

Minutes of the Meeting
The Davidson Academy Governing Board
May 23, 2022

Call to Order

The regular meeting of the Governing Board of the Davidson Academy was called to order at 2:01 p.m. This public meeting was held via Zoom videoconference with no physical meeting location.

A. Roll Call

Roll call was completed by the Chair of the Meeting, Mark Herron. Bob Davidson, Roger Davidson, Richard Trachock, Brian Krolicki and Lauralyn McCarthy-Sandoval were present. Also present were Academy Director, Colleen Harsin; Interim Director of Online Learning, Ashley Zahn; Legal Counsel, Ann Alexander; Controller, Karin Dixson; and Clerk of the Board, Aimee Fredericks. Kristen McNeill, Annette Whittemore, Jhone Ebert and Brian Sandoval were not present. Following completion of roll call, a quorum was confirmed without presence of Brian Krolicki, and he exited the meeting due to another engagement.

B. Welcome and Introduction

Mark Herron welcomed board members and members of the public in attendance.

C. Public Comment

Mr. Herron provided instructions concerning public comment as stated under item C. of the meeting agenda.

Mark Herron stated that this meeting would be held without a physical location, but in compliance with Nevada legislation, was available for visual participation, and audio call-in for public comments. He referenced the public comment details provided in the agenda and confirmed that public comments, if made, would be received by email or by telephone. No comments were received.

D. Approval of Agenda

Mr. Herron advised that following posting of the agenda, it was determined that presentation and consideration of item G.1., concerning possible amending of the 2021-2022 budget, was not necessary and requested consideration that this item be removed. Richard Trachock confirmed that the meeting was following the agenda as posted. Mr. Herron confirmed that was the case and requested a motion for approval of the agenda with the proposed change. Motion was made and seconded for approval of the meeting agenda. Motion carried unanimously.

E. Approval of Minutes

Mark Herron requested approval of the minutes for the meeting of February 15, 2022, under Tab 1 of the board book. Motion was made and seconded for approval of the minutes as submitted. There was no discussion and the motion carried unanimously.

F. Reports

1. Academy Director

a. General Program Updates

Colleen Harsin began her report by referring Board Members to Tab 2 of their board books for presentation of the COVID-19 Mitigation Plan submitted to the Nevada State Department of Education. She confirmed that Davidson Academy staff members continued to monitor symptoms and contact tracing of staff and students. There were three students and staff members that were reportedly positive for COVID-19 toward the end of the school year.

Under Tab 3 Ms. Harsin confirmed she had submitted to the Nevada State Department of Education, the Academy's application for Alternative School Calendar for the 2022-2023 school year. The calendar includes 154 instructional days, which is consistent with the University of Nevada, Reno calendar. The Academy takes one extra day in advance of the Thanksgiving Holiday. The calendar was approved.

Other Academy updates included the holding of a formal Spring dance that was successful and well attended, and the yearbook is complete. Graduation was held on Saturday, May 7, 2022. There were approximately 200 family members and friends in attendance and 60 in attendance via Zoom. Lauralyn McCarthy Sandoval complimented that the ceremony was special and student accomplishments were well recognized.

Ms. Harsin reported that parent surveys were completed and included comments on what worked best in terms of in-person learning. Parents requested further in-person learning opportunities and extracurricular activities for Academy students.

Four Davidson Academy students participating in the International Public Policy Forum did well and made it to the top eight teams at the national level. Additionally, the Academy's middle school team participating in Science Bowl finished in the top eight teams and will be traveling to Washington, D.C.

Ms. Harsin confirmed that the admissions review process for the 2022-2023 school year was concluding. There were many applications that came in at the deadline. The estimate of 155 students for purpose of discussion of the budget may be on the lower end of estimated total enrollment.

Under Tab 5 of the board books, Ms. Harsin referred Board Members to a Summary of College Admissions for Davidson Academy 2022 graduates. Eighteen students

graduated from the Reno campus and six from the online campus. Davidson Academy Reno campus graduate, Juliana Schneider, who will be attending MIT, is a U.S. Presidential Scholar for the State of Nevada.

