



## Public Board of Directors Meeting

### The Classical Academy, Inc. TK-12<sup>th</sup> Grade

Tuesday, February 23, 2021  
3:30 PM – Board Meeting

Zoom: <https://zoom.us/j/94604007965>  
Call In Number: 1-669-900-6833

Please Contact Sonia Ryan [sryan@classicalacademy.com](mailto:sryan@classicalacademy.com) to request reasonable accommodations to participate in the meeting.

### BOARD AGENDA

All agenda items apply to The Classical Academy, Classical Academy Middle School, Classical Academy High School, Classical Academy Personalized Learning, and Classical Academy, Vista. Detailed Board agenda information can be found on our website: <https://classicalacademy.com/board/>

#	Agenda Item	Presenter	Action Item
1	Open Meeting with Pledge of Allegiance	Mark Donar, Board President	No
2	Student Voice – Update on Activities	Reagan Smith, CAHS - ASB Vice Pres.	
3	Principal Voice – Campus Updates	Kenna Molina, Kirstin Lasto, Jennifer Morrow, Dr. Stacey Perez, and Dana Moen	
4	Written / Oral Correspondence (2 minutes)	Sonia Ryan, Director of Administration	
5	Consent Agenda A. Review and Approval of Past Minutes i. Meeting of 1/22/2021 B. Enrollment	Mark Donar, Board President	Yes
New Business			
6	Finance Update • December 2021 P&L • Deferral Financing Resolution • Reserve Fund Bond Proposal • Investment Policy Review & Adoption	James Heath, CFO	Yes
7	Reyes vs. State: Lawsuit Update	Sejal Majithia, Director of Compliance	No
8	Solar Savings & Ionization Air Update	Russell Grant, CII	No
9	Vaccination and Employment Discussion	Sejal Majithia, Director of Compliance	Yes
10	April 6, 2021 Special Board Meeting to finalize bond financing for Classical Academy, Vista	Cameron Curry, CEO	Yes
11	Adjournment of Public Meeting o Next Meeting: Tuesday, May 18, 2021 Via Zoom	Mark Donar, Board President	No



# THE CLASSICAL ACADEMY

BOARD OF DIRECTORS			
Date	January 22, 2021	Call to Order	10 am
Board Members Present via Virtual Call:	Mark Reardon, Paul Donovan, Patty Huerta, Angie Mosteller, and Mark Donar		
Board Members Absent:	None		
Speakers Present:	Cameron Curry, James Health, Russell Grant, and Mark Kalpakgian		
Note taker:	Sonia Ryan		

## Agenda for January 22, 2021

### 1. Roll Call/Meeting Opening

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Mark Reardon | <input checked="" type="checkbox"/> Angie Mosteller |
| <input checked="" type="checkbox"/> Mark Donar   | <input checked="" type="checkbox"/> Paul Donovan    |
| <input checked="" type="checkbox"/> Patty Huerta |   |

Mark Donar, Board President, lead the Board Members and audience with the Pledge of Allegiance.

### 2. Correspondence

Written: None Presented

Oral: None Presented

### 3. Consent Agenda

Motion	Moved	Second	Vote	Passed	Denied
A. Review and Approval of Past Minutes - 12/8/2020	Mark R.	Angie	4-0	✓	

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Mark Donar   | <input checked="" type="checkbox"/> Patty Huerta    |
| <input checked="" type="checkbox"/> Mark Reardon | <input checked="" type="checkbox"/> Angie Mosteller |
| Not yet present - Paul Donovan                   |   |

### New Business





# THE CLASSICAL ACADEMY

## 4. Facility Update – Vista Location Options

Cameron Curry, CEO, presented options for Classical Academy Vista's location once their lease is up at the end of the 2020/21 schoolyear on June 30, 2021.

Motion	Moved	Second	Vote	Passed	Denied
Motion to enter escrow for the purchase of property at 2200 University Avenue, in Vista, upon renewal approval of TCA Vista's Charter, financed by a bond issue.	Mark R.	Angie	5-0	✓	

☒ Paul Donovan  
☒ Patty Huerta  
☒ Angie Mosteller

☒ Mark Donar  
☒ Mark Reardon

## 5. Construction Update – Classical Academy Middle School

Russell Grant, Chief Information Officer, gave the Board of Directors a Classical Academy Middle School facilities update, which includes a building remodel (addition of three classrooms for 70 students) and external enhancements (athletic court with bleacher seating, landscape and turf improvements, and a more secure site).

Information only.

## 6. Construction Update – Classical Academy High School Parking Lots

Russell Grant, Chief Information Officer, gave the Board of Directors a Classical Academy High School Parking Lot update. After additional requests from the City of Escondido caused delays and would have cost an additional \$65,000, a waiver was accepted, with a new estimated project completion date of February/March 2021. The completion of the project will yield 42 additional parking spaces, with a final estimated cost of ~\$380,000.

Information only.

## 7. The Classical Academy Charter Modification or New Charter Submission

Cameron Curry, CEO, asked the Board of Directors if they would like seek options to either modify The Classical Academy Charter or to submit a new charter for TCA, to expand C Track offerings at the Bear Valley (TCA) campus. This topic will be added to the February 23th agenda.



# THE CLASSICAL ACADEMY

Information only.

## 8. Bond Reserve Investment Options

James Health, Chief Financial Officer, presented information around investing \$3.57 Million from the 2017 and 2020 bond reserve funds. The investments are restricted to very conservative portfolios regulated by our bond covenants. With an estimated interest gain of a 1-1.2%, the return would net about \$40,000 annually.

Information only.

## 9. County Reserves Investment Options

James Health, Chief Financial Officer, presented an option around investing some of the school's cash reserves. He interviewed several investment firms and is reviewing proposals. The plan is to develop an investment policy that would be Board approved and then invest some reserves to net larger annual gains than just sitting in a low interest earning bank account. There are associated risks and rewards with investing.

Information only.

## Adjournment of Public Meeting

Meeting Adjourned at 11:25 am.

Next regularly scheduled meeting is Tuesday, February 23, 2021, at Coastal Academy (K-8), 4096 Calle Platino, Oceanside.

## CERTIFICATE OF SECRETARY

I certify that I am the duly elected Secretary of The Classical Academy, a California nonprofit public benefit corporation; that these minutes, consisting of three (3) pages are the minutes of the meeting of the Board of Directors held on January 22, 2021.

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date



# The Classical Academy, Inc

## Enrollment Report

February 2021

Enrollment Period- February 1, 2020					
Grades	TCA	CAMS	TCA Vista	CAHS-PL	CAHS
TK	26	0	12	0	0
K	174	0	72	0	0
1	168	0	79	0	0
2	170	0	75	0	0
3	176	0	69	0	0
4	174	0	81	0	0
5	163	0	72	0	0
6	187	0	67	0	0
7	79	132	74	0	0
8	83	143	60	0	0
9	0	0	0	109	249
10	0	0	0	74	226
11	0	0	0	114	211
12	0	0	0	94	207
Total	1,400	275	661	391	893
Adopted Budget	1,065	280	510	440	880
Variance	335	-5	151	-49	13



# THE CLASSICAL ACADEMIES

Board Meeting

Finance Presentation

February 23, 2021

# Overview

The Classical Academies started the 2020/2021 school year with an approved budget to serve 4,790 students Kindergarten through 12th grade, with a planned revenue (Net of SPED contribution) of \$41.9 million.

The California Legislature capped enrollment at P2 FY 19/20 levels. Therefore, we are presenting enrollment (below) from our P2 submittal VS. where we are currently (through February 1<sup>st</sup>).

