



Finance Committee Meeting

Friday, October 2, 2009, at 2:30 p.m. at LILA

Meeting called to order at 2:34 pm

Members in attendance were Chad Bloomberg, Richie Kucinski, Julie Lundgren, and Christine Thomas

- I. Reviewed the agenda; Member Thomas agreed to take the meeting minutes. Member Kucinski brought forward the idea of giving staff an additional 3 sick days for the H1N1 influenza. He was directed to bring this to the board or administration.
- II. Conflict of Interest Disclosure - Member Thomas offered a potential conflict of interest as she works for Patriot Bank Minnesota. Member Lundgren offered a potential conflict of interest when reviewing the budget and both her salary and Member Kucinski's salary's would be on the budget. Member Lundgren noted that no salaries changed in this revision of original approved budget. After a review of the agenda it was discussed and determined no issue was apparent regarding the potential conflicts of interest.
- III. The August and September bank statements were reviewed. Noted all certificates of deposit are now on the bank statements. Member Lundberg will see if a secured website can be set up for future distribution of the bank statements to committee members. The certificates of deposit valuing \$208,938.78 and \$103,165.93 are held as collateral for the building company loan.
- IV. Review of August financial reports
 - The cash flow statement was reviewed. It was noted that School Business Solutions creates this document. We could have them adjust the federal revenue to show when we actually receive the revenue. After March there will be no more FLAP grant.
 - The balance sheet was reviewed with no comments.
 - The summary income statement was reviewed with the following comments from the detailed income statement:

- a) Under Expenditures – Administration – Purchased Services - the board consulting fees include legal fees (monthly retainer of \$300 per month) and audit fees. The majority of the fees were for the audit.
 - b) Under Federal FLAP Grant - Supplies and Materials - Elementary Instruction supplies were noted at 181% of budget. More expenses have been moved to the FLAP grant in September. Member Lundgren will look at and report back. The goal is to have very little in the general ed. line for elementary expenses and have most in FLAP. Also expect to buy this year's and next year's curriculum needs.
- The dashboard report was reviewed next. It was noted that we are very close to budget regarding student count. We lost about 30 students over the summer. The drop in 5th grade this year this was about a third of that. Others moved or went to other school districts.
 - The payment register was reviewed with no comments.
 - Other comments – in budget revision there are significant shifts of items in response to the holdback and fall enrollment. The holdback amount was not known back in June when the original FY10 budget was approved.

V. Cash flow

- The administration has been discussing what needs to be done to get over the 27% holdback. The state is taking 27% of the total including the federal funds not just the state funds.
- Two possibilities are being looked at. The first is a line of credit with Patriot Bank Minnesota. A meeting with John Milbauer will take place on Monday to discuss the viability of this option as well as the possibility of releasing the pledge on the two certificates of deposit held as collateral for the building company loan. Two of the three certificates mature during this fiscal year, one this month and the other in April.
- The second option is with a company our attorney has been working with through a MN Nonprofit organization to come up with ideas to help all charter schools in MN overcome this holdback. They have developed a relationship with Charter School Capital. Charter School Capital is a partnership of three finance professionals who get big funding from investment groups. This company will purchase your state aid (asset) for a fee. One part of the fee is a service fee which is standard for everybody plus a % fee in the range of 6 -7 %. LILA is in the application process right now. A meeting is scheduled for next Wednesday with this group. The application costs about \$500.
- After meeting with the bank, the administration will have a better idea of what options are available. Member Lundgren will bring this information to the

board with the costs and benefits of each option outlined. Projected needs will require that LILA borrow \$400,000 and maybe up to \$600,000 if our collateral is not released.

VI. Grants - We have a long term issue with the 27% holdback as we are told to expect this for the next two to five years. The implications regarding not receiving a new FLAP grant were discussed while reviewing the financial statements. It is critical to retain the number of students enrolled in the spring to the fall. A discussion was had regarding suggestions to bring in revenues as to avoid a line of credit. STARTALK grant was briefly discussed. This could fund summer programs to start developing a community wide program and bring in revenue to teach teachers and students. Need to consider we didn't give raises or step ups last year. The 2010-2011 budget currently has a projected \$180,000 shortfall. It was noted that LILA still has a balanced budget through the end of this fiscal year.

VIII. Review of the FY1- budget - The only changes to budget have to do with special education and the additional codes. Special education has \$90,000 in new federal money this year to build their program. The funds are designated for supplies and materials and contracted services.

VII. Audit - Member Lundgren noted that the audit went very well. They were onsite two days. The single audit was completed the first day. LarsonAllen was very pleased with the records. The auditors reviewed the fund 04 items. The only possible finding that may appear in the audit was regarding the ability to retrieve Amigos statements from prior years. There were open items SBS would get to auditors by the end of Tuesday. Member Lundgren expects to receive the management's discussion and analysis (MD&A) draft soon and to have reports in hand by the end of October. Member Lundgren will bring to the Board.

The next finance committee meeting is scheduled for Friday, November 6th at 2:15 pm at LILA.

The meeting adjourned at 4:35 p.m.