

American School of Brasilia

Board Meeting—March 21, 2012: 18:00-20:00

Composition of the Board of Directors

Position	Nominee	Initials	Date of Entrance
President	Mr. Michael Ellis	ME	May 12 th 2010
Secretary	Mr. Mark Prescott	MP	December 8 th 2010
Treasurer	Mr. Pedro Oliveira	PO	August 17 th 2011
Board Member	Ms. Marianne Alker	MA	May 12 th 2010
Board Member	Ms. Christina Zuniga	CZ	June 8 th 2011
Board Member	Mr. Paul Kennedy	PK	March 16 th 2011
Board Member	Ms. Filippa Briggs	FB	June 8 th 2011
Board Member	Mr. David Millward	DM	November 3 rd , 2011
Head of School	Mr. Barry Dequanne	BD	July 1 st , 2010

Joined this session: no one

Attendance

Present:

Signature

Michael Ellis, President

Mark Prescott, Secretary

Pedro Oliveira, Treasurer

Marianne Alker

Christina Zuniga

Paul Kennedy

David Millward

Call to order 6:05pm.

1. Minutes of previous meeting

- Minutes from the previous meeting were approved.

2. Budget

- Presentation by PO regarding the finance committee's macroeconomic view of Brazil in the coming years. Though Brazil has seen unprecedented economic growth and personal wealth, no further appreciation of the Real is anticipated (the government has vowed to take measures to assure that it does not) and inflation will moderate gains.
- Justification for the levels was given as follows. As the projected dissidio is 8.0% and the high school is already undersubscribed, we aim to meet the projected increase in costs with a commensurate increase in tuition of 8%. With the lower school being fully subscribed a slightly larger increase, 9%, was thought acceptable though the lower school will still not be meeting expenses. Based upon the current market, and relative value, the rate of increase of the ECC, 15.75%, was thought reasonable as the ECC runs heavily in the red. Proposed staffing changes will also help to reduce losses incurred in the ECC.
- ME asked what would happen if the dissidio ends up being greater than 8%. BD responded that we would either have to have further cuts, or, with the approval of the board use a greater percentage of the associates' fee. ME recommended that the board approve the recommendation of the finance committee.
- MP moved that we increase tuition of the high school by 8%, the lower school by 9%, and the early childhood center by 15.75%. PK seconded the motion and it carried unanimously.
- As the school's constitution requires a contingency fund of 7.5% of the budget, and we are currently below that PO mentioned that we need to address that as soon as possible.
- Additionally, the recent accreditation committee recommended that the school have a minimum of 3 months of operating expenses in the contingency fund. It was discussed that though the board would like to meet the recommendations of the accreditation committee as quickly as possible, it was not worth putting the school's financial health or mission at risk to do so. It was generally felt that increasing the contingency fund balance to 1.25 months of operating expenses, or roughly 9% of the budget was possible.
- PK moved that the board, recognizing the recent accreditation committee's recommendation of maintaining 3 months of operating expenses in the contingency fund, will put aside 1.25 months of operating expenses as soon as collected with the aim to further address this issue at the September board meeting. CZ seconded and it carried unanimously.
- Discussion move on to the loan that is currently on the books from the capital fund to the operating expenses. This loan was apparently disbursed at a time of need, but has become an accounting exercise. The finance committee recommended the

board to forgive the loan to ease the burden of accounting. PK so moved that board forgive the loan, and it carried unanimously.

- Any significant expenditures from the capitol fund will await a recommendation from the facilities committee and approval by the finance committee.
- PO recommended that for the SY 2013-2014 that the board should develop budget guidelines to allow the HOS parameters within which to work. This was tabled due to time restrictions, but all agreed that this should be dealt with before the end of the school year.
- The monthly financial dashboard was presented and the data points were approved.
- PO will distribute, by email, his initial proposal for fund raising activities.

