

# **Sarasota Military Academy**

## **BOARD OF DIRECTORS**

### **MEETING**

### **MINUTES**

**OCTOBER 21, 2010**

#### **Board of Director Members in Attendance:**

LTG Howard Crowell, Jr., USA (Ret), Chairman

Mr. Herb Jones, Vice Chairman

Mr. Fred Derr, Treasurer

Dr. Celia Edmundson, Secretary

Mr. Steve Herb, Member

Mr. Bob Gault, Member

Mr. Woody Wolverton, Member

Chairman Emeritus, Dr. Robert Windom, M.D.

#### **SMA Executive Staff in Attendance:**

Mr. Dan Kennedy, Headmaster & CEO

COL Stephen Cork, Commandant of Cadets & CFO

#### **Guests:**

Robert J. Lane, CPA & Managing Partner, Kerkering, Barberio & Co., CPA's

Jenny Glassmoyer, CPA & Lead Auditor, Kerkering, Barberio & Co., CPA's

Whitney Nall, Auditor, Cavanaugh & Co.

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Chairman Crowell called the meeting to order at 14:05 p.m.

The first order of business was to discuss the Board of Directors minutes of September 9<sup>th</sup>, August 5<sup>th</sup>, and the Audit Committee Meeting of August 5<sup>th</sup>, 2010. Discussion followed for agreement of minutes as written. The Chairman entertained a motion by Dr. Edmundson to accept the Board minutes for September 9<sup>th</sup> as written; seconded by Mr. Gault. No objections; motion approved. The Chairman entertained a motion by Mr. Gault; seconded by Dr. Edmundson to accept the Board minutes of August 5<sup>th</sup> as written. No objections; motion approved. Gen. Crowell entertained a motion by Mr. Gault; seconded by Dr. Edmundson to accept the Audit Committee meeting minutes as written. No objections; motion approved.

**Financial Audit results from Kerkering, Barberio & Company:**

COL Cork introduced the representatives from Kerkering, Barberio & Company. Mr. Robert J. Lane, CPA, Partner and Managing Shareholder and Ms. Jenny Glassmoyer, CPA and Lead Auditor for the SMA audit team. Also introduced was Mr. Whitney Nall, Cavanaugh and Company auditor who assisted SMA staff in preparing for the audit.

Mr. Lane advised the Board that Kerkering, Barberio & Company had completed the audit. During his power point presentation, Mr. Lane advised the Board that the auditors had reviewed the Financial Statements and report that there were no weaknesses or significant deficiencies on internal controls over financial reporting and compliance. He commented that the yearend adjustments made after the June 30<sup>th</sup> period were not a material amount; approximately \$20,000. The items were normal business expenses that related to the cut off period of June 30<sup>th</sup>. He also advised the Board that the prior year findings had been corrected (i.e. immediate endorsement of checks; tracking vacation/sick time; maintaining personnel files; journal entries and year end closing).

During the current fiscal year, the Firm also had findings and recommendations for SMA; (1) Adoption of formal investment policy; (2) Revision of conflict of interest policy requiring annual disclosure of interests; (3) Maintenance of budget consistent with General Fund; (4) Endorsements of Cash Receipts Collected Outside of the Finance Department.

Mr. Lane continued his comments with a concern over the negative growth on Total Assets; in part due to negative growth in the general economy. He then directed the Board's attention to the break-down on revenue and expense compositions. The revenue funds coming to SMA are primarily from State and Federal government sources. The largest share of expenses for the school was basic instruction and guidance services. A Cash Flow Analysis reflected that approximately 91% of all funds were used for program and operational expenses. The balance was used for capital outlay and bond principle repayment.

For Year Ending June 2010, a comparison of Original Budget, Final Budget and Actual Expenses had a positive savings in excess of \$48,000.

Mr. Lane reported that the ratios for Defensive Interval (a measure of how many months the organization could operate if no additional funds were received [excluding income from non-operating activities] was 1.54 (months) for 2010. He recommended a benchmark and goal should be considered and planned for around two to three months.