2. Interim Director of Online Learning

a. General Program Updates

Mark Herron introduced Interim Director of Online Learning, Ashley Zahn, who assumed this role following the departure of Dr. Stacy Hawthorne. Ms. Zahn is not new to the Davidson Academy and has been primarily responsible for curriculum and applicant assessment services for the last several years. Mr. Herron also confirmed that as of July 1, 2022, Davidson Academy Online will no longer be part of the Davidson Academy of Nevada, the Nevada public school.

Ms. Zahn referred Board Members to Tab 6 of their board books for an applications update. She confirmed 33 new students were accepted to Davidson Academy Online for the 2022-2023 school year, with 27 enrolling. Also under Tab 6, Ms. Zahn provided information about DAO Oracle which was formed in the summer of 2021 in response to a need for social and emotional support of online students and intended to mitigate effects from the COVID-19 pandemic. This program also provides academic support.

Davidson Academy Online recently held their Senior Night in celebration of six graduates for the 2022 school year.

3. Media and Outreach

Colleen Harsin provided a report of media and outreach activities on behalf of the Davidson Academy under Tab 7 of the board books. She confirmed that the Academy continues to do well with notable media mentions and web rankings and website metrics.

Ms. Harsin confirmed that Dr. Kristen McNeill is retiring. She thanked Dr. McNeill for her service as part of the Davidson Academy Governing Board since 2019.

G. General Business

1. Review, discuss, and possibly approve Amended budget for Fiscal Year 2021-2022.

Mark Herron confirmed that after the posting of the agenda for this meeting it was determined that the budget variances overall did not warrant amending the budget, nor was there enough certainty on some cost items related to the separation of the Reno and online programs, so this agenda item was removed.

He further commented that it is anticipated that there will be about \$171,000 of savings in the current year, net of an increase in 401K match expense, but not accounting for other wage and benefit expenses. Related to the separation of the Reno and online programs, there may be some potentially significant savings in the Reno budget for wages

and benefits for the current year. After much consideration it has been decided to use May 20 as the final date for including online staff on Reno payroll.

Accrued vacation time will be calculated as of May 20 for all online staff moving to the independent school. Reno will pay Davidson Academy Online the appropriate vacation balance. Payroll for the independent school will be paid by Davidson Academy Online for pay periods occurring after May 20. These net amounts have not yet been determined and allocated to the various account codes the state requires.

Finally on this topic, invoices for services benefiting online students for the 2021-22 budget will continue to be paid on the Reno budget. Much effort has been made to establish new vendor accounts and a completely separate accounting system for Davidson Academy Online to ensure a smooth transition.

2. Review, discuss, and possibly approve engagement of auditors Holthouse Carlin & Van Trigt to conduct required annual audit of financials by independent third party.

Mark Herron confirmed recommendation to the Board that Holthouse, Carlin & Van Trigt (HCVT) be retained to perform the audit for the 2021-22 fiscal year and referred the Board to Tab 8, for a copy of the engagement letter.

Mr. Herron advised there have been some wording changes and rearrangement of the engagement letter. The section "Engagement Fees and Billing," on page 5 is new language and addresses the assumptions upon which the fee quote is based. It also includes payment installment on a progress basis, something that is also new.

For the 5th year the audit will be overseen by partner Morris Zlotowitz. Kimberly Hastings will be the supervising senior manager for the audit work. Kevin Wilde joined the engagement last year as audit manager and it is expected he will continue this year. There will also be a concurring partner, but that person is usually not assigned until the audit is close to completion.

Mr. Herron referred Board Members to the SAS 134 letter from the auditors included in their board books. This is something new this year. It is a new requirement and communicates certain information to those charged with governance at the start of the audit cycle rather than later. Mr. Herron advised the key language, in his view, is the "Significant Risks" section that starts on page 2. This identifies the key risks within the financial statement and how the auditors will design audit procedures in response to these risks.