	<u>Funding Cap for Enrollment P2 19/20</u>	<u>Feb. 2021 Actuals</u>	<u>Increase over P2 19/20</u>
TCA Bear Valley	1078	1,400	322
CAMS	280	275	(5)
CAHS-S	865	893	28
CAHS-PL	383	391	8
VISTA	525	661	136
COASTAL	1148	1,456	308
COASTAL HIGH	<u>410</u>	<u>448</u>	<u>38</u>
<b>TOTAL</b>	<b>4689</b>	<b>5,524</b>	<b>835</b>



# FY 20/21 2<sup>nd</sup> Quarter Balance Sheet

<b><u>BALANCE SHEET SUMMARY</u></b>					
	<b><u>TCA *</u></b>	<b><u>CAHS</u></b>	<b><u>COASTAL</u></b>	<b><u>VISTA</u></b>	<b><u>TOTAL</u></b>
Total Checking/Savings/Treasury	2,176,903	4,813,320	11,586,868	1,396,342	<b>19,973,432</b>
Total Accounts Receivable	10,155,210	665,429	1,250,738	599,608	<b>12,670,984</b>
Total Fixed Assets	36,540,192	1,498,086	11,697,280	20,157	<b>49,755,715</b>
Total Other Assets	<u>366,934</u>	<u>698,646</u>	<u>51,070</u>	<u>44,656</u>	<b><u>1,161,306</u></b>
<b>ASSETS</b>	<b>49,239,238</b>	<b>7,675,481</b>	<b>24,585,956</b>	<b>2,060,763</b>	<b>83,561,437</b>
Total Accounts Payable	617,953	1,600,631	923,568	597,641	<b>3,739,793</b>
Total Current Liabilities	1,494,238	1,513,611	1,028,235	0	<b>4,036,084</b>
Total Long Term Liabilites	<u>41,794,379</u>	<u>0</u>	<u>12,612,711</u>	<u>324,252</u>	<b><u>54,731,342</u></b>
<b>LIABILITIES</b>	<b>43,906,570</b>	<b><u>3,114,242</u></b>	<b>14,564,514</b>	<b>921,893</b>	<b><u>62,507,219</u></b>
Total Without Donor Restrictions	5,687,556	2,953,951	9,129,881	1,090,379	<b>18,861,766</b>
Total With Donor Restrictions	23,628	31,193	24,840	17,590	<b>97,250</b>
Toatal Net Income	(378,516)	1,576,096	866,721	30,901	<b>2,095,202</b>
<b>EQUITY</b>	<b>5,332,668</b>	<b><u>4,561,239</u></b>	<b>10,021,441</b>	<b>1,138,870</b>	<b><u>21,054,218</u></b>
<b>Total Equity &amp; Liabilitites</b>	<b>49,239,238</b>	<b>7,675,481</b>	<b>24,585,956</b>	<b>2,060,763</b>	<b>83,561,437</b>
* TCA includes PWP in this Balance Sheet, which complies with our Audited Finanacials					



# FY 20/21 2<sup>nd</sup> Quarter Actuals thru 12/31/20

<b><u>INCOME STATEMENT SUMMARY</u></b>							
<b><u>REVENUE</u></b>		<b><u>TCA</u></b>	<b><u>CAHS</u></b>	<b><u>COASTAL</u></b>	<b><u>VISTA</u></b>	<b><u>ADMIN</u></b>	<b><u>TOTAL</u></b>
Total LCFF		5,525,839	6,071,634	6,877,901	1,956,192	0	20,431,566
Special Ed (restricted)		372,524	347,142	424,206	142,446	0	1,286,318
Lottery (unrestricted)		28,617	17,932	32,816	11,322	0	90,687
Lottery (restricted)		31,658	35,904	35,331	12,267	0	115,160
Mandated Cost		22,663	58,712	37,877	8,665	0	127,917
Other Income		250,676	257,647	(324,090)	73,839	0	258,072
<b>Total Revenue</b>		<b>6,231,977</b>	<b>6,788,972</b>	<b>7,084,040</b>	<b>2,204,731</b>	<b>0</b>	<b>22,309,720</b>
<b>RESTRICTED SPED</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL NET REVENUE</b>		<b>6,231,977</b>	<b>6,788,972</b>	<b>7,084,040</b>	<b>2,204,731</b>	<b>0</b>	<b>22,309,720</b>
<b><u>EXPENSES</u></b>							
Certificated Salaries		2,318,746	2,170,307	2,880,226	979,805	150,000	8,499,084
Classified Salaries		377,801	596,019	642,447	146,228	1,109,992	2,872,487
Employee Benefits		859,069	966,644	1,158,317	369,350	532,635	3,886,015
Direct Education Expenses		438,675	74,200	354,487	243,999	29,885	1,141,246
Non Cap F&E		95,932	78,964	66,162	4,876	15,299	261,233
Operations		37,249	129,848	119,400	41,905	96,727	425,129
Other Overhead		1,081,301	1,196,893	999,128	387,667	105,118	3,770,107
ADMIN Allocation		575,000	975,000	489,655	0	(2,039,655)	(0)
Other Financing Uses		49	0	0	0		49
<b>Total Expenses</b>		<b>5,783,822</b>	<b>6,187,876</b>	<b>6,709,822</b>	<b>2,173,829</b>	<b>0</b>	<b>20,855,349</b>
<b>NET INCOME</b>		<b>448,156</b>	<b>601,096</b>	<b>374,218</b>	<b>30,901</b>	<b>0</b>	<b>1,454,370</b>



# Introduction to Bond Reserve Investing

Discussion of the options available to us to invest our Bond Reserves that are currently held with Wells Fargo – our Bond Fiduciary

# Background

- When tax-exempt bonds are issued for charter schools, investors require a reserve fund held with the trustee in the amount equal to 1 year of debt payments
- Reserve funds are held for the benefit of the investor in case there is a delinquent payment or default
- At the maturity of the bonds or when the bonds are refinanced, the reserve fund is returned to the borrower
- The borrower can invest the reserve funds to earn interest in eligible securities and/or investment agreements. An investment agreement (in this arena, and differs from our written investment policy) is a loan to a private company in return for a guaranteed interest rate of return (similar to a CD).
- Classical and Coastal Academies have three outstanding bonds with the following reserve fund amounts:
  - Series 2020 Classical: \$1.635 million
  - Series 2017 Classical: \$1.935 million
  - Series 2013 Coastal: \$937,000

# Investment Options

- The bond documents allow the reserve funds to be invested in highly rated securities, including:
  - Investment agreements rated “A-” or better
  - Treasuries or securities backed by the full faith and credit of the US Government
  - Short-term securities such as commercial paper or money market funds
- Because the Classical outstanding bonds could be prepaid within 6-7 years, Classical should consider an investment no longer than the prepayment date of 6-7 years
  - Coastal’ s bonds can be prepaid in 1.5 years.



# Indicative Terms and Pros/Cons

	Investment agreement	5-7 year treasuries	Commercial paper
Indicative Rate	1.05% - 1.20%	0.45% - 0.79%	0.10%
Estimated annual return on 2020 & 2017 reserve fund	\$39,947	\$21,629	\$3,571

	Pros	Cons
Investment agreement	Highest yielding	Credit risk of investment provider
Treasuries	Safest	If rates increases, value of securities are worth less. Additional funds from Classical will be required.
Commercial paper	Liquid, short-term	Lowest yielding

- **Board Recommendation:** Invest Classical (not Coastal, due to 1.5 years left on the potential financing) reserve funds (Series 2017 & 2020) in investment agreements to earn approximately \$40K annually.



# Investment Policy Highlights

A few high level insights into the  
Investment Policy Draft

# Summary of the Investment Policy

## **SUMMARY**

- To maintain a well-diversified portfolio
- To produce a portfolio that can out-produce inflation, over time
- To assist in growing reserves and assist with future facilities upgrades/purchases

## **INVESTMENT TERMS & CONDITIONS**

- Time horizon is a conservative 7 years
- Equities will comprise 50 to 60% of the portfolio
- Fixed Income will comprise 40 to 50% of the portfolio
- The CFO will work with the CEO to determine the optimal percentages
- Private Equity and Crypto Currency are expressly forbidden without specific Board approval
- The CFO will monitor the portfolio and present the performance to the Board as part of the finance presentation to the Board



# Deferral Financing



# Summary of Deferral Financing Terms

**Purchaser:** Charter School Capital

**Seller:** The Classical Academy

Purchase Amount \$1,745,400 - TCA  
\$1,572,100 - CAHS  
\$871,900 - VISTA

Cost of Capital: \$31,006 - TCA  
\$27,929 - CAHS  
\$15,490 - VISTA

Net Amount Funded: \$4,114,975

Annual Effective Rate: 4.99%

- 1) We have a free month of financing in Feb. and a 5 month loan schedule which brings the effective cost of capital to **1.8% or \$74,000.**
- 2) We have access to an over \$12 million line of credit, but we will not need it
- 3) Review and approve the resolution to participate with Charter School Capital for deferral financing



Questions?

