

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

Thursday, November 19, 2020

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

Unable to Participate: None

Staff Participating: Jesus Torres

Mr. Kitz called the meeting to order at 7:31 a.m. and led the group in prayer.

**Review YTD Financial and FY21 Outlook**

Mr. Torres presented the four-month operating results through October 31, 2020 compared to the budget and prior year, for the same period (pages 3-13). He described the larger fluctuations between the actual results, the budget and prior year. Notably, the success of the COVID-19 appeal has provided a favorable revenue variance to budget. Additionally, the Choice voucher has increased by 3% from \$8,046 to \$8,300. Mr. Schwister asked if there are any historical patterns or projections that would indicate what increases could be in the future. Mr. Eichelberger stated that he had not observed a reliable pattern, but that inflation is a factor. Mr. Torres, as part of the budget process, will perform a historical trend analysis to use for the voucher assumptions. Mr. Schwister commented that it is important to address deviations between the revenue and expense growth rates. Year over year, the favorable increase to the surplus of \$98K, resulted from the one-time presidential recruiting costs and elimination/reduction of events due to COVID-19 (Parents Weekend, Food Program, Virtual Events).

Mr. Torres presented a bridge analysis between net income as presented on the balance sheet to the operating surplus which is presented on a modified cash basis. Mr. Torres highlighted that the major differences are the investment income/loss and net impact of campaign activity and non-cash items, such as depreciation. Mr. Schwister asked what has comprised the campaign activity of \$130K. Mr. Torres explained that roughly \$81K has been spent on camp furniture for Camp Thunderhead, with \$50K being for camp improvements necessary after the sale of the Loyola property.

Mr. Torres presented the balance sheet in accordance with US GAAP as of October 31, 2020. He noted the PPP loan of \$436.2K is reported as debt, but that the forgiveness application had been submitted to Town Bank on October 14<sup>th</sup> with expectation to get a favorable decision by December 14<sup>th</sup>.

Mr. Torres presented the full year outlook and compared it to the budget and prior year (pages 14-25). The full year outlook is comprised of four months of actual results and eight months of projections. He noted that the projections are based on reviews with budget managers and the advancement team. Mr. Torres highlighted that a surplus is forecasted at \$379K, which is \$62K lower than budget, but consistent with the outlook provided at the September 24<sup>th</sup> Finance Committee meeting.

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.

Mr. Torres commented that items that would be covered in the Other Miscellaneous Discussion section of the agenda were not included in the projections.

### **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 September (6.06% vs. 5.24%) and making progress toward the calendar year benchmark (2.10% vs. 2.41%). The subcommittee continues to be pleased with Baird's management and performance under these uncertain times.

### **Other Miscellaneous Discussion**

#### **Property for sale**

Ms. Schuerman provided the backstory and rationale for making an offer to an adjacent property to NJA's parking lot (1537 S 29th Street). Ms. Schuerman commented that she had been working with members from NJA's board on the offer. NJA submitted a secondary offer (cash) on November 17, 2020 for \$142,000. Seller has an accepted offer and currently has a month-to-month tenant, but based on legal review and the tenant's intention, there is not a risk that NJA would be dealing with a tenant relationship. Mr. Torres prepared a 12-month cash flow analysis that he presented, showing that NJA had the liquidity to support the purchase. Mr. Kitz asked the committee to provide input and weigh in, as there is no action required.

Mr. Eichelberger asked how much of a priority to acquire this specific property. Mr. Schwister responded that the three main reasons are: 1) Part of the master plan of expanding the school; 2) Create parking to expand the play area; and 3) Move the car line from the street.

Ms. Hauser asked if there were any contingencies with the primary offer. Ms. Schuerman responded that we are not privy to such information. Mr. Schwister added that the secondary offer only includes a limited inspection for environmental purposes.

Mr. Oppermann asked if there is a dollar amount that would have to be approved. Mr. Kitz responded that the finance committee only needs to approve the operating budget. For items such as purchasing a property, where time is of the essence, the board will make the decision.

All finance committee members acknowledged that it was prudent to continue to pursue acquiring the property.

