



Lawrence Family Development Charter School
34 West Street, Lawrence, MA 01841
978-689-9863

FINANCE SUBCOMMITTEE

Wednesday, January 5, 2022

REMOTELY – 5:30 PM

AGENDA

I. OPEN MEETING

II. BUSINESS ITEMS

- Minutes of November 3, 2021 LFDCS Finance Subcommittee Meeting – *Roll Call Vote Required*
- Financial Dashboard Comparison FY'2021 to November, 2022
- Health Insurance Expenses through November, 2021
- LFDCS Five-year Projection
- Financing Options for Acquisition and Buildout of Real Estate for Charter Expansion

III. ADJOURN

Documents Used:

Agenda for January 5, 2021 LFDCS Finance Subcommittee Meeting

Minutes of November 3, 2021 LFDCS Finance Subcommittee Meeting

Financial Dashboard Comparison FY'2021 to November, 2021

LFDCS Five-Year Projection

Health Insurance Expenses through November, 2021

Memorandum from C. Needham with Questions on Financing Options and Buildout of Real Estate for Charter Expansion

Lawrence Family Development Charter School

355 Haverhill Street, Lawrence, MA 01840

FINANCE SUBCOMMITTEE MEETING

Wednesday, November 3, 2021 - REMOTELY – 5:30 PM

MINUTES

Finance Committee Trustees Attendees:

Chris Needham, Treasurer

David DeFillippo

Jose Henriquez

Finance Committee Trustees Not in Attendance:

Lynette McRae

Joan Thompson

Others in Attendance:

Ralph Carrero

Susan Perry

I. OPEN MEETING

The meeting began at 5:35 pm.

II. BUSINESS ITEMS

• **LFDCS Finance Dashboard as of 10/28/21**

Susan Perry, Director of Finance, reviewed the FY'2021 and FY'2022 LFDCS Financial Dashboard (actuals to October, 2021 and forecast for the remaining of the year). She said salaries are down due to headcount, and we have about a dozen open positions. She then did a brief review of the LFD, Inc. financials for FY'2021 stating that we had a strong year with a \$500,000 in-kind stock gift to the non profit to be used for scholarships for LFDCS graduates and the forgiveness of the PPP loan.

Superintendent Carrero said that the new nutritional services program will bring in a revenue of approximately \$250,000 to \$300,000 per year.

Susan Perry will send Jose Henriquez an excel version of the dashboard to review.

• **Memo dated 11/3/21 re: Financing for Charter Expansion**

Chris Needham reviewed a memo to the Finance Committee that lists questions that need to be addressed by our lawyers and/or Enterprise Bank regarding acquiring a building for grades 7-8 due to the expansion. Some of the questions included in this memo were discussed.

A motion was made by Chris Needham; seconded by Dave DeFillippo to share this memorandum with the LFD, Inc. President in order to keep him in the loop on the process of acquiring a new building for grades 7-8 due to the expansion.

Dave DeFillippo - Yes

Lynette McRae – Not in attendance

Joan Thompson – Not in attendance

Jose Henriquez – Yes

Chris Needham - Yes

Motion passed.

• **Excerpt from LFDCS Charter Amendment Request re Real Estate**

Superintendent Carrero referred committee members to a copy of this excerpt that shows what was submitted to DESE when we applied for an amendment to expand the charter school.

• **Capital Plan from the LFDCS 2020-2021 Annual Report**

Superintendent Carrero referred committee members to a copy of the Capital Plan that was submitted to DESE in the LFDCS 2020-2021 Annual Report showing the plan to acquire another building for grades 7-8.

II. ADJOURN

A motion was made by Chris Needham; seconded by David DeFillippo for a roll call vote to adjourn the meeting.

Dave DeFillippo - Yes

Lynette McRae – Not in attendance

Joan Thompson – Not in attendance

Jose Henriquez – Yes

Chris Needham - Yes

Motion passed unanimously.

