

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

Directors Present: Larry Garatoni, Tracy Graham, Vivian Sallie, James Summers,
Absent: Rob Staley, Suzanne Wiwi
Listening by phone: Steve Hartz
Also attending: Yolanda Turner-Smith, Charles Loeser, Kelly Nichols, 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 7:10 am on February 28, 2012, pursuant to notice posted at the entrance to the building.

A. Call To Order: Larry Garatoni presided and called the meeting to order.

Larry explained that before starting the items on the agenda, the board will hear from students who are requesting that the school start a football program.

Steve Kolowski introduced himself as a sophomore at SBCA and presented a petition signed by 30 students in support of having SBCA start a football program. He said three teachers have volunteered to coach. He's investigated the cost of equipment, which would be \$20,000-\$40,000 for player equipment (total cost would be more). The students will approach local businesses for financial support. Larry asked if there's an estimate of total cost. Yolanda said the students haven't looked into that, but the total will also include weight room equipment, dummies for practice tackling/hitting, and more; altogether it's \$80,000 to \$100,000. Larry asked if there's a field near the school that could be used for practice. Steve and Yolanda said there are some possibilities, but there haven't been any discussions with property owners. Larry asked if the intent is to start a program in fall of 2012. Yolanda said realistically, with all that needs to be done, it would be fall of 2013. Tracy asked if there's been any investigation of insurance. Yolanda said there's been some, but it's incomplete. Tracy asked if the estimated cost includes any compensation for coaching. Yolanda said no, this would be done on the basis of the PE coach (who has experience coaching football) volunteering. Vivian said she'd like to see a football program, but the board needs to see a detailed proposal. Steve said he would work on this more and would be back with more details. The students left the meeting. Tracy said it would be useful to see a written proposal before the students come to another board meeting, so that if the proposal doesn't include matters that the board considers necessary, we can let them know.

B. Records & Review of Prior Meeting: Larry asked for approval of the minutes and the memorandum of the prior (January 24) meeting. Upon motion duly made and seconded, the minutes and memorandum were approved.

C. Mortgages on school property: Larry explained that, as he'd said in his February 3 email to the board, he realized after the January meeting that he'd forgotten that the school's mortgages securing its loans from the Garatoni Family Foundation and from him had already been executed and recorded. So the board needs to decide whether to approve them as recorded, or have them revoked and then considered for approval. Tracy moved to approve the mortgages as recorded. Vivian seconded the motion, which was unanimously approved.

D. Lease For The Apprentice Academy and

E. Lease For The Crossing

Larry explained that the proposed leases are very simple in view of the close ties between the three organizations, i.e., the SBCA board is also the board for The Apprentice Academy (we'll use "TAA" rather than "AA" in future), and there's a strong connection with The Crossing, with Rob heading that organization and Larry being the head of the board of the local Crossing's affiliate which will be the tenant. The leases are consistent with but don't cover all the details of the discussion between the three organizations about sharing the building and working together, as summarized in Larry's February 15 email, which he distributed. The leases say that the tenants (TAA and The Crossing) are responsible for maintenance of their exclusive space and the landlord (SBCA) will be responsible for the rest of the building, but the planned arrangement is more complicated. What the tenants will be responsible for is cleaning and housekeeping; building maintenance and repairs will be the responsibility of the landlord. In fact, since TAA will teach courses on building maintenance, the instructor for that course will have considerable expertise, and is the logical person to do it. Since the maintenance of the building should be the landlord's responsibility, TAA will make its building maintenance instructor available to SBCA for this on an at-cost basis. The TAA lease refers to that, there's nothing in The Crossing's lease about it.

James asked if the rent is discounted based on TAA providing that service. Larry said no, the rent is calculated based on \$5 per square foot (rounded), which we believe is a fair market rate. Vivian asked if there might be a need for outside expertise. Larry said that's possible, but the intent is that TAA will have a great deal of expertise, even considering the rather complex systems of the building. Vivian asked what's the arrangement for landscaping. Yolanda said that's handled by SBCA through a contractor.