# The Classical Academy

## CAHS Income Statement

### As of 12/31/20

#### Revenue

		Current YTD
LCFF State Aid - Current Year	8011	2,120,226.00
Prop 30 EPA	8012	1,232,762.00
In-Lieu Property Tax	8096	2,718,645.93
Coronavirus Relief Fund	8290-06	85,789.00
Mandated Cost Reimbursement	8550	58,712.00
State Lottery P/Y Unrestricted Revenue	8561-03	17,932.26
State Lottery P/Y Restricted Revenue	8561-06	35,904.14
Learning Loss Mitigation	8590-21	105,310.00
Special Ed	8590-90	347,142.00
Lost Book Recovery Income	8699-09	7.00
Rental Income	8699-13	13,000.00
CAO-Grad Nite	8699-16	100.00
CAO-General Event Income	8699-17	25.00
Facilities Lease: Civic Youth Orchestra	8699-34	3,200.00
Facilities Lease: Life Mission Church	8699-35	27,000.00
Drama	8699-50	42.02
Testing	8699-96	500.00
General Income	8699-99	10,105.76

<b>Total Revenue</b>	<b>6,776,403.11</b>
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#### Expense

Certificated Salaries 1000		
Teachers' Salaries	1100	1,672,784.31
Pupil Services	1200	219,068.54
Certificated Administration	1300	222,557.40
Other Certificated Salaries	1900	55,897.08
<b>Total Certificated Salaries 1000</b>		<b>2,170,307.33</b>
Classified Salaries 2000		
Instructional Aide	2100	154,588.62
Classified Support Salaries	2200	160,059.68
Classified Administration	2300	38,381.04
Clk, Tech, & Office Salaries	2400	242,989.99
<b>Total Classified Salaries 2000</b>		<b>596,019.33</b>
Employee Benefits 3000		
STRS - Certificated	3101	338,880.60
PERS - Classified	3202	190,835.63
FICA/Medicare - Certificated	3301	52,134.68
FICA/Medicare - Classified	3302	42,947.40
H&W Benefits-Certificated	3401	207,979.49
H&W Benefits - Classified	3402	88,697.10
Unemployment Ins-Certificated	3501	35.42
Unemployment Ins-Classified	3502	0.11
Workers Comp - Certificated	3601	35,474.54
Workers Comp - Classified	3602	9,658.93
<b>Total Employee Benefits 3000</b>		<b>966,643.90</b>

Books & Supplies 4000		
Approved Curricula Material Textbooks 4100		
Approved Curriculum & Textbooks	4100-01	17,261.93
Approved Core	4100-38	200.00
Approved Electives	4100-39	67.43
<b>Total Approved Curricula Material</b>		<b>17,529.36</b>
Non-Approved Curricula Material 4200		
Independent Study Curricula Materials	4200-01	3,751.30
<b>Total Non-Approved Curricula Material</b>		<b>3,751.30</b>
Inst'l Material & Supplies 4300		
Instr'l Mat & Sup- General	4300-01	18,804.64
Science Labs	4300-06	228.51
Office Material & Supplies	4301	3,865.51
Janitorial & Maint Supplies	4302	7,659.37
Security Supplies	4302-02	4,836.54
Athletic Supplies	4307-01	637.18
Lunch Program Supplies	4308	277.50
Meals	4311	1,314.01
Robotics	4317	3,888.92
Fuel	4320	639.32
CAO-General Event Supplies	4321	2,857.21
Building Improvement Supplies	4325	7,911.08
<b>Total Inst'l Material &amp; Supplies 4300</b>		<b>52,919.79</b>
<b>Total Books &amp; Supplies 4000</b>		<b>74,200.45</b>
NonCap F&E 4400		
NonCap F&E - Equipment - Computers	4402	72,648.51
NonCap F&E - Equipment - Other (IT)	4403	2,174.22
NonCap F&E - Other	4405	4,141.55
<b>Total NonCap F&amp;E 4400</b>		<b>78,964.28</b>
Services & Other Operating Exp 5000		
Dues & Subscriptions	5300	15,421.40
Insurance	5400	114,426.50
<b>Total Services &amp; Other Operating Exp</b>		<b>129,847.90</b>
Travel Expenses 5200		
Sp Ed NPS/A Therapy Services	5100-04	(7,442.38)
Travel & Conferences	5201	4,879.64
Auto Allowance	5203	4,237.65
<b>Total Travel Expenses 5200</b>		<b>1,674.91</b>
Operations & Housekeeping 5500		
Janitorial Services	5501	60,633.00
Trash Disposal	5502	5,276.20
Landscaping	5503	17,216.43
Utilities - SDG&E	5504	77,151.26
Utilities - Water	5505	14,677.85
Pest Control	5506	170.00
<b>Total Operations &amp; Housekeeping 5500</b>		<b>175,124.74</b>
Rental, Leases & Housekeeping 5600		
Storage Rentals	5601	4,878.98
Computer Repairs	5604	299.00
Copier-Usage	5605-01	3,200.01
Copier Lease	5605-02	14,278.06
HVAC Maintenance	5605-03	9,629.01
Elevator Maintenance Agreement	5605-04	3,763.84



Building Lease	5606	197,238.05
Bldg Lease-Common Area Maintenance	5606-02	(91,132.00)
Other Maint Repairs	5609	6,738.36
<b>Total Rental, Leases &amp; Housekeeping 5600</b>		<b>148,893.31</b>
Consult. Serv. & Operation Exp 5800		
Consult. Serv. & Operation 5800		
Graduation Expenses	5807	1,071.32
Child Nutrition Contract Services	5813	630.64
CAO-General Event Services	5821	70.04
Advertising/Community Marketing	5826	160.00
Audit	5827	4,678.20
Bank Service Fees	5828	1,776.12
Consultants - IT	5835	714.30
Consultants - Other	5837	8,298.00
Consultants-Special Education	5837-01	62,580.93
Staff Development	5842	13,812.12
Contracted Services - Other	5849	6.00
Contracted Services-Maintenance	5849-02	3,861.00
Fingerprinting/FBI-DOJ	5851	530.00
Late Fees & Finance Charges	5852	248.51
Legal Expense	5853	2,494.43
Printing & Reproduction	5856	364.10
Property Tax Assessment	5857	11,150.46
SDCOE - SIS Expense	5860	15,331.96
Security Systems/Services	5862	3,428.40
Security Other Services	5862-01	2,124.24
Computer Software	5863	9,812.71
Organizational Online Curriculum,	5864-01	16,005.97
Testing & Subscriptions		
Site specific Online Curriculum &	5864-02	20,339.70
Athletics	5870	37,034.47
Dance Team	5870-08	(240.00)
Shred-It Services	5875	238.00
Bond Cost	5879	(53,378.57)
Facility Lease LLC	5897	618,853.16
Miscellaneous Expenses	5899	189.00
<b>Total Consult. Serv. &amp; Operation 5800</b>		<b>782,185.21</b>
Communications 5900		
Postage & Delivery	5901	806.24
Telephone Expense	5902	17,637.98
Cell Phone Expense	5903	8,832.13
Internet - Web Services	5904	27,893.15
<b>Total Communications 5900</b>		<b>55,169.50</b>
Capital Outlay 6000		
Depreciation Expense	6900	33,845.25
<b>Total Capital Outlay 6000</b>		<b>33,845.25</b>
<b>Total Expense</b>		<b>5,212,876.11</b>
Other Local Revenue 8600		
Interest Income	8660	12,568.71
<b>Total Other Local Revenue 8600</b>		<b>12,568.71</b>
<b>Net Ordinary Income</b>		<b>1,576,095.71</b>

Net Income(Loss)

