

New Horizons Charter Academy

Board Meeting Minutes

*Present – Stuart Cano, Dr. Duran, David Sams, Stefan Rinka Richard Thomas, Sandy Mejia, Guillermo Gomez, Geetha Huma, Bea Italia,*

*Parent Present: 15 Parents via Zoom*

CLOSED Session: 2pm – 2:30pm

OPEN SESSION:

*Meeting Commenced at: 02:30PM*

**Public Comments:** None.

***Approval of the Previous Board Meeting Minutes (June 5<sup>th</sup>, 2020)***

- Motion made to approve – Mr. Sams
- Second – Mr. Rinka
- 3-0 Vote

Due to July 2019 extra work, along with work needed over 2020 Spring because of School Closure, Executive Director/Principal – Mr. Thomas had to work 10 extra work days beyond his 210 work calendar. Board discussed and approved payment of 10 extra days at Mr. Thomas' daily rate.

**Approval of Richard Thomas, Executive Director, payment of 10 extra days for 2019-2020 school year, based on daily rate:**

- Motion made to approve – Mr. Rinka
- Second – Mr. Sams
- 3-0 Vote

**Financial Report**

**May 2020 Financial Highlights (Geetha Huma, Charter Impact)**

Under Executive Order N=26-20 & SB 117, school funding will continue with the following considerations,

- Revenue forecasted - \$3.9 MM, no significant change
- Expenses – forecasted at \$3.7MM, increases in May were due to decrease in special education, food services, offset in legal expenses.

- Surplus forecasted at \$146K and cash projected at \$443K at fiscal year-end, including Prop 39 repayment and PPP loan approval.

#### Attendance

- P2 ADA 272.13, slightly lower than P1 ADA at 273.85. The attendance rate is 93.7%, higher than forecasted at 92.9%.

#### Fund Balance

- Surplus forecasted \$146K for FY19-20
- Ending fund balance projected at \$638K (17.2% of expenses)

#### Cash Balance

- Cash balance is at \$370K at the end of May 2020. Cash balance forecasted at \$443K.

#### ***Approval of May 2020 Financials***

- Motion made to approval – David Sams
- Second – Stephen Rinka
- Motion Carries (3-0 votes)

Form 990 was presented to the Board for discussion and review.

#### ***Approval of State and Federal Form 990***

- Motion made to approval – David Sams
- Second – Stephen Rinka
- Motion Carries (3-0 votes)

Mr. Thomas and Ms. Huma presented the updated NHCA General Accounting Fiscal Policies and Procedures. The items updated to the previous policy are:

Returned checks will be followed up by the Office Manager and NSF bank fees will be recovered from the check payor by cash, cashier's check, or credit card. A receipt will be provided to the check payor for bank fees and other balance due, paid to the school.

Reimbursements missing supporting receipts will require a "Missing Receipt Form" approved by the Executive Director or the Board President prior to submission. Reimbursements without proper support or approved "Missing Receipt Form" will not be paid until all documents are provided.

The monthly "Standard Review Process" checklist will be signoff by the preparer and reviewer to evidence monthly review of the financial statements including, but not limited to the areas listed above.

***Approval of revised NHCA General Fiscal Policies and Procedures***

- Motion made to approval – Stephen Rinka
- Second – David Sams
- Motion Carries (4-0 votes)

Mr. Rinka nominated Mr. Sams as Board President. Mr. Cano has informed the Governing Board that this is his final meeting.

***Approval of nomination of David Sams as NHCA Board of Directors Board Chair:***

- Motion made to approval – Stephen Rinka
- Second – Stuart Cano
- Motion Carries (3-0 votes), one abstention (Mr. Sams)

Discussion and presentation of COVID19 Operations Written Report by Executive Director, Richard Thomas

The report has 5 questions which are focused on the schools plan for operations during the past school closure period and plans to continue with operations moving forward into 2020-2021 school year. The five questions were:

- 1) **Provide an overview explaining the changes to program offerings that the LEA has made in response to school closures to address the COVID-19 emergency and the major impacts of the closures on students and families.**
- 2) **Provide a description of how the LEA is meeting the needs of its English learners, foster youth and low-income students.**
- 3) **Provide a description of the steps that have been taken by the LEA to continue delivering high-quality distance learning opportunities.**
- 4) **Provide a description of the steps that have been taken by the LEA to provide school meals while maintaining social distancing practices.**
- 5) **Provide a description of the steps that have been taken by the LEA to arrange for the supervision of students during ordinary school hours.**

The responses to these questions were shared with the Board and the Written Report is attached as support.

