

Career Academy of South Bend, Inc.
Minutes of Meeting of Board of Directors
March 23, 2012

Directors Present: Larry Garatoni, Steve Hartz, Vivian Sallie, Rob Staley, James Summers, Suzanne Wiwi
Absent: Tracy Graham
Also attending: Yolanda Turner-Smith, Charles Loeser, Bill Martindale

A meeting of the Board of Directors of Career Academy of South Bend was held at the school, 3801 Crescent Circle, South Bend, Indiana, at 7:05 am on March 23, 2012, pursuant to notice posted at the entrance to the building.

- A. Call To Order: Larry Garatoni presided and called the meeting to order.
- B. Minutes & Discussion of Prior Meeting/: Larry asked for approval of the minutes and the memorandum of the prior (February 28) meeting. Rob said he had some comments from reading the minutes of the prior meeting.

Concerning the discussion of a football program, Rob said that football is a very expensive way to start an athletics program, is that something the school intends to pursue? Larry said cost is certainly a consideration, so without a full understanding of costs, no decision will be made. Yolanda said some cost information has been collected, but she needs to look into the insurance question; this will probably be discussed at the next board meeting.

Rob asked about the discussion of possible conflicts of interest as to the lease or other transactions between SBCA, The Crossing and TAA; there was a suggestion in the prior meeting of a Governance Committee to deal with conflicts, is that going to be done? Larry said yes, Vivian will be heading that.

Rob said he was interested to see in Yolanda's report the high percentage of SBCA students who qualify for free and reduced lunch, which is higher than the percentage in SBCSC schools.

Rob asked about the discussion of a student who had been expelled, what happened to the student? Yolanda said the student did not want to attend The Crossing, or any school; he was enrolled in the National Guard "Challenge" program. Rob said he just wanted to make sure the kid was getting some sort of help.

Rob said there's a great opportunity from a meeting that The Crossing had yesterday with Bethel College, in which The Crossing's Kristie Cerling, who taught English and other subjects for several years at Bethel before coming to The Crossing, has been endorsed as an adjunct professor, meaning that students who take English with

her can get Bethel College credit. It's not free, Bethel charges \$50/credit, but that's much less than actually going to college. Since Kristie will be teaching at The Crossing at SBCA, this means SBCA students who are interested in getting college credit while still in high school could take English with Kristie. Yolanda said she'll let SBCA students know.

Upon motion duly made and seconded, the minutes and memorandum of the prior (February 28) meeting were approved.

Larry said that with the shortage of time and some pressing priorities, he wants to skip the initial items on the agenda for the time being, to first address some high priority matters, especially the financials/ budget and Yolanda's report; we'll get back to the other items if there's time (we need to be done at 8:45, so that there's time for a quick tour of the building before Vivian needs to leave at 9:00).

C. Tuition Agreement With The Crossing: Larry asked for board review of the proposed tuition agreement with The Crossing. Yolanda confirmed SBCA has referred several students to The Crossing. Rob said the tuition rates (\$5,250 for middle school students, \$4,750 for high school students) are a discount from The Crossing's standard rates for this area, in view of the lease & the strong relationship. Larry noted that the agreement is The Crossing's standard form, used with all schools. Rob pointed out that billing is on a monthly basis: payments are due only for when a student actually attends The Crossing. Upon motion duly made and seconded, the agreement was approved.

D. Financial Statements And Budget

1. Claims Approval. Bill presented the list of expenses paid (Claims Approval) since the last board meeting: \$244,938.69 in operational expenses in the period February 22, 2012 through March 16, 2012 (as sent with his March 109 email). This was the first month in which there no building improvement costs were paid. Items are listed by order of date paid. The report also shows the daily bank balance, including the March 15 receipt of \$91,288.06 from the state for the basic tuition grant and special education grant. On motion made and seconded, the report was approved.