1,576,095.71

# The Classical Academy

## TCA Income Statement

As of 12/31/20

### Revenue

		Current YTD
LCFF State Aid - Current Year	8011	2,353,942.00
Prop EPA Income	8012	1,270,767.00
In Lieu Property Tax Current	8096	1,901,130.00
Coronavirus Relief Fund	8290-06	79,333.00
Medi-Cal Billing Option	8290-21	21,761.01
Mandated Cost Reimbursement	8550	22,663.00
State Lottery Restricted Revenue	8560-06	75.79
State Lottery P/Y Unrestricted Revenue	8561-03	28,617.16
State Lottery P/Y Restricted Revenue	8561-06	31,581.85
Learning Loss Mitigation	8590-21	97,385.00
Special Ed	8590-90	372,524.00
Yearbook Income	8699-04	5,360.00
Fundraising Events Income	8699-07	637.74
Fundraising Lunch Program	8699-08	124.88
Lost Book Recovery Income	8699-09	2,188.26
Rental Income	8699-13	3,619.50
Rebates	8699-18	512.01
Merchandise Income (Bear/Badger Gear)	8699-30	1,822.84
Clectives	8699-31	132.00
Robotics	8699-32	1,000.00
Materials Supplies	8699-36	21.00
Donation from NCBF	8699-45	12,500.00
Musical Theatre Income (CAMS)	8699-50	1,225.00
Misc. Income	8699-99	10,218.29

<b>Total Revenue</b>		<b>6,219,141.33</b>
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### Expense

		Current YTD
Certificated Salaries 1000		
Teachers' Salaries	1100	1,692,015.99
Sub Teachers Salaries	1101	2,219.00
Pupil Services	1200	223,112.26
Certificated Administration	1300	169,817.30
Other Certificated Salaries	1900	146,172.22
Other Instr'l Supp C'lectives	1901	85,408.75
<b>Total Certificated Salaries 1000</b>		<b>2,318,745.52</b>
Classified Salaries 2000		
Instructional Aide	2100	116,963.65
Classified Support Salaries	2200	83,420.60
Clk, Tech, & Office Salaries	2400	177,416.54
<b>Total Classified Salaries 2000</b>		<b>377,800.79</b>
Employee Benefits 3000		
STRS Certificated	3101	396,059.88
PERS Classified	3202	98,839.03
FICA/Medicare Certificated	3301	39,763.60
FICA/Medicare Classified	3302	27,825.64
H&W Benefits Certificated	3401	202,886.12

H&W Benefits Classified	3402	45,041.30
Unemployment Ins Certificated	3501	4,332.73
Workers Comp Certificated	3601	37,963.02
Workers Comp Classified	3602	6,358.01
<b>Total Employee Benefits 3000</b>		<b>859,069.33</b>
Books & Supplies 4000		
Approved Curricula Material Textbooks 4100		
History	4100-04	12,339.78
Science	4100-06	1,230.27
Logic of English Non-Consumable	4100-07	28,045.08
Logic of English - Consumable	4100-08	107,882.85
Math-non-consumable	4100-30	58,141.79
Math-consumable	4100-31	30,656.94
IEW Non-Consumable	4100-34	24,465.97
IEW Consumable	4100-35	43,710.28
English/LA-non-consumable	4100-36	15,879.21
English/LA-consumable	4100-37	18,203.22
<b>Total Approved Curricula Material Textbooks 4100</b>		<b>340,575.39</b>
Non-Approved Curricula Material 4200		
Non-TCA Curricula Materials	4200-01	55,133.82
<b>Total Non-Approved Curricula Material 4200</b>		<b>55,133.82</b>
Instr'l Material & Supplies 4300		
Instructional Materials/Supplies A/B/M/S	4300-01	9,530.77
Instructional Materials/Supplies/ C'Lectives	4300-02	270.22
Office Material & Supplies	4301	4,206.07
Janitorial/Maint Supplies	4302	2,767.14
Security Supplies	4302-02	6,846.74
Musical Theatre Materials/Supplies (CAMS)	4305-01	94.19
Music Supplies	4305-02	64.62
Yearbook	4307	217.76
Staff Meals	4311	689.95
Staff Recognition	4312	749.81
Building Improvement Supplies	4325	17,528.48
<b>Total Instr'l Material &amp; Supplies 4300</b>		<b>42,965.75</b>
<b>Total Books &amp; Supplies 4000</b>		<b>438,674.96</b>
NonCap F&E 4400		
Equipment Computers	4402	86,777.01
Equipment Other (IT)	4403	6,313.98
F&E Tables & Chairs	4404	1,866.66
F&E Other	4405	974.80
<b>Total NonCap F&amp;E 4400</b>		<b>95,932.45</b>
Services & Other Operating Exp. 5000		
Dues & Subscriptions	5300	13,776.65
Insurance	5400	23,472.00
<b>Total Services &amp; Other Operating Exp. 5000</b>		<b>37,248.65</b>
Travel Expenses 5200		
Travel & Conference Expenses	5201	2,118.32
Auto Allowance	5203	3,174.50
<b>Total Travel Expenses 5200</b>		<b>5,292.82</b>
Operations & Housekeeping 5500		
Janitorial Services	5501	35,264.84
Trash Disposal	5502	4,549.32
Landscaping	5503	15,150.50
Utilities SDG&E	5504	28,621.05



Utilities Water	5505	9,716.36
Pest Control	5506	992.00
Facilities Maint Pool	5509	1,337.00
<b>Total Operations &amp; Housekeeping 5500</b>		<b>95,631.07</b>
Rental, Leases & Repair 5600		
Rentals	5601	16,659.31
Building Repairs & Maint Agrmnt	5603	2,550.00
Copier Usage	5605-01	22,431.23
Copier Lease	5605-02	5,111.26
Building Lease	5606	169,825.97
Site Improvement Non Cap	5609	(350.00)
<b>Total Rental, Leases &amp; Repair 5600</b>		<b>216,227.77</b>
Consult, Serv & Operation Exp 5800		
Music Programs 5811		
Musical Theatre (CAMS)	5811-01	(592.85)
<b>Total Music Programs 5811</b>		<b>(592.85)</b>
Consult, Serv & Other Operation 5800		
Elective Spending (C track)	5801	19,760.92
Merchandise Expense (Bear/Badger Gear)	5812	1,054.33
Child Nutrition Contract Service	5813	1,234.27
Advertising/Community Marketing	5826	199.31
Loan Discount and Program Cost	5830	500.00
Consultants IT	5835	714.25
Consultants Other	5837	4,795.00
Consultants-Special Ed	5837-01	8,031.25
Staff Development	5842	11,949.20
Contracted Services Other	5849	12,462.06
Contracted Services-Maintenance	5849-02	18,513.00
Fingerprinting/FBI DOJ	5851	653.00
Legal Expense	5853	27,480.29
Printing & Reproduction	5856	543.16
Property Tax Assessment	5857	(659.36)
SDCOE SIS Expense	5860	20,311.42
Security System/Services	5862	5,766.17
Security Other Services	5862-01	1,557.89
Licensing & Permits - Other	5862-02	739.00
Computer Software	5863	25,577.41
Organizational Online Curriculum, Testing and Subscrip	5864-01	71,477.21
Site Specific Online Curriculum & Curriculum Subscripti	5864-02	4,318.51
Discovery Ed	5864-06	4,080.00
Bottled Water (Finance)	5865	136.75
Shred-It Services	5875	204.00
Bond Cost	5879	205,393.07
Facility Lease-LLC	5897	196,286.11
Miscellaneous Expenses	5899	3,247.59
<b>Total Consult, Serv &amp; Other Operation 5800</b>		<b>648,325.81</b>
<b>Total Consult, Serv &amp; Operation Exp 5800</b>		<b>647,732.96</b>
Communications 5900		
Postage & Delivery	5901	56.25
Telephone Expense	5902	16,129.86
Cell Phone Expense	5903	12,324.60
Internet Web Services	5904	26,728.90
<b>Total Communications 5900</b>		<b>55,239.61</b>
Capital Outlay 6000		