Tracy said perhaps there should be a method of review of potential conflicts of interest in view of the ties between the three organizations. Vivian suggested this might be done through a Governance Committee, including people who are not on the board. Larry asked Vivian to take the action of coming up with a proposal for dealing with potential conflicts of interest as to the leases and for all other transactions between the organizations.

Vivian asked how are simple maintenance issues, such as replacing light bulbs, handled now. Yolanda said the school has a contract with Integrity Commercial Cleaning to do janitorial service & do light maintenance, but the intent is that the contracted service can be reduced when the school has a full-time maintenance employee (the TAA building maintenance instructor is to an employee of SBCA; TAA will pay SBCA for his services as a teacher for TAA). Although the tenants are to be responsible for housekeeping for their leased space, the SBCA maintenance staffer will inspect the leased areas on a regular basis and will be responsible for seeing to it that all areas of the building are in proper condition (if a tenant fails to take appropriate action, there may be a charge for SBCA taking action that is the tenant's responsibility).

Tracy asked what is the financial relationship for students transferred from SBCA to The Crossing, does that mean that The Crossing will receive the state tuition payments that otherwise would have gone to SBCA for those students? Yolanda said no, that's not how The Crossing operates; those students will still be considered as SBCA students for which SBCA will receive payment from the state, but SBCA will pay tuition (less than the full tuition from the state) to The Crossing. This is done only for students who are not an appropriate match for the service that SBCA can provide (in some cases, students who would otherwise be expelled). The relationship is basically the same as The Crossing's relationship with South Bend Community Schools Corporation and other public school systems (there are some difference in tuition rates). The Crossing acts as a subcontractor for other schools, providing "alternative education" services that other schools cannot provide (such as extensive counseling, with a very low student-teacher ratio), with the goal of turning students around so that they can return to the mainstream school. Charles commented that the Crossing has a standard contract with other schools, there's not a signed contract with SBCA yet but that will be done soon, subject to board approval. James asked if there is a similar arrangement for students who may start at The Crossing and transfer to SBCA. Yolanda said that is different: SBCA will never be a subcontractor for The Crossing; those students would be fully transferred and would be SBCA students rather than Crossing students.

Vivian asked about the statement in Larry's February 15 memo about using a single insurance agent, Tom McGovern, for SBCA and TAA. Larry explained Tom is with Old National Insurance; legally it's the firm that's the agent. Charles explained Tom has been asked to review the existing TAA insurance and advise as to the sufficiency of the coverage in preparation for TAA's move to the SBCA building.

Tracy moved for approval of the leases with TAA and The Crossing. James seconded the motion, which was unanimously approved.

F. Business Manager Presentation: Larry explained there's been considerable progress on a budget for 2012-13 but there was more that needed to be done for it to be presented to the board, so that will be at the next meeting.

Bill asked if there were any questions about the Claim Approval document, listing expenditures subsequent to those approved at the last meeting (\$191,325.98 for school operations, \$597,797.00 for building and equipment costs), and showing the school's checking account balance day by day for January 18-February 21. There were no questions; upon motion duly made, the claims were approved.

Bill explained the other document he prepared starts with a profit and loss statement for the school from July 2011 through January 2012, with July-December shown separately from January (the school began receiving tuition payments from the state in January). Based on this history and what he knew of the school's operations, he also prepared a forecast of revenues and expenses for February through June, 2012 (showing variance from the school's budget as approved in the summer of 2011), including what the school's balance sheet would be as of 6/30/2012 based on the forecast.

Bill explained that at upcoming board meetings, he will present financial statements in this format, each time including an additional month of historical data and modifying the forecast for the remainder of the year to reflect what's then known, and showing how the forecast has changed. The majority of the expenditure to this point is of course the building project. Larry commented that there's about 1.2 million remaining to be paid for the building, including retainage.

Larry said Bill has done a great job getting the school's financial statement into this format, especially considering the lack of organization of the data he inherited and the limitations of the school's financial software, which is designed to meet the requirements of the State Board of Accounts rather than creating financial statements as businesses normally do.