Respectfully submitted,



Recorder

DOCUMENTS USED

Agenda for November 5, 2021 LFDCS Finance Subcommittee Meeting

Financial Dashboard for FY'2021 and FY'2022

Memo dated 11/3/21 re: Financing for Charter Expansion

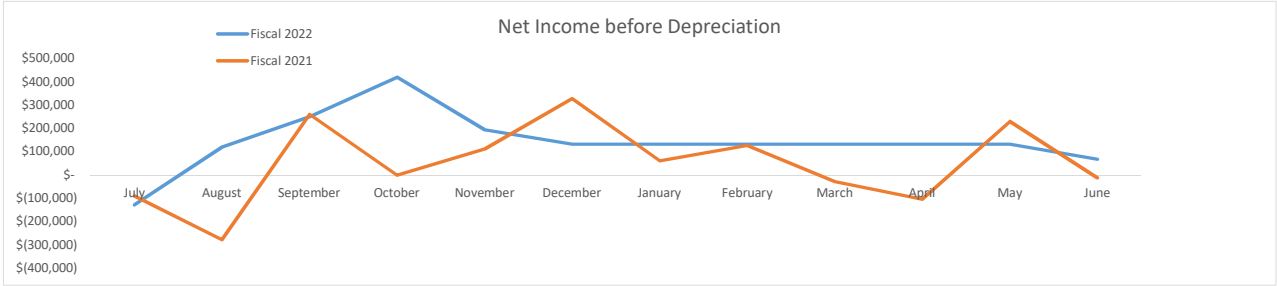
Excerpt from LFDCS Charter Amendment Request

Capital Plan from the LFDCS 2020-2021 Annual Report

School Year 22	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Year to Date	Previous Year	FY22 Budget	
	July		August		September		October		November		December		January		February		March		April		May		June					
Revenue 90% from state paid Tuition	\$ 676,800	\$ 405,952	\$ 766,013	\$ 412,634	\$ 1,473,551	\$ 1,327,052	\$ 1,545,887	\$ 1,338,007	\$ 1,360,243	\$ 1,221,226	\$ 1,424,129	\$ 1,174,630	\$ 1,424,129	\$ 1,099,969	\$ 1,424,129	\$ 1,992,295	\$ 1,424,129	\$ 1,214,719	\$ 1,424,129	\$ 1,237,033	\$ 1,424,129	\$ 1,383,866	\$ 1,360,171	\$ 1,155,625	\$ 15,727,439	\$ 13,963,006	\$ 15,870,475	
Expenses:																												
Salaries, Taxes, Benefits	\$ 280,490	\$ 148,754	\$ 287,551	\$ 380,740	\$ 756,307	\$ 721,725	\$ 667,381	\$ 1,038,727	\$ 771,557	\$ 712,065	\$ 846,215	\$ 470,818	\$ 846,215	\$ 749,291	\$ 846,215	\$ 1,564,563	\$ 846,215	\$ 808,531	\$ 846,215	\$ 963,245	\$ 846,215	\$ 762,034	\$ 846,215	\$ 728,671	\$ 8,686,791	\$ 9,049,161	\$ 10,065,581	
Administrative	\$ 219,624	\$ 76,512	\$ 139,491	\$ 97,340	\$ 176,037	\$ 105,826	\$ 124,299	\$ 80,213	\$ 123,433	\$ 108,555	\$ 113,791	\$ 99,479	\$ 113,791	\$ 87,497	\$ 113,791	\$ 84,313	\$ 113,791	\$ 97,325	\$ 113,791	\$ 126,054	\$ 113,791	\$ 87,738	\$ 113,791	\$ 94,691	\$ 1,579,420	\$ 1,145,543	\$ 1,365,497	
Instructional	\$ 128,266	\$ 97,960	\$ 22,301	\$ 48,824	\$ 30,368	\$ 44,168	\$ 46,937	\$ 29,192	\$ 29,852	\$ 46,183	\$ 79,500	\$ 64,131	\$ 79,500	\$ 13,357	\$ 79,500	\$ 42,124	\$ 79,500	\$ 86,107	\$ 79,500	\$ 49,095	\$ 79,500	\$ 84,008	\$ 79,500	\$ 112,286	\$ 814,224	\$ 717,434	\$ 954,000	
Student Services	\$ 4,992	\$ 192	\$ 14,206	\$ 291	\$ 87,471	\$ 17,502	\$ 78,995	\$ 16,920	\$ 68,858	\$ 50,738	\$ 50,667	\$ 16,309	\$ 50,667	\$ 21,714	\$ 50,667	\$ (22,661)	\$ 50,667	\$ 37,250	\$ 50,667	\$ 35,106	\$ 50,667	\$ 36,689	\$ 50,667	\$ 22,597	\$ 609,191	\$ 232,647	\$ 561,000	
Facilities	\$ 171,545	\$ 172,285	\$ 181,606	\$ 163,214	\$ 172,530	\$ 177,475	\$ 207,866	\$ 174,117	\$ 172,712	\$ 191,958	\$ 201,884	\$ 195,432	\$ 201,884	\$ 167,522	\$ 201,884	\$ 196,301	\$ 201,884	\$ 214,340	\$ 201,884	\$ 167,066	\$ 201,884	\$ 182,992	\$ 201,884	\$ 209,646	\$ 2,319,447	\$ 2,212,349	\$ 2,417,611	
Total Expenses	\$ 804,918	\$ 495,703	\$ 645,154	\$ 690,409	\$ 1,222,713	\$ 1,066,696	\$ 1,125,478	\$ 1,339,169	\$ 1,166,412	\$ 1,109,498	\$ 1,292,057	\$ 846,169	\$ 1,292,057	\$ 1,039,380	\$ 1,292,057	\$ 1,864,640	\$ 1,292,057	\$ 1,243,553	\$ 1,292,057	\$ 1,340,565	\$ 1,292,057	\$ 1,153,461	\$ 1,292,057	\$ 1,167,890	\$ 14,009,074	\$ 13,357,134	\$ 15,363,689	
Net Income before depreciation	\$ (128,118)	\$ (89,752)	\$ 120,859	\$ (277,775)	\$ 250,838	\$ 260,356	\$ 420,409	\$ (1,162)	\$ 193,831	\$ 111,727	\$ 132,072	\$ 328,461	\$ 132,072	\$ 60,589	\$ 132,072	\$ 127,654	\$ 132,072	\$ (28,834)	\$ 132,072	\$ (103,533)	\$ 132,072	\$ 230,405	\$ 68,114	\$ (12,265)	\$ 1,718,365	\$ 605,872	\$ 506,786	
Comments/ Grants Pipeline																												