Depreciation Expense	6900	<u>61,176.30</u>
<b>Total Capital Outlay 6000</b>		<b><u>61,176.30</u></b>
<b>Total Expense</b>		<b><u>5,208,772.23</u></b>
Other Local Revenue 8600		
Interest Income	8660	<u>12,835.83</u>
<b>Total Other Local Revenue 8600</b>		<b><u>12,835.83</u></b>
<b>Net Ordinary Income</b>		<b><u>1,023,204.93</u></b>
Other Financing Uses 7600		
Overhead Allocation - TCA	7600	<u>92,294.00</u>
<b>Total Other Financing Uses 7600</b>		<b><u>92,294.00</u></b>
Other Financing Sources 8900		
LLC Interest Income	8979-01	<u>49.40</u>
<b>Total Other Financing Sources 8900</b>		<b><u>49.40</u></b>
<b>Net Income (Loss)</b>		<b><u>930,960.33</u></b>

**The Classical Academy**  
**Administrative Activity**  
**As of 12/31/20**

<b>Expenses</b>			<b>Current YTD</b>
Certificated Salaries 1000			
Certificated Administration	1300		75,000.00
Certificated Admin Curriculum	1302		75,000.00
<b>Total Certificated Salaries 1000</b>			<b>150,000.00</b>
Classified Salaries 2000			
Instructional Aide	2100		25,001.32
Classified Support Salaries	2200		33,896.79
Classified Administration	2300		560,617.31
Clk, Tech, & Office Salaries	2400		490,476.66
<b>Total Classified Salaries 2000</b>			<b>1,109,992.08</b>
Employee Benefits 3000			
STRS Certificated	3101		24,009.86
PERS Classified	3202		219,348.82
FICA/Medicare Certificated	3301		2,221.92
FICA/Medicare Classified	3302		75,591.89
H&W Benefits Certificated	3401		18,849.50
H&W Benefits Classified	3402		171,718.15
Workers Comp Certificated	3601		2,482.56
Workers Comp Classified	3602		18,411.83
<b>Total Employee Benefits 3000</b>			<b>532,634.53</b>
Books & Supplies 4000			
Approved Curricula Material Textbooks 4100			
Math-consumable	4100-31		200.00
<b>Total Approved Curricula Material Textbooks 4100</b>			<b>200.00</b>
Instr'l Material & Supplies 4300			
Office Material & Supplies	4301		2,523.55
Janitorial/Maint Supplies	4302		5,375.87
Security Supplies	4302-02		19,262.40
Staff Meals	4311		2,459.26
Staff Recognition	4312		(51.90)
Supplies Fuel	4320		17.76
Building Improvement Supplies	4325		97.81
<b>Total Instr'l Material &amp; Supplies 4300</b>			<b>29,684.75</b>
<b>Total Books &amp; Supplies 4000</b>			<b>29,884.75</b>
NonCap F&E 4400			
Equipment Computers	4402		6,102.00
Equipment Other (IT)	4403		9,178.17
F&E Other	4405		18.80
<b>Total NonCap F&amp;E 4400</b>			<b>15,298.97</b>
Services & Other Operating Exp. 5000			
Dues & Subscriptions	5300		2,233.40
Insurance	5400		94,493.50
<b>Total Services &amp; Other Operating Exp. 5000</b>			<b>96,726.90</b>
Travel Expenses 5200			
Travel & Conference Expenses	5201		5,194.89
Auto Allowance	5203		16,478.35

Mileage	5210	<u>108.85</u>
<b>Total Travel Expenses 5200</b>		<b>21,782.09</b>
Operations & Housekeeping 5500		
Janitorial Services	5501	6,485.00
Landscaping	5503	2,379.30
Pest Control	5506	<u>185.00</u>
<b>Total Operations &amp; Housekeeping 5500</b>		<b>9,049.30</b>
Rental, Leases & Repair 5600		
Rentals	5601	117.89
Building Repairs & Maint Agmnt	5603	124.93
Copier Usage	5605-01	5,155.71
Copier Lease	5605-02	<u>1,560.56</u>
<b>Total Rental, Leases &amp; Repair 5600</b>		<b>6,959.09</b>
Consult, Serv & Operation Exp 5800		
Consult, Serv & Other Operation 5800		
Awards & Recognition Contract/Rentals	5810	21.53
Advertising/Community Marketing	5826	24.23
Audit	5827	3,958.20
Bank Service Fees	5828	111.07
Consultants Other	5837	5,000.00
Staff Development	5842	4,070.00
Contracted Serv-Sprinklers	5847	<u>(11,022.00)</u>
Contracted Services-Maintenance	5849-02	462.00
Late Fees & Finance Charges	5852	65.80
Legal Expense	5853	25.00
Payroll Services	5855	50.00
Printing & Reproduction	5856	2,265.34
Property Tax Assessment	5857	30.37
Security System/Services	5862	1,882.31
Licensing & Permits - Other	5862-02	7,119.22
Computer Software	5863	2,235.00
Bottled Water (Finance)	5865	437.95
NP Abila Service	5873	10,174.80
NP Tech Service	5874	19,586.84
Shred-It Services	5875	331.75
Miscellaneous Expenses	5899	<u>469.92</u>
<b>Total Consult, Serv &amp; Other Operation 5800</b>		<b>47,319.33</b>
Communications 5900		
Postage & Delivery	5901	1,516.76
Telephone Expense	5902	1,731.97
Cell Phone Expense	5903	13,223.43
Internet Web Services	5904	<u>3,536.17</u>
<b>Total Communications 5900</b>		<b>20,008.33</b>
<b>Total Expense</b>		<b>2,039,655.37</b>



**The Classical Academy**  
**Vista Income Statement**  
**As of 12/31/20**

<b>Revenue</b>		
		<b>Current YTD</b>
LCFF State Aid-Current Year	8011	1,175,878.00
EPA Prop 30	8012	25,696.00
In-Lieu Property Tax	8096	705,693.24
In-Lieu Property Tax-P/Y	8097	48,925.00
Coronavirus Relief Fund	8290-06	29,882.00
Mandated Cost Reimbursement	8550	8,665.00
State Lottery P/Y Unrestricted Revenue	8561-03	11,321.53
State Lottery P/Y Restricted Revenue	8561-06	12,267.25
Learning Loss Mitigation	8590-21	36,681.00
Special Ed	8590-90	142,446.00
Musical Theater Income	8699-03	1,975.00
Fundraising Events Income	8699-07	959.90
Lost Book Recovery Income	8699-09	890.44
<b>Total Revenue</b>		<b>2,201,280.36</b>

<b>Expenses</b>		
		<b>Current YTD</b>
Certificated Salaries 1000		
Certificated Salaries - Teachers' Salaries	1100	729,914.34
Certificated Salaries - Pupil Support	1200	93,098.55
Certificated Salaries - Certificated	1300	64,503.64
Administration		
Certificated Salaries - Other Certificated	1900	76,746.38
Salaries		
Certificated Salaries - Instr'l Sup C-Bec	1901	15,542.50
<b>Total Certificated Salaries 1000</b>		<b>979,805.41</b>
Classified Salaries 2000		
Classified Salaries - Instructional Aide	2100	40,162.41
Classified Salaries - Classified Support	2200	38,575.43
Classified Salaries - Clk, Tech, & Office	2400	67,490.22
<b>Total Classified Salaries 2000</b>		<b>146,228.06</b>
Employee Benefits 3000		
STRS - Certificated	3101	173,251.02
PERS - Classified	3202	34,682.69
FICA/Medicare - Certificated	3301	15,222.18
FICA/Medicare - Classified	3302	10,059.60
H&W Benefits-Certificated	3401	95,385.61
H&W Benefits - Classified	3402	22,287.13
Unemployment Ins-Certificated	3501	3.22
Workers Comp - Certificated	3601	16,004.89
Workers Comp - Classified	3602	2,453.32
<b>Total Employee Benefits 3000</b>		<b>369,349.66</b>
Books & Supplies 4000		
Approved Curricula Material Textbooks 4100		
History	4100-04	7,546.11
Logic of English Non-Consumable	4100-07	26,578.80