He went on to state that a ratio for a Savings Indicator (a measurement for increase or decrease in the ability of the Charter School to add to its net assets) was a negative 1.78% for 2010. Then moving on to Debt Ratio (a measurement for the proportion of assets provided by debt) was 65.1% for 2010. He noted that over time, this figure should come down as the principle on the bonds is paid down.

Mr. Lane then move onto the topic of the Federal Form 990; the most public of tax documents. He addressed at length the importance of many changes that Sarasota Military Academy was subject to completing this form. He summarized the changes on Tax Exempt Bonds, reporting compensation of officers, key employees as well as annual conflict of interest disclosure policy and monitoring process.

Mr. Lane closed his presentation with appreciation to SMA Management, Peg Cork as well as Cavanaugh and Company for their support to Kerkering, Barberio & Company in making the audit go smoothly. He said that they looked forward to continuing to work with Sarasota Military Academy. He noted that the school was awarded an ‘unqualified opinion’ in their evaluation, and closed the presentation with the statement that “...this is a good report.”

General discussion followed. The Chairman thanked Mr. Lane for his presentation. He asked for the record to reflect the Board’s appreciation to Colonel and Mrs. Cork for their outstanding work in management of the financial operations.

### **Financial Report:**

Mr. Derr began the report with the Balance Sheet dated September 30<sup>th</sup>, beginning with Cash of \$780,000. Our current equity to net worth is \$2,300,000. The Profit and Loss Statement shows a Gross Profit of \$1,600,000 with an overall net income of \$351,000. General Crowell mentioned a desire to have a year to date budget comparison for review by the Board members. COL Cork discussed the new document of Transaction Detail by Account for the current fiscal year detailing donations. The items listed are funds donated to SMA operations and specific club activities. Discussion followed.

Mr. Derr expressed concern about District FTE funding to SMA. The school would have a shortfall of \$275,000 for the year if the FTE funds are not paid for all students enrolled. Mr. Kennedy and the Chairman indicated that the District had not given a final decision on the funding to SMA for the current school year.

The Chairman entertained a motion from Mr. Herb to accept the Financial Statements as presented; seconded by Mr. Gault; voted with no objections; approved.

### **Chairman’s Report:**

General Crowell shared with the Board his view of the recent visit that Mr. Kennedy and the Chairman had with Superintendent White at the District regarding the correct funding for students served at SMA. The General reported that the visit was a pleasant and business-like meeting including District Financial and High School Deputies.

The Chairman's observations were: (1) Size of SMA is not of issue for the District. We should not feel pressured either way, big or small, by the District. They would simply like more accuracy in future projections of our expected student population. (2) District management is focused on the entire District; not just one school. (3) It is problematic with the District school leadership when charter schools dismiss students for behavior issues. The district school that receives the rejected student takes umbrage when the student is assigned to them. When we go to the District for money; or question a financial slight, their reaction is tainted by this issue.

He expressed optimism that the District will make a positive decision in our favor regarding the current FTE payment. He noted that the school wants to maintain a good, positive relationship with Superintendent White and the District staff.

General discussion followed regarding the pros and cons of class size, dual enrollment program, ESE support services, changes in academic program and class size, as well as the needed funds to support programs.

The Chairman requested that the Headmaster contact the receiving school principal when a student is reassigned for disciplinary reasons.

**Headmaster's report:**

1. Enrollment: 11 students attend SCTI (Sarasota County Technical Institute), 22 students are dual enrolled at SCF (State College of FL), 10 of these students are enrolled full time at SCF and 12 students are part time. A roll-up of FTE equivalents would be around 760 students. Our student body consists of 31 students from out of county, with 41 students having come from private schools.

The Chairman asked about the impact of the upcoming November ballot vote on Amendment 8; class size in education. Mr. Kennedy advised that Amendment 8 governed and set the high school average class size. Currently it is set at 25 students per teacher. The Amendment will allow more flexibility in this calculation. Mr. Kennedy and many educators support the Amendment.

