

Discovery Schools
Governing Board Meeting Minutes
07/11/2024
AMENDED

The following members were present:

Nancy Daley	Chairperson/Community Member
Charlotte Butler	Community Member
John Taylor	Community Member
Doretha Tillman	Community Member
Tania Sims	Secretary

Nancy Daley welcomed everyone and called the meeting to order at 9:00 AM.

Minutes

A motion was made by Ms. Nancy Daley to accept the 06/25/24 minutes as written. John Taylor seconded the motion. The motion was passed by unanimous vote.

New Business

Ms. Daley pulled up their bylaws, she said that she wanted to assure everybody that they are acting in accordance with bylaws.

Ms. Daley read the part of the bylaws that says that the board members are indemnified by the corporation against all liability and expenses not otherwise compensable by the insurance maintained by the corporation so if there is a final judgment in the action there is no negligence not held liable as a group of board members. Where they will not be held liable as long as there's no negligence or misconduct.

Ms. Daley mentioned that since March she has had many conversations with four different attorneys to make sure that no consequences will affect a staff member of the school.

Ms. Daley shared that the bond holders are requiring Discovery Schools to do a forensic audit which is supposed to cost \$100,000, the audit will review the last five years. She also said that the bond holders are going to cover the cost but it doesn't take away Discovery Schools liability to pay it back.

Board Approved
9-10-24
Date

Ms. Daley said that Discovery Schools don't have any choice but to agree to all the terms in the forbearance agreement.

Ms. Daley mentioned that she has a suggestion about reviewing other possible attorneys.

Ms. Daley mentioned that the school administration is putting in place new procedures and policies regarding the cash.

Mr. Frabotta stated that DALA has reduced the cash kept for internal and operating amounts.

Mr. Taylor asked if there are costs to upkeep the buses that don't function?

Mr. Frabotta said that there is no cost, but they are continuing to depreciate and for buyers it's a net loss.

Mr. Frabotta stated that DALA is getting new tables coming for the dining hall, and maybe DALA might be able to sell the old tables.

Mr. Frabotta shared that one of DALA counselors who is really proactive, she paid for herself to attend a Grant Ready seminar, and he has already met with Mrs. Robin Haight twice this summer about working together.

Ms. Daley presented the forbearance agreement to the board members.

Ms. Daley said that the bond holders have given Discovery schools the chance to make up for the fact that both schools don't have the money to meet the fund balance this year.

Ms. Daley also mentioned that \$26,000,530 was the original amount, plus \$550,000 to another finance corporation and the bond holders are giving Discovery Schools the ability to forbear those payments until we can get back on our feet.

Mr. Miarecki stated that the schools did not miss a payment. They are just not meeting the fund balance requirements under the bond covenants. Mr. Taylor stated he was glad to hear that.

Ms. Daley said that the forbearance agreement has a bunch of stipulations, like monthly conference calls, financial reporting, a management discussion of financial performance and a forensic audit report.

She stated that the forensic audit is five fiscal years that they go back, it will take about six months to complete and cost about a \$100,000.

Ms. Daley mentioned that keeping enrollment up is going to be extremely important.

Ms. Daley stated that the bond holders are asking for the appraisal of the property to be MAI certified, and they have to approve it.

Ms. Daley said that the bond holders are going to evaluate the executive director, finance manager and the board members. They will prepare a written report detailing the results and providing specific recommendations with respect to improvements or changes in operations in management, including a recommendation as to whether the existing management should continue to be retained.

Ms. Daley shared that until Ms. Becky Kruger came, she talked about how the board members had to take more of a day to day controlling interest and we never had that opportunity because the executive director was in charge.

Ms. Daley said that as a group, the board has a meeting with everybody and they are supposed to look over the documents, the finances, etc... And as a group, we are proving the personnel, E.G., we put the things we have to vote on.

Ms. Daley said that there will be more accountability, policies and procedures. She also mentioned that it will be a good way to keep track of whether Discovery Schools are using the budget properly.

Ms. Daley said that the bond holders are going to do a management evaluation. She said that they're basically going to be looking at what changes the board members would need to make.

Ms. Daley said that the forensic audit is going to look at both schools' spending, accounts and money, they will get all the files and they will determine where the money went to.