Logic of English Consumable	4100-08	56,062.90
Math non-consumable	4100-30	50,961.78
Math consumable	4100-31	25,753.52
Science non-consumable	4100-32	2,649.28
Science consumable	4100-33	128.30
Social Studies non-consumable	4100-34	3,943.09
Social Studies consumable	4100-35	32,091.03
English/LA non-consumable	4100-36	11,319.73
English/LA consumable	4100-37	12,054.79
<b>Total Approved Curricula Material Textbooks 4100</b>		<b>229,129.33</b>
Instr'l Material & Supplies 4300		
Instr'l Mat & Supplies- General	4300-01	4,643.64
Student Awards and Recognition	4300-07	98.33
Office Material & Supplies	4301	148.43
Janitorial & Maint Supplies	4302	1,044.02
Security Supplies	4302-02	2,594.79
Musical Theater Mat. & Supplies	4305	1,915.84
ASB Mat. & Supplies	4306-02	267.01
Staff Meals	4311	348.37
Building Improvement Supplies	4325	3,808.74
<b>Total Instr'l Material &amp; Supplies 4300</b>		<b>14,869.17</b>
<b>Total Books &amp; Supplies 4000</b>		<b>243,998.50</b>
NonCap F&E 4400		
Equipment - Other (IT)	4403	4,408.42
Furniture	4404	467.12
<b>Total NonCap F&amp;E 4400</b>		<b>4,875.54</b>
Services & Other Operating Exp. 5000		
Dues & Subscriptions	5300	6,996.21
Insurance	5400	31,201.50
<b>Total Services &amp; Other Operating Exp. 5000</b>		<b>38,197.71</b>
Travel Expenses 5200		
Travel & Conferences	5201	849.55
Auto Allowance	5203	2,858.00
<b>Total Travel Expenses 5200</b>		<b>3,707.55</b>
Operations & Housekeeping 5500		
Janitorial Services	5501	11,335.00
Utilities - SDG&E	5504	17,071.78
Utilities - Water	5505	1,911.65
<b>Total Operations &amp; Housekeeping 5500</b>		<b>30,318.43</b>
Rental, Leases & Housekeeping 5600		
Rentals	5601	2,400.00
Copier Usage	5605-01	484.07
Copier Lease	5605-02	2,091.98
HVAC Repairs & Maintenance	5605-03	3,048.87
Building Lease	5606	237,399.18
Building Improvement	5607	237.00
<b>Total Rental, Leases &amp; Housekeeping 5600</b>		<b>245,661.10</b>
Consult. Serv. & Operation Exp 5800		
Field Trip Expense 5808		
Class/Field Trip Expenses, Services and	5808	1,760.00
<b>Total Field Trip Expense 5808</b>		<b>1,760.00</b>
Consult. Serv. & Operation 5800		

Bective Spending	5801	7,767.20
Musical Theater Contracts and Rentals	5811	500.00
Child Nutrition Contract Service	5813	421.45
Advertising/Community Marketing	5826	80.00
Bank Service Fees	5828	492.29
Consultants - IT	5835	357.15
Consultants-Special Ed	5837-01	7,435.00
Staff Development Induction/BTSA	5842	1,921.78
Contracted Services-Maintenance	5849-02	(1,183.50)
Fingerprinting/FBI-DOJ	5851	49.00
Legal Expense	5853	439.74
SDCOE - SIS Expense	5860	9,826.69
Security System/Service	5862	970.00
Security Other Services	5862-01	635.00
Computer Software	5863	4,464.35
Organizational Online Testing and	5864-01	42,151.90
Subscriptions		
Site Specific Online Curriculum	5864-02	6,791.45
Shred-It Services	5875	136.00
Bond Cost	5879	5,285.71
Miscellaneous Expenses	5899	57.00
<b>Total Consult. Serv. &amp; Operation 5800</b>		<b>88,598.21</b>
<b>Total Consult. Serv. &amp; Operation Exp 5800</b>		<b>90,358.21</b>
Communications 5900		
Postage & Delivery	5901	107.65
Telephone Expense	5902	4,130.07
Cell Phone Expense	5903	4,076.40
Internet - Web Services	5904	10,747.81
<b>Total Communications 5900</b>		<b>19,061.93</b>
Capital Outlay 6000		
Depreciation Expense	6900	2,267.20
<b>Total Capital Outlay 6000</b>		<b>2,267.20</b>
<b>Total Expense</b>		<b>2,173,829.30</b>
Other Local Revenue 8600		
Interest Income	8660	3,450.43
<b>Total Other Local Revenue 8600</b>		<b>3,450.43</b>
<b>Net Ordinary Income</b>		<b>30,901.49</b>
<b>Net Income (Loss)</b>		<b>30,901.49</b>

**THE CLASSICAL ACADEMY, INCORPORATED**  
**ACKNOWLEDGEMENT RESOLUTIONS**

The undersigned, on behalf of The Classical Academy, Incorporated, a California nonprofit public benefit corporation (the "Company"), as operator of each of Classical Academy, Classical Academy High School and Classical Academy Vista, hereby certifies that the resolutions set forth below were adopted by the Board of Directors (the "Board") of the Company, in accordance with Section 5211 (a) of the California Nonprofit Corporation Law and the Bylaws of the Company, at a duly noticed meeting held on February 23, 2021 at 3:30p.m. Pacific Time via teleconference. A quorum of the Board was present at the meeting. Capitalized terms used herein and not otherwise defined have the meanings given to them in the Acknowledgment Resolution (as defined below).

Sale of Receivables

WHEREAS, the Company receives and owns and will receive and own from time to time certain receivables or payments due from the State of California, San Diego County, the San Diego County Office of Education, the San Diego County Superintendent of Schools, Escondido Union School District, Escondido Union High School District, the Special Education Local Plan Area ("SELPA"), and/or the United States federal government (in each case, the "Payor").

WHEREAS, the Company instructs the Payor, pursuant to the Payor's policies and procedures, as to the location and manner of payment of the Company's receivables.

RESOLVED: That the Board deems it to be in the best interests of the Company to authorize the Company to sell receivables and payments (the "Receivables") to Charter School Capital, Inc. ("CSC") at a discount to face value in an amount not to exceed the lesser of (i) \$28,000,000.00 of gross receivables value and (ii) \$24,000,000.00 of initial purchase (face value).

RESOLVED FURTHER: That the Company is authorized and directed to sell the Receivables to CSC from time to time pursuant to one or more Receivables Purchase Agreements and related Terms Letters between the Company and CSC, substantially in the form reviewed by the Board, with such changes thereto consistent with these resolutions as an Authorized Officer of the Company shall approve, and including any amendments, supplements or modifications to the foregoing consistent with these resolutions as an Authorized Officer of the Company shall approve from time to time.

RESOLVED FURTHER: That each of James Heath, as Chief Financial Officer; Melissa Morey, as Chief Human Resources Officer; and Tanis Edwards, as Finance Manager (such persons and their duly elected and qualified successors, the "Authorized Officers") is authorized and directed to execute and deliver, on behalf of the Company, the Receivables Purchase Agreements, the Terms Letters, the Paying Agency Agreements and/or Account Control Agreements, and subject to the limitations set forth herein, such other agreements and other documents and instruments as may be necessary



or desirable to effectuate the sale of Receivables contemplated hereby, including, without limitation, agreements or documents as may be necessary to facilitate the sale of Receivables by CSC to an affiliate or third party to finance its purchase of the Receivables, and further including, without limitation, such amendments, supplements or other modifications to any or all of the documents described in this paragraph and consistent with these resolutions as an Authorized Officer of the Company shall approve from time to time.

RESOLVED FURTHER: That the Board of the Company deems it to be in the best interests of the Company to instruct the Payor, in the form provided by CSC, to make the payment of all revenues of the Company administered and paid by the Payor in the manner described in the applicable Receivables Purchase Agreement, the Terms Letter, Paying Agency Agreement and/or Account Control Agreements.

RESOLVED FURTHER: That any two Authorized Officers will execute instructions to the Payor, in the form provided by CSC, directing the payment of all revenues of the Company in the manner described in the Receivables Purchase Agreement, the Terms Letter, the Paying Agency Agreement and/or Account Control Agreements.

