



DISCOVERY CHARTER SCHOOL BOARD OF DIRECTORS

SPECIAL MEETING OF THE BOARD OF DIRECTORS DISCOVERY CHARTER SCHOOL

**Virtual Board Meeting
Tuesday, May 5, 2020
6:30 P.M.**

MINUTES

I. CALL TO ORDER

President Spieler called meeting to order at 6:42pm

a. President Spieler established the existence of a quorum, with the following members present:

Present: Mr. Spieler, Ms. Lee, Ms. Sanchez, Ms. Eagle, Mr. Foisie

b. Network connections confirmed working by President Spieler

c. Approval of Agenda

On a motion made by Ms. Eagle, and seconded by Ms. Sanchez,

The Board moved to approve the May 5 agenda. Motion 5-0-0. Aye: Mr. Spieler, Ms. Lee, Ms. Sanchez, Ms. Eagle, Mr. Foisie.

d. Pledge of Allegiance was led by President Spieler.

e. Establishing rules of order - President Spieler reminded public to keep microphones muted and video off. Raise your hand virtually or post onto virtual chat.

II. OPEN SESSION

a. PUBLIC COMMENTS

No public comments at this time.

III. ACTION / DISCUSSION / INFORMATION ITEMS

Discussion and action concerning status of the Paycheck Protection Program Loan (PPP)

Discussion open with review of Ms Koren's (EdTec) email to Ms. Perry summarizing guidance from The Small Business Administration (SBA), our law firm (Young, Minney & Corr LLP) and other information concerning Paycheck Protection Program Loan (PPP) fund eligibility. Reference to FAQ#31 indicates that an applicant must certify that they have an ongoing financial need. An organization will need to review if they are qualified to receive the PPP. Any charter organization should clearly document economic uncertainty. If Discovery chooses to accept the PPP loan we will need to document our case and that currently is up for interpretation, however; we need to answer such questions such as: "What are our financial circumstances?" and "What is our financial uncertainty?"

The Board took a 5 minutes break to review an attorney-client privileged communication document sent by our attorneys to Ms. Perry and President Spieler.

Ms. Koren informed the board that EdTec is currently assessing the changing situation and that the deadline for acceptance to give back the PPP Loan was moved back to May 14 to give organizations time to review changing information and to reassess.

Discussion turned to how to assess our financial status. We are a 501(c)(3) no profit and our organization has two schools however the finances/budget is one. Our cash reserves and cash balance are an essential part of our business. Ms. Koren informed us that charter folks are making a case that reserves are for regular use, and not for emergencies. Ms. Perry informed us that we would burn through our cash in 2-3 months. The board inquired if there had been any changes in our financial status from April to May. Ms. Koren responded that at the time we submitted for the PPP, there was no information from the state in regards to our payments, state cuts or deferrals. As we are aware many charter schools are operating with lower state payments, and now we have lost revenue streams, and fundraising opportunities. Current and future dichotomy is extremely uncertain for the next 18 months.

The PPP Loan is intended to cover payroll, rent, and employee benefits – the loan calculation was determined by the information we submitted. Board wanted to look at finances and base our decision to accept the PPP loan on the financial data. Knowing what our shortfalls are or possibly will be crucial. There was concern about what state funding would look like next year, and what our numbers look like for such items as fundraising, Prop 39 funding, and additional revenue streams. What the board does know is that the current COVID situation has halted fundraising events and donations to Annual Fund are low, Prop 39 funding will be lower next year, our daycare is closed and there will be no summer school. It was pointed out that we have managed our finances well, but we still have a 98K gap in our yearly state funding, and EdTec is estimating a 400k-500k loss for both schools this year. Liquidity is an issue.

The Board inquired of Ms. Koren to know where Discovery fell in the spectrum and what other charter schools were doing. The Board was informed that Ms. Koren had not heard of any charter determining not to take the PPP loan at this time. The question is if an organization makes a certification in good faith, what are the risks for being accessed of fraud? At this time, this isn't clear.

Ms. Perry was asked if we need the PPP loan. Ms. Perry answered, that we do need the loan. Originally some employees were furloughed, and then the Board determined to pay employees until the end of May, but the board needs to be aware that our balance is not being funded and we are operating at a loss. Ms. Koren stated that due to our initial operation plans and given the unknown we need to make a business decision to save our schools. The very real issue is can we survive the next 5 years? Enrollment and ADA will also be issues as parents may opt to keep kids home. Currently our admissions pipeline is full, but this could change and have very serious consequences.

It was determined that at this time that it is too soon to make a determination concerning the PPP loan. The Board would like to meet after there is an opportunity to review our finances, and whether or not more guidance would be issued prior to the deadline. A determination was made to postpone a decision until May 12 to have more review and discussion concerning PPP loan and our finances.

IV. ADJOURN

The Board adjourned without objection at 7:53pm