

**INTERNATIONAL EDUCATION AND COMMUNITY INITIATIVES
D/B/A ONE BRIGHT RAY, INCORPORATED
Minutes of a Meeting
Of the Board of Directors
Held April 10, 2019**

A meeting of the Board of Directors (the “Board”) of International Education and Community Initiatives, d/b/a One Bright Ray, Incorporated, a Pennsylvania non-profit corporation (“OBR”), was held at the offices of Community Academy of Philadelphia (“CAP”), located at 1100 E. Erie Avenue, Philadelphia, PA 19124, on Wednesday, April 10, 2019. The following Board members were present at the meeting, constituting a quorum: Alberta P. O’Brien, EdD; Aykema Mabery-Austin; Yolanda M. Negrón; and Cassandra McLaughlin. Also present at the meeting were Marcus A. Delgado, Chief Executive Officer and Secretary; Anna Duvivier, Chief Operating Officer; Frances Velazquez, Director of Financial Services; Valecia Johnson, Director of College Partnership; Kara Fisher, Director of Curriculum and Instruction; Michael Whisman, accountant with Charter Choices, Inc.; and Maria Granholm, Esq., of Duane Morris LLP. Board member Joseph H. G. Proietta, M.Ed was absent from the meeting.

Dr. O’Brien served as Chair of the meeting and, having met a quorum, called the meeting to order at 2:01 p.m.

As the first order of business, Dr. O’Brien called for a review of the minutes from the meeting of the Board held on December 12, 2018. The Board reviewed the minutes and, upon a motion that was duly made and seconded, the minutes of the Board from the meeting held on December 12, 2018 were unanimously approved. The Board ordered that the minutes be placed in OBR’s minute book.

Second, Dr. O’Brien requested a financial update. Mr. Whisman reviewed with the Board the **attached** Financial Statements for the eight (8)-month period ended February 28, 2019. First, Mr. Whisman reviewed with the Board OBR’s budget-to-actual performance for the period. Mr. Whisman reviewed with the Board the budget performance of OBR Non-Profit, noting that OBR Non-Profit had a net loss of \$375,606 for the eight (8)-month period, as compared to the budgeted net income of \$46,689 for the same period, resulting in an unfavorable variance of \$422,296. Mr. Whisman explained that the unfavorable variance resulted from, among other things, year-to-date rental income being less than budgeted due to timing of payments under a new rent schedule, and amortization and interest expenses being higher than budgeted. Mr. Whisman next reviewed the budget-to-actual performance of OBR CHS, noting that OBR CHS had a net loss of \$273,545 for the eight (8)-month period, as compared to the budgeted net loss of \$551,848 for the same period, resulting in a favorable variance of \$278,302. Mr. Whisman explained that the favorable variance primarily related to reductions in projected expenses, partially offset by lower than budgeted revenues related to enrollment. Mr. Whisman also noted that the Harcum Program had an unfavorable variance of \$127,151 (as compared to budget), primarily related to lesser than anticipated enrollment and timing of payments. Mr. Whisman advised that, as a result, OBR had a total net loss of \$758,483 for the eight (8)-month period, as compared to a budgeted net loss of \$487,339 for the same period, resulting in an overall unfavorable variance of \$271,144. The Board discussed the key variances from the budget and overall financial outlook for the fiscal year.