Total 14% expense increase is relative to 11% income increase- larger expenses were IT infrastructre expense \$75k, transpotatio n expense, which did not occur FY21 due to pandemic.

Total 16% expense reduction due to lower headcount \$371k (even with 3 pay accruals), offset by increase in admin \$44k, Instruction \$17k, Participation service \$62k, Facilities \$25K.



	FY22	FY21
July	\$ (128,118)	\$ (89,752)
August	\$ 120,859	\$ (277,775)
September	\$ 250,838	\$ 260,356
October	\$ 420,409	\$ (1,162)
November	\$ 193,831	\$ 111,727
December	\$ 132,072	\$ 328,461
January	\$ 132,072	\$ 60,589
February	\$ 132,072	\$ 127,654
March	\$ 132,072	\$ (28,834)
April	\$ 132,072	\$ (103,533)
May	\$ 132,072	\$ 230,405
June	\$ 68,114	\$ (12,265)
Total	\$ 1,718,365	\$ 605,872



Lawrence Family Development - Charter School
Forecasted Costs - Actual vs Expected

	<u>Forecasted Costs Annually</u>	<u>Actual Costs Plan YTD</u>
Month	<i>through November 2021</i>	
Employees Enrolled		
Singles	42	51
Families	24	19
Aggregate Insurance Premiums ($\$15.13 \times 66$ employees enrolled)	\$15,316	\$13,814
Specific Premiums ($\$192.20 \times$ singles; $\$382.87 \times$ EE/Spouse; $\$338.85 \times$ EE/Child ; $\$575.07 \times$ families)	\$266,029	\$241,027
Health Plans TPA Fees ($\$48 \times$ employees enrolled)	\$43,200	\$40,533
Expected Claims	\$627,553	\$576,759
Total Costs	\$952,098	\$872,133
<i>Rx Rebates</i>	\$23,000	\$26,951
Net Costs	\$929,098	\$845,182
<i>Annual TPA Maintenance Fee</i>	\$3,000	\$3,000

Based on 66 enrolled the cost was expected to be \$14,077 per employee; the average enrolled is 70.75 with a cost of 14,792 so running a little higher than expected right now but not much.