3. Board Retreat

The evening session will begin at 7PM on Friday, with the Saturday day session to begin at 8AM at the school. A letter was distributed via email describing goals for the session that were generally agreed upon.

4. Meeting adjourned at 8:05pm

Mr. Michael Ellis
Board President

Mr. Mark Prescott
Board Secretary



EAB Budget Proposal 2012-2013

	2011-2012	2012-2013
OPERATIONAL REVENUE		
Upper School (6-12)	11,757.356	12,334.706
Lower School (K5-5)	8,008.532	9,529.879
Early Childhood (K3-K4)	1,583.366	1,737.028
Scholarship	(1,983.312)	(2,305.299)
Application Fee	17.600	19.360
Association Fee	1,934.410	831.126
US Grant	95.560	171.000
Other	25.560	36.571
TOTAL	21,439.072	22,354.371

35%

OPERATIONAL EXPENDITURES		
Personnel	17,994.247	18,726.211
Educational Program	147.440	390.371
Educational Material	414.094	420.000
Technology	349.700	427.650
Other Programs	75.500	98.500
Administration	1,614.442	1,740.766
<i>Utility & Service</i>	<i>555.402</i>	<i>598.860</i>
<i>Maintenance & Supply</i>	<i>547.240</i>	<i>590.059</i>
<i>Other Administrative</i>	<i>511.800</i>	<i>551.846</i>
Other Services	237.200	340.204
Government Taxes	248.000	62.000
TOTAL	21,080.623	22,205.702

OTHER		
Unpaid Fees/Collect Debt Net	(186.574)	44.831
Associate expenses	(150.000)	(150.000)
TOTAL:	(336.574)	(105.169)

OPERATIONAL RESULT	21.875	43.499
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TUITION				
Division	2011-2012	2012-2013		
	Tuition	Tuition	% Increase	Real Increase
Early Childhood	1.954	2.262	15,75%	308
Lower School	2.986	3.255	9%	269
High School	3.512	3.793	8%	281

ENROLLMENT			
Year	Paying	Scholarship	TOTAL
2007-2008	404	53	457
2008-2009	473	56	529
2009-2010	503	55	558
2010-2011	520	53	573
2011-2012	519	55	574
2012-2013	522	57	579

YEAR	ASSOCIATION FEES		CAPITAL FEES	
	Number of Associates	Associate Fee Collected	*Number of New Students	Capital Fee Collected
2007-2008	88	1,635.309	102	1,480.547
2008-2009	74	1,656.710	72	1,568.772
2009-2010	92	2,043.421	66	1,525.406
2010-2011	90	2,243.538	71	2,252.087
2011-2012	102	2,638.358	81	2,192.245
2012-2013	88	2,403.219	80	2,184.745

*K3-K4 were excluded- NO Capital fee charged until K5.



2012/13 Budget

Presentation to the Board

21-Mar-2012

Confidential information

What we need to have in mind

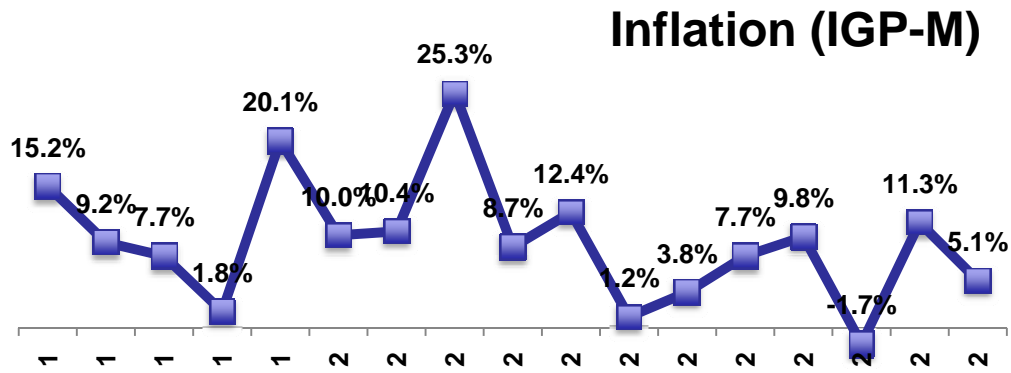
EAB's Constitution

1. **Contingency Fund:** maintain at a level of AT LEAST 7.5% of the School's annual operating budget (i.e., 7.5% means less than a month of current operating expenses)
2. **Capital Improvement Fund:** to be funded by 75% of all building fees – collected from new students

