

Minutes of the Meeting
The Davidson Academy Governing Board
May 25, 2023

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 by videoconference allowing members of the public to hear and observe the meeting. Members of the public were invited to provide comments by telephone, through videoconference, or by email.

A. Roll Call

Roll call was completed by the Chair of the Meeting, Mark Herron. Bob Davidson, Roger Davidson, Richard Trachock, Brian Krolicki, Lauralyn McCarthy-Sandoval, Dr. Susan Enfield and Jhone Ebert were present. Also present were Academy Director, Colleen Harsin; Legal Counsel, Ann Alexander; Controller, Karin Dixson; and Clerk of the Board, Aimee Fredericks. Annette Whittemore attended the meeting at 2:35 p.m. Brian Sandoval was not present. Following completion of roll call, a quorum was confirmed.

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 proposed a change to the agenda and that the Board discuss and consider General Business items one through three concerning the Davidson Academy fiscal budget and audit, at the start of the meeting. Mr. Herron 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 16, 2023, 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 reported that 18 graduates celebrated commencement on Saturday, May 13, 2023, and families were very thankful to be able to have in-person graduation. Those who could not attend in-person were able to participate via Zoom. Bob Davidson commented that this is a very impressive graduating class. These graduates were moving on to colleges and universities with one taking a gap year.

With the success of these graduates, Ms. Harsin reiterated the importance of retaining a strong and talented teaching staff, as well as the continued success of in-person learning. Brian Krolicki asked if there had been any tracking of Davidson Academy Alumni and their achievements following graduation. Bob Davidson indicated that this is something being worked on and in-fact the Academy had just recently hired its first alumni as an English instructor.

Ms. Harsin confirmed that the admissions cycle for the coming school year had concluded with 43 applicants being accepted for enrollment. A final enrollment number was still pending due to pending responses to acceptance letters.

Ms. Harsin referred Board Members to the newest edition of the Academy student newspaper, the Phoenix Focus, included in their board books.

2. Media and Outreach

Colleen Harsin provided a report of media and outreach activities on behalf of the Davidson Academy. She confirmed that the Academy continues to do well with notable media mentions and web rankings and website metrics, however a decrease is noted when the application and admissions review period are closed. A noted increase in website metrics is realized during the admissions cycle and posting of the application.

G. General Business

1. Review, discuss, and possibly approve Amended budget for Fiscal Year 2022-2023.

Mr. Herron referred Board Members to the proposed amended budget included in their board books. He confirmed that revenue is down by \$80,000 and expenditures are down by \$45,385, with the difference made up in a reduction in the expected year-end net fund balance.

He confirmed that as reported at the previous meeting of the Board, a significant one-time salary adjustment for the teaching staff was implemented in January. That increase in wages and benefits was offset by \$80,000 in savings due to anticipated consultant expenses, but most significantly because of a change in policy related to vacation accruals for teachers. Lauralyn McCarthy-Sandoval complimented the salary adjustment for the teaching staff as housing costs have increased and it's important to stay competitive with the national pool.

The Academy assumed some additional expenses for new student seating in the common area; upgrades to the video surveillance system; Wi-Fi; new staff computers; and a \$28,000 payment to the university to help fund architectural studies to expand the Academy's footprint in the Jot Travis building.

The Academy realized a significant savings of \$154,000, in student guidance costs, primarily due to needing less consulting time than anticipated. There was also a \$50,000 savings in administrative support expenses.

Mr. Herron asked if the Board had questions concerning the proposed amended budget. There were no questions. Mr. Herron requested a motion for approval of the proposed amended budget as submitted to the Board. Motion was made and seconded for approval. There was no discussion and the motion carried unanimously.

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 the recommendation to the Board that Holthouse, Carlin & Van Trigt (HCVT) be retained to perform the audit for the 2022-23 fiscal year and referred the Board to their board books for a copy of the engagement letter.

He reported that there are no material changes in the engagement letter, however, there have been some changes to the audit team. Kimberly Hastings, manager of the audit for the last few years, has been promoted to partner and she will oversee the audit in that role. Kevin Wilde will manage the audit, and new to the engagement is Dave Bierhorst, Partner, who will provide the independent review. The audit fee is \$35,000, up \$2,000 from last year.