RESOLVED FURTHER: That the instructions described in the immediately preceding paragraph will not be altered in any manner nor any other instructions substituted in their place without the prior written approval of the two Authorized Officers and without the express written consent of CSC and that the Payor is to disregard any change in disbursement instructions that are not counter-signed by such two Authorized Officers and CSC.

RESOLVED FURTHER: That the Authorized Officers are, and each of them is, hereby authorized and directed, on behalf and in the name of the Company and subject to the limitations set forth herein, to make all such arrangements, to do and perform all such acts and things, and to execute and deliver all such instruments, certificates and other documents as he or she may deem necessary or appropriate in order to effectuate fully the purpose of each and all of the foregoing resolutions and the transactions contemplated thereby (hereby ratifying and confirming any and all actions taken heretofore and hereafter by such officers to accomplish such purposes).

The foregoing resolutions were passed by a vote of the Board of Directors and adopted at the meeting of the Board of Directors of the Company on the date referred to above, by the following vote:

Ayes: \_\_\_\_\_

Nays: \_\_\_\_\_

Absent: \_\_\_\_\_

Abstain: \_\_\_\_\_

\* \* \*

The undersigned certifies further that the foregoing resolutions have not been modified, amended or rescinded and are in full force and effect as of the date hereof.

**THE CLASSICAL ACADEMY, INCORPORATED**

By: \_\_\_\_\_

Name:

Title:

Date: February \_\_\_\_, 2021

# **Introduction to Bond Reserve Investing**

Discussion of the options available to us to invest our  
Bond Reserves that are currently held with Wells  
Fargo – our Bond Fiduciary



# Background

- When tax-exempt bonds are issued for charter schools, investors require a reserve fund held with the trustee in the amount equal to 1 year of debt payments
- Reserve funds are held for the benefit of the investor in case there is a delinquent payment or default
- At the maturity of the bonds or when the bonds are refinanced, the reserve fund is returned to the borrower
- The borrower can invest the reserve funds to earn interest in eligible securities and/or investment agreements. An investment agreement (in this arena, and differs from our written investment policy) is a loan to a private company in return for a guaranteed interest rate of return (similar to a CD).
- Classical and Coastal Academies have three outstanding bonds with the following reserve fund amounts:
  - Series 2020 Classical: \$1.635 million
  - Series 2017 Classical: \$1.935 million
  - Series 2013 Coastal: \$937,000

# Investment Options

- The bond documents allow the reserve funds to be invested in highly rated securities, including:
  - Investment agreements rated "A-" or better
  - Treasuries or securities backed by the full faith and credit of the US Government
  - Short-term securities such as commercial paper or money market funds
- Because the Classical outstanding bonds could be prepaid within 6-7 years, Classical should consider an investment no longer than the prepayment date of 6-7 years
  - Coastal' s bonds can be prepaid in 1.5 years.

# Indicative Terms and Pros/Cons

	Investment agreement	5-7 year treasuries	Commercial paper
Indicative Rate	1.05% - 1.20%	0.45% - 0.79%	0.10%
Estimated annual return on 2020 & 2017 reserve fund	\$39,947	\$21,629	\$3,571

	Pros	Cons
Investment agreement	Highest yielding	Credit risk of investment provider
Treasuries	Safest	If rates increase, value of securities are worth less. Additional funds from Classical will be required.
Commercial paper	Liquid, short-term	Lowest yielding

- **Board Recommendation:** Invest Classical (not Coastal, due to 1.5 years left on the potential financing) reserve funds (Series 2017 & 2020) in investment agreements to earn approximately \$40K annually.

# INVESTMENT POLICY

## February 2021

### DRAFT

#### Introduction:

The Classical Academy Inc. and Coastal Academy Charter School, Inc (collectively, "The Classical Academies "or "Academies") are a group of charter schools that are tax-exempt under section 501 (c) (3) of the Internal Revenue Code. The Academies receive revenue from local school districts and other government agencies. They also receive gifts from individuals, corporations, foundations, and other entities to support their educational mission. As a result of such revenue and gifts, the Academies occasionally has assets over its anticipated short-term needs. The purpose of these objectives and guidelines is to guide the investment of those funds.<sup>1</sup>

#### General Objectives

1. To maintain a well-diversified portfolio that is likely to produce long-term growth of capital, above the rate of inflation, within reasonable and prudent levels of risk.
2. To provide additional liquidity for the operations of the organization
3. To support long-term sustainability by providing back-up reserves.
4. To assist in the acquisition of future facility purchases and needed capital acquisitions

#### Legality

Under California Education Code Section 41001, the District shall deposit all funds received or collected from any source into the Treasury, to be placed to the credit of the proper fund of the District, except as otherwise provided herein. According to California Education Code Section 41015, the District may invest all or part of funds deposited in a Special Reserve Fund or any surplus monies not required for the immediate necessities of the District in any of the investments specified in California Government Code Sections 16430 or 53601. Special Reserve Funds are defined as those funds which the Board of Education has designated for capital outlay or other purposes, where an accumulation over fiscal years is desired.

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<sup>1</sup> Before investing reserves, CFO will make sure reserves are following bond covenant requirements including 45 days cash on hand and the necessary debt service coverage ratios.



## Time Horizon

For planning purposes, the **time horizon for The Classical Academies investment portfolio is seven (7) years**. However, if the organization requires investments for school operations or strategic purposes, these funds will be available to sell and make liquid.

Due to the inevitability of short-term market fluctuations, these investments are not intended for very short-term gains.

## Asset Allocation / Associated Risks and Rewards

The Board recognizes that asset allocation decisions will likely be the single most important determinant of portfolio risk and return. The CFO, in collaboration with the Board, will establish long-term allocation ranges and will from time-to-time review those ranges. Investment managers will advise The Classical Academies regarding the propriety of these ranges in light of the aforementioned investment objectives. The investment managers will diversify investments based upon the California Uniform Prudent Investor Act.<sup>2</sup>

The approved asset allocation target ranges expressed as a percentage of the market value of total fund assets are:

- Equity and equity fund holdings:  $\leq 60\%$
- Fixed Income: 35-50%
- Cash and Cash equivalents: 0-5%
- Private equity: Only with separate and specific Board approval
- Cryptocurrency: Only with separate and specific Board approval

## Approved Investment Vehicles

- Cash Equivalents
  - Checking and savings accounts
  - Money market funds
  - FDIC insured Certificates of Deposit
  - US Government Treasury Securities

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<sup>2</sup> [shorturl.at/sBEGZ](https://shorturl.at/sBEGZ)

# INVESTMENT POLICY

## February 2021

### DRAFT

- o US Government Agency Securities
- Fixed Income Investments
  - o Short-to-Intermediate Term Bond Funds
- Equities
  - o Mutual funds, domestic and international (including index funds)
  - o Exchange-traded funds
  - o US and international stocks, if professionally managed
- Private Equity
  - o Investing in private equity is possible but requires separate and specific board approval

#### **Investment Monitoring/Reporting**

The CFO will monitor the investment performance and report any significant changes at the quarterly Board Meetings. The CFO will review the investment allocation and performance results and present a summary report and recommendation to the Board of Trustees at least annually.

The CFO will also prepare an Annual Plan that will present its plan for the portfolio in the upcoming year, its rationale for this plan, and some predictions of risk and return. This Plan will be used in its annual review to the Board.





# THE CLASSICAL ACADEMIES

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## Board Report

Litigation Update: Reyes et al vs. State of California

February 23, 2021

### Background:

The Classical Academies is a lead plaintiff in a class action lawsuit suing the State of California by challenging the provisions in SB 98 and SB 820 ("Student Defunding Laws") that: (i) defund students who have already enrolled at non-classroom-based schools or who will enroll; (ii) limit non-classroom-based schools' abilities to enroll students from their waitlists due to the lack of funding; and (iii) defer approximately 36% of funding the State would otherwise provide each year to non-classroom-based schools into the next fiscal year.

This Board Report provides an overview of the litigation to date.

### Report:

#### Grounds:

The Student Defunding Laws are unconstitutional, facially and/or as applied, or are otherwise invalid, and may not be implemented by Defendants in calculating and apportioning school funding in the 2020-21 school year. There is a clear and present duty under the Ed Code, the CA Constitution and common law to fund all public school students during the present school year.