Tracy asked what is the source of the \$798,000 shown as private donations. Bill said the majority of that is from the Garatoni Family Foundation and Larry. Tracy asked if those are donations or loans. Larry explained the financial support that he and the foundation have provided has been primarily by loans, but a significant portion has been by donation, as these figures reflect. Bill said the amounts provided as loans are shown on the school's balance sheet as loans.¹ Tracy asked if the \$75,000 in interest expense for July-January is for these loans. Bill said that includes the interest on these loans, which are at 1%, as well as interest on the \$750,000 note from the seller of the building, which is at 7.25%. Larry asked what the term of the seller note was. Charles said the note amortizes over ten and a half years, but is due in full on the seventh anniversary of the purchase, which was April 21, 2011.

¹ The balance sheet (page 4) shows loan balances as of January 31, 2012 of \$5,072,197 owed to the Garatoni Family Foundation and \$4,589,407 owed to Larry.

Larry commented that the P&L treats the "Common School Loan" from the state (\$582,000 received in June, 2011) as revenue rather than as a loan, which is a departure from standard accounting practice, but we felt was appropriate since it appears, based on discussions with the Indiana charter school association, that it is more likely than not that this will be forgiven before it needs to be repaid. Larry said as far as he knows, no other charter school has ever paid this type of loan back. Yolanda said there are charter schools that are making payments. Charles said the loan terms allow repayment over a very long time: 20 years, starting July 1, 2013. Tracy said the conservative view would be to treat this as debt. Larry said that's a legitimate point, it needs to be an action item for management to determine whether or not this will need to be paid back; that may not be knowable by the next board meeting, but it's a factor that needs consideration in evaluating the school's financial condition.²

Tracy asked Bill how he would rank his comfort level with understanding the school's finances, on scale of 1 to 10, how confident is he? Bill said about a six at this point; two months ago, he was at a 3. Fund accounting, as needed for the school, is different from what Bill is used to. Based on the SBOA requirements, Bill said, it appears that the state looks at schools on a cash basis. There's a charter school finance seminar scheduled for March 20 (conducted by BSU and to be hosted at SBCA), he's looking forward to that to help understand the special processes for school accounting. James asked if Bill needs any additional support or resources. Bill said not at this point, but if he determines there's something more he needs, he'll raise that with Yolanda and Larry to bring to the board. Bill mentioned he will be taking on responsibility for TAA's accounting. Larry noted that Cris has a good accounting background and spends half her time at the school, which could be more than half if need be. Tracy suggested Bill might take advantage of the availability of Notre Dame accounting/MBA students, who are available for project work for bargain rates; Tracy said he'll provide the contact info for the person at Notre Dame who would be the source for that. Bill noted that an accountant working with the school's financial system would be very surprised to find that the system does not allow journal entries and does not produce a balance sheet; he has created a normal business-type financial statement and balance sheet, but the software does not. Larry said ultimately the goal is to have P&Ls for each grade level. Bill said that's possible, but it will take a great deal of work to set up and administer.

Vivian moved for approval of Bill's financial report. The motion was seconded and approved unanimously.

Bill said the proposed 2012-13 budget would be completed soon & available for board review. Larry said the budget has been prepared in three different versions, showing the effect of enrollment of 300 students, 350 students, and 400 students. Since there are substantial fixed costs, increased enrollment would be very advantageous.

² This issue was initially discussed at the July 2011 board meeting.

G. School Leader Report

Yolanda said the student count, shown by the line labeled "ADM" on the chart at page 1 of her report, was 155 as of February 15, and attendance as of that date (the date used for reports to the state) was 94%, up from 88% in January. One student withdrew to attend a Crossings school to be with friends, another student withdrew to avoid expulsion after several incidents involving alcohol.

