



Committee Report

Committee Name:	Budget & Finance
Date of Report:	1/20/2021
Written/submitted by:	Jennie Winter
Date of last meeting:	1/20/2021
Date of next meeting:	<p>2/17/2021, 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	8/24/2020	Board Meeting	Goal
<ol style="list-style-type: none"> The Finance Committee recommends that the Board approve the 2020-2021 revised budget. The Finance Committee recommends that the Board accept the Line of Credit proposal. 			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.	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:

- 1. December Financials and 2020-2021 Revised Budget:** We are halfway through the fiscal year and are currently meeting and are projected to meet all three of our main requirements of at least 60 days cash on hand, over 25 percent fund balance and 1.1 debt service coverage ratio.
 - a. Joe Aliperto recommended that Nova look at moving some funds out of checking and into interest-earning accounts.
 - b. Mr. Aliperto mentioned that he will change the “Dues and Membership” line item under Administration to more accurately describe what that expense line includes, such as interfund transfers to the Community Service Fund (Scholarzone) and Food Service, both of which have been temporarily impacted by Covid and require an interfund transfer. **(This change is a direct result of board member Jason Belter reaching out to me and Dr. Wedlund via email soon after the board packet went out on Wednesday, which incidentally was prior to the finance meeting. Thank you, Mr. Belter. Your and others’ questions impact and**

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improve the budget process. We invite notes, questions and engagement from board members. Thank you.)

- c. CARES Act funding is being distributed for qualifying covid-related spending - on technology, cleaning supplies, etc., and this is reflected in the budget.
 - d. There was discussion that we need to protect the school's roughly 40 percent fund balance, which is above our 25 percent requirement. The State of Minnesota, which is Nova's main funding source, will be recovering from the economic impact of Covid for years to come, and the state is required to balance its budget, which will likely mean a larger state holdback percentage as we have seen in the past, revenue freezes, revenue recalculations, etc. Nova is in a strong financial position going into this potential storm, and there was discussion around continuing with a conservative budgeting approach to ensure that Nova comes out of this well.
2. **Line of Credit (LOC):** Dr. Wedlund informed the group that he negotiated a new LOC renewal that is three times our current line of credit, thereby increasing our line of credit from \$500,000 to \$1.5 million. The cost is just \$350 for a 12-month renewal. The school does not expect to use the line of credit, but the new larger LOC provides further assurance that the school can cover its expenses should state budget changes impact Nova's cash position at any point in time during the LOC period.
 3. **Payroll Protection Program (PPP):** Joe Aliperto informed the committee that we are in the middle of the process of seeking full forgiveness of the \$1.2 million PPP loan as directed by the board, and that 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.
 4. **Enrollment:** Mr. Dieci shared that Nova's enrollment remains strong and over budget.
 5. **Donations:** Nova budgeted for \$147,000 in donations. Given current conditions, Nova adjusted this expectation downward in the revised budget. There was discussion about donations not being included in future years' budgets, but that the school will continue to raise funds.
 6. **Audit:** Joe Aliperto reviewed the audit with the committee. He mentioned that he would like to review the bill payment process with Nova so that we don't have a repeat finding of untimely payment of bills going forward. There was discussion.
 7. **Sustainability and the Question of Growth versus Enrollment Stabilization:** Frank Ross raised a question related to sustainability and long-term planning. There was discussion about the challenges charter schools face related to deciding whether to grow or stabilize enrollment. We also briefly touched on the fact that the finance committee can play a support role to the board and school as they weigh potential choices. Toward that end, this year, we can achieve our committee goal to "Review and recommend a 2021-22 budget, which includes five-year pro forma projections, to the Board of Directors for review and approval." The five-year pro forma will not be a commitment or promise of things to come, but it can provide context for current decisions and it can help us ensure that the decisions we make today set us up going forward to continue to be able to make conscious choices as an organization.

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