2. February Financial Statement. Bill presented the February income statement, including year-to-date expenditures and variance from the approved budget. There were no particular surprises. Revenues were \$104,206 (including \$8,789 in textbook reimbursement, not a typical monthly revenue) and expenses before depreciation were \$255,113 (some of which is not typical monthly, such as payment of two months of health care expense and payment of the first installment of staff bonuses). The statement also includes a revised forecast for the rest of the fiscal year (April-June), with a comparison to the budget approved before the beginning of the year. The statement does not show the change from the prior forecast (a feature Bill plans to include in future months), which is considerable, since Bill realized he had under-estimated the remaining amount payable for completion of the build-out. That

won't affect the income statement (other than increasing the amount of depreciation once the project is completed), but has a significant cash flow effect. Larry noted that the amounts payable are consistent with the original agreement with Panzica Building Corp and the original \$13,000,000 total project cost estimate. Bill said that's correct, but his prior forecast did not include all the expected building completion costs. Charles asked if the statement/forecast reflected the recent notification from the IDOE that SBCA will receive a one-time grant of approximately \$300,000 as reimbursement for first semester operating expenses. Bill said that grant is not reflected in this document.

Charles commented that at the charter school finance presentation by Brian Anderson from BSU on March 20, there was discussion that the State Board of Accounts requires schools to prepare accounting records on a cash basis, whereas BSU requires charter schools to prepare accounting records on an accrual basis; furthermore, Mr. Anderson said that by the state's method of paying for each school year in arrears (monthly payments starting in January for the school operations started in the prior August), the tuition payment that a school receives each month is for the services provided six months earlier; so schools always have a substantial receivable from the state for services already provided. These financial statements don't reflect any such receivable, and it seems challenging to understand how one would report income on an accrual basis so as to comply with BSU's requirements.

Bill said it is definitely a struggle to understand how the school's financial statements are supposed to be presented, since the system for schools is so different from principles used in the business world, which are the basis for his experience and the experience of most accountants. For purposes of helping management and the board understand the school's finances, he believes accrual accounting is appropriate, but the payment system (both tuition and the Common School Loan) seems to be designed for measuring a school's financial stability on a cash flow basis. Consistent with that approach, this report shows the Common School Loan amount (\$582,218, shown on page 2) as revenue, but in normal accounting (accrual) terms, the CSL is a loan. Rob asked what's the determining factor whether the CSL will need to be paid back. Bill said as of now, it's a loan. Charles said it will need to be paid back unless there is future legislation forgiving that debt, but since it is so long term (20 years beginning in 2013, at 4%), the CSL is a lot like revenue for cash flow purposes. Vivian said the financial statements should show the CSL as a loan.

Rob said he knows many people involved in school finance in Indiana, and he's often heard other people express the same puzzlement as Bill. It doesn't matter how much business experience one may have, school finance is unique. Rob asked if Bill has found anyone experienced in school finance to provide guidance. Bill said not yet, but such help would be useful. Recently he was notified by the state that the "Form 9" report he had submitted was rejected for using "invalid accounts," meaning he will need to spend a lot of time revising past financial records to categorize items differently; as he sees it, the accounts which had been set up by his predecessor seemed to be

reasonable accounting practice, and the changes won't create any substantial differences in the financials from a normal accounting standpoint, so the changes won't accomplish anything, just considerable work to satisfy seemingly senseless requirements.

Larry said that since there's a CPA firm that's been retained by BSU to do audited financials for BSU-sponsored charter schools, we should contact that accounting firm for guidance on how to comply with SBOA, IDOE and BSU requirements. Yolanda said the firm is Fitzgerald & Issacs. Larry said we might also speak to Bookkeeping Plus, which we've contracted with for consulting service, and specializes in schools. Also, Larry said, if there are requirements that don't appear to make sense, such as having to keep a set of records on a cash basis and another set on an accrual basis, we might work with the charter school association and others to see if we can have the requirements changed.

Larry asked what is the average burn rate, i.e., funds needed for operations in excess of operating revenues received. Bill said February included some significant non-standard costs (extra health insurance and employee bonuses), it will be necessary to project an average month, with appropriate accruals; that will be done soon.

On motion made and seconded, the February financial statement/forecast was approved.

