

Minutes of the Meeting
The Davidson Academy Governing Board
September 28, 2023

Call to Order

The regular meeting of the Governing Board of the Davidson Academy was called to order at 2:05 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 Meeting Chair, Mark Herron. Board Members in attendance were Roger Davidson, Annette Whittemore, Lauralyn McCarthy-Sandoval, Dr. Susan Enfield, Brian Krolicki, Brian Sandoval and Jhone Ebert.

Also in attendance were Controller, Karin Dixson; Director of Accounting, Kevin Connelly, Academy Director, Colleen Harsin; Legal Counsel, Ann Alexander; Governing Board Clerk, Aimee Fredericks, and Ken Bouchard for IT Support.

Richard Trachock was not present. Following completion of roll call, a quorum of voting members was confirmed.

Annette Whittemore and Dr. Susan Enfield left the meeting at 3:00 p.m.

B. Welcome and Introduction

Mark Herron welcomed Board Members and members of the public in attendance.

Mr. Herron introduced guests, Morris Zlotowitz, Kimberley Hastings, and Kevin Wilde from the independent auditing firm, Holthouse, Carlin & Van Trigt, who would be reporting on the submitted audit report.

C. Public Comment

Mark 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

Mark Herron requested a motion to move General Business agenda item G.1.a. for presentation and consideration by the Board, prior to item F. Reports. Motion was made and seconded for approval of the amended meeting agenda. Motion carried unanimously.

E. Approval of Minutes

Mark Herron requested approval of the minutes for the meeting of May 25, 2023, included in the board book for this meeting. 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 thanking Board Member and University of Nevada, Reno, President, Brian Sandoval, for his efforts on behalf of the Academy to ensure campus repairs were completed such that the school year started on time. She noted that unexpected damage, specifically flooding, had occurred to the Academy in conjunction with adjacent construction happening on the university campus during the summer.

Ms. Harsin confirmed that admissions were open for the 2024-25 school year. At the conclusion of admissions for the 2023-2024 school year, the Davidson Academy accepted 44 new students ranging in age from 9-16 years old, of which 36 enrolled moving from California, Washington, New York, and southern Nevada. Several students were also accepted from the Reno-Tahoe area. Total enrollment for the current school year is 171 students.

Ms. Harsin referred Board Members to Tab 2 of their board books for a copy of the current approved school calendar for the 2023-2024 school year which follows the University schedule and exceeds instructional minutes for the Nevada Department of Education. She referred to Tab 3 for a copy of the final audit report of the Davidson Academy's Nevada Department of Education – Pupil Enrollment and Attendance Audit for the 2022-23 school year. She confirmed that the Academy had received a clean audit.

Under Tab 4 of the board books, Ms. Harsin discussed 2022-23 school year information including school ratings following COVID19. Also included were details related to discipline and climate survey. The way this information is reported to the state is challenging. Staff has been working with the state as to how this information is reported as currently this information indicates inaccurately 23 incidents of bullying occurred in the previous school year. This number is actually indicative of total individuals involved

in six separate instances. The Academy continues to follow-up with the state to better clarify how this information is reported.

Under Tab 5 Ms. Harsin provided information concerning Nevada School Ratings for the 2022-23 school year. The Davidson Academy received an overall rating of 100 and referred Board Members to the index summary that comprised this score.

Ms. Harsin referenced Tab 6 of the board books which included letters of recognition from Massachusetts Institute of Technology (MIT) for Davidson Academy Instructors, Martin Braik, and Rebecca Celler. Incoming freshmen attending MIT have the opportunity to nominate an instructor they believe supported them and made a difference in their high school education.

Under Tab 7 includes college planning information. The Davidson Academy has 19 National Merit Semifinalists. Overall qualifying score information has gone down somewhat nationally following COVID19.

2. Media and Outreach

Ms. Harsin provided a summary of media updates and website mentions. Specifically, as of the August 29, 2023, edition of the U.S. News and World Report as well as the Reno Gazette Journal, the Davidson Academy was ranked Number 4 of America's best high schools. She reported notable student accomplishments of Ellan Ortiz, Max Grinstein and Samantha Glover. Website metrics, and rankings remain good.

G. General Business

1. VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

a. Presentation of independent auditor's report for the fiscal year ended June 30, 2023 (*for possible action*)

Mark Herron, Vice President, and Chief Financial Officer introduced the audit team which included: Morris Zlotowitz, Partner, Kimberly Hastings, Partner, and Kevin Wilde, Manager, for presentation of the independent auditor's report for the fiscal year ended June 30, 2023.

Mr. Herron advised that board materials for this meeting pertinent to the audit report package included a new SAS 134 letter, pages 65-67 of the board book, which he would defer explanation of to the audit team. Mr. Herron, however, directed the Board to paragraph two of the Independent Auditor's Report, pages 68-69 of the board book, which noted a clean audit with an unmodified opinion, which is the desired outcome of this audit. Mr. Herron then referred to Kimberley Hastings for further presentation of the audit report.

Ms. Hastings began her presentation referring Board Members to Tab 9 of their board books with discussion of the audit letter SAS 134 relating to areas of identified risk and

audit focus. These audit focus items included: the potential risk of the improper allocation of expenses- special consideration to separation of the online campus; potential for management override of controls; and potential for improper implementation of new standards specifically GASB 96 relating to subscription-based information technology arrangements. These items of focus were chosen based on the prior year's audit and an audit planning meeting with Mark Herron and Karin Dixson.

