ROCKY MOUNTAIN PREP

Minutes

Board of Directors Finance Committee Meeting
Thursday, September 25, 2014, 7:30-8:30AM
7808 Cherry Creek S. Dr. 3-300 Denver, CO 80231

Committee Members present:
Pat Donovan (by phone)
Rich Billings (by phone)
Nick Waugh (by phone)

Committee Members absent:
None

Others present:
James Cryan
Amy Zhu
Rebecca Kisner

Proceedings:
Meeting called to order at 7:39am.

Report by Amy Zhu, Manager of Finance:

Amy reviewed the financial scorecard, which includes days of cash flow, enrollment targets, the expense target, net assets target, and annual fundraising target. We are trending similarly to August 2013 and are on track to be above target by December 2014. Even with heavier expenses, we projected lower PPR than we are receiving and student fees from uniforms and before/after care are helping cushion our bottom line.

Although actions taken to meet our fundraising target are on track to solicit grants from donors on the intended timeline, cash in from donors is slow. Advancement committee is meeting to develop annual calendar of when philanthropic revenue hits.

Amy reviewed the YTD budget and YTD actual (the projections are based on actuals for the months we have).

> *Rich and Pat prefer to compare the long-term projections and how we're pacing each month. Nick agrees it's hard to "tease out the noise," would like to highlight operational hiccups we didn't anticipate. Amy will do another iteration for next meeting.*

Amy reviewed cash flow projections, which shows us above 90 days until November or December, purely based on public dollars and does not include any philanthropy.

Amy explained the updates to the financial models.

- Enrollment:
    - Lowered pre-k enrollment from 3 classes of 16 students to 1 class of 16 students for years 1-4, full pre-k of 48 students at full build-out. Rationale = assumptions show loss of $2800 per pre-k student
- Revenues:
    - Updated for actual PPR and mill revenues based on July payment without significant changes
    - Include revenue projections for before/after care and food service
- Expenses
    - Updated salaries/benefits to include market competitive rates for admin, dental/wellness benefits
    - Include expense projections for before/after care and food service
    - Lowered facility to spend to 13% [from 15%] of revenues to account for more types of revenues
    - School will pay a fee to central office for all fellows and before/after care workers

Pat asked if 13% is reasonable, Rich said ireasonable but not conservative. Most people budget 10%.

On a macro level, assume our expenses are growing 2% and revenue is growing 1%. Therefore, new schools will require $1.2m-$1.5m of start-up operating philanthropy and an additional $500k of facility capital.

Rich asked how that compares to other elementary schools in the CSGF portfolio. Amy feels it's on the higher end due to our projection for private facilities, and plans to work with James before the CSGF presentation to lower operating costs in the budget.

Amy reviewed the central office is projecting to be 16 people over 4 schools, based on $3.2m in philanthropic need to break even by 2022. The network as a whole will require $5m in philanthropy to break even by 2022.

Rich asked Amy to anticipate the question, what's the net margin after facilities and management fees? If there is some circumstantial change, what other levers do you have to ensure sustainability of the organization?

Amy updated the committee on financial processes and procedures with the following changes:

- Use a purchase order if at all possible, as opposed to credit card purchases
- Require approval and basic documentation for purchases above $1,000
- Require minimum weekly deposits for cash handling, implement clear process and accountability around collection and depositing

Next step is to have the finance committee and the auditor sign off on the new policies. The board will approve the monthly financials tomorrow at the September meeting, after identifying audit items/action steps and sharing the scorecard.

Meeting adjourned at 8:32am.