The lawsuit is based on two general arguments (i) violates statutory laws, and (ii) violates common law.

#### (i) Violates Statutory Laws

Student Defunding Laws are invalid under Ed Code, CA Constitution, Charter Schools Act and related statutes. They violate the Constitution's contracts clause, the due process clause, and the State's constitutional obligations to fund public schools based on enrollment. The State and its officers and agents are obligated to (i) timely apportion funding for Plaintiff Schools and all similarly situated schools with growing enrollment, for each enrolled student commensurate with their current-year ADA, according to the calculation method specified in Education, (ii) provide charter schools with full and fair funding, (iii) ensure that charter schools receive funding equal to the total funding that would be available to a similar school district serving a similar pupil population.

The Contracts Clause of the CA Constitution provides that a "law impairing the obligation of contracts may not be passed." The Student Defunding Laws violate the Contracts Clause because it impairs the State's obligation to timely provide funding to each School Plaintiff on account of their ADA in each school year, and impairs the School Plaintiffs' ability to perform under the terms of their respective charters.

Finally, the Laws violate constitutional due process clauses. Under the due process clauses in the constitutions of the United States and the State of California, a "person may not be deprived of life, liberty, or property without due process of law." Charter school operators have a property interest in their schools' charters and the timely funding that is due to them on account of students in attendance, which may not be taken, destroyed, withheld,

diminished, or defunded, without due process of the law. The Student Defunding Laws are unconstitutional because they will result in the taking, destruction, withholding, diminishment, or defunding of cognizable legal interests possessed by the School Plaintiffs without receiving due process of the law.

(ii) Violates Common Law of Contracts

When a charter is approved, it creates an enforceable contractual relationship between the State and non-classroom-based charter schools. The charter documents are contracts between the State and the non-profit corporations operating charter schools because they involve an exchange of promises: in exchange for charter schools providing public education for all of the State's students who wish to enroll, as set forth in their charters, the State promised, through provisions of the Charter Schools Act, that during each charter term, the State would fund non-classroom-based schools fairly and fully, providing the same level of operational funding available to school districts serving a similar student population, on a per-ADA basis.

In reliance on the State's promise to provide funding to each School Plaintiff, School Plaintiffs enrolled students and incurred legal liabilities and expenses, and will continue to incur legal liabilities and expenses, and will be harmed if they do not receive funding as promised, for each enrolled student commensurate with their current year ADA.

The Student Plaintiffs have an interest in the proper interpretation and enforcement of these contractual relationships because it bears on their ability to enroll in such schools, the financial viability of such schools, and the quality of the programs at such schools.

The State has broken its promise. The State's funding obligations to non-classroom-based charter schools are contractual, that the State cannot change the rules after the fact and refuse to fund the education of students who enroll in charter schools during the 2020-21 school year and beyond.

**Relief Claimed:**

- Certification as a Class Action
- Finding that all non-classroom-based schools have the right to be funded for new students who they enroll, both in this school year and subsequent school years
- Declaration that the State's deferral of revenue into the next fiscal year is contrary to the State's obligations to charter schools under the Charter Schools Act and their respective contracts with the State
- Following a settlement or judgment, Plaintiffs may also apply to the Court for an order of fees and costs to be taxed against the defendants

The Court has not yet ruled on the merits of any of the positions taken by Plaintiffs or Defendants.

**State's Response:**

The State responded with a wholesale denial of all allegations, only admitting a few facts, ie. that Gavin Newsom is the Governor, Betty Yee is the State Controller, etc.

**Their list of affirmative defenses include:**

- Insufficient facts; no cause of action
- Defendants have done nothing wrong and have acted in full accordance with the law
- 11<sup>th</sup> Amendment of US Constitution (state courts can't hear issues of federal law)
- Actions were justified
- Claim is premature; Plaintiffs should exhaust administrative remedies first
- Plaintiffs are barred from recovery on grounds of statute of limitations, laches, waiver, unclean hands, indemnification, Plaintiff's conduct
- Catch-all to bring additional defenses at a later date

**Timeline:**

- September 2020 – Petition filed
- December – Response received
- January/February 2021 – Consent Motion to Certify Class Action filed; ruling expected February 2021
- February/March 2021 - Notify all class members of lawsuit, providing opportunity to opt out
- March 2021 – Motion for Summary Judgment will be filed. (Fundamentally, at issue in this case is an interpretation of the law and legal doctrines. There are no substantive facts in dispute, essentially rendering this a “paper trial.” A motion for summary judgment is therefore appropriate in this situation.)
- April/May 2021 – Hearing on Motion for Summary Judgment
- April/May 2021 - Consider filing or responding to an Appeal if applicable

**Action Required by the Board:**

No action required; this is an informational update.



Sejal Majithia  
Director of Compliance





## Board Report

### Considerations for a COVID-19 Employee Vaccination Policy

February 23, 2021

#### Background:

As schools transition back to in-person instruction and COVID-19 vaccines become available to the education sector, school districts are considering whether to adopt a mandatory employee vaccination policy.

There are two vaccines currently approved by the FDA under Emergency Use Authorization. The vaccines are considered approximately 95% effective in preventing contraction and spread of the virus as well as limiting the symptoms.<sup>1</sup> These two vaccines do not use the live virus. As essential workers, members in the education sector will be eligible for vaccines in Phase 1b of the rollout. At this time, students will not be required to get the COVID-19 vaccine to attend on-campus classes; neither vaccine has been tested or approved for children, and the rollout plan does not contemplate administration to individuals 16 years of age and under.

Currently, there are no state or federal statutes, regulations, administrative guidance (CDC, Cal/OSHA, etc.), or case law that expressly provides legal authority to institute a mandatory COVID-19 vaccination policy. However, employers can enforce certain qualification standards, such as vaccinations, where not doing so is deemed to pose a "direct threat" to workplace health or safety. Any policy adopted would include exemptions based on disability (medical exemption) and personal beliefs (religious exemption) and the necessary protocols to ensure the confidentiality and proper storage of health records.

As a result, a properly structured and implemented mandatory COVID-19 vaccination policy would likely be construed as enforceable, particularly in high-risk sectors such as education.

This is uncharted territory. We seek direction and a decision from the Board.

#### Report:

**What:** Should employees be required to receive the COVID-19 vaccine in order to return to in-person, on-campus instruction?

**Who:** All Employees

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<sup>1</sup> <https://www.cdc.gov/vaccines/acip/recs/grade/covid-19-pfizer-biontech-vaccine.html>,  
<https://www.cdc.gov/vaccines/acip/recs/grade/covid-19-moderna-vaccine.html>

### Pros, Cons & Considerations:

A mandatory vaccine policy may:

- help protect the health and safety of employees in the workplace
- signal a best practice
- mitigate the risk of liability due to:
  - the presumption that an employee with COVID-19 was exposed at the worksite (SB 1159)
  - potential negative findings from administrative bodies
  - tort and personal injury claims which may or may not be recoverable through insurance

A mandatory vaccine policy may also:

- negatively impact employment, morale, and engagement
- potentially expose individuals to undetermined negative side effects over time
- drive the need to cover associated expenses such as fees for employees without insurance, mileage reimbursement, or time spent to be vaccinated
- attract tort and other legal claims which challenge the legality of the policy itself and/or its application

At the time of writing, we are not aware of any local school districts that plan to adopt a mandatory vaccination policy. If the Board directs us not to create one, there is still consideration of a more general policy. The purpose of such a policy would be to encourage safe practices and support employees who elect to get vaccinated, for example, by offering time off during work hours.

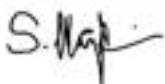
### HR/Compliance Recommendation:

Our recommendation is to encourage but not require employees to get the COVID-19 vaccine.

### Board Action:

We ask the Board to make a motion directing us to do one of the following:

1. Prepare a mandatory employee vaccination policy for review and further discussion
2. Vote to not require the COVID-19 vaccination as a condition for employment and prepare a voluntary employee vaccination policy
3. Postpone a decision until additional research, information, and details are provided



Sejal Majithia  
Director of Compliance