

BFCCPS Finance Committee
Meeting Minutes
9/5/12

Attendees: Jerry Cimmino, Heather Zolnowski, Suzanne Graham, Matthew Dunlap, Pat Fairbanks, Alexander Aronson Finning (John Buckley, Julius Wakaba, Bryce Luetzen)

8:15am meeting began

Discussion of Administrative Matters

- Approval of June 6th, 2012 meeting minutes
- It was decided to move the monthly meetings to the first Thursday of each month, with the exception of the November meeting which will be held on Friday, November 2nd
- Jerry will create the annual schedule and send out
- Jerry discussed recruiting members to join the committee

Discussion of Project and Task review

- With respect to facilities, it was brought up to have a discussion with the church on building fixes. Possibly creating a formal Facilities Committee. As part of that discussion was to think about what the school would need in term of capital requirements and creating a multi-year projection plan as opposed to taking a year-by-year approach.
- There was a discussion on creating a 10-year capital plan and whether one was necessary. Heather discussed that a 10-year plan was not required, however if one was created it was required to be disclosed in the Charter School Annual Report.
- Notify the archdiocese by 9/30 of intention to exercise the 1st one-year option on the lease.
- The “Fiscal Policy and Procedure Guide” is up for review and that we would work with the Governance Committee on this, that last one was completed in 2008.
- Jerry noted that he was happy with the monthly financial reports style and does not anticipate changes being made.
- Jerry and Heather discussed meeting with the PCO to finalize the FY 2013 fund raising plans and then presenting to the board on September 13th.

Review of Financial Statements with AAF (General Comments)

- The auditors stated that the audit went very well and that BFCCPS is ahead of other Charter Schools in the area of financial statement preparation and organization of information.
- For the mandatory Government Testing AAF made 25 selections of cash disbursements and payroll selections and there were no issues noted during that review
- AAF also noted that there were very few adjustment entry suggestions. There was only one small adjustment entry made for the accounting of audit fees and teacher conference expense owed by the Foundation to the school that amounted to \$6,100.00

- AAF also noted that overall the statements were accurate and there were no large year-end adjustments that needed to be made.

Review of the Board of Trustee Letter with AAF

- The discussion of the BOT Letter outlined each aspect of what the BOT letter contains. The audit and teacher conference accounting entry adjustment was discussed again.
- AAF also noted there was one additional accounting entry adjustment that they suggested to make in the future, but in terms of the current financial reports it was not made due to immateriality. The entry revolved around accruing of interest. It was brought up that Suzanne will speak with Central Source about this, and change the accounting methodology going forward.

Review of Management Letter with AAF

- AAF discussed the objective of the Management letter
- AAF noted that no control deficiencies were found during the audit and all mandatory Government tests were clean. The main discussions points that came up during the review of the Management letter revolved around:
 - Authorized check signers with Dean Bank. There were two individuals appearing on the Foundation's check signer's list that were no longer affiliated with The Foundation.
 - Fixed Asset Inventory. It was suggested that the school should make sure it is retiring old inventory once new fixed assets were purchased and suggested tagging fixed assets and completing annual inventory review.
 - The Foundation Accounting Policy. It was recommended that the Foundation's accounting records be pulled into the Schools monthly reporting. AAF did note that the Foundations accounting records would most likely be immaterial to the school's overall financial picture.

Review of Financial Statements with AAF

- AAF began with an overview of the Financials. AAF stated it was a clean opinion.
- In reviewing the P&L it was noted that the school had a \$80k surplus. It was also noted that when the foundation and restricted funds were not included the change in net assets was \$113k versus \$ 112k in 2011.
- Jerry asked for guidance on accounting for the general fund raising which was shown at \$24k in 2012 versus \$300 in 2011
- There was a discussion with regards to 'in-kind' transportation. The school no longer relies on the Town of Franklin for those figures but rather figures from DESE. AAF also noted that regulation had recently been released stating that schools may have to begin recording contributions for employees retirements as in-kind revenue and expense once that employee retires. It was noted by AAF that ultimately the recording of such transactions is a wash in the

financial statements. It was raised as a possibility to footnote such items in the future if in fact this regulation is approved.

- The Balance sheet was discussed where the main topic was the discussion of the land value. It is valued in the financials at an historical cost of \$275k with a note on the land of \$275k. AAF raised the possibility that the land's carrying value may or may not be representative of its fair market value, although market comparables have been provided by the Foundation in order to achieve a level of comfort with the carrying value of the land.
- In the Notes of the financial statements the language surrounding the disclosure of the new lease was discussed.
- Note 11 was highlighted. That note deals with the Cumulative Surplus Revenue. It was determined that the school's surplus is \$1.8 million less than that allowable carryover. AAF walked everyone through the calculation spreadsheet at the back of the financials. AAF did disclose that there are questions surrounding this calculation within the industry as DESE has not provided guidance on this calculation.
- AAF went through the ratios for the school and walked everyone through the different ratios disclosed and how they were calculated. AAF noted that the ratios that carries the most meaning would be the "Government spending per student" and the "Total Expenses per student" AAF noted that for 2011 the school spent about \$34 more per student than what it received from the Government per student.
- AAF also noted that the ratio of Unrestricted Net Assets to Monthly Operating expenses was in very good shape, noting the school could carry-on about 6 months without revenue and still be able to meet all of its financial obligations. The school showed about 6.53 of "Months operating expenses in unrestricted net assets"
- Jerry did question the low "Current Ratio" of 2.63 as compared to other Charter Schools. AAF noted that the ratio was suppressed due to the schools investments.
- Overall AAF noted that the school fared very favorably to other schools that were included in the ratio analysis.

Wrap-up

- Jerry and Heather discussed the Board of Trustee meeting coming up and at a high level how much time AAF will have to present. There was a discussion regarding what materials to bring to the Board and whether AAF should provide copies to all Board members.

Meeting adjourned 9:50