Lawrence Family Development Charter School
Income Statements
(\$ thousands)

<u>Statement of Operations</u>	2021	Forecast	Budget	Variance to budget	2023	2024	2025	2026	2027
	Enter column		Enter column						
Revenue:									
Tuition	\$ 11,283,903	\$ 13,461,970	\$ 13,395,475	\$ 66,495	\$ 14,471,618	\$ 14,761,050	\$ 15,056,271	\$ 15,357,397	\$ 15,664,544
State nutrition and pension	\$ 1,025,336	\$ 985,799	\$ 988,000	\$ (2,201)	\$ 1,005,515	\$ 1,025,625	\$ 1,046,138	\$ 1,067,061	\$ 1,088,402
Federal drawdowns inc nutrition	\$ 1,418,819	\$ 1,168,971	\$ 1,100,000	\$ 68,971	\$ 1,192,350	\$ 1,216,197	\$ 1,240,521	\$ 1,265,332	\$ 1,290,638
Wood	\$ 37,500	\$ 77,463	\$ 80,000	\$ (2,537)	\$ 79,012	\$ -	\$ -	\$ -	\$ -
Non-grant/Fees/Interest	\$ 92,485	\$ 170,552	\$ 307,000	\$ (136,448)	\$ 173,963	\$ 177,442	\$ 180,991	\$ 184,611	\$ 188,303
Total Operating Revenues	\$ 13,858,043	\$ 15,864,755	\$ 15,870,475	\$ (5,720)	\$ 16,922,458	\$ 17,180,315	\$ 17,523,921	\$ 17,874,399	\$ 18,231,887
Operating Expenses:									
Compensation and benefits	\$ 9,080,860	\$ 8,267,061	\$ 10,065,581	\$ 1,798,520	\$ 7,993,026	\$ 8,372,090	\$ 8,149,459	\$ 9,536,306	\$ 9,857,587
Administrative Exp Category	\$ 1,145,543	\$ 1,166,766	\$ 1,365,497	\$ 198,731	\$ 1,190,101	\$ 1,213,903	\$ 1,238,181	\$ 1,262,945	\$ 1,288,204
Instructional Exp Category	\$ 717,434	\$ 633,834	\$ 954,000	\$ 320,166	\$ 646,511	\$ 659,441	\$ 672,630	\$ 686,082	\$ 699,804
Participant Services	\$ 232,647	\$ 623,359	\$ 561,000	\$ (62,359)	\$ 635,826	\$ 648,543	\$ 661,514	\$ 674,744	\$ 688,239
Facilities	\$ 2,331,925	\$ 2,032,237	\$ 2,562,811	\$ 530,574	\$ 1,986,501	\$ 2,024,971	\$ 2,064,308	\$ 2,104,521	\$ 2,145,621
Total	\$ 13,508,409	\$ 12,723,257	\$ 15,508,889	\$ 2,785,632	\$ 12,451,965	\$ 12,918,949	\$ 12,786,091	\$ 14,264,598	\$ 14,679,454
Change in Net Assets	\$ 349,634	\$ 3,141,498	\$ 361,586	\$ 2,779,912	\$ 4,470,493	\$ 4,261,366	\$ 4,737,830	\$ 3,609,801	\$ 3,552,433
Other income (expense)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pre tax Net Income/(Loss)	\$ 349,634	\$ 3,141,498	\$ 361,586	\$ 2,779,912	\$ 4,470,493	\$ 4,261,366	\$ 4,737,830	\$ 3,609,801	\$ 3,552,433
	\$ -	\$ -			\$ -	\$ -	\$ -	\$ -	\$ -

