



KIPP DELTA PUBLIC SCHOOLS

CENTRAL OFFICE

415 Ohio Street
Helena-West Helena
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www.kippdelta.org

KIPP Delta, Inc.

Minutes of the Board of Director's Meeting

Date: November 17, 2009
Time: 5:01 p.m.
Place: KIPP Delta Public Schools
210 Cherry Street, Helena, AR 72342
Attendance: Andre' Valley and Chris Allen were present. Brent Black attended via conference call. Amanda Johnson, Jemar Tisby, Luke VanDeWalle, Ginny Blankenship, Anika Baltimore, and Matthew Colburn were also present. Princess Burnside took notes.

I. Introduction

Mr. Shirey called the meeting to order. Mr. Patrick Allen was also present as an audience member. There was not a quorum but no motions or votes were needed. The audit report was to be given.

II. Minutes from the October Board Meeting Minutes from Public Meeting

At this time, Mr. Shirey recognized Mr. Johnny Hudson, Senior Partner with Hudson-Cisne and Mr. Rami Kassissieh, accountant with Hudson-Cisne. They were to present the auditor's report to the Board.

Mr. Kassissieh started discussing the findings from the audit along with Mr. Hudson. Overall, things are good with KIPP Delta. There were two (2) audits prepared for the schools. One was GAAP regulatory basis, Generally Accepted Accounting Practices and Regulatory Accounting basis. A GAAP audit was prepared for KIPP. The GAAP is the normal regulatory basis for nonprofits. The Regulatory basis is the audit that the state requires and it includes the special reports. The special reports are available but were not discussed by Mr. Kassissieh.

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The first pages were the auditor's unqualified opinion. The unqualified is the best report for Financial Statements. The Financial Statements were discussed as pertained to assets.

The cash equivalents or restricted cash, any cash that comes in and is donor-restricted, totals \$418,000.00 and it is earmarked for capital projects. \$46,000.00 of this money was left-over federal revenue from the previous year. \$286,000.00 of this is the Walton Foundation grant for the transportation department. \$246,000.00 is also restricted for the start-up of the Elementary school from the Walton Foundation. This is basically \$996,000.00 in restricted cash.

Accounts receivable included about \$30,000.00 from the KIPP Foundation for the 4th quarter that is earmarked funds.

The pledges (\$544,000.00) increased last year when most money was for the completion of the gym. This year's new pledges included \$100,000.00 from the Charter School Growth Fund. This is to be used to monitor the school's growth and ensure the strategic plan of the school. This is a matching requirement grant.

\$394,000.00 is from the Calder Foundation. The total amount from the Calder Foundation is approximately \$447,000.00 but it will be received over a period of time. This was discounted to reflect the present day value of the grant.

Pledges can only be recorded if there are no conditions attached to it. Some of the pledges do have conditions attached in that the school has to match and raise a certain dollar amount to receive the pledge. \$3.6 million of these funds are included as a match and are outstanding.

Depreciable fixed assets had a net increase of about \$3 million dollars this year. The bulk of this is the gymnasium, the busses and modular buildings. These make up the depreciation of assets.

The majority of the liabilities include the payments to Nabholz for the construction of the gym. \$341,000.00 was the last

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amount to be paid on the gym. A new loan of \$1,000,000.00 from the Charter School Growth Fund is due in 2015. The accrued interest is figured in for a total of \$21,000.00 for the year. The long term debt for next year and year end is \$4.4 million and \$81,000.00 is due in the current year. The capital leases are for the school busses. Temporary restricted represents restricted cash.

The current assets are \$2.3million and the total liabilities are \$479,000.00. This is a good ratio for the school. Summing up the report, Mr. Kassissieh reported that the school is progressing and not in regression. The school is in great shape cash-wise for the upcoming year. The long term debt has been well-structured. Net-wise and book value are in good shape, also.

