 - Legislation that may impact our financials in FY22.

IN DETAIL

- August Financials:** Overall strong current position. See financials for narrative.
- Payroll Protection Program (PPP):**
 - As a reminder, based on limited information available at the time that Nova applied for a PPP loan, the board determined that the school would only ask for forgiveness of the loan portion needed to cover Covid-related losses - versus asking for forgiveness of the entire loan. At that time, there was even more uncertainty about schools being fully eligible for loan forgiveness. Should guidance clarify that schools are fully eligible for PPP loan forgiveness, it is possible that the board will revisit its discussion about how much to include in loan forgiveness application.*
 - The school now has over a year to decide how much of the loan to apply to be forgiven, according to Mr. Aliperto, and more information for a decision will be available by that time.
 - The government has issued a UFARS code for schools using PPP money, which may be a signal that schools are entitled to the funds.
 - Nova certainly has enough payroll expense to ask for forgiveness of the full loan if

In accordance with Minnesota’s open meeting laws, this communication is intended solely to provide information about deliberations that took place in a board or committee meeting and is not meant to advocate for or against any position and should not be considered deliberative in its own right.



- guidance supports full forgiveness for loans to schools.
- e. Nova was required to recognize the PPP loan as revenue in FY20. Should Nova repay a portion of the loan in FY21, it will show up as an expense in FY21. Mr. Dieci reassured committee members that should Nova make loan payments, our stakeholders are unlikely to be alarmed by this expense.
 - f. Mr. Dieci also noted that for the FY20 audit, he will supply financial documentation that shows that Nova would have met all covenants even without the PPP loan.
3. **Enrollment:** Mr. Dieci shared that Nova is one of a handful of Minnesota charter schools that has maintained, or, in Nova's case, surpassed its budgeted enrollment.
 4. **Donations:** Nova budgeted for \$95,000 in donations. Given current conditions, Mr. Dieci suggested that Nova may need to adjust this expectation downward.
 5. **State Holdback:** The state has not made any announcements about changing the holdback; so, the school can expect a 10 percent holdback again this year.
 6. **Line of Credit:** Given continued economic uncertainty, the school continues to work on getting a larger line of credit as previously discussed at the committee and board levels.
 7. **Coronavirus Relief Fund:** CARES Act funding will be distributed starting this fall for qualifying covid-related spending - on technology, cleaning supplies, etc.
 8. **Special Education Funding:** It appears that Nova passed the "Maintenance of Effort" threshold, which shows that Nova spent within funding guidelines given its special education budget.
 9. **FY21 Committee Goal Updates:**
 - a. Dr. Wedlund reported that he expects to ask the board in November or December for direction needed to guide FY22 budget development.
 - b. He also stated that he does not expect us to finish updating financial controls this year, but that he does plan to make progress towards this goal.
 10. **Looking Ahead to FY22:** Mr. Dieci estimated a number of possible changes on the horizon in FY22. (All of these are ESTIMATES. Nothing has been decided by the legislature.)
 - a. Increase in state holdback (instead of current 10 percent, something higher)
 - b. Flat state general education funding increase (instead of two percent seen in recent years, zero percent increase)
 - c. Decrease in special education reimbursement (instead of 90 percent, 70 percent, which would equate to roughly \$200,000 moving from Nova's general education budget to special education).

In accordance with Minnesota's open meeting laws, this communication is intended solely to provide information about deliberations that took place in a board or committee meeting and is not meant to advocate for or against any position and should not be considered deliberative in its own right.