

Career Academy of South Bend, Inc.
Minutes of Meeting of Board of Directors
November 28, 2012

Directors Present: Larry Garatoni, Tracy Graham, Steve Hartz, Rob Staley, Vivian Sallie,
James Summers
Absent: Suzanne Wiwi
Also attending: Yolanda Turner-Smith, Andrea Popielski, Ken Horvath, Mark Norris,
Charles Loeser

A meeting of the Board of Directors of the South Bend Career Academy was held at the school, 3801 Crescent Circle, South Bend, beginning at 7:05 am on November 28, 2012.

- A. Call To Order And Scheduling of Next Meeting: Larry Garatoni presided and called the meeting to order. The next meeting was scheduled for January 16, 2013 at 7am.
- B. Minutes: The minutes of the prior (September 28) meeting were approved.
- C. Introduction of Ken Horvath. Larry introduced Ken Horvath, who joined SBCA six weeks ago as Business Manager, replacing Bill Martindale (who left to take a position nearer his home in Michigan).
- D. Crossing Relationship/Agreement. In preparation for discussing SBCA's financial forecast, Larry reviewed SBCA's relationship with The Crossing, which has three elements: (1) a relatively small number of students who begin at SBCA and transfer to The Crossing, in many cases temporarily while overcoming a problem. For these students, SBCA receives tuition from the State and pays The Crossing \$550/month for students during their time at The Crossing. This is the same relationship that The Crossing has with public schools for all its operations. There are currently 12 such students. (2) as previously approved by the Board, SBCA has enrolled other Crossing students who begin and are expected to stay at a Crossing school. This is an accommodation to The Crossing since The Crossing is not eligible for tuition payment from the State. For these students, SBCA's agreement with The Crossing is to pay 90% of what's received from the State. As of 11/15/12, there are 41 such students. (3) The Crossing has leased space in the SBCA building, but has decided to vacate that space since students prefer the new Crossing campus at the Kroc Center, so The Crossing is requesting that the lease be canceled, to which the board (Larry & Rob abstaining) agreed.
- E. Financial Reports. Ken reviewed the Claims/Daily Bank Activity reports for September 24-October 21, showing expenditures of \$372,088.47, and for October 21-November 21, showing expenditures of \$525,321.46. The reports were approved.

Ken explained how actual expenditures to-date (through 10/31) for the 2012-13 fiscal year compare to the budget forecast. Salaries are over budget due to five additional hires, benefits are under budget, and building costs are somewhat higher. The October cost for

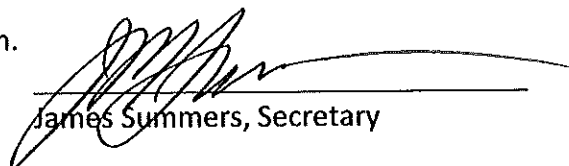
supplies exceeded budgeted cost since purchases for Project Lead The Way hadn't been included in the budget, but that is not really a monthly cost: PLTW supplies are used throughout the year, but the entire cost was booked in October due to school accounting principles (cash vs. accrual). Starting in January, the school will receive a substantial increase in revenue since tuition will be based on the September 2012 count (340) rather than the September 2011 count (146). Forecasted adjusted net earnings for the year are a loss of roughly \$74,000, which Ken said is not bad for a start up with a budget of nearly \$2M. Ken noted the school needed an additional \$70,000 in funding from Larry in October but the forecast is that no additional borrowing will be necessary for rest of the fiscal year.

Tracy asked when is it expected that the school will be financially independent. Larry said that depends primarily on two factors: enrollment plus the student-staff ratio. Rob said for school finance, the ratio is the key variable, his experience at The Crossing is that the ratio ultimately needs to be limited to what is necessary for a school to be able to meet expenses. Larry said that the school has been in a start-up mode so far, but it's now time, as the 2013-14 budget is prepared, to plan so that the school can meet its expenses with the available revenue. Ken stated a margin analysis is necessary for purposes of the 2013-14 budget, but he expects the school will be able to meet expenses with enrollment in the mid-500 range at an appropriate staff ratio. Upon motion made and seconded, the October financial report and forecast was approved.

Larry asked for approval of \$7,000 for a consultant, Barb Spice, to help with the school's formulation of a teacher evaluation system. The request was approved.

F. School Leader Report. Yolanda distributed a written report including the customary student demographics, showing 67% of SBCA students qualify for free and reduced lunch. That demographic is a consideration in understanding the school's "failing" grade, both as a middle school and high school, based on last year's test scores and various factors (such as the school not having any graduates at this point). Rob said the "grade" will be an issue in marketing: the public doesn't understand how the grading system works or why it's difficult for a start-up to do well. Larry said the school needs to market based its strength, and while the official grade is an issue, that shouldn't be the main concern; for example, while we knew that adding so many new students this year would make the data harder to improve, growing the enrollment was the right approach; the data will improve as we reach the point that most of our students have been with us for years. Yolanda said while that's true, the test data shows that this year's seventh grade is the strongest SBCA class to-date, which is a good sign for the future. She added that for marketing, word of mouth matters more than anything else, as detailed in last month's report. For example, many of the students love the construction tech class and talk about it to their friends, as we can tell from inquiries we receive.

The meeting was adjourned at 8:40 am.


James Summers, Secretary