SBCA's Title I program has started, based on grant approval for roughly \$140,000 as detailed at page 5 of Yolanda's report (pages 6-7 provide background on Title I, a federal program for supplemental funding for schools with a high percentage of economically disadvantaged students). 62 students have been identified as qualifying for Title 1 assistance, based on their math and language scores (the program is for students most in need of assistance).

Of the 155 students enrolled as of February 15, 100 qualified for free and reduced lunch (93 free, 15 reduced).

Tracy asked why the budget is being prepared on the assumption of at least 300 students. Larry said with the decision to add 10th and 11th grade next year, that's considered realistic, especially considering that the start of vocational programs will set SBCA apart more than what's been available so far. Bill noted 300 students in five grades would be 60 students per grade, not much higher than the current per-grade levels.

Larry asked if the second set of NWEA tests have been completed. Yolanda said most of the students completed the tests last week, but some students were out, so the preliminary results at page 11 of her report will change slightly.

Yolanda said the school continues to hold open houses and receive inquiries, as shown at page 3 of her report. Of 14 inquiries in December, 7 enrolled at 3 applied for next fall. As shown by the chart on page 3, there are now 19 potential students who have signed up for the lottery for next year: 7 for 7th grade, 3 for 8th grade, 7 for 9th grade, and 2 for 10th grade. This is a cumulative chart, so the number should go up month by month.

Yolanda said the discipline chart at page 3 of her report shows suspensions and detentions up significantly from January to February, but that's to be expected since these are 30-day totals, so naturally the totals for December 15-January 15 were lower since much of that period was the Christmas break. Also, an increase in suspensions would be expected if student behavior is unchanged, due to the progressive discipline system. "Saturday school" has been started as a disciplinary measure: the first "breakfast club" meeting this past Saturday, students wrote essays and did some cleaning.

Two students are in the expulsion process, as described at page 3, one for at-school alcohol use, the other for a severe temper problem. Larry asked if there would be a place at the Crossing for him, Yolanda said she did not want him at the Crossing at the SBCA building, and the other Crossing schools nearby have no vacancies.

As shown by the chart on page 4, tardies are down significantly over the past four weeks, from slightly below 150 to slightly over 50; so it looks like the revised "tardy tank" (it's no longer fun to be at the tardy tank) and "hall freeze" (raffle tickets for being on-time) are working.

There was a professional development day on February 10, led by Kristie Cerling from The Crossing, who introduced the staff to the Fred Jones Tools for Teaching. Follow up sessions on the Fred Jones method are scheduled for the rest of the school year.

Since the school has received Title I funds and part of the Title I application was for paraprofessionals (teaching assistants), applications were sought, and the first paraprofessional started this week, another will start next week. The Title I budget also included funds for a Special Ed teacher for Title I students, no one's been hired yet.

Yolanda's report includes (page 4) a list of the school's reports to the IDOE.

The school has purchased the APEX software system³ for its Credit Recovery program and for remediation. The APEX software has been successfully used by many schools, including Crossing schools. As reported in January, the school recently hired an 8th grade math teacher who has experience with Credit Recovery programs and will run the program, which started this week and which will continue over the summer and next fall. The school has purchased 25 seats. A seat is for a student, not a specific class, so each student can take multiple classes.

The school's Science Olympiad team placed fourth at the regional competition, and one of the students is going on to the semi-state competition. Eight students are going to the Regional Science Fair at Notre Dame this weekend. The seventh and eighth grades have each selected two students to lead a project of identifying businesses near SBCA which might be approached as to developing relationships. Among other things, the students will be asking what those businesses look for in employees – "what does someone need to know to get a job with you?"

Acuity testing as well as NWEA testing is being completed (the students who missed the tests in the last couple of weeks will complete them soon). The preliminary

³ See <http://www.apexlearning.com/> as to the Apex system generally, and description of credit recovery at http://www.apexlearning.com/Solutions/Credit_Recovery.htm. Use of the Apex system for remediation, see <http://www.apexlearning.com/Solutions/Remediation.htm>.