Concerning the allocation of expenses, historically this was focused on allocation and payment of expenses between Davidson Academy and Davidson Institute. This year there was special consideration given to the separation of Davidson Academy Online from Davidson Academy. Ms. Hastings confirmed that the process of separating the two campuses went very smoothly, and there were no issues noted. The potential for management override of controls is a focus every year for all audits, and the audit team implements new or somewhat "surprise" procedures and brings in other team members for further review of this audit item for quality control and oversight. There were no issues noted. Lastly, GASB 96, relating to subscription-based information technology arrangements, contracts and other information, was evaluated and determined to be not material to the new standards.

Ms. Hastings then referred to the AU 260 letter, known as the audit results letter, pages 95-96 of the board book, which details the scope of the audit and significant audit findings along with discussion of estimates and any new accounting policies during the year. She commented that this audit result is consistent with prior years with no significant changes. She reiterated, as Mark Herron mentioned earlier, that a clean audit opinion was issued. She thanked Karin Dixson and Kevin Connelly for their help and support of the audit. She confirmed that the end of the AU 260 letter would also typically include any audit adjustments required during the engagement. There were no audit adjustments. Ms. Hastings then asked if the Board had any questions before moving to the financial portion of the audit report.

Board Member Brian Krolicki acknowledged that a clean audit opinion was issued. He referenced the SAS 134 letter and expressed concern as to the items of focus for this audit. He requested further explanation as these items seemed serious in nature. Ms. Hastings explained that a change in the auditing firm's professional standards pursuant to GAAS guidelines resulted in a change in the requirements for communicating with individuals charged with governance. In previous audit reports, these items were noted differently. A risk-based audit assessment is conducted each year on internal controls both at the entity level and the control activities level and is based on items identified as significant audit areas and areas of risk. She confirmed that testing allocation of expenses and management override of controls are consistent areas for audit and not unique to the Davidson Academy. These items have been audited in the past; however, the change in professional standards now require the audit team identify areas of potential significant risk as such, versus procedural changes.

Concerning implementation of new standards pursuant to GASB 96, in discussion with Mark Herron and Karin Dixson prior to the start of the audit, it was determined that the audit team would review operations of the Davidson Academy to identify areas where this may be applicable such that there would be a material change to the financial statements. Had any areas been identified, adoption of the new GASB 96 standard would have been reflected in the financial statements and necessary adjustments and disclosures would have been added. As this was not applicable, Ms. Hastings stated this as an “overcome risk”.

Mr. Krolicki raised further concern that he wasn’t able to view remediation of the items raised. Mark Herron commented that the audit items are identified as potential risks and areas of focus, but because there were no findings at conclusion of the audit, there was nothing further reflected in the communication. Ms. Hastings confirmed that the purpose of the communication by the standard setting Board is to share the risk assessment process so that those charged with governance and members of the management team can compare and contrast with their own risk assessment process and have a constructive conversation.

Ms. Hastings stated that moving forward proper allocation of expenses and the potential for management override of internal controls would likely continue to be items of focus in the audit process. She confirmed these aren’t items of deficiency for the Davidson Academy but are a focal point for the audit team in maintaining professional skepticism in conducting the audit process. She reiterated the importance of keeping fresh oversight with multiple layers of review of staff work that include Kevin Connelly, Karin Dixson and Mark Herron. Mr. Krolicki asked if there was anything from a Board Member perspective, and for governance responsibility, to do based on the information provided. Ms. Hastings indicated that taking any of these items back into his role as a Board Member and asking questions in regular meetings to Karin Dixson and Mark Herron about upcoming changes to reporting ahead of year end and the budget process was appropriate. Mr. Krolicki confirmed he would take this information under advisement and would following up further.

Ms. Hastings moved to reporting and comment of the financial statements, indicating that with exception of the separation of Davidson Academy Online, this was a straightforward year for the Academy. She further reported that the separation of the schools has been seamless with new systems and separate agreements in place to ensure no comingling of activities or funds. She then requested question or comments. Lauralyn McCarthy Sandoval questioned evaluation of IT controls. Ms. Hastings indicated that this is a timely question, and they would be continuing to review software and evaluate back-ups and how the organization is managing access controls. Mark Herron confirmed that a five member IT team continues to review security systems and

have implemented a multi-factor authentication system organization wide. They continue to review this as it's ever changing.

Brian Krolicki commented that there was a large budgetary savings from last year and asked about the lease agreement with the University of Nevada, Reno. Ms. Hastings commented that there is no formal agreement or plan to change the lease agreement. However, this will be a continued discussion over the next couple of years. Mark Herron confirmed that the lease renewal is coming up in 2027, and he will engage in those conversations moving forward. Mr. Herron confirmed with Board Member and UNR President Brian Sandoval that he would reach out for further discussion on the lease agreement for the physical space of the Davidson Academy.

Karin Dixon responded to Mr. Krolicki concerning his question about the budget savings in expenses. Ms. Dixon inquired if Board Member Krolicki was referring to the year-over-year decrease in expenses which was due to the separation with Davidson Academy Online rather than to the budget comparison. Referencing the budget page of the financials, Ms. Dixon confirmed the Davidson Academy expenses were close to budget, within approximately 1.5% overall. Mr. Krolicki asked when Colleen Harsin's time would not be further utilized by Davidson Academy Online. Mr. Herron confirmed she would have a continuing role based on the current structure and in conjunction with Davidson Institute.

There being no further questions coming before the Board concerning the audit report, Mark Herron requested motion to accept the auditor's report for fiscal year ending June 30, 2023. Motion was made and seconded for acceptance of the auditor's report as submitted. There was no further discussion, and the motion carried unanimously.

H. Public Comment

There were no comments from the public at this time.

I. Adjournment

There being no further business coming 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 3:04 p.m.

Respectfully submitted by Aimee Fredericks, Governing Board Clerk