MINUTES OF REGULAR MEETING OF THE
FINANCE COMMITTEE OF THE BOARD OF DIRECTORS OF
EWING MARION KAUFFMAN SCHOOL, INC.

May 11, 2020

A regular meeting of the Governance Committee of the Board of Directors of Ewing Marion Kauffman School, Inc., a Missouri nonprofit corporation exempt from federal taxation under Internal Revenue Code § 501(c)(3), was held at the Ewing Marion Kauffman Foundation in Kansas City, Missouri on May 11, 2020, pursuant to public notice provided at least 24 hours in advance. Due to shelter in place and emergency declarations for Kansas City, Jackson County, and the State of Missouri because of the coronavirus and COVID-19, the meeting was held using audio-video technology with a link provided in the notice and with opportunities for all to hear and be heard and see and be seen.

Participating via Zoom technology such that all could hear and be heard and had the option of seeing and being seen were Aaron North, Mayra Aguirre, Kristin Bechard, and Tracy McFerrin. Participating by phone such that all could hear and be heard was Maurice Watson.

Also participating from the School such that all could hear and be heard and have the option of seeing and being seen John Tyler, Secretary and General Counsel; Katie Pasniewski, Chief Operating Officer; and Jerrad Jones, Director of Finance.

No community members were present.

Mr. North chaired the meeting and Mr. Tyler served as secretary. Mr. North called the meeting to order at 5:32 p.m. and welcomed those in attendance.

Mr. North previewed the agenda.

After discussion and upon motion duly made (Aguirre) and seconded (Bechard), the Board unanimously approved the minutes from the Committee’s meeting of March 9, 2020.

Mr. Jones presented the financial report, including that the actual financial condition is favorable to budget. He further summarized the proposed forecast #4 which includes favorable change in net assets for the year and contemplates a postponement of the next grant payment from the Kauffman Foundation but with such funds being available given substantial uncertainties of public funding and other unknowns. Discussion occurred throughout.

Mr. Jones explained the need to resurface parking and driveway areas, the RFP process to identify proposed contractors, and receipt of three bids with Paradise Asphalt being the lowest. Discussion followed.

After discussion and upon motion duly made (Bechard) and seconded (McFerrin), the committee unanimously recommended that the board authorize School leadership to negotiate and contract with Paradise Asphalt to resurface the parking lot and driveway areas in an amount of up to $135,000.

Mr. Jones continued explaining that the forecast contemplates a reserve ratio of 42% fund balance, which is in excess of the 3% standard set by DESE and includes PPP funds and does not include the final grant payment from the Kauffman Foundation. Discussion followed.
Mr. Jones described factors contributing to the 2020-2021 annual budget, details of the proposed budget, key assumptions, the grant request submitted to the Kauffman Foundation, metrics and ratios, and variability factors. Discussion occurred throughout.

Mr. Jones described the frequency of contacts and communications with DESE, the Missouri Charter School Association, other charter schools, and others about the current financial environment given the COVID-19 pandemic. Discussion occurred throughout.

In response to a question, Mr. Jones explained the current state of and recent history regarding employee health care benefits.

After discussion and upon motion duly made (McFerrin) and seconded (Bechard), the committee unanimously recommended that the board approve the 2020-2021 budget as attached as **Exhibit 1**.

The CEO expense report was reviewed.

There being no further business, the meeting adjourned the meeting adjourned at 6:03 pm.

________________________
John Tyler, Secretary
EXHIBIT A

EMKS continues focus on ensuring our students success:

• Growing our student population as we graduate our last small senior class, bring in a new large 5th grade class, and expect to realize lower student attrition than prior years.
• Supporting our alumni group, which will double in size with twice as many students enrolled in college and requiring support to ensure their persistence; incorporating alumni feedback into 5-12 planning.
• Leveraging dual credit and AP courses to provide students a head start on their college experience.
• Building flexible instructional delivery models that can be successfully executed in-classroom and online in the event of prolonged school closure.

The school will also contend with ongoing challenges:

• The full impact of the COVID-19 pandemic on 20/21 fiscal year public revenue and spending needs is not yet certain.
  • We have built the budget based on the most recent guidance from DESE, but the threat of volatility remains.
  • We must operate now with the assumption that we could once again be faced with extended school closures or significantly higher-than-normal student absence rates throughout 20-21.
• From 18/19 fiscal year to 19/20 fiscal year, Basic Formula per student dropped $200 per WADA, and these cuts will hold in the 20/21 fiscal year.
• Most instructional, operating, and employee salary and benefit cost increases outpace public revenue growth.
The 20-21 budget is a projection; subject to change due to COVID-19 impacts.