3. 2012-2013 Budget. Bill explained the draft budget includes projections not only for the expected number of students for the next school year (from 300 to 450) but projections at 600 and 700 students, which we clearly won't have next year, but is useful to consider for evaluating the long-term financial status of the school. The projections use the current tuition rate (\$6,173 per student per year). It's believed that the projected staffing for 300 students could be sufficient for up to 375 students. The TIF grant funding is excluded, since those funds are to be used for reimbursement of capital expenditures (partial paydown of loans from the Garatoni Family Foundation). The budget assumes all building improvements are completed and capital expenditures are being depreciated.

Rob asked what are the guiding principles as to staff-student ratio, which in his experience is the critical issue for any school budget. Rob noted that on the summary page with projections at various enrollment numbers, it shows 14 teachers for the current enrollment of 160 students and 18 teachers for an enrollment of 300 students – how can that be? Yolanda said many of the teachers have licenses allowing them to teach multiple grade levels and in some cases multiple subjects. Steve said the first year staffing was based on 300 students, so the current student-teacher ratio is considerably lower than it should be on a long-term basis. Rob said as a former superintendent, he knows that no public school could be financially feasible with the student-teacher ratio that SBCA has had in its first year (for core subjects, 11.4 students per teacher), but the ratio shown at 300 students, 16.7 to 1, is still very low, far too expensive.

Larry said Rob's points are valid. He (Larry) considered it ok to be highly staffed in the first year, with many unknowns to deal with, but in the long run, the school needs to be able to pay its operating expenses from its operating revenues. Perhaps the thing to do is to reduce the ratio to 20:1 or something close. Yolanda said next year she expects some teachers will be teaching multiple grade levels, and some classes may be combined, i.e., including students in more than one grade. Larry asked Suzanne what ratio her school uses. Suzanne said St. Joseph has 25 students per class. Rob said many public schools are going to 30 or 35, which he believes is too high; 25 would be sound, 20 would be better if affordable, but that would be very unusual.

Rob asked about how the teachers for art, music, foreign language and P.E. affect the ratios. Bill explained that adding those teachers lowers the ratio at 160 students to 7.6:1, or at 300 students to 11.4:1. Rob said those subjects should have bigger classes than core subjects. Yolanda said we could do that with PE but would have to amend the charter, since it says no classes will be at more than 25:1. The room for art limits the class size to 15 students. Yolanda said the music classes have been between 15 and 20 kids. Rob said in his experience, music classes can have 50 kids. Steve said he believes the school can't work financially with ratios lower than 20:1, meaning if there are 300 students, it should be possible to operate with 15 teachers.

Rob said what he does at The Crossing is hold off on hiring until he sees the actual student count, which isn't good for training and various other purposes, but is the only way to be financially prudent. Rob said it's also important to take into account that the ADM system is changing this coming year: instead of a single count day in September, tuition will be based on the September count day plus another count day in January, which is likely to mean more competition for students and fluctuation in student count during the year.

Suzanne said that with project-based learning, music and art shouldn't really be separate subjects, they should be part of projects including other subjects. Yolanda said that can work for middle school, but for high school, meeting Indiana's Core 40 standards requires having separate teachers for art, music and PE. Rob said he's familiar with that, which is a very counterproductive rule since combining subjects is a better educational method, but that's the rule.

It's certainly complicated & there are many considerations, Rob said, but he can't see how the school can be financially sound with a budget using this level of staffing. Larry said Rob's comments are well-taken, so rather than vote on this budget, he'd like Rob and Suzanne (the Academics Committee) to meet with Yolanda before the next board meeting to work on how the staffing plan might be revised so that the school can be more financially sound and still meet its educational objectives. Yolanda said the teachers know that they will be expected to teach classes of 20 to 25 students; that the ratios were a lot lower this year was not by design, although the need for extensive remedial help, especially to ninth graders, was a big factor.