The audit fee is \$33,000, an increase of over \$28,500 from last year (15.8%). This is the first substantial fee increase seen for some time. Mr. Herron inquired about the fee increase and was told the fee has not really kept up with the complexity that the online program introduced. In addition, with the online program separating from the Reno public school at the end of this fiscal year, the audit will be more complex. It was advised that a fee reduction could be expected next year with the separation of the online program.

HCVT knows the Academy, the structure of its financial statements and internal controls, and the requirements of the Department of Education and can meet the Academy's somewhat restrictive timeline for completing, reviewing and accepting the audit report by this board and submitting it to the state on time. The fee increase is not welcome, but we do acknowledge the complexity introduced by the online program. Mr. Herron offered anecdotally that it's his understanding that substantial fee increases are common now, if organizations can even find auditors to engage.

Mr. Herron recommend engaging HCVT and ask for a motion to approve their engagement. Motion was made and seconded for approval. There was no further discussion and the motion carried unanimously.

3. Review, discuss, and possibly approve budget for Fiscal Year 2022-2023, presented as a tentative budget at public budget hearing on May 9, 2022.

Mark Herron referred Board Members to Tab 9 of the board books for consideration of the proposed budget for the 2022-2023 fiscal year. He confirmed a public hearing on the tentative budget was held on Monday, May 9, 2022. This was a "virtual" hearing held via Zoom. The hearing was properly noticed and published in the Reno Gazette-Journal on April 29, 2022. Proof of posting, publication and minutes were included in the board books. Members of the public could make comments via email, telephone or Zoom participation. No comments were received.

Mr. Herron reported that the online program moving to an independent school next academic year and this budget is for the Reno campus only. The proposed budget is based on 155 students, 10 more students than in the current year.

Total revenue is budgeted at \$3.97 million, with \$1.17 million coming from the state of Nevada; and \$2.64 million coming as contributions from Bob Davidson. State support is down \$110,350 over the prior year, as a result of a new funding mechanism put in place after the 2021 legislative session.

Turning to expenses, total expenses are budgeted at \$4.175 million, up \$377,000 over the prior year. After non-cash items, principally prepaid rent which reflects the amortization of the Jot Travis building leasehold improvements, the net fund balance is \$38,290 which is \$11,565 higher than the prior year's budget.

Wages and benefits account for the vast majority of the expenditures. The budget assumes a 5.5% average wage increase and a 6% increase in employee health benefits expense although that does not come up for negotiations for another few months. There have been flat or no increases in health benefit costs over the last few years but with inflation and tight insurance markets in general it is expected that may change this cycle.

At the beginning of this calendar year the Davidson Group, which employs the Academy staff, implemented a safe-harbor 401K plan with matching contributions of up to 4% of base compensation. This is reflected in the budget and accounted about \$51,600 of additional payroll expense in the current fiscal year.

Included in the budget are costs for a new math/physics instructor and the budget also reflects increased Section 504 and IEP student support costs. Student competition and related travel expenses are in the budget assuming post-pandemic circumstances, as are staff professional development conferences and travel.

About \$70,000 in IT costs are also included, related to student and staff computers. This purchase had been put on hold last year and it has been 2 years since purchasing new laptops for the Academy.

Finally, and again in connection with the separation of the online program, Mr. Herron expects to structure a contracted flat fee for support services received by the Reno campus from the Davidson Group for administrative services such as accounting, HR, and IT provided by senior staff. Currently the budget reflects these expenses captured in payroll but will shift to professional services expense as this is formalized and reviewed with the auditors.

Mr. Herron requested a motion for approval of the tentative budget as presented, and second, and invited discussion or questions from the Board. Motion was made and seconded. Lauralyn McCarthy Sandoval commented concerns about inflation. Mr. Herron confirmed that he was monitoring this. There was no further discussion and the motion carried unanimously.

H. Public Comment

Mark Herron reiterated instructions concerning public comment as stated under item C. of the meeting agenda. No comments were received.

I. Adjournment

There being no further business to come before the board in public meeting, Mr. Herron asked for a motion to adjourn. Motion was made, seconded and carried unanimously. The meeting adjourned at 2:59 p.m.

Respectfully submitted by Aimee Fredericks, Clerk of the Board