

**INTERNATIONAL EDUCATION AND COMMUNITY INITIATIVES
D/B/A ONE BRIGHT RAY, INCORPORATED**

**Minutes of a Meeting
Of the Board of Directors
Held May 10, 2017**

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") on May 10, 2017. The following Board members were present at the meeting, constituting a quorum: Joseph H. G. Proietta, M.Ed., President and Founder; Alberta P. O'Brien, Executive Vice President; Aykema Mabery; Anna Duvivier, Vice President; Cassandra McLaughlin; and Yolanda M. Negrón. Also present at the meeting were Marcus A. Delgado, Chief Executive Officer and Secretary; Frances Velazquez, Director of Financial Services; Lauren Nelson, Director of College Partnerships; Joycet Velazquez, Chief Academic Officer; Michael Whisman, accountant with Charter Choices, Inc.; and Maria Granholm, Esq., of Duane Morris LLP.

Mr. Proietta served as Chair of the meeting and, having met a quorum, called the meeting to order at 2:15 p.m.

As the first order of business, Mr. Proietta called for a review of the minutes from the meeting of the Board held on February 22, 2017. The Board reviewed the minutes then, upon a motion that was duly made and seconded, the minutes of the Board from the meeting held on February 22, 2017 were unanimously approved. The Board ordered that the minutes be placed in OBR's minute book.

Second, Mr. Proietta asked Mr. Whisman to present the attached Financial Statements as of March 31, 2017. Mr. Whisman first reviewed with the Board the budget-to-actual summaries for the nine (9) months ended March 31, 2017. Mr. Whisman reviewed the budget performance of OBR Non-Profit, noting that OBR Non-Profit's total net income from June 30, 2016 was \$161,752, as compared to the budgeted total net income of \$132,730 for the same period, resulting in a favorable variance of \$29,023. Mr. Whisman noted that the favorable variance was lower than at the last Board meeting, due to unbudgeted bank and legal fees and higher than budgeted interest expense on debt in connection with interest rates increasing faster than anticipated.

Mr. Whisman next reviewed with the Board the budget performance of OBR CHS. Mr. Whisman noted that OBR CHS' actual net loss for the nine (9) month period was \$139,566, as compared to its budgeted net loss of \$336,453 for the same period, resulting in a favorable variance of \$196,887. Mr. Whisman reported that the variance primarily related to lower than budgeted professional development costs and salaries and employee benefits costs (due to timing of hiring new staff) partially offset by higher than budgeted spending on maintenance, including in connection with the modular units. Mr. Proietta asked whether, in planning the modular unit expansion, OBR had considered borrowing money rather than paying for the expansion out of OBR's available cash. Mr. Whisman responded that OBR was subject to certain borrowing restrictions in connection with the loan agreement with its current bank and encountered resistance from the bank when the possibility of borrowing funds for the project was originally

raised. The Board discussed at length the pros and cons of borrowing funds versus using available cash for large expenditures (including the purchase of the modular units), the appropriate process for evaluating any such decision in the future, the current financial position of OBR and various recommendations on how to negotiate with OBR's bank when or if borrowing money is determined a better way to fund any large expenditure in the future. The Board also discussed the option of OBR's bank, to "call" its loan to OBR (as discussed in more detail later in the meeting).

Mr. Whisman then reviewed with the Board the budget performance of the Harcum Program. Mr. Whisman reported that the Harcum Program's net loss for the nine (9) month period was \$27,147, as compared to the budgeted net loss of \$43,188 for the same period, resulting in a favorable variance of \$16,041. Mr. Whisman explained that the variance related to higher than budgeted tuition payments, partially offset by lower than budgeted cohort support payments for such nine (9) month period.

Next, Mr. Whisman reported that OBR's overall net loss, across all programs, was \$4,961, as compared to the budgeted net loss of \$246,912, which resulted in an overall favorable variance of \$241,951.

Mr. Whisman next reviewed the Balance Sheet with the Board. Mr. Whisman reported that OBR's cash position increased over the fiscal year to date from \$1,074,537 at June 30, 2016 and \$915,568 at January 31, 2017 to \$1,360,236 at March 31, 2017. Mr. Whisman also reported that OBR's total receivables increased from \$764,718 at June 30, 2016 to \$1,052,268 at March 31, 2017. Mr. Whisman explained that OBR's cash position reflects a seasonal increase as OBR builds up cash reserves for its June debt service payment. Mr. Whisman further explained that the increase in receivables related primarily to the delayed timing of receipt of payments from the School District of Philadelphia (the "School District").

Mr. Whisman then discussed with the Board the "call" option of OBR's bank, pursuant to which the bank can choose to accelerate sums due and payable under its loan to OBR in 2018. The Board discussed the call option and the notice period in the event the bank exercises such option. The Board and management of OBR agreed to discuss further and evaluate OBR's options at subsequent Board meetings.