2. School Improvement Plan: Our SIP (School Improvement Plan) has been completed and submitted electronically to the state via the district. Chris Bowman was in charge of the project and will present the plan during our next meeting.
3. ACT: The New ACT predictor tests will be established at SMA giving cadets a greater chance of excelling on the ACT. Parents will pay for the testing.
4. Rifle Team: The rifle team has been doing very well in recent competitions.
5. Raiders: Both boys and girls raider teams won first place in all divisions in the Raider Challenge competition held 16 October.

6. FAIR Testing (Florida Assessment in Reading): We have completed the first of our rounds of FAIR testing. This test predicts individual success on the FCAT and highlights areas needing improvement.
7. SAC (School Advisory Council): The SMA SAC has met three times so far this year. This group approves the SIP (School Improvement Plan) and works to improve the instructional program at SMA.
8. Veterans Day: SMA will participate in the Veterans Day Parade on 11 November. We expect a large number of parents to accompany the cadets as they once again fill Main Street; from top to bottom. Board members should arrive by 8:15 a.m. if they wish to participate. PTCC will have food and soft drinks available for sale after the parade. The parade will stop at Five-point circle.
9. Congressional visit: Rep. Vern Buchanan visited the campus on 15 October. He made a short presentation, posed for numerous photos and visited a classroom.
10. SMA Grads: Mitch Spetsios and Carmen Judge were in a serious motorcycle accident. Both are recovering well at this time.
11. Elke Olree's son Dylan was also in an accident and he is doing well at this time.
12. Conflict of Interest Policy: Our auditors have recommended that we approve a conflict of interest policy. A proposed policy has been sent to all board members for review. A copy was provided in Board books.

Discussion followed that the policy was acceptable as written. Each Board member signed and returned the attached disclaimer to management.

Mr. Kennedy advised the Board that the enrollment policy has additional items needed for research. The topic is tabled until the next meeting.

#### Academic Leadership Committee:

Dr. Edmundson reminded the Board that she was working on the rack card and hoped to have it completed by November 1<sup>st</sup>. A few items missing are pictures and statements. Mr. Kennedy would provide additional choices for selection. Congressman Buchanan's office is also sending pictures. Also need an alumni and student statement. Mr. Herb suggested using a statement of "SMA priceless". Mr. Kennedy recommended the regimental commander for a student comment. Discussion followed for the volume for printing and budget.

#### Alumni/PTCC Committee:

Mr. Kennedy informed the Board that the PTCC was working on the Veterans Day fund raiser. Since Ms. Olree is not present at this meeting and has missed a number of meetings, Mr. Jones recommended that an alternate be assigned to come to the Board meetings. General discussion followed. Mr. Kennedy would advise the PTCC.

**Old Business:**

Mr. Herb asked about the plans for a fund raiser. Mr. Kennedy is working towards a solution and plans to present the possibilities at the next meeting.

**New business:**

The Chairman addressed the topic of adding members to the Board. According to the SMA By-Laws, membership can be between five and eleven members. General discussion followed regarding an invitation to add Mr. Benjamin M. Knisley to the SMA Board. Mr. Jones made a motion to invite Mr. Knisley to SMA Board membership; Dr. Edmundson seconded; voted with no objections; approved. Mr. Kennedy will prepare a letter for the Chairman to sign to invite Mr. Knisley to the next Board meeting.

Mr. Jones advised the Board that he was working with an individual for possible membership.

Dr. Edmundson addressed an interest to see on the website a wish list that looks at the academic side of SMA and invites the Greater Sarasota Academic Community to work and participates with the school. Mr. Kennedy understands that the SMA teachers could have input for the type of support they hope to receive from this type of plan. Dr. Edmundson will formulate and present a plan on the topic at the next meeting

Mr. Kennedy is working on plans for development of programs whereby students can pursue a research interest in a core area of study; i.e. Mote Marine. Mr. Kennedy will present the ideas at the next Board meeting.

**Audience comments:**

No comments.

Having no other business, General Crowell adjourned the meeting at 3:52 p.m.

The next Board meeting is scheduled for Thursday, November 18; 2:00 p.m.

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LTG (R) Howard Crowell, Chairman

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Dr. Celia Edmundson, Secretary

Drafted By: Elizabeth Elliott  
Edited By: COL (R) Stephen Cork