Board had no discussion questions.

***Approval of nomination of David Sams as NHCA Board of Directors Board Chair:***

- Motion made to approval – David Sams
- Second – Stephen Rinka
- Motion Carries (4-0 votes)

Discussion and presentation of PPP Loan Program and Eligibility was presented by Executive Director and Financial Manager, Geetha Huma from CharterImpact

Executive Director Mr. Thomas presented the attached Board Resolution #7 outlining the conditions and certifications related to the PPP Loan.

New Horizons Charter Academy is a public school, despite how charter schools are characterized, we are public schools, and when we step up to secure the resources our students need, deserve and are entitled to under the law.

Charter schools are public schools that qualify for this emergency assistance. The PPP was not just set up for small businesses – it was also set up for nonprofits. We believe appropriators had an understanding of the complexity of charter schools, and that's why they were not prohibited from receiving relief funding. District schools have other options available like taking out bonds.

It is important to remember that charter school board members and executives have a fiduciary duty to assess the potential impact that the national economic downturn could have on school operations and take available steps to mitigate negative consequences. For some charter schools, the PPP can be a critical source of near-term funding to maintain operations for students and staff while board members and school leaders fulfill their fiduciary duty to seek other sources of operational funding and plan for the longer-term financial impact of the ongoing crisis.

Unlike other public schools, which have school facilities provided at taxpayer expense, charter schools often have to pay for their own facilities. Therefore, charter schools frequently have utility and rent or mortgage costs that other public schools don't have. To cover these costs, they generally have to raise additional money through fundraisers or private donors, which is more tenuous today than a couple of months ago. The PPP is explicitly designed to help small employers pay for rent, mortgage interest, utility, and payroll costs.

While many district schools reduced instructional time and in some cases called for a halt to all distance learning, New Horizons Charter Academy took the opportunity to lean in and do whatever is necessary to keep educating their students, and in many cases they offered to support to students outside their community.

- 1) Any statistics that reinforce learning continued despite school closure due to COVID-19. This could include attendance rates, assignment completion, etc.
- 2) New Horizons Charter Academy students are disproportionately black and brown – members of the communities most affected by the current health, social justice and economic crises.
- 3) During the pandemic, New Horizons Charter Academy stepped up and did it right – doing whatever it takes to keep educating their students – extra hours, extra staff, extra resources. And that costs money. It costs money to do it right. And it's money that is available to them under the law.
- 4) For New Horizons Charter Academy, this was a lifeline. As do many charter schools, NHCA disproportionately serve underserved students who had greater needs. Sixty percent of charter schools are single site, independently run schools with small budgets. There was a real risk of layoffs because NHCA had to pay overtime to staff, keep its supplemental staff on board, and NHCA was unable to do fundraising for the funds needs to cover mortgage/rent payments and

utilities. Typically, charter schools receive 80% of what district schools receive in public funding and they have to raise funds to cover the rest.

Although charter schools receive per-pupil funding, on average they only receive 70 cents on the dollar compared to district-run schools. They often must fundraise the remainder of their operating budget, leaving them more at risk of financial distress. Unlike school districts, charter schools cannot issue bonds directly in most states so they differ in how they can access capital. Congress specifically included nonprofit organizations in the PPP because they knew that some funding sources would be drying up just as the needs these organizations meet are growing.

Furthermore, the deadline to apply for PPP funding prevents many charter schools from taking into account any funds they may receive when evaluating meeting their payroll and facility expenses. Therefore, it is reasonable to apply for available PPP funding now, if needs exist, rather than hoping for other funding later.