#### **Proposal and rationale for adding two advancement positions**

Mr. Kitz introduced the topic to the committee saying that he had read the proposal and commented that it was very thorough and compelling. He asked the committee to provide their input. Ms. Schuerman commented that the major reasons for adding the two advancements positions (Assistance Director of Foundation Relations and Communications Coordinator) is to address the intense vulnerabilities that exist which can lose 1/3 of the annual fund for the school. This is also seen as an opportunity to enhance the annual fund. Ms. Schuerman mentioned that she has 30 years of fund-raising experience, having raised \$130 million as a consultant and \$30 million directly. While NJA has been good with best practices,

research shows that more can be done to expand the donor base, thus mitigating concentration risk. Ms. Schuerman opened the floor to questions.

Mr. Eichelberger remarked that he was very excited by the advancement team's proposal and is in full support. He noted that NJA is the best kept secret and that the proposal is a clear way to address the challenges of growing the school and eliminating concentration risk.

Mr. Oppermann asked how many employees are currently in advancement. Ms. Schuerman said that there are three and the additions would make it five. Mr. Opperman is in favor of the investment, but he would like the performance tracked and reported. Ms. Schuerman agreed and said that transparency is essential.

Ms. Karl remarked that it is prudent to be proactive. Ms. Schuerman commented that over the last three months over \$55K has been raised for the Majis Society with a target of \$135K, so there is early proof that this can be done.

Ms. Hauser is in favor if performance is tracked. Mr. Schwister commented that it must be a well-oiled machine, which measures performance and accountability. The management responsibilities should not be underestimated. Perhaps a two-step approach versus all at once could be considered to ease the ramp up. Ms. Schuerman commented that the new positions would allow other roles to flourish. Urgency is a driver as the donors that have lapsed may be lost forever. Other potential donors, if we cannot get to them, may never be recruited because the philanthropic community is so competitive. The monthly fully loaded cost for the two new additions would range between \$10,000 and \$11,000 per month. Mr. Kitz stated that the 5% spending policy could be leveraged at the start until the two additions could generate the incremental contributions.

Ms. Schuerman thanked the committee for their thoughtfulness, recommendations, and vetting.

There being no further discussion, on a motion by Mr. Eichelberger, seconded by Ms. Karl, the finance committee members unanimously recommend the proposal to add two additional advancement positions be recommended to the Board of Trustees for approval.

### **Finance back up discussion**

Mr. Kitz stated that NJA has exposure by not having a backup for some of the most mission critical roles covered by the Director of Finance. Adding a dedicated resource under the Director of Finance, would help with the wide breadth of responsibilities, that include finance, accounting, human resources, and Choice administration. Mr. Kitz opened the floor for discussion. Mr. Schwister asked what qualifications does the role entail. Mr. Kitz responded that he sees an accounting clerk that would spend time on the ledger system, paying bills, backing up payroll. The role would be part-time, three days a week, with an hourly wage ranging between \$20 to \$25. Mr. Eichelberger mentioned that based on his experience with the role, it makes sense to try out as part-time and then evaluate if fulltime is needed. Mr. Eichelberger commented that when he took on the Director of Finance role, the HR function was covered by a dedicated resource, which allowed him to focus on review of documentation. Mr. Eichelberger added that the HR function for camp is a major undertaking. Mr. Schwister commented that it makes sense to find more time for Mr. Torres to work on more value-added projects. Mr. Torres added that this role will need to be in-person, at least for the start, as it requires interaction with all school functions. Ms. Karl added that simply from a controls perspective, it is vital to have a backup.

Mr. Kitz requested that Ms. Schuerman and Mr. Torres create a job description and a financial analysis of what the incremental costs would be as the FY22 budget is constructed.

There being no further discussion, on a motion by Mr. Eichelberger, seconded by Ms. Hauser, the following motion unanimously adopted:

RESOLVED, that the President and Director of Finance are hereby directed to create a job description and a financial analysis of the incremental costs for the addition of a finance department support person, to be reviewed and approved by the Finance Committee and the Board of Trustees.

Meeting adjourned at 9:00 a.m.

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