



Director's Report for September 25, 2021

Enrollment Update

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|--|-----|
| 2020-2021 Projections Reflecting 9/25/21 | |
| Currently enrolled | 78 |
| Start date set | 0 |
| Admissions in process | 0 |
| Possible referrals (districts in discussion with Serendipity Admissions or parents requesting a tour) | 2 |
| Wait List | 1 |
| Placements at risk | 7 |
| Likely Enrollment | TBD |
| Budgeted annual average enrollment: | 83 |

Program Update:

Enrollment, as expected, has started low this year. We temporarily halted enrolling new students due to significant staff shortages. We are currently down 26 staff members and are over capacity with the number of students enrolled compared to the number of current staff we have. This has caused significant stress and safety issues for both staff and students. Because of this, the management team is exploring the possibility of terminating approximately 7 current Tier III students. These are students whose tracking data indicates they are not making progress on their individualized goals. Under typical circumstances, Serendipity would employ sufficient staff to attempt additional interventions to try to preserve the placements. In that absence of adequate staff to intervene, we feel it is the only ethical option to inform districts and parents that we are unable to make progress with these children at this time. It does not serve anyone for a child to repeatedly fail without interventions that help them gain new skills and move in a different direction. Although not ideal, this will help alleviate the demands and stress on the team. The management team is significantly concerned that we will continue to lose staff if we cannot lower current enrollment.

We have already notified school districts that we are temporarily stopping new enrollments. We are still taking referrals and going through the in-take process so that when we are fully

staffed we can immediately start accepting new students. The school districts understand our situation and commitment to safe quality programming because a majority of them are facing the same staffing shortages.

We have contracted with a substitute staffing service, ESS West, and hope that they will be able to provide us with temporary staff in the classroom. We are continuing to advertise all of our position openings on multiple job boards but interest has remained limited. Management including Kristin, Jackie, and Kevin are rotating shifts in the classroom to help assist. This model is neither sustainable nor safe for staff and students.

Morale with the team is low due to understaffing and constant turnover. During my 1:1 meetings with the team as well as my small group meetings with the program staff the message was clear that staff are vastly under-compensated both with salary and benefits when compared to local school districts. This is a primary reason why we have difficulty both hiring and retaining staff and will continue to be an issue until addressed. I have attached a document to my report showing the salary inequity between us and local school districts, for your review.

Finance Committee Update

The Finance Committee met on September 8th, to review July 2021 financials. Without a final budget, scheduled to be approved September 25th, there is no July 2020 comparison to budget. July financial reports are summarized below:

| | |
|---|-------------|
| Net earnings for July 2021 | (\$196,966) |
| Net earnings for July 2020 | (\$361,475) |
| Budgeted net earnings for July 2019 | n/a |
| | |
| Net earnings year-to-date as of July 2021 | see above |
| Net earnings year-to-date as of July 2020 | see above |
| Budgeted net earnings year-to-date | n/a |

Overall agency net loss for July 2021 is \$196. This year's net loss is lower than last year's net loss of \$361,475. In July 2020, Serendipity used the savings created by the PPP loan to retain the employment of all Instructional Assistants until more was known about the model and staffing needs for the school year. The current month net loss is subject to change for July 2021.

We are again eligible to receive Employee Retention Tax Credits due to a government imposed restriction on our business. The requirement that all school personnel be vaccinated is one of the factors impairing our ability to retain and attract adequate staff. The CPA consultant and our auditor agree with this interpretation. We suspect we would have qualified for Q3 tax credits anyway, due to revenue reduced by 20% or more when compared to Q3 in 2019. Only July 2021 is closed, so we are not able to calculate this form of eligibility until September is closed (at the end of October 2021). July revenue for 2021 was 26% below July revenue in 2019.

Our payroll processing company estimates the amount of our Employee Retention Credits in Q3 to be \$550,000.

The negative number in the Accounts Receivable Donations is due to a SAIF refund of \$34,108. The advisability of booking the SAIF refund into this Account can be debated - it is our historical practice.

Cash for operations in Heritage Bank is currently \$2,196,069.30. This current checking account balance is much lower than last years' Heritage Bank balance of \$2,700,385.28.

The Heritage Bank Savings for June-20 was \$264.08, pretty much unchanged from last year. The accounts receivables of \$147,355 are the direct result of School districts clearing their accounts earlier than usual this year. The big decline in the Cash position is the direct result of Serendipity deciding to use cash reserves to retain employees during the past school year, retiring the mortgage on the yellow house, and not yet having received the refunds related to Employee Retention Tax Credits.

Notes to Income Statements (Revenue):

- The district revenues for July 2021 increase over last year reflects a forty percent enrollment increase over last year's ESY program.

Notes to Income Statements (Expenses):

- The drop in payroll and related expenses was due to the fact that we reverted to regular staffing levels for the ESY School year and adapted to the COVID-19 environment.
- The increase in the Advertising Marketing Expense comes mostly from expenditures for Website development work by Mediaworks.
- The increase in License Fees is the direct result of double payments to Sage, one payment paid by Check and another by direct charge to Andre Stewart's credit card.
- The uptick in Rent comes from an adjustment in the General Ledger for \$3,510.84 to St. Joseph Church by Journal Entry 12876.
- The increase in the Telephone expense comes from the new installations at Key Bank and additions at the school.
- The Consultant General expenses were up due mostly to an expense to Secret Weapon LLC for development work.
- The Consultant for IT expenses were the result of work done by Logic Intelligence for interim Development Director services. The Building Maintenance Expense went down to a more regular schedule compared to last July when we had work done for the Classroom floors.
- The Teaching Supplies/Curriculum expense increase comes mostly from orders to Scholastic and Pearson Review as well as stocking up for supplies for the new school year.
- The increase in the Food expense comes from orders to United Salad and US Foods Chef's store to prepare for the start of the new School year.

Capital Committee

\$2.8 million will be received in 2023 through State Lottery Bonds to seed our Capital Campaign. Please see the attached report.

Fundraising Update

We are still searching for a Development Director. The position has been posted on multiple sites since August 10th and I've only conducted one interview with a candidate that I did not decide to move forward with. Breesa is still working closely with us to plan and execute our annual campaign. She will be presenting at the September Annual Board meeting.

| Donation Category | Annual target | Progress through 8/30/21 |
|--|--|---------------------------------|
| Donations restricted to the capital campaign | \$50,000 in new gifts and pledges (not including payments on previous pledges) | \$0 |
| Four Pillar donations from corporations or individuals | \$200,000 | \$51,846* |
| Four Pillar donations from foundation grants | \$200,000 | \$0 |

* This total does not include in-kind gifts (donated goods or services). I did not include them so this report would match the thermometers on the website. When this year is audited, the in-kind gifts will be included. For July and August, in-kind gifts totaled \$4,038 in value.

Final Thoughts

Welcome to all of the new Board members! I'm looking forward to working with you! It is both an exciting and challenging time to be part of the Serendipity Team. Our Board Committees are the heart and soul of the Board and it's critical we get them operating on a regular schedule. It's also vital we are aligned on our strategic goals.

As I mentioned earlier, our most immediate threat is staffing: both hiring and retaining staff. , We will continue to lose staff, and thus not increase enrollment, without evaluating and changing our current compensation and benefits model. It is a huge accomplishment that we received the \$2.8 million from the state to seed our capital campaign, yet without trained and competent staff, we will not be able to serve more students.

Thank you for letting me be of service to our students, our staff, and you, our members of the Board. Thank you for your service and continued support of Serendipity during this time of transition and need.

Attachments

- Salary compensation report
- Capital Committee report