

## **Finance Committee**

**KP: Karen Podsiadly**

**MO: Michael O'Brien**

**GA: Guy Arie**

**JK: Joe Klein**

MO: Okay. So we are recording now, and we can call this meeting to order.

GA: Okay.

MO: Basically, the agenda of the meeting is pretty straightforward. In attendance, we have Karen Podsiadly, chairman of the Board of Trustees. Joe Klein, a member of the Board, and Guy Arie, the treasurer of the Board of Trustees, and myself, chief operating officer, Michael O'Brien. And our purpose today is to review and come up with any questions and concerns we have regarding three financial documents. One of them being the 2018, 2019 financial statements and audits that have been prepared by Mengel, Metzger, Barr, and Company to review and approve our Form 990 for our 2018 tax filing so that we can sign that and submit that no later than May 15<sup>th</sup> of this year.

And then, finally, in talking with Digant, and Zaid, and Monita, the conclusion regarding a financial statement or any kind of a balance sheet or anything like that really came up as fairly moot points. All of that stuff has been zeroed out. What we did come up with is a fairly simple cash summary that says how much money the school currently has as of today, and then talks about the different expenses we see going forward, and give some magnitudes.

And what we did there to have that discussion is estimate, because that's all we can do, that if we had to keep things running for another six months, what would that look like and how much money would be spent, and how much money would be left over. The reason six months is chosen is because by the time I come off the payroll at the--by May 10<sup>th</sup>, and we finish filing our quarterly tax returns for payroll taxes and that sort of thing, that's not likely to get done until probably mid-July. So we will not be in a position to submit the petition until after we've submitted that. And then in good conscience, Karen and Alex can sign the affidavit that says, "Hey, we've paid all of our taxes and we're all caught up." So that's one of the things that has to go in with the petition. So that's what we're here to do today. And I'll open it up to anybody who has any questions, wants to make any statements, or anything like that.

GA: Do you want to go with them in order?

MO: We can certainly do that. Yep. Does everybody have a copy in front of them or?

GA: I can't open the--

KP: mmb. Password--

GA: --the last one.

KP: Password is mmb.

MO: Right. You need the password.

KP: Lowercase, lowercase.

MO: Did that work for you, Guy?

GA: Yep.

MO: Okay. So probably the one that we want to get through, and the order I think I put them on the agenda was, I think, it was the 990 first. Yeah, the 990 first. So we can pull it up, and I can put it on the screen and share the screen, or you all just kind of take a look at it and see what you have any questions about. I have gone through it a couple of times myself. Didn't find anything that caught my eye as being out of the ordinary.

GA: I've seen a version of it, too.

KP: Yeah. I didn't have any questions.

JK: Me neither.

MO: Okay. So someone want to make a motion on accepting the 990, approving the 990?

JK: I move to approve the 990.

GA: I second.

MO: Okay. All in favor?

KP: Aye.

GA: Aye. [Raises hand.]

MO: All opposed? That's zero. So, okay. So, Karen, you and I will have to work out how I--I'll print that off, and we'll work out where we can get to a place where you can sign it. Just get it copied and sent off. We'll do that over probably the next week or so, if that works for you.

KP: All right. So is it just printing off and putting in the mail?

MO: After you sign it, yes.

KP: Right. So what I was thinking is we don't even have to meet up. So if we could just get it out of draft form.

MO: Right.

KP: I can print it, sign it, and get it to the post office. That way--that's fine, because either way I've got to go out, so.

JK: I was told that there's legal ways now to do this online with the COVID thing.

KP: Oh, that would be even better.

JK: Yeah. And I was told there are, I don't know much about it, but I think there are ways even to notarize--have people notarize stuff online.

MO: Yeah. I haven't heard about notarizing. I've heard about signatures and things. And I think in this case, it's fairly simple and straightforward. I don't know that we need to go chase that down. I certainly wouldn't want to get in the way of just getting it sent off into the mail. I would mail it certified just to be sure that we had traceability on it, because--

KP: Yeah.

MO: --a couple things have gotten lost in the mail recently.

GA: But I thought you used DocuSign once. No? Or did we just talk about it? I don't remember.