New Horizons Charter Academy has applied for the Paycheck Protection Program (PPP) loan to meet the urgent needs of our students during a time of crisis. The PPP will allow our school to pay employees, while still covering expenses for extra instructional needs and support for families. Our school had to take money from the operating budget to provide digital devices to students. Without the PPP funding, New Horizons Charter Academy would have been more vulnerable to default on our lease or forced to lay off staff. As a charter school, our nimble, innovative structure gave us the flexibility to pivot quickly and provide remote education to students during the COVID-19 pandemic. Collective bargaining agreements in many district schools prohibited the number of hours teachers could work, while charter schools were able to supplement staffing and pay for extra hours needed to train staff and support students. Conversely, we saw examples across the nation where collective bargaining agreements were used to justify cutting work hours and time for instruction in district schools. As non-profit organizations, charter schools were legally provided the ability to apply for PPP funds. These funds provided financial support to pay employee wages during the coronavirus pandemic, ensuring employees kept their positions. For many charter schools, whose students already receive less funding than their local district peers, this program provided essential financial assistance.

Charter schools are typically unlikely to have access to typical district options for low-cost short-term borrowing such as TRAN loans. Compared to districts, ***“Charter Schools Have Fewer Options and Higher Costs.*** *Charter schools have fewer and more expensive external borrowing options. Current law does not provide charter schools with access to loans from COEs or the county treasurer. Charter schools also do not have authority to issue TRANs. Sometimes the charter school’s authorizer will provide cash to the school or will issue TRANs that include cash to meet the charter school’s needs. If the authorizer does not provide cash, charter schools typically borrow from the private sector, using loans that are not tax-exempt. Because charters schools do not have access to tax-exempt loans from the private sector and typically are at higher risk of defaulting, they pay much higher interest rates than school districts to secure short-term loans.*

**Current and Future Fiscal Uncertainty:** In the promissory document under the Borrower Certification section (12) item 14 reads:

a. “14) Current economic uncertainty makes this Loan request necessary to support the ongoing operations of the Borrower.”

Further, in the CARES Act which allocated the PPP loans, Sec. 1105(f) reads, Certification.—An eligible recipient receiving loan forgiveness under this section shall make a good faith certification that the uncertainty of current economic conditions justifies the loan request to support the ongoing operations of the borrower, and acknowledges that funds will be used to retain workers and maintain payroll.

***Enrollment decline and other operational risks***, meaning the school/CMO has reason to believe that its enrollment may shrink next year due to declining enrollment generally, households moving to less expensive areas, loss of enrollment to competing schools, etc. Other operational risks include upcoming charter renewal requirements, compliance with the many burdens imposed by last year’s Assembly Bills 1505 and 1507, the potential costs of ongoing COVID-19 emergency spending for distance learning, implementation of “social distancing” techniques, additional cleaning and disinfecting, etc.

***Relatively modest budget reserves***, meaning that estimated reserves at the end of the current fiscal year are not adequate to cushion against the many downside risks that charter schools will likely face in the next year. These include likely funding deferrals, budget cuts, and other needs that may be specific to the school/organization (e.g., facilities reserves, set-asides for large purchases, etc.). Schools and charter management organizations (CMOs) with bond and/or debt covenant restrictions should factor these in, too.

Dr. Duran: Can the school use the funds entirely to pay for payroll costs?

Mr. Thomas – the new rules indicate that 65% of funds must be used for payroll, but yes the entire amount can be used for payroll costs

Mr. Sams: Will the school be liable for paying back the funds if they do not meet the requirements outline by the loan.

Mr. Thomas – Yes, there is strict criteria for what money can be used for and timeframe for using the funds.

Board Vote to approve Board Resolution #7 to accept PPP Loan

Dr. Duran Motion to Approve Resolution to accept PPP Loan

Mr. Sams 2<sup>nd</sup> Motion

Vote to Approve 3-0

1 abstention Mr. Cano