Lawrence Family Development Charter School
Balance Sheets as of December,
(\$ thousands)

Balance Sheets	2021	Forecast							2023	2024	2025	2026	2027
ASSETS													
Current Assets:													
Cash & cash equivalents	\$ 4,214,755	\$ 7,590,729							\$ 7,576,666	\$ 6,574,896	\$ 5,382,964	\$ 3,617,791	\$ 966,547
Accounts Receivables	\$ 163,341	\$ 233,341							\$ 234,741	\$ 236,169	\$ 237,626	\$ 239,111	\$ 240,627
Mortgage receivable	\$ -	\$ -							\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid expenses	\$ -	\$ -							\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 4,378,096	\$ 7,824,070							\$ 7,811,407	\$ 6,811,065	\$ 5,620,589	\$ 3,856,902	\$ 1,207,173
Capital assets, net	\$ 269,100	\$ 168,189							\$ 155,216	\$ 143,244	\$ 132,196	\$ 121,999	\$ 112,589
Other Assets	\$ -	\$ -							\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets	\$ 4,647,196	\$ 7,992,258							\$ 7,966,623	\$ 6,954,309	\$ 5,752,785	\$ 3,978,901	\$ 1,319,763
LIABILITIES AND EQUITY													
Current Liabilities:													
Accounts Payable	\$ 36,638	\$ 359,707							\$ 282,649	\$ 291,702	\$ 301,642	\$ 355,575	\$ 318,493
Accrued Expenses	\$ 637,651	\$ 518,147							\$ (3,900,923)	\$ (9,183,656)	\$ (15,132,951)	\$ (20,570,568)	\$ (26,745,058)
	\$ 674,289	\$ 877,854	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,618,274)	\$ (8,891,954)	\$ (14,831,308)	\$ (20,214,993)	\$ (26,426,565)
Long Term Debt & Capital Leases Debt	\$ -	\$ -							\$ -	\$ -	\$ -	\$ -	\$ -
Net Assets:													
	\$ -	\$ -							\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	\$ -	\$ -							\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	\$ 3,972,907	\$ 7,114,405							\$ 11,584,897	\$ 15,846,263	\$ 20,584,093	\$ 24,193,894	\$ 27,746,328
Total Net Assets	\$ 3,972,907	\$ 7,114,405							\$ 11,584,897	\$ 15,846,263	\$ 20,584,093	\$ 24,193,894	\$ 27,746,328
Total Liabilities and Equity	\$ 4,647,196	\$ 7,992,258							\$ 7,966,623	\$ 6,954,309	\$ 5,752,785	\$ 3,978,901	\$ 1,319,763
	\$ -	\$ -							0	0	0	0	0

Lawrence Family Development Charter School
Cash Flow Statement
(\$ thousands)

	2021	Forecast	2023	2024	2025	2026	2027
Changes in net position	\$ 349,634	\$ 3,141,498	\$ 4,470,493	\$ 4,261,366	\$ 4,737,830	\$ 3,609,801	\$ 3,552,433
Depreciation/Amortization	\$ 144,630	\$ 97,405	\$ 260	\$ (11,972)	\$ (10,975)	\$ (10,128)	\$ (8,597)
Cash (Loss) Earnings	\$ 494,264	\$ 3,238,903	\$ 4,470,753	\$ 4,249,394	\$ 4,726,855	\$ 3,599,673	\$ 3,543,837
Receivables	\$ (163,341)	\$ (70,000)	\$ (1,400)	\$ (1,428)	\$ (1,457)	\$ (1,486)	\$ (1,515)
Mortgage receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Assets	\$ (96,051)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable & Accruals	\$ 15,585	\$ 203,565	\$ (4,496,128)	\$ (5,273,680)	\$ (5,939,354)	\$ (5,383,685)	\$ (6,211,572)
Changes in Working Capital	\$ 250,457	\$ 3,372,468	\$ (4,497,528)	\$ (5,275,108)	\$ (5,940,811)	\$ (5,385,171)	\$ (6,213,087)
Investing activities, fixed assets and intellectual property	\$ (70,056)	\$ 3,506	\$ 12,712	\$ 23,944	\$ 22,023	\$ 20,325	\$ 18,006
Financing activities							
Debt & Capital Leases, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash provided by (used for) financing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net increase (decrease) in cash	\$ 180,401	\$ 3,375,974	\$ (14,063)	\$ (1,001,770)	\$ (1,191,933)	\$ (1,765,173)	\$ (2,651,244)
Cash & Securities, Beginning	\$ 4,034,354	\$ 4,214,755	\$ 7,590,729	\$ 7,576,666	\$ 6,574,896	\$ 5,382,964	\$ 3,617,791
Cash & Securities, Ending	\$ 4,214,755	\$ 7,590,729	\$ 7,576,666	\$ 6,574,896	\$ 5,382,964	\$ 3,617,791	\$ 966,547
Check	\$ -	\$ -	\$ -	\$ 0	\$ 0	\$ 0	\$ 0

