

NATIVITY JESUIT ACADEMY
Minutes
Finance Committee Meeting
Via Google Meet or Conference Call

Thursday, September 24, 2020

Members Participating: Ed Kitz (chair), Peggy Hauser, Jim Oppermann, Alissa Karl, Alex Eichelberger, Jeff Ruidl, Jay Schwister, and Maureen Schuerman.

Unable to Participate: George Gaspar

Staff Participating: Jesus Torres

Guests Participating: Ben Latendresse and Jason Wrasse of Reilly, Penner & Benton LLP (RPB)

Mr. Kitz called the meeting to order at 7:32 a.m. and led the group in prayer.

Present Draft Auditors' Report and Management Letter

Mr. Latendresse, Senior Auditor at RPB, presented the draft auditors' report. He began by stating that the NJA audit went well, with a good mixture of in-person and remote collaboration.

Mr. Latendresse stated that an unmodified (clean) opinion is reported in the opinion section of the report. He commented on a couple of items that remain open, namely the legal confirmation letter from Buelow Vetter, which Mr. Torres said he would follow up on.

Mr. Latendresse explained, that due to a new accounting standard that was implemented, the presentation of the financial statements would include footnotes and disclosures for Special Events and Restatement of Prior Year Financials. Mr. Latendresse explained that due to FASB ASU 2016-14, for special events the direct benefit to donors is recognized as revenue as an exchange transaction, while the remaining is recognized as a non-exchange transaction. Also, under the new guidelines donor restricted campaign funds are to be released once the project is completed. Since the campaign projects were not completed until FY20, FY19 net assets with donor restrictions needed to be restated to reflect the implementation of FASB ASU 2016-14. It was noted that since it is a reclassification between net assets with donor restrictions and net assets without donor restrictions, there is no impact to the aggregate net assets. This is seen on the Statements of Financial Position, Statements of Activities and called out in footnotes 20 and 23.

Mr. Eichelberger asked why the titles Correction of Error and Restatement had to be used, when the financial statements were audited for 2019 and it was not an issue. Mr. Wrasse commented that it is a change in accounting standards as referenced by Mr. Latendresse. RPB found out about this at an October 2019 CPE training. Mr. Kitz and Mr. Schwister commented that while they appreciate the new accounting standard, it is important that footnotes can be understood by the reader and that differences between cash and accounting presentation requirements be easily articulated. Mr. Kitz continued that the use of

terms such as “improperly”, seem harsh and do not properly present the situation. Mr. Wrasse asked that NJA provide suggested language.

Mr. Wrasse commented that based on his experience, when it comes to the review of financial statements, Department of Public Instruction (DPI) focuses on expenses and the opinion. He emphasized that NJA is more viable than 95% of the schools that RPB audits. Additionally, Mr. Latendresse said that NJA’s program spend is 86%, which is well above the standard of 65%.

Mr. Kitz commented than on page 2, that the note reference should be changed from note 2 to note 1. Mr. Latendresse agreed to make the change.

Mr. Latendresse commented that breaking out the direct benefit to donor is netted from special events revenue and is referenced in footnote 20 and the Statement of Activities. For FY20 and FY19, the direct benefit to donor was \$47,220 and \$45,721, respectively. Donor contributions were explained as tax deductible. Green fees were used as an example for donor benefits. Since this is a change from last year, Mr. Schwister suggested adding a footnote to explain the economic activity. Mr. Kitz asked that details on note 20 call out the non-exchange contribution. Mr. Wrasse said that it will be revisited.

Mr. Kitz asked that footnote 5 be updated to include the US Treasury rate. Mr. Latendresse agreed to make the changes.

Mr. Latendresse commented than any reference to a Quasi-fund is only for comparative reasons.

Mr. Latendresse described the last page of the report, the Reserve Schedule. He explained that this page calculates eligible costs that are compared to the School Choice amounts received. NJA reports a Reserve Schedule amount of \$(6,289,959), which means that the school has spent \$6,289,959 more than it has received in Choice funding since it has joined the program five years ago. This amount is calculated on a roll-forward basis and accumulates each year. The school is using the Choice dollars for educational purposes. Mr. Wrasse stated that the school’s per pupil cost is \$13,500, which is 1.7x the Choice voucher amount. He added that NJA is one of the healthiest schools. Mr. Schwister asked how eligible expenses are calculated. Mr. Wrasse explained that donated items such as Title 1 and 2, scholarships, and government food items are not deemed eligible by DPI.

RPB stated that they will provide updated drafts of the report to include updates to formatting, dates, and footnotes 20 (Special Events) and 23 (Restatement of Prior Year Financial Statements). NJA will review those statements and the committee agreed that the updated draft could be submitted to the Board of Trustees. Mr. Latendresse stated that he expects to submit the draft next week with the updates.

Mr. Latendresse stated that the management letter, which will also be submitted to the Board of Trustees, was clean.

There being no further discussion, on a motion by Mr. Schwister, seconded by Mr. Eichelberger, the following resolution was unanimously adopted:

RESOLVED THAT the draft 2020 Financial Statements and Management Letter shall be submitted to the Board of Trustees for approval.

Review Final FY20 Operating Results

Mr. Torres presented the FY20 final operating results compared to the budget, prior year and board guidance from June 10, 2020 (Pages 3-14). He noted that the net surplus was ~\$144K higher than the June 10 board guidance. He described several of the large fluctuations noting a \$71K increase to revenue (recognition of tuition payments; February Choice Count adjustment and COVID-19 support). Expenses were down by \$71K (Benefits assumptions; Graduation/Field Trips/End of Year Events; Repairs & Maintenance).

Review YTD Financial and FY21 Outlook

Mr. Torres presented the two-month operating results through August 31, 2020 compared to the budget and prior year, for the same period (pages 15-25).

Mr. Torres presented the full year outlook and compared it to the budget and prior year (pages 26-38). The full year outlook is comprised of 2-months of actual results and 10 months of projections. Mr. Torres highlighted that a surplus is forecasted at \$381K, which is \$59K lower than budget. The major driver for the decrease is the addition of two Academic Interventionist Aides to provide targeted and intensive instruction to individual and small groups of students. Responsive to students' individual needs, these aides use research-based strategies and resources to supplement classroom instruction with critical intervention for students who are lagging in reading and math skills.

Investment Subcommittee Update

In Mr. Ruidl's absence, Mr. Kitz provided the Committee with the Investment Subcommittee update, noting that performance has outpaced the benchmark for June and making progress toward the calendar year benchmark. Investments through August 31, 2020 were at a 12-month high. The subcommittee continues to be pleased with Baird's management and performance under these uncertain times.

Other Miscellaneous Discussion

None.

Meeting adjourned at 9:01 a.m.

Minutes prepared and respectfully submitted by Jesus Torres, NJA Director of Finance