MO: I used DocuSign a couple times for a couple of supplier contracts.

GA: Yeah. Okay. That would be the solution, right?

MO: It could be. And I can certainly look at it. But I think Karen's solution is just as viable, you know.

KP: Yeah. I'll search out which post office doesn't have a line and go to that one.

MO: True.

KP: I was in the post office--this is a side note. But the lady wasn't six feet away, and I was like, "Lady, could you get your six feet away?"

MO: Right. Right. You got to get your space.

KP: But I can manage that, so.

MO: Right. Okay.

KP: So if you just get it to me where it's out of draft form, then I'll go ahead and get it printed and signed.

MO: Okay. I'll take care of that.

KP: And I'll get it to the post office and get you the receipts for our records.

MO: Right. And then the only thing we're going to want to make sure of is we should probably get a paper copy of that.

KP: Uh-huh. Oh, yeah.

MO: Even though the records when we're all said and done, we'll submit the records to New York State Education, and then at some point, they'll give us permission to actually destroy the paper records. So we'll follow those rules.

KP: Yeah. Would it be easier for me to just sign it and scan it back to you?

MO: It could. Yeah.

KP: That will be easier for me.

MO: I mean, the 990 is only--it's a few pages.

KP: Yeah.

MO: It's not a ton. It's not as big as this financial statement audit report we have, so which is the next thing on our list. I, again, read through all of those reports. There were no conclusions and no findings. Any actions were relatively old. Probably from 2018 or further back, and it gave some status on those actions. And in most cases, the action was rendered moot by our dissolution.

So and other than that, I did not find anything that I questioned about their conclusions or their content. I did make sure, and I did this for the 990 as well. But I did make sure that we accurately reflected the final payments that we received on all the title grants and things so that everything was accurate. But that was the last correction that I had to make. So other than that, it was not that big of a deal. So comments.

GA: No.

MO: Okay. So then I'll bring it up with Michelle that we really didn't have any questions coming out of this Committee. I'll still ask her to come to the Board meeting so that if she wants to make some kind of a small presentation to us, I think I'll see if I can't get that pulled together, and just, you know, a couple of charts or a little bit of time to say, "This is what we did. This is what we find." And then we can say, "Okay. That's all good and accept it." And then they can issue it--they can only issue it in draft form until the actual dissolution.

KP: Goes out.

MO: So since that's a catch-22 with the dissolution date and issuing the final audit, that's where we're looking at talking to Ralph and Barb (ph?) over at SUNY to see if they find themselves wanting to look at our financial statements. Susan and Michelle are both fairly comfortable with sending the draft financial statements through 6/30/2019. Sending them to Ralph or anybody who wants to see them. Not posting them on Epicenter or anything like that. The only posting will be a final approved audit and financial statements, so. But if Ralph says they'd like to get a look at those finances and that statement, then we can send him a draft copy. And I don't think that's a bad thing to do. And we don't have to necessarily offer it up unless it becomes a subject. So, I think we'll be okay there.

Okay. And then, well, let's see the next thing we were going to talk about I had on the agenda here. This is the right agenda, right? No. That's the agenda for later. The last thing was to go through that cash summary report that I did send a copy of that out to everybody in an email this morning as well. It's fairly straightforward, and I tried to be as clear as I could be with the data that I gave Zaid when they put it all together. And as I was telling Karen before everybody signed on, we basically have money in the bank, and we're trying to project how much more money we would spend and for how long, because cash is our only asset. There really is no basis for any other kind of a financial summary.

So I captured all of the existing expenses that we have that we continue to pay here and tried to note which ones would end if we were to close the office. And the question on whether or not we can close the office when we submit the petition is on Ralph's desk right now. So he owes me an answer back on that. When we close the office, we can get rid of--we're trying to figure out if we can get rid of the liability policies, which we think we can. Certainly, workmans' comp will be gone. There'll be no more payroll taxes or anything like that, of course. And then the only thing that would be left in case is what's known as the educator's liability policy, which includes the E&O coverage for the Board of Trustees.

JK: It sounds good to me to keep that.