Next, Mr. Whisman reviewed with the Board OBR's Balance Sheet at February 28, 2019, compared to June 30, 2018 (the end of the OBR's prior fiscal year). Mr. Whisman reported that OBR's cash decreased from \$1,165,005 at June 30, 2018 to \$262,825 at February 28, 2019 and that OBR's receivables increased from \$1,221,629 at June 30, 2018 to \$1,493,874 at February 28, 2018. Mr. Whisman noted that the primary reasons for the decrease in cash and increase in receivables was an increase in payables by the School District of Philadelphia (the "School District"), which related to delayed payment by the School District, and awaiting reimbursements on capital project expenses. Ms. Velazquez noted that the School District is about two (2) months behind in its payments. The Board and management discussed the reimbursement process for capital project expenses as well as how the bonds and the capital project fund should be and are reflected in OBR's financial statements. Mr. Whisman reviewed with the Board, and the Board asked questions regarding, a number of line items in OBR's consolidated income statement and the budget-to-actual reports for the individual programs. Mr. Whisman indicated that (1) a \$557,762 deficit is projected for OBR Non-Profit for fiscal year-end, as compared to a budgeted deficit of \$347,987, resulting in an unfavorable variance of \$199,775; (2) a surplus of \$311,644 is projected for OBR CHS for fiscal year-end, as compared to a budgeted surplus of \$109,249, resulting in a favorable variance of \$202,395; and (3) a deficit of \$28,358 is projected for the Harcum Program for fiscal-year-end, as compared to a budgeted surplus of \$26,729, resulting in an unfavorable variance of \$55,087. Mr. Delgado noted, however, that the Harcum Program was awarded an additional \$25,000 grant from Harcum College, which is not reflected in the February 28, 2019 projections, and which will reduce the unfavorable variance. Mr. Delgado noted that the Harcum Program would be receiving the grant every year going forward, but that the amount could vary year-to-year depending upon enrollment. Mr. Delgado explained the basis for the grant and the Board discussed additional funds that may be granted to the Harcum Program from iLead, which would further reduce any Harcum Program deficit/unfavorable variance.

Third, Mr. Whisman discussed with the Board the possibility of OBR obtaining a line of credit to create some financial flexibility and bridge any gaps due to the delayed timing of the School District's payments. Mr. Whisman noted that he and OBR management were working with PNC to determine options with PNC, the costs associated therewith, including attorneys' fees and a failure to use fee, and the security that would be provided by OBR for such line of credit. The Board discussed the estimated attorneys' fees that OBR would be required to pay, on behalf of PNC, to establish a line of credit with PNC and the Board consensus was that the fees were higher than anticipated. Mr. Whisman noted that if CAP decided to establish a line of credit with PNC, the attorney's fees would remain about the same, but that CAP and OBR could then split such cost. The Board discussed at length whether and when OBR might need such a line of credit, the possibility of establishing a line of credit with PNC and other possible options to ensure OBR has sufficient cash on hand. Management agreed to reach out to other banks to determine if other banks provide more competitive options.

Fourth, Mr. Delgado presented the attached 2019-2020 annual budget (the "Budget") to the Board. Mr. Delgado noted that the Budget included, among other things, the annual Harcum Program grant (discussed earlier), an increase in revenues for OBR CHS to \$10.4 million, and an increase in per pupil rate to \$11,000 for day students and \$5,500 for night students. Mr. Delgado explained that the Budget was based upon enrollment of 875 day students and 150 night students. Mr. Delgado reviewed with the Board the attached enrollment analysis and a discussion ensued

regarding current enrollment challenges, including under-enrollment of day students at OBR's Strawberry Mansion campus and timing of enrollment, as well as ongoing efforts and strategies for dealing with such enrollment challenges. Mr. Delgado indicated that he expected enrollment at OBR's Strawberry Mansion campus to continue to increase toward 200 day students for the upcoming school year and reminded the Board that OBR's current budget already takes into account under-enrollment at the Strawberry Mansion campus. The Board also discussed the potential for additional enrollment in the night program at the Strawberry Mansion campus, as well as the potential challenges and decreased revenue associated with increasing night students as opposed to day students. Mr. Delgado next reviewed with the Board various differences between OBR's current 2018-2019 budget and the proposed Budget, including changes in salaries (partially due to changes in positions), employee benefits and various other expenses. The Board briefly discussed revisiting salary scales for teachers and administration to evaluate where OBR measures up against the School District and other local schools. Mr. Delgado then directed the Board to page 6 of the proposed Budget which projects an overall 2019-2020 year-end deficit of \$72,745. Mr. Delgado answered various questions from the Board regarding the proposed Budget, including related to add-backs for non-cash expenses (depreciation/amortization), cell phone reimbursement for certain types of employees (such as enrollment specialists), interest income, tuition reimbursement expenses, etc. Following such discussions regarding the Budget, including the individualized budgets for each program, after a motion duly made and seconded, the Board unanimously approved the Budget, subject to further Board approval of any material changes.

Fifth, Mr. Delgado discussed with the Board an inquiry from Harcum College regarding whether OBR would be interested in expanding the Harcum Program to the Strawberry Mansion campus. The Board discussed the possibility, as well as the benefits and challenges of such an expansion.