Third, Mr. Whisman reviewed with the Board the attached 2015 Form 990 for OBR, a copy of which was previously provided to Board members. The Board collectively reviewed and discussed the Form 990, including two revisions to the names of Board members. Following the Board's discussion regarding the Form 990, upon a motion duly made and seconded, the Board unanimously approved the Form 990, and the filing of the Form 990, in each case as revised.

Fourth, Mr. Delgado provided the Board with an update regarding the Modular Project. Mr. Delgado informed the Board that the modular units were finished in time for OBR's Module 4, and turned out beautifully and very sturdy. The Board discussed the modular units and the final break-down of the cost for the modular units and new security cameras, as set forth on the attached Modular Project Financial Report.

Fifth, Ms. Velazquez reviewed with the Board the attached 2017-2018 Rent and Insurance Memorandum (the "Rent and Insurance Memo"). Ms. Velazquez also reviewed with the Board the allocation of rent and additional costs for the coming year (such as property insurance) between OBR and CAP based upon the percentage of total square footage used by OBR and CAP, respectively. Following the Board's review and discussion of the Rent and Insurance Memo, upon a motion duly made and seconded, the Board unanimously approved the Rent and Insurance Memo and asked Ms. Velazquez to deliver a copy of it to Aykema Mabery, in her capacity as Business Manager of CAP, for CAP's review and reference.

Sixth, Ms. Velazquez reported that, as briefly discussed at the February 22, 2017 Board meeting, OBR is having its employee handbook reviewed and updated to better track current laws and regulations and best practices. Ms. Velazquez noted that OBR is scheduling a meeting with legal counsel to review and finalize the proposed changes to the handbook for implementation for the 2017-2018 school year. Ms. Velazquez also noted that OBR has been soliciting guidance from and coordinating with Ms. Duvivier in connection with the updated handbook, given Ms. Duvivier's experience in such area in her capacity as Chief Operating Officer of CAP.

Seventh, Mr. Delgado reported that OBR is projected to end its 2016-2017 fiscal year with a surplus of approximately \$90,000 more than originally projected. Mr. Delgado asked the Board to consider approving the use of up to \$60,000 of the additional surplus to replace OBR's two 2005 automobiles with two or three (depending upon cost) safer, more reliable vehicles. Mr. Proietta noted his support of such a purchase, pointing out that OBR's mission requires the ability to make home visits and that OBR needs reliable vehicles in order to do so. The Board discussed various aspects of the proposed purchase, including financing versus paying with available cash, where the vehicles would be parked, whether to purchase new or used vehicles and the recommendation to trade in OBR's old vehicles as opposed to selling them in a private sale. Following such discussions, upon a motion duly made and seconded, the Board unanimously approved the expenditure of up to \$60,000 for the purchase of automobiles for use by OBR's representatives in furtherance of OBR's mission.

Eighth, Mr. Delgado, Mr. Whisman and Ms. Nelson presented the attached 2017-2018 proposed budgets (collectively, the "Proposed Budget") to the Board. Mr. Delgado noted that the Proposed Budget was a preliminary draft, which would be further updated at the June Board meeting. Mr. Whisman reviewed with the Board the overall budget summary, across all OBR programs, noting an overall surplus of \$267,592 was budgeted for OBR's 2017-2018 fiscal year, as compared to the \$221,797 surplus that was budgeted for the 2016-2017 year. Mr. Whisman pointed out that the Proposed Budget included budgets broken out for each of the OBR programs. Mr. Whisman reported that, under the Proposed Budget, OBR Non-Profit is budgeted to have a surplus of \$103,172 at the end of OBR's 2017-2018 fiscal year. Mr. Whisman also noted that the one significant change in the Proposed Budget, as compared to the 2016-2017 budget, was the projection of more interest expenses, given that interest rates are anticipated to continue to rise.

Ms. Nelson reported that, under the Proposed Budget, the Harcum Program is budgeted to have a surplus of \$15,708 at the end of its 2017-2018 fiscal year. Ms. Nelson explained that the 2017-2018 budget for the Harcum Program is based upon its 2016-2017 budget, adjusted to

reflect anticipated increases in items such as cohort support and employee benefits and salary costs. Ms. Nelson noted that she expected to have further clarity on figures for the Harcum Program's budget, specifically with respect to what cohort support will be available, in the coming months and would update the Proposed Budget with respect to the Harcum Program as necessary for the Board's review at the June Board meeting.

Mr. Delgado next reviewed the Proposed Budget for OBR CHS with the Board, noting that the Proposed Budget for OBR CHS was shaded in blue in his separate budget hand-out. Mr. Delgado noted that the School District agreed to a new three-year contract, with a two-year renewal option, with OBR, an increase in per pupil funding by the School District and an increase in number of student slots from 675 to 800. The Board congratulated OBR on obtaining a new contract with the School District. Mr. Delgado next noted that the Proposed Budget for OBR CHS is based upon the new per pupil rate. Mr. Delgado reviewed various budget line items and variances between the Proposed Budget for OBR CHS and OBR CHS' 2016-2017 budget. Mr. Delgado noted that the Proposed Budget reflects an increase in certain salary scales, as well as the addition of several positions, including special education teachers, a nurse, a grant writer and others. The Board reviewed and discussed various line items in the Proposed Budget, as well as projections for the end of the 2016-2017 fiscal year. Mr. Proietta noted some concerns with respect to whether the new contract with the School District provides sufficient resources to OBR to continue to flourish without over-extending itself. The Board encouraged OBR CHS' administration to continue to be conservative in its spending and budgeting, notwithstanding the increase in OBR's per pupil rate.