- Requesting 20/21 EMKF Operating Grant of $4.5 million.
- The EMKF Supplementary Grant is a potential use of the reduced 19/20 Operating Grant; mechanisms will be coordinated between School, Board, and EMKF as appropriate.

### 2018/19 Actual | 2019/20 Budget | 2019/20 FC4 | 2020/21 Budget
---|---|---|---
Total State Revenue | $10,054,445 | $10,675,135 | $10,274,115 | $10,999,655
Total Federal Revenue | $1,423,657 | $1,555,023 | $1,762,901 | $1,661,642
Total Local/Misc Sources | $1,277,990 | $1,346,083 | $3,495,433 | $1,731,508
EMKF Operating Grant | $3,706,231 | $4,484,330 | $3,363,247 | $4,500,000
EMKF Supplementary Grant | - | - | - | $448,057
EMKF Facility Grant | $293,396 | $293,396 | $293,396 | $293,396
EMKF Restricted Relay Grant | $40,000 | $20,000 | - | -
Total Revenue | $16,795,719 | $18,373,966 | $19,189,093 | $19,634,258
Salaries and Wages | $9,069,799 | $10,853,841 | $9,924,401 | $11,339,871
Professional and Technical | $1,225,385 | $1,148,311 | $1,006,642 | $1,965,571
Property and Utilities | $2,005,289 | $2,094,680 | $2,048,000 | $2,140,000
Transportation | $1,315,150 | $1,625,049 | $1,190,020 | $1,441,740
Food Services | $943,690 | $990,056 | $943,313 | $938,630
Insurance | $105,005 | $108,150 | $148,000 | $152,440
Communication | $200,336 | $143,997 | $170,660 | $179,838
Supplies and Materials | $741,781 | $1,026,098 | $883,146 | $974,623
Facility Lease | $293,396 | $293,396 | $293,396 | $293,396
Depreciation | $94,163 | $231,735 | $181,200 | $215,842
Total Operating Expenses | $15,993,994 | $18,515,314 | $16,788,777 | $19,641,951
Net Income (Deficit) | $801,725 | $141,349 | $2,400,315 | $(7,693)
Capitalized Expenses | $342,013 | $90,387 | $224,437 | $390,149
**Revenue:** Public revenues increasing at lower rate than expenses.
- **State Basic Formula Funding $ Per WADA:** $8,385; this rate is $200 less than budgeted last year and is consistent with several local charters’ assumptions.
- **Other State Funding:** growth rate projected to be flat.
- **Federal Sources** – modest increases from rise in Special Education population, expansion of Medicaid program, and FRL composite (services spend considerably outstrips these sources).
- **Local Sources** – increase driven by repeat of KCPS “fiscal cliff” gap funding.

**Expenses:** Rate of expense growth is 2-10% depending on category.
- **Staff Count:** 152.25; ensures delivery of instructional mission.
- **Benefits as % of Salaries:** 37%; incorporates projected 10% rise in health premiums in 20/21.
- **Food Service Per Student:** $5.46; based on contract.
- **Cost Per Bus Per Day:** $278; based on bus sharing with multiple schools.
- **Bus Routes:** 23; this is one additional planned route from prior year.

**Misc:**
- **ADA:** 95%
- **FRL:** Free – 74%; Reduced – 14%; Full – 12%
The student count is anticipated to increase by 6% and will result in a minor increase in the student to teacher ratio.

Increased cash expense per student reflects rising instructional spend to support dual credit enrollment, AP testing, and other college access programming among other general expense growth.
Public revenue sources projected to rise by 0.7% per student in 20/21 and driven by funding from KCPS MOU payments and Medicaid program expansion; total expenses to rise by 2.6% to meet instruction needs; subject to change due to COVID issue.

Professional/Technical Expense growth driven by the College Access oriented programming.

<table>
<thead>
<tr>
<th></th>
<th>2018/19 Actual</th>
<th>2019/20 Budget</th>
<th>2019/20 FC4</th>
<th>2020/21 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMKF Operations Grant</td>
<td>$3,483</td>
<td>$3,966</td>
<td>$3,010</td>
<td>$3,783</td>
</tr>
<tr>
<td>EMKF Restricted Relay Grant</td>
<td>$38</td>
<td>$18</td>
<td>-$</td>
<td>-</td>
</tr>
<tr>
<td>EMKF Supplementary Grant</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>- $377</td>
</tr>
<tr>
<td>Revenue from State Sources</td>
<td>$9,450</td>
<td>$9,442</td>
<td>$9,194</td>
<td>$9,248</td>
</tr>
<tr>
<td>Revenue from Federal Sources</td>
<td>$1,338</td>
<td>$1,375</td>
<td>$1,577</td>
<td>$1,397</td>
</tr>
<tr>
<td>Revenue from Local/Misc Sources</td>
<td>$1,201</td>
<td>$1,191</td>
<td>$3,128</td>
<td>$1,456</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$15,510</td>
<td>$15,991</td>
<td>$16,908</td>
<td>$16,261</td>
</tr>
</tbody>
</table>

