



### Committee Report

<b>Committee Name:</b>	<b>Budget &amp; Finance</b>
Date of Report:	<b>10/21/2020</b>
Written/submitted by:	<b>Jennie Winter</b>
Date of last meeting:	<b>10/21/2020</b>
Date of next meeting:	<p><b>1/20/2021, 5-6:30 pm,</b></p> <p><b>online:</b>  Please join my meeting from your computer, tablet or smartphone.  <a href="https://www.gotomeet.me/diecisf/nova-classical-academy---finance-meeting">https://www.gotomeet.me/diecisf/nova-classical-academy---finance-meeting</a></p> <p><b>You can also dial in using your phone.</b>  <b>United States (Toll Free): 1 866 899 4679</b>  <b>United States: +1 (571) 317-3116</b></p> <p><b>Access Code: 408-910-245</b></p> <p><b>(Board members:</b> please be aware that with four board members on the Budget &amp; Finance committee, we are close to a six-person Board <b>quorum</b>. 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> <p><b>NOTE: No Budget and Finance meetings in November and December</b> due to school breaks in November and December, early December board meeting, and decreased financial activity in December. The committee will pick up speed in January with FY21 revised budget development that will feed into subsequent FY 22 budget development.</p>

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

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<b>2020 - 2021 Committee Goals</b>		
<b>Goal</b>	<b>Brief Update on Progress</b>	<b>Completed</b>
1. Monitor and recommend 2020-21 budget revisions to Board of Directors for review and approval.	In August, committee recommended and board approved: <ul style="list-style-type: none"> <li>• Making new \$246,000 Covid line for Coronavirus Relief Fund spending</li> <li>• Moving \$60,000 from technology to a contingency fund.</li> </ul>	In process
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 (NEW INFORMATION FROM LAST MONTH IN CAPS)**

- Now:
  - Nova continues in a good position financially: Strong enrollment and resulting revenue.
  - NOVA NEGOTIATED A ZERO PERCENT BENEFIT RENEWAL INCREASE FOR THIS YEAR AND A 12 PERCENT INCREASE CAP ON ITS RENEWAL FOR NEXT YEAR. GREAT NEWS THAT IMPACTS ONE OF OUR BIGGEST AND HISTORICALLY MORE UNPREDICTABLE EXPENSE AREAS! HATS OFF TO THOSE INVOLVED!
  - Responsible application for and use of coronavirus-related aid. OVERAGES IN SPENDING ARE COVID-RELATED - SEE TECH AND CLEANING SPENDING IN THE REVENUE AND EXPENDITURE STATEMENT AND IN THE PAYMENT LOG AT THE END OF THE FINANCIAL REPORT. THESE EXPENSES WILL BE COVERED BY CORONAVIRUS RELIEF FUNDS.
  - SMOOTH, ON SCHEDULE AUDIT PROCESS. NO AUDIT FINDINGS TO DATE.
- Looking ahead:
  - REVISED FY21 BUDGET REVIEW IN JANUARY. MAIN CHANGES WILL INTEGRATE COVID-RELATED REVENUE AND SPENDING IMPACT.
  - PRELIMINARY FY22 BUDGET REVIEW BEGINS IN FEBRUARY OR MARCH. EXPECT UNCERTAINTY, GUESSWORK AND REVISIONS WITH BUDGET ASSUMPTIONS AS THE LEGISLATURE MAY NOT DECIDE ABOUT STATE REVENUE HOLDBACK PERCENTAGE, SPECIAL EDUCATION FUNDING FORMULA, ETC.,

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UNTIL SUMMER, POSSIBLY EVEN AFTER OUR BUDGET IS DUE FOR BOARD APPROVAL AT THE END OF JUNE.

- 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. SEEKING FULL LOAN FORGIVENESS IS LIKELY. WE ARE MEETING ALL THE CRITERIA, GUIDELINES AND GENERALLY ACCEPTED GUIDANCE FOR FULL PPP LOAN FORGIVENESS.

#### IN DETAIL

1. **September Financials:** Overall strong current position. Any unexpected or apparent overspending on technology, cleaning supplies, etc., is related to Covid and will be covered with Coronavirus Relief Funds. See financials.
2. **Payroll Protection Program (PPP):**
  - a. Much of this information repeated from last month.
  - b. *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.*
  - c. The government has issued a UFARS code for schools using PPP money, which may be a signal that schools are entitled to the funds.
  - d. Nova has enough payroll expense to ask for forgiveness of the full PPP loan if guidance supports full forgiveness for loans to schools, and all indicators suggest that we will have a case and be supported by generally accepted guidance to apply for full forgiveness.
  - e. Mr. Dieci also noted that for the FY20 audit, we are seeing roughly \$1.6 million in net income, \$427, 000 of that in pre-PPP loan revenue, which means Nova likely 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 \$147,000 in donations. Given current conditions, Mr. Dieci suggested that Nova may need to adjust this expectation downward.
5. **Coronavirus Relief Fund:** CARES Act funding will be distributed starting this fall for qualifying covid-related spending - on technology, cleaning supplies, etc. Chromebooks, Zoom license, cleaning supplies, etc., are listed in the payment register in the financial report.
6. **Benefit Renewal Update:** Dr. Wedlund shared that this is the first time that the school has completed a benefit renewal in January, and that the school negotiated a zero percent renewal increase for this year and a 12 percent increase cap on its renewal for next year.
7. **Audit:** Joe Aliperto reported that the audit is progressing on schedule, with few minor open items, no audit findings, and no concerns. Overall, a smooth process and Joe shared that our previous financial management provider, BerganKDV, was helpful in providing him with everything he needed during the transition, and that is contributing to a smooth audit process.

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