Ms. Daley said that the bond holders will decide what they want from time to time to engage one or more consultants to examine the operation management.

Ms. Daley shared that DHS had a lawsuit last year and DHS got an invoice from the attorney for \$15,000.

Ms. Daley said that the bond holders stated that Discovery Schools can't sell any other assets without their permission. Discovery Schools can't file bankruptcy or can't have mergers with another company, can't take out any loans, no indebtedness.

Ms. Daley said that the bond holders want all the principle and interest as they come do and there's a bunch of things that would terminate the forbearance, and that has

to do with it if Discovery Schools don't make the payments or don't comply with the covenant, set forth things like, we have the 30 days to get the UM appraisal.

Ms. Daley said that she would ask for a motion to agree to the forbearance agreement and sign it and return it to them.

Ms. Daley said that Mr. Miarecki said to write outstanding balance on the blank on page two.

Ms. Butler asked if the agreement is in effect until the whole loan is repaid? Does Discovery School have to make monthly reports until the whole loan is paid off?

Ms. Daley asked if the question is, once the debt is current then do all these requirements go away?

Ms. Daley called Discovery Schools' lawyer, Mr. Daniel Woodring. Unfortunately, he was not available.

Mr. Taylor made a motion is amended to say that they are signing the forbearance agreement, agreeing to the forbearance stipulations. Ms. Butler seconded the motion and a unanimous vote followed.

Daniel Woodring called Ms. Daley back, she told him that he is on speaker phone with the Discovery Board.

Ms. Daley told Mr. Woodring that the board members had some questions, they wanted to approve the forbearance agreement, first question was that the space was blank where it said the amount of money. Ms. Daley said that she emailed Margo and Margo said the space will be filled in on Monday. Ms. Daley asked if this is just the amount that Discovery Schools are in a rear?

Mr. Woodring said that he doesn't know but it doesn't really matter, it's not going to change the amount.

Mr. Woodring suggested that Ms. Daley ask the board for approval to sign the forbearance agreement on their behalf, with the understanding that there is still other attachment that needs to be put on, and then that amount filled in.

Mr. Woodring said that he thinks that Discovery Schools is up to date with their payments. He thinks where Discovery Schools are in default is that their cash reserves are not there.

Ms. Daley asked when Discovery Schools sell the property that would fill in those reserves?

Mr. Woodring said that potentially would fill the reserves. He mentioned that they set it up where Discovery Schools have the ability to use proceeds from the sale of the property with the trustee's permission for cash flow purposes. He also mentioned that the only real way Discovery Schools are going to get their reserves back up is to fix their enrollment.

Ms. Daley shared with Mr. Woodring that the board members are concerned that all of these stipulations are for the rest of the time of their loan?

Mr. Woodring said that the forbearance agreement is basically for a year. He also mentioned that Discovery Schools should consider increasing that agreement to be a second year.

Mr. Woodring said that with the forbearance agreement both schools are still required to maintain their payments. As far as he knows the reason Discovery Schools are in default is because they did not meet the cash reserves. He also said that board members should be asking Mr. Miarecki, as their CPA.

Ms. Butler said that she is concerned about how the actions of the board are affecting the staff. She asked Mr. Frabotta if people are upset? Are they worried?

Mr. Frabotta said that some staff were worried about her health. he said that he assured them that her health was fine, but she will not be coming back.

Mrs. Sims said that by talking to teachers and other staff, they understand that the decision the board members made was not easy, even though they don't have the whole picture of what happened, they are excited and willing to work towards the new changes and under Mr. Frabotta's leadership because they know what a great leader Mr. Frabotta is. Mrs. Sims said that the staff is sad for Mrs. Fulks that she's no longer working at Discovery, but they understood that it was necessary the change of leadership to implement new ideas and to move forward.

Ms. Daley said that she is really excited about the two schools working more closely together.

Ms. Daley said that they need to give Mr. Warren a different title, because he is taken on more responsibilities. She clarified that Mr. Warren is not taking the executive director position since it was eliminated.

Ms. Daley made a motion for Mr. Warren's new title, Administrative Liaison. Ms. Butler seconded the motion and a unanimous vote followed.

The meeting was adjourned by Nancy Daley at 11:43 A.M.

Next Meeting: August 13th, 2024
Discovery High School Meeting
at 9:00 AM – DALA's Media Center