MO: Yeah. Absolutely. And the real question there, while we're on that subject, will be we can renew that policy for as long as we want. There's a couple of things that the broker is looking at for us. One of them is extending the claims made basis coverage, which basically would mean we could, as an example, say the policy terminates at the end of June this year. If we pay to extend the claims made period, we can extend it for one, two, or three years at percentages of the overall premium, but that would only cover any claims that were filed that had taken place prior to June 30<sup>th</sup> of this year, because we would have no insurance coverage for anything after June 30<sup>th</sup>. The other option is to just continue the policy in force so that we're covered, the Board is covered not only up to June 30<sup>th</sup> is covered. If we exist for another year somehow, the Board is covered for any claims that come up out of that that time period as well.

JK: I would like to continue it in force.

MO: Okay.

KP: Yeah.

JK: I think it's safer for us. We have the money.

MO: Right.

JK: Let's continue.

MO: Yep. Okay. You want to vote on that at the Board meeting then just so that we can keep it as part of that?

KP: Yes.

MO: Okay. That sounds good.

KP: Yeah. That's our recommendation to the Board, so.

MO: Okay. That sounds good. Yeah. And what that will really do is allows us to continue the policy. And if we get to 2021, then we need to keep going. We just continue the policy again. And then at any time when we do find ourselves able to cancel it, then there's a refund of premium for the balance.

JK: And I'd like to separate out some money just to make sure we can keep paying.

MO: Oh yeah. Yeah. I think we're going to have to put those things in reserve. And unless something magical happens and we get dissolved, the entity, the Board will continue on for a while. School will continue on until it's actually dissolved. So the coverage will be necessary. The ones I'm really looking to get rid of are all the liabilities, all the workmans' comp and all those other insurances.

And then as you can see on the spreadsheet, we've got, you know, 52 bucks a month on phones. Boy, I wish I would have found these guys a year ago. Oh, my gosh. Wouldn't be dealing with the other nightmare with TPS.

KP: Right.

MO: And then the rent, of course, it's a once a month-to-month, and they'll let us be here as long as we want to be here. And then we just tell them, "Hey, we're done." And they'll say, "Okay. It's been a pleasure, and we'll see you later." So I think that's all squared away, too. And then I tried to represent the cost of the educators liability policy going forward to \$5,300 a year. So we have an idea of what we're spending. And there really is outside of incidentals for--I would have to do things like pay for faxes and stuff. But those incidental expenses are the only other things we have to take care of.

KP: So the consultant that takes us through what June?

MO: No. So for me, for the consultant part, that would pick up starting in May and go through October. So that's the six months that I counted. May through October is the six months for all of those expenses that I just made the estimate. And I just took a guess. I have no idea how much time it may or may not take. It'll take a little more possibly as Susan and I clean things up and finalize stuff.

But after--if we can get it to the point where we're submitted, I see very little for me to keep doing up and until something starts to happen for the actual dissolution. I'm offering up that even if I've gone away and I've got some other job, and I'm doing other things, I'm certainly available to come back and help things get through the closure process and dissolution and be available to answer questions and all that other stuff, too. So that'll be at your discretion.

KP: Yeah. Okay.

GA: Well, it sounds good to me.

MO: Okay. All right, then I'll write the notes of what we've said, and then we'll have this recording as a record of what the recommendations were coming out. And I'll let you know where the recording winds up and how it winds up there, and all that sort of thing. Right now, it'll just be on this computer for the time being.

KP: So would the numbers for the insurance here change, and they will reflect those, to keep the policy in force?

MO: If I keep the policy in force for one more year, there's an exact number, but it's \$5,309 or something like that.

KP: Okay. And then the consultant, so like you said, once we get this settled, you and Susan work through this, and then let's say we have to call you back to kind of, once we get closer to the dissolution.

MO: Right.

KP: Does that number include like beyond October?

MO: It could definitely include. I mean, okay, so I picked six months. I said ten hours a month at \$75 an hour.

KP: So if you do less than that.

MO: If I do less than that, then--

KP: So we have that money.

MO: It's there.

KP: So I'm wondering, do we think we need to add more here just to have the estimate or do you think we'll be okay?