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. 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 recommended engaging HCVT and opened the item for Board discussion and questions. Brian Krolicki questioned the audit fee increase and offered that it's important that the Board continue to question these increases as they come up. Mark Herron confirmed that he and Karin and Dixson had questioned the increase. HCVT has been

very forthcoming in the work hours needed and continuing expense for work done with the separation from Davidson Academy Online. Mark Herron requested a motion to approve engagement of auditors. 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 their board books for consideration of the proposed budget for the 2023-2024 fiscal year.

As required, a public hearing was held on the tentative budget on Monday, May 15, 2023. This was a virtual hearing, held via Zoom. The hearing was properly noticed and published in the Reno Gazette-Journal on May 5, 2023. Proof of posting, publication and minutes of the hearing were included in the board book for this meeting. Members of the public could attend this hearing virtually, make comments via email, telephone and Zoom participation. There was no participation from members of the public at this hearing.

Mr. Herron referred Board Members to their board books for a summary of the proposed budget. He reminded Board Members that with Davidson Academy Online having transitioned to a stand-alone independent school, this budget is for the Davidson Academy only.

Mr. Herron reported that the proposed budget is based on 175 students, 20 more students than in the current year. He commented that Colleen Harsin, Director, is now expecting enrollment may be closer to 200 students.

Total revenue is budgeted at \$4.8 million, up \$863,650 from the current year, with \$1.2 million coming from the state of Nevada; and \$3.5 million coming as contributions from Bob Davidson. Total expenses are budgeted at just over \$5 million. After non-cash items, principally prepaid rent which reflects the amortization of the Jot Travis building leasehold improvements, the net fund balance is budgeted at \$11,520 which is \$26,770 lower than the prior budget.

Mr. Herron indicated that there are three items that are largely driving the increased expenditures, the first of which includes wages, employment taxes, and benefits which account for the majority of overall expenses. As previously mentioned, a significant market adjustment in teacher wages was implemented in January. This budget reflects a full year of that adjustment as well as adjusting wages for a few non-teaching positions that needed similar adjustments. There is a target 4% wage increase overall for this budget. Also, some wages previously categorized in guidance have been moved to the classroom category to more accurately reflect actual practice.

Another factor driving expenses is that the Academy has a greater need for support services provided by the Davidson Group. These include accounting, human resources, information technology, contract support and general management. An effort to more accurately determine these costs was made, and these costs will be captured through a

Professional and Administrative Services Agreement between the Academy and the Davidson Group. This enables the Academy to access a higher caliber of services, such as the accounting support Karin Dixson provides, than it could otherwise have access to or afford. With this change, a \$169,000 increase to the IT/PR/Fiscal/HR line is noted.

The third factor driving expenses this year is the need to re-invest in the Academy's IT infrastructure, mainly laptop computers for students. With the COVID-19 pandemic disruption, the Academy made the decision not to refresh the fleet of computers as frequently as had been. That, combined with student enrollment growth and some policy changes, has resulted in the need for these updates in IT at this time. There is \$65,000 in spending this fall for IT needs and \$60,000 in the spring to accomplish these needed IT updates. Mr. Herron commented that in general, everything, but particularly technology-related items are just costing more.

Mr. Herron requested a motion to adopt the proposed 2023-2024 budget. Motion was made and seconded. Mr. Herron opened the item for discussion and comments. Brian Krolicki complimented and thanked Karin Dixson and Colleen Harsin for their work in preparing information for the audit and also thanked Bob Davidson for his commitment to the excellence of the Davidson Academy. A question was raised about the Nevada per pupil funding amount. Jhone Ebert indicated that this was still under consideration in the current legislative session but that the K-12 budget was expected to move forward as proposed. Lauralyn Sandoval asked if there was funding available if the Academy's enrollment increased from the estimated 175 students used for budget planning. Colleen Harsin confirmed that funding is available and increased enrollment from that number was considered.

Mr. Herron reiterated that a motion and second had been made and requested approval of the proposed 2023-2024 fiscal year budget as submitted to the Board. 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 2:35 p.m.

Aimee Fredericks

Respectfully submitted by Aimee Fredericks, Clerk of the Board