Steve said he didn't think it could really be a problem from Ball State's perspective if there are occasional classes with more than 25 students per teacher, so long as the average is at 25:1 or lower. Yolanda said it is a problem: BSU would consider it improper if we have even a single class above 25:1. Rob asked if the charter is specific. Steve said his understanding is that the requirement is not on a class by class basis. Charles said while it's important to comply with the charter,¹ it might be appropriate to seek an amendment of the charter if that's what's in the best interest of the school. Larry said he agrees, we need to start by identifying what's feasible and best for the school. So the starting point is for Rob and Suzanne to follow up with Yolanda.

Rob said the high-level view is that unless enrollment in the lower grades goes up substantially, the school should trim the lower grade staff and build up the higher grade staff, operating on the assumption that it will probably take years before enrollment can grow dramatically. Further consideration of the budget was deferred until after Rob and Suzanne follow up with Yolanda.

E. School Leader Report

Yolanda asked for board approval for the school to host a conference for seventh to ninth grade girls on April 28, not only for SBCA students but other girls in St. Joseph County. A motion to approve the school hosting the conference was approved.

Yolanda explained the school has prepared a Parent Involvement project, which is required for schools receiving Title I (federal) funding, and is paid for by that funding. This is a complex subject, parent involvement is an important factor in maximizing student achievement, so there's reason that the project description is a 15-page document.² Rob said the description is impressive and the project is worthwhile, but this is a lot to do, who is going to be responsible for this? Yolanda said the school's social worker, Jessie Whitaker, is responsible for this program. A motion to approve the project was approved.

Yolanda reported that enrollment as of March 15 was 156, one higher than in February: there are five new students and four students have been placed by court orders to other institutions. There's been an expulsion, a ninth grade girl (age 16), who was drinking alcohol at the school; the school tried to transfer her to The Crossing, but she refused to come. Yolanda is trying to contact the mother about finding another place for the girl.

¹ SBCA's charter application states (Section F) that "The goal of the Academy throughout its existence is to keep classes at a maximum of 25 students." The charter (contract, Section 3.14) states that the school is to "comply with the personnel plan set forth in the Proposal at Section F."

² The description distributed to the board included an additional 4 pages, the statute requiring a parental involvement program, 20 U.S.C. 6318, to provide context for the program description.

Yolanda reported tardies are still fairly low, there's been a sizeable drop since late January, which shows the revised "Tardy Tank" system works fairly well. Rob asked that this is, Yolanda explained that student who is tardy is required to write an essay while staying in the tardy room, which counts for the class, but the student still needs to make up the work that is missed in the class. Rob said that's good, it's a common problem for "lock-out" systems for tardies to result in kids getting bored and dropping out of school completely, but it sounds SBCA is avoiding that.

Yolanda said a new staff survey has been started, she expects to have results to report at the next board meeting. Title I funding has been used to hire two new teaching assistants, one for math and one for English. Rob asked about the use of early dismissal days for the team leaders to be instructed on the Fred Jones Tools of Teaching, that's a great program, but how many instructional hours are being lost. Yolanda said for purposes of state requirements, none, since the early dismissal days include six or more hours of instruction, they're only "early dismissal" compared to SBCA's usual 5pm dismissal. Rob asked about the school starting a "teacher of the year" process, he questions whether that's a good idea, he's seen a lot of bitterness come from doing that. Yolanda said this is on a trial basis, with the selection by peers, but if it causes bitterness, it won't be done again.

Yolanda said she's requested "Intent To Return" confirmations from the staff (other than a few, who aren't being asked back), all but two have said they plan to return, for the two who aren't returning, the reasons appear to be personal.

Yolanda reported the first ISTEP tests (the applied skills tests) have been given, the next phase will be in about four weeks. An auditor from the IDOE came on the test day, which of course was a surprise visit, and concluded the test protocol was fine.

Eight SBCA students advanced to the Regional Science Fair at Notre Dame, one of them finished first there and will go on to the State Science Fair in Indianapolis.

Rob expressed approval of the description in Yolanda's report of a speaker coming in for "Real Talk" sessions with the seventh grade boys. Yolanda said it's had an impact, and there's a need for this type of program for these students.