Ninth, Mr. Delgado reviewed with the Board the attached 2017-2018 Academic Calendar. Mr. Delgado noted that the 2017-2018 Academic Calendar follows OBR's typical scheduling of eight weeks of instruction, followed by one week off. Mr. Delgado discussed the differences between OBR's 2016-2017 Academic Calendar and the proposed 2017-2018 Academic Calendar, and pointed out certain dates that remain to be finalized. Ms. Velazquez noted that the instructional days reflected in the 2017-2018 Academic Calendar exceed the minimum number of instructional days required, allowing for flexibility in the event of snow days. Following a brief discussion regarding the 2017-2018 Academic Calendar, upon a motion duly made and seconded, the 2017-2018 Academic Calendar was unanimously approved by roll call vote as follows:

1. For: Mr. Proietta, Ms. O'Brien, Ms. Mabery, Ms. Duvivier, Ms. McLaughlin and Ms. Negrón
2. Against: None.
3. Abstain: None.
4. Absent: None.

Tenth, Mr. Delgado reviewed with the Board the attached 2017-2018 Salary Scale for Professional Educators. Mr. Delgado explained to the Board that OBR conducted an assessment of salaries of professional educators in the Philadelphia area and determined that OBR's starting salary for teachers was not sufficiently enticing to attract new, capable teachers. Mr. Delgado

noted that the proposed 2017-2018 salary scale better tracks the salary scales of OBR's peers. Mr. Delgado explained that, under the proposed salary scale, teachers may also be eligible for additional funds for teaching double summer sessions, teaching senior seminar and OBR seminar courses and being involved in the Philly Run Program. The Board discussed the various opportunities through which teachers may be eligible for additional funds and clarified that any extra pay would apply only to the specified projects/programs, and, with respect to the Philly Run Program, the amount of additional funds would be at the discretion of OBR's administration, but would in no event exceed \$1,500. The Board next discussed teacher certifications, the applicability of certain teacher certification requirements and how such certifications would affect teachers' salaries. Following such discussions, upon a motion duly made and seconded, the Board unanimously approved the 2017-2018 Salary Scale for Professional Educators, to be effective as of September 1, 2017.

Eleventh, Mr. Delgado reported that OBR organized a campus-wide trip to New York City for May 23 and there was so much interest in the trip that OBR had to get a third bus to fit everyone. The Board briefly discussed the agenda for the trip, including visits to the 9/11 Memorial, Times Square and Staten Island. Mr. Delgado also reported that OBR would be hosting its fourth annual golf fundraiser on June 10, 2017. Mr. Delgado projected 80 golfers to be in attendance and net funds raised of approximately \$7,000-\$8,000. The Board then discussed and evaluated the effectiveness of the golf fundraiser and requested that OBR's administration provide a report to the Board, following the 2017 golf fundraiser, showing the break-down of money raised versus costs incurred in connection with the fundraiser.

Twelfth, Ms. Velasquez, as Chief Academic Officer, provided a campus-wide update to the Board. Ms. Velasquez first noted that the principals of the three OBR CHS campuses were not present at the Board meeting because they were meeting regarding Keystone Exams. Ms. Velasquez then provided the Board with updates on a number of OBR CHS' efforts, initiatives and events, including efforts to update the Student Code of Conduct, leadership changes at Fairhill Campus and Elmwood Campus, student participation in the Broad Street run, and the Prom scheduled for May 19.

Thirteenth, Ms. Nelson provided the Board with an update on the Harcum Program. Ms. Nelson reported that 30 students were expected to graduate in May 2017. Ms. Nelson noted that she planned to hold an end of the year awards ceremony for students who made the Dean's list or earned certain other accolades. The Board then discussed opportunities for the Harcum Program to provide information regarding the program to CAP students, including the possibility of an open house specific to CAP students.

Fourteenth, Mr. Proietta asked if there was any new business to come before the Board. Ms. O'Brien noted that the next Board meeting is scheduled for Wednesday, June 14, 2017 at 2:00 p.m. at the offices of CAP. Mr. Proietta noted that administrative salary scales and the final OBR budget should be discussed at the next Board meeting. Mr. Proietta also noted, for the record, that the Board held an executive session prior to the general Board meeting, during which executive session attendees discussed the possibility of creating incentive programs/gradients to attract principals.

There being no further business to come before the Board, upon a motion duly made, seconded and unanimously approved, the meeting was adjourned at 3:50 p.m.

DM2\7901327.1