There was an \$851,000.00 decrease in contributions over the last year which is the equivalent of 38%. The national average is about a 22% decrease in contributions and the capital campaign for the gym is now over.

Some of the significant contributions this year included \$250,000.00 from the Walton Foundation, \$394,000.00 from the Calder Foundation, \$150,000.00 from the Gates Foundation, and \$100,000.00 from the Charter School Growth Fund.

The overall expenses are up this year due to student body and program increase. Income taxes result in uncertain tax positions that will be disclosed on next year. There were unqualified opinions audit reports issued for KIPP.

There was an opinion issued concerning the internal control over financial reporting. These were determined to be a significant deficiency and a material weakness.

There was concern about the segregation of duties issues of the different personnel. Mr. Shirey has access and control to APSCN and certain other accounting records of which he should not have control.

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There was no concern regarding the internal control over major programs. The same people have control over major programs as well as financial statements. In small organizations this is not uncommon.

Despite the issue on compliance, this was an unqualified opinion, meaning that there were no findings to report relative to major programs.

KIPP was determined to be a high risk auditee because there had not been an audit over major programs in the last two (2) years. The reason was that the school was not required to have this type of audit. That automatically made it a high risk. It will be a high risk next year as well because of the findings in the major programs category regarding the internal controls.

One of the items to separate is to have dual signatures on accounts or set a certain dollar amounts to clear potential errors. Also, there is a possibility of adding Mr. Colburn or the School Leaders, as long as they do not have direct access. This would help when the Blytheville school begins. Two signers on the account would help solve the control issue.

The credit card statements also need to have more receipts attached when credit cards are reconciled. This could present a problem as the organization grows.

Overall, KIPP is a growing organization and in good shape. However, there are issues that need addressing as the school grows.

At this point, there was a five (5) minute break.

When the meeting resumed, Mr. Patrick Allen had left the meeting and did not need to address the Board. Mr. VanDeWalle announced that Ryan Cunnings had been accepted into the Naval Academy. He would have more information at the next board meeting.

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Mr. Tisby reported that he had met Rev. Billy Kyles at the Civil Rights Museum. He is trying to set up Friday, December 11th for Rev. Kyles to come and speak to the students.

Mr. Shirey reported that KIPP had received a \$200,000.00 grant from EETT, Enhancing Education Through Technology. This is something that Jan Mitchell-Johnson and Ignacio Gonzalez wrote. Matt Colburn and Sarah Welker defended the presentation. This will enable SharePoint to go to the next level and coordinate between Helena and Blytheville.

Ms. Allen announced that Mr. Dixon had brought some KIPP students to the Ritchie Entergy plant on a field lesson. Ms. Wright announced that she has spoken to a potential teacher for next year as well as waiting to speak to another potential teacher later today.

Mrs. Johnson has an application for a potential teacher for next year. He is a former Teach for America teacher and has taught in the Elaine area next year.

Mr. Colburn reported that someone who will soon build a school in India would like to come and tour the KIPP model.

III. School Reports

A. Elementary Literacy Academy

Mrs. Amanda Johnson's report will be reviewed for approval next month.

B. KIPP Delta College Preparatory

Mr. Jemar Tisby's report will be reviewed for approval next month.

C. KIPP Delta Collegiate

Mr. Luke VanDeWalle's report will be reviewed for approval next month.

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D. KIPP Blytheville College Preparatory

There was no written report for BCP. The report will be given by Ms. Maisie Wright next month.

IV. Finance Committee Report

A. Expenditure Summary & Cash Flow Analysis-October

The Finance Report will be reviewed for approval next month.

V. Executive Director Update and Actions

A. Fundraising Updates

This was tabled until next month.

B. Facilities Update

This was tabled until next month.

VI. Other Topics of Discussion

VII. Adjournment

There being no further business, then meeting ended at 6:10.

Chalk Mitchell,
Board President

Scott Shirey,
Executive Director

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