JK: I would be in favor of adding more, and also reserving up to three years of insurance. We can always at any point it closes down, send the money to the district, but I think for our own safety, and to make sure that we do things according to the state. I mean, right now, perhaps the state, other organizations, might take a while to get to what is for them not the most pressing thing.

MO: Oh, yeah.

JK: I think it doesn't hurt for us to be certain.

KP: I mean, we're estimating right now, Joe, by two years. Right?

JK: But I'd go estimate on the high side.

MO: Sure.

JK: Because we could--there's a possibility that the state will find wisely that there are other priorities than dissolve the school that's already--

MO: Sure. Sure. Well, we can certainly revise all of that and say we're going to hold a certain amount aside to cover two years of expenses if we want to say that.

KP: Yeah.



GA: This isn't about--we're not deciding here right now how much--

KP: No.

MO: No.

GA: No. Just looking at the status right now.

KP: Right. The status. Yeah. But do those numbers need to change? I guess, because we've heard from Susan that it could take up to two years or longer.

MO: Oh, yeah.

KP: So why put those numbers in here now.

GA: Yeah, sure.

KP: That's what I want to do is have it so we know, you know.

JK: Yes. Absolutely. And if it was two years before the virus, it could be three years now.

KP: Right.

GA: Yeah.

KP: So that's right we're not deciding, but I'd like to have the numbers sitting here just in case somebody does say, because there is going to be some shortage of money. They say let's get all these accounts because I guess there are several charter schools that are sitting out there with money. So you just don't know how--I don't know how things are going to play out, so.

MO: No, we don't. And Michelle's experience was that she had helped close schools from 2016 who are still not yet dissolved.

KP: Yeah. Yeah.

MO: So and we didn't go into why. So I don't know. If it's a highly complex solution, well, then, yeah, it will take a long, long time, but this is not complicated.

JK: So my suggestion is we over--we protect ourselves and segregate that money so we know if, I mean, if it took four years pre-virus, God only knows what would happen.

MO: Sure. Right. Right. So I can rework that cash spreadsheet to reflect--we can pick three years and say it could be as little as six months. It could be as much

as four years. And just say it's three years or I could just do a round, you know, this is how it runs out.

KP: I feel more comfortable as we go towards disclosure of the dissolution.

MO: Right. Okay. I'll get that modified and get it ready for the meeting on Tuesday.

KP: Okay. What else we got?

MO: You guys okay with me at \$75 an hour and recommending to the Board that that's doable?.

KP: That's the going rate.

GA: Is that competitive enough to other--I don't know.

MO: I don't know. I haven't found anybody who consults as a chief operating officer for a charter school.

JK: It actually--I can tell you that's very competitive. If you had said \$90, I would have said that's competitive. Seventy-five is very reasonable.

GA: No. That's what I meant. I thought that it's too low. Competitive, I mean--

JK: Yeah.

GA: --in terms of--yeah.

JK: It's lower than--I mean look at Digant, look at that guy Harry from Renaissance.

GA: Yeah.

JK: The going rate is 90 and up.

GA: Yeah, I think so too. I think that that's--can we--I think we should at least be competitive with Digant.

JK: Yeah. I agree.

MO: I don't know what he gets an hour, but. I mean--

JK: When we started, I think it was 90.

MO: Was it? Because we went to a yearly contract, and we just paid him straight out, a certain amount of money every month, so.

JK: There was over and above at a certain amount, and I'm pretty sure that was 90 bucks an hour.

KP: I'd say let's just go to 90 then.

GA: Yeah. Let's just go to 90.

JK: I hope your feelings aren't hurt, Mike, that we're disagreeing with you, but 90 would be--

MO: Not at all. It will probably drive me to drink tonight, but, I'll get over it.

KP: Rough life.

MO: Yeah.

JK: Yes. It is the anniversary of my father's death 20 years ago. So I will be having a nice Manhattan tonight.

MO: Awesome. Good deal.

GA: Yeah.

MO: Anything else that we need to talk about at this point?

KP: I think that's it.

MO: Okay. Then we'll close out the meeting and declare it closed.

[END OF RECORDING]