Yolanda reported that an eighth grader injured his hand during flag football in February and does not have insurance other than Medicaid, which the hand specialist refuses to accept, so the family is asking the school for help. Yolanda has told the family that the school cannot pay for this, but she wanted the board to be aware of it. Rob said there is an insurance program available for schools covering sports injuries or in-school injuries, it's only \$7 per student with a \$100 deductible, The Crossing buys it for all its students, he recommends that SBCA do so. Suzanne said her school has a policy for that, it's secondary to the family's other insurance. Rob said that's what he's referring to, it's especially useful for students who don't have insurance. Yolanda said she'd follow up.

Yolanda the school will be starting its college credit program in the fall. To prepare for that, all the ninth graders (and the tenth grader) have submitted applications to IVY Tech and will take the Compass test; if they pass, they will be eligible in the fall to earn college credits. This isn't just for kids who are college bound, it's a step to vocational classes at IVY Tech. Steve said Vincennes doesn't require the Compass test.

Yolanda reported on the winter NWEA test scores by referring to the charts in her report comparing the winter scores to the fall scores. The first chart shows averages for each grade level, the second chart is limited to students who took the test both times. Reformating by subject, the fall-winter scores were as follows:

| | | Fall | Winter | Change | Returning vs. all |
|----------------------------|-----------|-------|--------|--------|-------------------|
| Math | | | | | |
| Seventh | All | 210.6 | 213.8 | 3.2 | |
| | Returning | 210.7 | 214.4 | 3.7 | + 0.5 |
| Eighth | All | 219.3 | 221.4 | 2.1 | |
| | Returning | 217.2 | 221.5 | 4.3 | + 2.2 |
| Ninth | All | 220.5 | 218.3 | (2.2) | |
| | Returning | 220.2 | 221.0 | 0.8 | + 3.0 |
| Reading | | | | | |
| Seventh | All | 203.6 | 205.1 | 1.5 | |
| | Returning | 204.6 | 205.0 | 0.4 | (1.2) |
| Eighth | All | 211.1 | 213.1 | 2.0 | |
| | Returning | 212.7 | 213.0 | 0.7 | (1.3) |
| Ninth | All | 208.9 | 209.3 | (0.4) | |
| | Returning | 210.0 | 212.3 | 2.3 | 2.7 |
| Lang Use | | | | | |
| Seventh | All | 202.8 | 209.6 | 8.8 | |
| | Returning | 203.0 | 209.0 | 6.0 | (2.0) |
| Eighth | All | 211.3 | 211.6 | 0.3 | |
| | Returning | 210.6 | 211.6 | 1.0 | 1.3 |
| Ninth | All | 209.5 | 214.3 | 4.8 | |
| | Returning | 210.7 | 215.5 | 4.8 | 0 |
| Gen Sci. | | | | | |
| Seventh | All | 201.9 | 202.7 | 0.8 | |
| | Returning | 202.3 | 203.3 | 1.0 | 0.2 |
| Eighth | All | 206.4 | 207.9 | 1.5 | |
| | Returning | 206.8 | 207.5 | 0.7 | (.08) |
| Ninth | All | 205.8 | 204.6 | (1.2) | |
| | Returning | 206.3 | 209.0 | 2.7 | 3.9 |
| Sci C/P³ | | | | | |
| Seventh | All | 203.2 | 202.2 | (1.0) | |
| | Returning | 204.2 | 202.0 | (2.2) | (1.2) |
| Eighth | All | 206.9 | 204.5 | (2.4) | |
| | Returning | 207.0 | 204.9 | (2.1) | (0.3) |
| Ninth | All | 205.2 | 205.0 | (0.2) | |
| | Returning | 206.6 | 208.9 | 2.3 | 2.5 |

³ Science – Concepts & Processes

Yolanda noted some of the scores declined, which is not unusual. Some of the results were excellent, especially math scores for returning seventh grade (3.7) and eighth grade (4.3) and language usage scores for seventh grade (8.8/6.0) and ninth grade (4.8). Science scores were only moderately up for General Science (with the ninth grade average down) and generally declines for the Concepts & Processes component.