To: LFDCS Finance Committee

From: Chris Needham

Date: November 3, 2021

Subject: Analysis/Questions/Next Steps for Financing of Additional Real Estate to Support Charter Expansion

Background As enrollment expands gradually from 800 students in FY2021-2022 to 1,000 students by FY2030, LFDCS will need additional space.

- Current plans suggest the additional space will need to be ready by the beginning of FY2027, i.e. July 1, 2026.
- The first step in the process will be acquisition of additional real estate for refitting and buildout, as early as during calendar year 2022.
- Buildout will then likely occur during FY2026 for completion by June 2026.
- Management's preliminary estimates suggest that approximately 48,000 square feet will be required with up to \$1,300,000 needed to acquire the property and up to \$200,000 needed for refitting and buildout with allocations between these two activities depending on the property.
- Management estimates that the aggregate cost of the project it will be approximately \$1,500,000 with up to \$200,000 for contingencies.
- We have been advised by counsel that since LFDCS is a public charter school, DESE requires that if we use excess cash reserves for anything other than working capital, we must use the reserves for capital projects, i.e. real estate and equipment.

Questions:

1. How much working capital (measured as current assets minus current liabilities) is appropriate for LFDCS to retain on its balance sheet (probably measured as a number of months of operations)? Anstiss & Co. suggested four months, but we need to circle back to them to understand this recommendation. LFDCS' current working capital balance is \$3.75 million.
2. If the working capital concern is mostly focused on potential delays in receipt of tuition revenue as occurred very briefly several years ago. Would the bank be willing to provide LFDCS with a committed line of credit secured by the receivables as an alternative way to bridge any potential liquidity gap; and can we do that type of financing as a special state entity with state receivables?
3. How much additional capital should LFDCS hold back to potentially support the guaranty of the bonds issued by LFD? This could be \$125,000 or perhaps one year of debt service.
4. If LFDCS decides it has excess reserves that could be applied to this real estate project, what would be the best structural approach in the context of a financing and lease by LFD to LFDCS?
5. Could LFDCS use its cash for real estate acquisition and architectural, engineering and/or professional costs and then fold those into a financing by LFD

for reimbursement, and/or would it be best to put together the financing at LFD in advance of the real estate acquisition, or some combination of these?

6. What is the long term financial outlook for LFD now?
7. Would the bank consider dropping the requirement for LFDCS to guarantee the bonds? How would that benefit LFDCS?
8. If LFD were to seek financing for this added real estate, what terms would the bank require and what would the interest rate likely be? Would a tax-exempt bond or a commercial real estate loan be better? This inquiry would be done in collaboration with LFD, as the primary obligor on the bonds.
9. Should LFD approach another bank or banks for an alternative bid?
10. Would a re-financing of the entire bond package potentially result in a lower lease rate on the existing or new property, or does that benefit only accrue to LFD?
11. What would the legal requirements be and what are the transaction costs to refinance the bonds? Could those costs be financed as part of the refinancing?