NWEA scores show a decline in math scores for the ninth grade from fall to winter, so this needs to be analyzed. It might have been a factor that the winter test was given soon after the ninth grade math teacher was hospitalized after an accident. Yolanda's team will analyze all the scores and report to the board next month.

The school did not receive the IDOE Innovation Grant, but was invited to reapply. The school received a Title II-A grant of \$7,856 which could be used for teacher retention (bonuses) or professional development, the school decided to use the funds for bonuses (a bonus plan was part of the school's original recruiting campaign).

The breakdown of the school's Title I grant is shown at page 5 of the report. Most of the funds are for a teacher and paraprofessionals, but there's also about \$16,000 for technology, about \$5,000 for the Apex program, and about \$3,000 for parent involvement, which involves bringing the Bridges Out Of Poverty program (see <http://www.sjcbridges.org/>) to the school.

The school will also start a program to help girls with self-esteem, etiquette, and other personal growth issues, for which there's a need. Larry asked if there's something similar for boys. Yolanda said there are quite a few male mentors coming in, in part from the 100 Black Men organization, which has made presentations at the school.

The school's lottery is scheduled for April 15, after that will be open enrollment for the slots left.

The school will be hosting events for the National Tooling and Machine Association (NTMA) and for Ball State, which will have a charter school financial workshop at SBCA on March 20.

Pages 8-10 of Yolanda's report are the action plans for the staff teams created in response to the staff member survey. Many but not all the actions have been completed. Larry noted there have also been surveys of students and parents, which were useful, and that there will soon be additional surveys; the survey process is ongoing.

H. Marketing Report

Kelly distributed the SBCA marketing plan, which is being continuously updated.

Direct mail is a key part of SBCA's marketing. The mailing list is continuously updated. Mailing is targeted by zip codes and to households with children.

The school website is being revised to include more marketing material, with added emphasis on the vocational and career programs, especially for attracting new tenth and eleventh grader next fall.

Larry said we're considering courses to offer for 11th graders, such as CNC⁴ courses. Our message needs to make clear that SBCA offers a good path to college, including earning college credits while still in high school, but we also need to show that SBCA offers good career paths that don't require going to college. Many people think the biggest problem for South Bend is a lack of good jobs, so it might send a message about the potential for a good future in South Bend if people understand that one of the reasons for SBCA's existence is to help local manufacturers find qualified employees. Steve and Kelly have gathered data both at the local level and state level, including the top 50 jobs needed in Indiana, which we'll use in deciding on courses to offer. We want the public to think of SBCA as a school that focuses on seeing to it that its students can find good jobs when they get out of school.

Kelly said the primary focus for the initial programs for next fall will be on manufacturing, medical, computer & electronics.

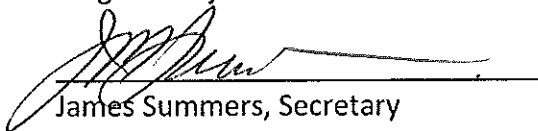
There will be a series of open house events in March and April, as well as a "turning over the keys" ceremony with the contractors on March 28 to celebrate the completion of the build-out. These will be coordinated between SBCA and TAA.

During spring break for local schools, April 2-6, and again in July, there will be daily activity camps giving kids and the public a chance to see manufacturing equipment. This will be publicized at the library and through youth organizations. TAA has done this in the past with success, it's attractive to kids. Since the move to the SBCA building provides more space, the hope is to double the attendance from past camps. James asked if this will be free. Kelly said yes, and lunch & snacks will be provided.

Marketing via yard signs and flyers in stores will be expanded, as will radio advertising. An IVY Tech intern is doing a video for us.

I. Other Business: The board voted to rescind its December decision to amend the bylaws as to directors being removed from the board for missing meetings.

There being no further business, the meeting was adjourned.


James Summers, Secretary

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⁴ "CNC" is an acronym for computer numerical control: the computerized functioning of machines to perform a range of manufacturing tasks, such as drilling, cutting and forming the components of products such as automobile and computer parts. CNC technicians are responsible for developing and implementing the coded programs that run these machines.