Larry asked that for future purposes, the data be presented with line graphs showing the change for each grade and subject from the first test to the next.

Rob commented that winter NWEA testing is considered less reliable than the fall and spring tests. He suggested that baseline testing be given on the first day of the year. Yolanda said the school does that, but for reporting purposes, the tests need to be on certain dates.

Larry asked what the school is doing about the scores that went down. Yolanda said she and her staff have doubts whether the science scores are valid. Those tests were given on a day when the students took two standardized tests: NWEA in the morning and Acuity in the afternoon, which could easily lead to students having negative attitudes. Also, some of the students were taking NWEA science for the second time, since there was a mistake when they were first administered (the wrong tests were given), which again could be a major attitude problem. Rob said it's a big problem in testing that kids can be turned off and not do their best. Larry said it's not surprising that this might lead to problems; so does the school believe that the science teachers are doing a good job? Yolanda said yes, based on the students' classwork, as well as their science fair success. Larry asked if the tests are leading to the school doing anything different. Yolanda said there's a review underway to determine whether the material for which the students scored poorly (especially science concepts & processes) has been appropriately covered in classes.

Rob said that testing fatigue is such a problem that The Crossing has found that by cutting back the number of tests given, better results are obtained.

Larry asked if there's anything the school should be doing to try to meet its goal of having the highest academic growth rate in the state, as measured by the spring tests. Yolanda said the current focus is on preparation for the ISTEP in the spring, but she's going to think about NWEA also. Rob said test scores will be crucial for marketing purposes.

Charles asked if there's a process underway to decide if the scores tell us anything meaningful about the teachers and what's going on in the classes. For example, on the face of it, it looks like seventh & eighth grade math is going very well, but ninth grade not so well. Do we believe that? If we do or don't, why? Likewise, language usage scores are great for seventh and ninth grade, not for eighth. Why?

Suzanne said there may be more catch-up to be done for ninth grade math, since they're expected to enter with higher skills (pre-algebra). Rob said the time between the fall and winter tests is not long enough to get a good measure.

Yolanda said it's important to remember that even in the areas where the growth was good, these scores are significantly below national norms for every subject and grade level. Suzanne said the portion of the ISTEP requiring writing is likely to be especially difficult for students who are less prepared; the process of preparing to write an essay is a skill that needs to be learned, but many kids have never learned. Suzanne added that going forward, it would be useful to do our own assessments with similar exercises, so that we know what to expect when standardized tests are given.

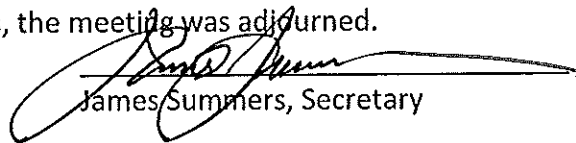
Rob suggested that Yolanda take some time before the next board meeting to review the test scores in more detail, analyzing those with good increases and those with little or no increase, to give the board an assessment of what can be concluded from these scores. There may be explanations, the test results may not be meaningful, but that's the type of analysis that needs to be done. As devoted as we are to action plans, we should aim for an action plan based on the NWEA scores. Larry agreed, and noted that the time before the meeting needs to close is almost out, is there anything else in the report that Yolanda feels should be covered. Yolanda said no.

Suzanne moved that Yolanda's report be accepted, and the motion was approved.

F. Other Business. Charles asked if it's the intent of the board that the leases (TAA and The Crossing) are ready to be signed. Yolanda said yes, that was decided last month.

Larry asked Vivian if we should deal with her Governance Committee proposal this month. Vivian said that can wait until next month, but should be done. Charles suggested that the Governance Committee take the action of following up on the board policy and self-assessment documents, which we don't have time to consider today. Larry asked Vivian if she's willing to head the Governance Committee, and who she'd like to have on the committee with her. Vivian said yes, she'll head the committee, and she'd like Charlie to be on it. Larry suggested the committee come back at the next meeting as to the governance documents, and in the meantime, if anyone has suggestions, please forward to Charlie and/or Vivian.

There being no additional business, the meeting was adjourned.


James Summers, Secretary

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