Sixth, Ms. Duvivier provided updates regarding OBR's capital projects. Ms. Duvivier reported that OBR's largest capital projects are the roofs at the Simpson and Fairhill campuses, as well as the Simpson campus parking lot. Ms. Duvivier explained that an assessment was done of the parking lot and, because OBR sits lower than CAP, the Philadelphia water department does not want OBR to tap into the main waterline on Erie Avenue and, as a result, the proposed alternative is to install impervious pavement which may not be the best, or most cost-effective, option. Ms. Duvivier indicated that, instead of proceeding with impervious pavement, OBR has determined to simply repave the parking lot, but that it will have to do so at its own cost. Ms. Duvivier also reported that OBR is in the process of implementing security camera/software updates at the Fairhill and Simpson campuses and described the security improvements that were being made. The Board asked questions regarding the various capital projects and discussed OBR's request for proposal process.

Seventh, Dr. O'Brien asked Mr. Delgado to provide campus updates. First, Mr. Delgado provided an update regarding the operational walkthroughs that took place in January and February at the OBR campuses. Mr. Delgado reported that the process was very different from prior years and that the ultimate walkthrough report would look similar to the **attached** sample walkthrough report. Mr. Delgado indicated that the walkthrough review team had a few recommendations regarding OBR's English language program, home language survey and student files, but that, overall, OBR seemed to do very well on the operational walkthroughs.

The Board briefly discussed the recommendations from the walkthrough review team and how such recommendations are being implemented.

Mr. Delgado next noted that instructional walkthroughs are taking place now, with instructional walkthroughs of the Elmwood and Simpson campuses already complete and instructional walkthroughs of the Simpson, Strawberry Mansion and Fairhill campuses happening this week. Mr. Delgado noted that the walkthrough team has been focused on engagement between teachers and students and that the team has seen such engagement at the campuses visited so far. Mr. Delgado noted some preliminary positive remarks and areas of improvement provided by the walkthrough team. The Board asked questions regarding, and discussed, the instructional walkthroughs.

Mrs. Fisher provided additional updates regarding the various programs and initiatives at OBR's campuses, including the Elmwood campus' participation and success in a new alternative education basketball league, attendance initiatives at the Fairhill campus, morning initiatives at the Simpson campus to combat tardiness and the expansion of an internship program at the Strawberry Mansion campus. Mrs. Fisher also provided an update regarding the night program at the Strawberry Mansion campus, noting that the program's first graduation, with 20 graduating students, is scheduled for June 21, and that the program has submitted a request to the School District to implement changes to its course credit structure, at the request of the night students, to allow students to earn a full credit (rather than one-half of a credit) per period. Mrs. Fisher also noted that OBR expects to have 173 day students (across all campuses) graduate this summer. Mr. Delgado noted that, based upon such numbers, OBR will have close to 300 graduates for the year.

Eighth, Ms. Johnson provided the Board with an update on the Harcum Program. Ms. Johnson reported that the program has 91 students enrolled for the spring semester and expects a total of 29 graduates for the year. Ms. Johnson noted that the Harcum Program's target enrollment for the fall semester is 70 new students and that the program has enrolled 24 or 25 new students so far, with 9 additional students having completed the application process but not yet enrolled. The Board asked questions regarding, and discussed, the enrollment process, including from what schools students are enrolling and possible community and marketing activities to increase the Harcum Program's presence in the area.

Ninth, Dr. O'Brien asked if there was any new business to come before the Board. The Board briefly discussed the need to come up with a strategy to add additional, outside Board members with varying backgrounds/professions to better round-out the existing Board. Mr. Delgado noted that, in so expanding the Board, Board meetings would likely need to be moved to later in the day to accommodate work schedules. Mr. Delgado also noted that he would circulate to the Board a copy of a prospective Board member who, subject to Board approval, would join as a Board member in September. Dr. O'Brien reminded OBR management that, consistent discussions during the course of the meeting, they should be prepared to discuss salary scales, a proposed final budget for 2019-2020 and the guidelines OBR uses for evaluating requests for proposals at the next Board meeting.

There being no further new business to come before the Board, Dr. O'Brien reminded the Board that the next Board meeting is scheduled for Wednesday, May 22, 2019 at 2:00 p.m.

Thereafter, upon a motion duly made, seconded and unanimously approved, the meeting was adjourned at 3:16 p.m.