| **Expenses**         |                |                |             |                |
| Salaries and Wages   | $8,524         | $9,600         | $8,881      | $9,534         |
| Professional and Technical | $1,152 | $1,016 | $901 | $1,653 |
| Property and Utilities | $1,885 | $1,853 | $1,833 | $1,799 |
| Transportation       | $1,236         | $1,437         | $1,065      | $1,212         |
| Food Services        | $887           | $876           | $844        | $789           |
| Insurance            | $99            | $96            | $132        | $128           |
| Communication        | $188           | $127           | $153        | $151           |
| Supplies and Materials | $697  | $908  | $790  | $819  |
| Capitalized Expenses | $321           | $80            | $201        | $328           |
| **Total Cash Expenses** | $14,989 | $15,991 | $14,799 | $16,414 |

| Fund Balance Contribution | $521 | - | $2,109 | $(153) |
The 20-21 budget assumes net income of -$8k with additional capital expenses of $390k.

The reserve is projected to be 35%.

<table>
<thead>
<tr>
<th>Per Audit/ASBR</th>
<th>2018-19 Actual</th>
<th>2019-20 Budget</th>
<th>2019-20 Forecast 4</th>
<th>2020-21 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets</td>
<td>$5.2</td>
<td>$4.4</td>
<td>$7.6</td>
<td>$7.6</td>
</tr>
<tr>
<td>Less PP&amp;E</td>
<td>$0.5</td>
<td>$0.4</td>
<td>$0.6</td>
<td>$0.8</td>
</tr>
<tr>
<td><strong>Net Working Capital</strong></td>
<td><strong>$4.6</strong></td>
<td><strong>$4.0</strong></td>
<td><strong>$7.0</strong></td>
<td><strong>$6.8</strong></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td><strong>$15.9</strong></td>
<td><strong>$18.3</strong></td>
<td><strong>$16.6</strong></td>
<td><strong>$19.4</strong></td>
</tr>
<tr>
<td><strong>Fund Balance Percentage</strong></td>
<td>29%</td>
<td>22%</td>
<td>42%</td>
<td>35%</td>
</tr>
</tbody>
</table>
### Vendor Spending over $100k

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Budgeted Spend</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cushman &amp; Wakefield Property Services</td>
<td>$2,140,000</td>
<td>Provides property management services.</td>
</tr>
<tr>
<td>Apple Bus</td>
<td>$1,250,000</td>
<td>Provides daily student transport services.</td>
</tr>
<tr>
<td>Ztrip Cab Company</td>
<td>$107,200</td>
<td>Provides cab services for homeless students.</td>
</tr>
<tr>
<td>American Food &amp; Vending</td>
<td>$939,000</td>
<td>Provides daily meal services for students.</td>
</tr>
<tr>
<td>Riverside Tech</td>
<td>$188,000</td>
<td>IT equipment vendor for students and staff.</td>
</tr>
</tbody>
</table>

- Board is approving these agreements and spend as part of the budget approval.
Revenue:
• Public Funding – potential volatility exists within public funding due to Covid situation; School management has and continues to consult with local and national resources on appropriate assumptions for budgeting and forecasting.
• Fiscal Cliff – KCPS has expressed a willingness to engage in another MOU funding supplement.
• Funding Equity – outcome of legislation is unknown at this time.

Expenses:
• Hiring: delayed hiring of 12 planned new staff could reduce staffing expense by as much as $450k.
• Teacher Salaries: to remain competitive, School management may need to modify the teacher salary scale, which would result in $100k-$300k in additional spend.
• Daycare Project: current budget assumes $300k for an onsite daycare; if need or viability changes, spend may be pushed to a later fiscal year.
• Ongoing Building Closure: the School is saving an average of $100k per month with closure (busing, food service, utilities, supplies); if school closures would continue into the fall, or face a prolonged mid-year closure, spend will be less than budgeted.
• Alumni Needs: School management is assessing the degree that alumni loans, grants, scholarships, housing, & employment are being impacted by health crisis; potential to increase spend.

Conclusion: Both revenues and expenses have potential to change favorably/unfavorably in the next fiscal year. The favorable trends have potential to drive the operating grant needs as low as $3.8M or as high as $5.3M. The School’s reserves can potentially offset some unfavorable operating changes.