



Committee Report

Committee Name:	Budget & Finance
Date of Report:	2/17/2021
Written/submitted by:	Jennie Winter
Date of last meeting:	1/20/2021
Date of next meeting:	<p>3/17/2021, 5-6:30 pm,</p> <p>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> <p>NOTE: No Budget and Finance meetings in November and December 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>

Motions/Action Items for the	2/22/2021	Board Meeting	Goal
<p>Accept or acknowledge new finance committee members, Michael Waldman and Megan Hafner.</p> <p>A couple of policies were recommended for board approval, and they will go through Governance for another review and final formatting first.</p>			N/A

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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.	In January, committee recommended 2020-2021 revised budget for board approval. In August, committee recommended and board approved: <ul style="list-style-type: none">• Making new \$246,000 Covid line for Coronavirus Relief Fund spending• Moving \$60,000 from technology to a contingency fund.	Yes
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:

Meeting highlights:

1. **January Financials:** Joe Aliperto walked the committee through the January financials. Please see financials.
2. **Debt Covenants and Authorizer Requirements:** We are projected to continue to meet all three of our main covenants/requirements of at least 60 days cash on hand, 25 percent fund balance and 1.1 debt service coverage ratio.
 - a. There was discussion about the importance of meeting these benchmarks especially given our recent bond rating downgrade, which was largely due to the school not meeting the bondholders' debt service coverage ratio requirement in 2019, even though we did recover and meet or surpass all covenants in 2020 - even when excluding the impact of the PPP loan in 2020.
 - b. Mr. Aliperto noted that many other schools experienced a bond rating downgrade this year, and that it is much easier to be downgraded than it is to receive a higher rating. So,

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it will take a substantial effort to recover our previous rating.

- c. Mr. Aliperto also informed the committee that the school would need to apply for a waiver from bond holders in order to spend down Nova's roughly 40 percent fund balance, which is more than the 25 percent requirement. Without a waiver from bondholders, the deficit spending involved in spending down the fund balance would result in Nova breaking its 1.1 debt service coverage ratio bond covenant with bondholders and put Nova into default.
3. **Bond Refinance:** Mr. Aliperto mentioned that we are looking at refinancing a portion of our current bond debt, and Dr. Wedlund shared that we will be hearing more of the details at our March meeting.
4. **State Funding Updates:** Word on the street is that state holdbacks may hold steady at 10 percent, which is an improvement over former talk that the holdback might increase. This is good news, and there is similar talk that general education funding may increase slightly versus being frozen in 2021-2022 at 2020-2021 levels. All of this is just conjecture until the state legislature and the governor finish negotiating and finalizing budget items. State budget-building may be a lengthy process running throughout the spring and early summer. In the meantime, Nova is required to finalize its FY22 budget by the end of June, and the school plans to budget conservatively for FY22 to protect itself in case optimistic scenarios do not play out at the state level.
5. **Payroll Protection Program (PPP):** Joe Aliperto informed the committee that given an influx of other PPP loan requests banks are seeing, loan forgiveness approvals are taking longer. So, we are still in the middle of the process of seeking full forgiveness of the \$1.2 million PPP loan as directed by the board. We have good reason to believe that Nova will be approved for full loan forgiveness. Since the full loan amount was recognized as revenue in 2020, our budget already includes the loan and it is included in the school's current and projected roughly 40 percent fund balance.
6. **Enrollment:** Mr. Aliperto shared that Nova's enrollment remains strong and over budget. Dr. Wedlund informed the group that after additional advertising, lottery applications are up to historical levels.
7. **Lease Aid:** Mr. Aliperto shared that most of our lease aid application is completed, but we will need signatures on some paperwork that will be going out to board members soon. **Please sign and return these to Nova as soon as we receive them.**
8. **Policies:** Policies were reviewed a second time and recommended for board approval.

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