

July 30, 2019

State Board of Education
Financial Capacity Review Team
Planning Meeting - Draft Minutes

Present:

Financial Capacity Review Team: John Carroll, Financial Capacity Review Team Chair, State Board of Education Vice-Chair; John O'Keefe, State Board of Education (via phone); Jennifer Ryan, Vermont Department of Financial Regulation; Sandy Bigglestone, Vermont Department of Financial Regulation; Mark Tashjian, Council of Independent Schools, Headmaster Burr and Burton Academy, (via phone); J. Deborah Ormsbee, Agency of Education Independent School Program Coordinator

Agency of Education (AOE): Suzanne Sprague

Convene; Introductions

Chair Carroll called the meeting to order at 10:34 a.m. He asked for introductions and the background of each member. Chair Carroll asked if there were members of the public present via the phone. There were none.

Statutory duties and authorities of the Review Team

Chair Carroll provided background on Compass School and the events that occurred which prompted the necessity to form a review team. He said Compass School received a five-year renewal from the State Board of Education (SBE) in 2015 which expired June 30th. The approval contained the standard condition requiring the school to notify the AOE if there was any significant change in enrollment, programs, policies, facilities, financial capacity, staffing, or administration during the approval period.

Chair Carroll said in March 2019, an article in VT Digger was published which indicated that Compass School lost its non-profit status for failing to file Form 990 to the IRS for 3 years. The SBE under the authority of 16 V.S.A. § 166 and under the provision in Act 173 which indicates that if there is reasonable concern that a school lacks financial capacity the SBE may convene a meeting with the school in question. Upon the request of the SBE, Compass School provided several financial documents to the SBE. Compass School's headmaster and vice-chair attended the April 2019 monthly meeting of the SBE and advised the circumstances and reasons for their failure of filing Form 990. The SBE asked for more information, which Compass School provided, and invited Compass School to its May 2019 meeting.

Chair Carroll continued that following the May meeting, the SBE felt that Compass School lacked financial oversight and effective governance. Under the authority 16 V.S.A. § 166 and under the provision in Act 173, if the school fails to demonstrate its financial capacity, the SBE may establish a review team with consent of the school and may; 1) conduct a school visit to assess financial capacity;

2) obtain any financial documentation necessary to perform its assessment; and 3) submit a report of its findings and recommendations to the SBE.

Known Facts about the “financial capacity” of Compass School

Chair Carroll asked for an update on Compass School’s current renewal application and the approval process. Ormsbee stated that the renewal is not complete, and they are awaiting the general education report from the independent contractor. She added that the team will request the standard approval of 5 years for special education. Chair Carroll said the SBE will not consider Compass School’s renewal until the Review Team is satisfied that Compass School has fixed or is fixing any inadequacies in regard to financial capacity. He said any recommendation from the AOE must consider the school’s financial capacity.

Discussion followed regarding financial capacity and its definition, accounting issues with Compass School, audits versus reviews, developing a set of financial tools, process failure versus financial failure, holding the school to the standards that exist in Rule Series 2200, independent school renewal process and New England Association of Schools and Colleges (NEASC) approval versus Agency of Education approval.

Information to be gathered during the site-visit

Chair Carroll asked what type of additional information the Review Team will want ahead of the visit and while at the visit as well as with whom the Review Team will want to meet. He has informed the Head of School and co-Chairs of the Board that he expects all members of the Compass School Board to be present. Discussion followed regarding balance sheets, liquid assets, cash balances confirmed by financial institutions holding the balance, bank balances on statements, confirmation of enrollment of public and private students by grade to confirm revenue sources, payroll, monthly cash flow projections, banks statements of prior 12 months, endowments or investments, meeting with the business manager, tuition rate setting process, 2019-2020 budget and the draft Compass School Financial Manual.

Chair Carroll asked Ryan to take the lead and prepare a letter to Compass School requesting additional documentation for the Review Team approval. He asked that the letter be sent to head of school Rick Gordon and co-chairs, Roxane Blake and Randi Solin. Ryan agreed to draft the letter and forward it to Compass School once the Review Team gives approval. Her letter will include a request for the following:

1. For academic years 2018-2019 (actual) and 2019-2020 (anticipated), number of enrolled students and revenue amounts in the following categories:
 - a. Public and private
 - b. Special education and general education
 - c. By student grade
 - d. Medicaid funding, if any
2. Balance sheet as of 6/30/19
3. Profit & loss statement as of 6/30/19
4. Aging of accounts receivable as of 6/30/19

5. Budget for 2019-2020 academic year, including cash flow projection

Chair Carroll confirmed that the draft will allow for some of the material to be sent to the Review Team prior to the meeting and the rest to be available at the meeting. He said he would provide a link to the Rule Series 2200 to the Review Team. He added that the Review Team can only enforce the laws and rules as they currently exist. Chair Carroll reminded the Review Team that Compass School has been a successful and effective educational resource in southeastern Vermont for many years. Compass School is valued by its nearby communities, its students and their families. The mishap exposed some institutional weaknesses.

Logistics, scope and character of site-visit

Chair Carroll indicated that Compass School's address is included in his original correspondence. He suggested an introductory meeting with the Head of School for 30 minutes followed by a meeting with the Business Manager for 30 minutes. The rest of the visit will be with the full Compass School Board. He suggested that the Review Team debrief over lunch. Chair Carroll reminded the Review Team that it does not have grounds to assume the school is financially unstable. From evidence presented to the SBE, it appears that it is the effectiveness of its financial oversight and governance which needs improvement.

Probable steps by the Review Team after the site-visit

Chair Carroll said that there will be a follow-up meeting to be determined at a later date to compile its findings in a recommendation to the SBE.

Final thoughts and concerns; Adjourn

The meeting adjourned at 12:15 p.m.

Minutes recorded and prepared by Suzanne Sprague