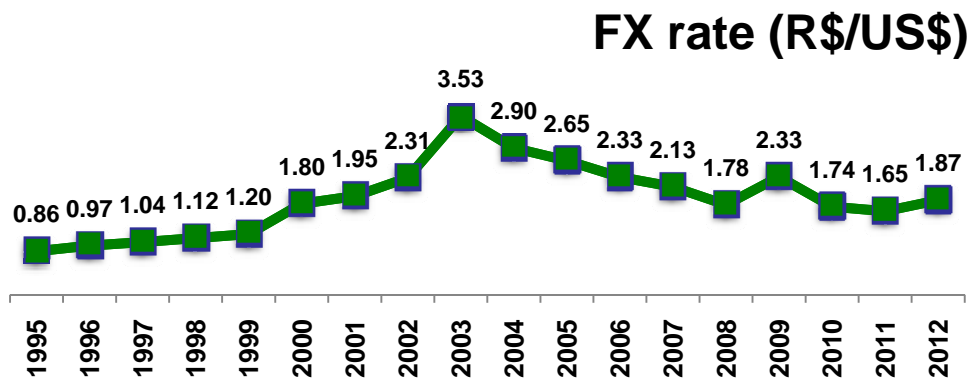
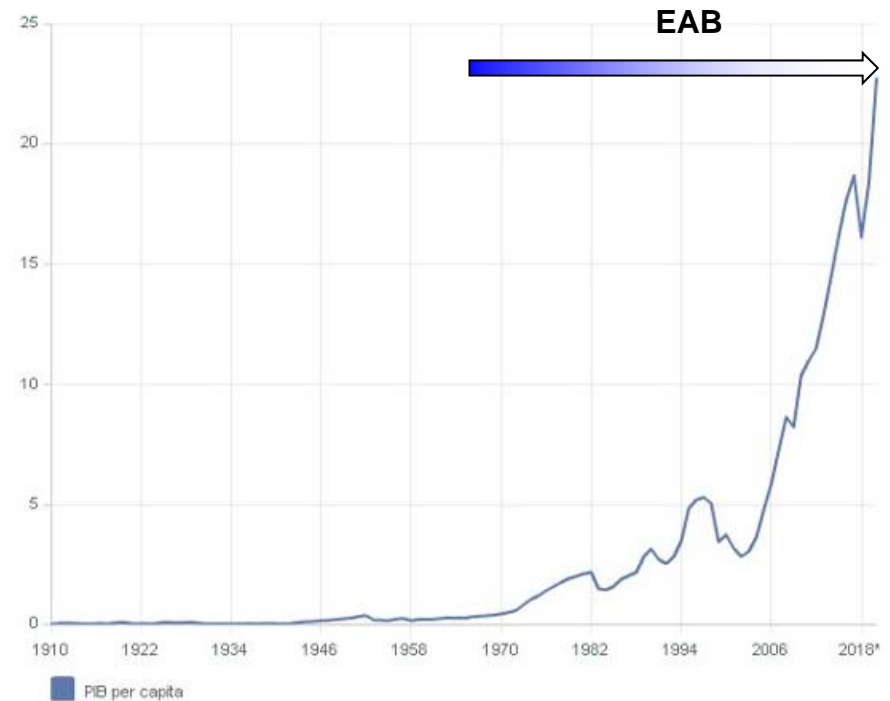
EAB Board Policy Manual

1. Ensure adequate financial resources

Macro economic view for coming years

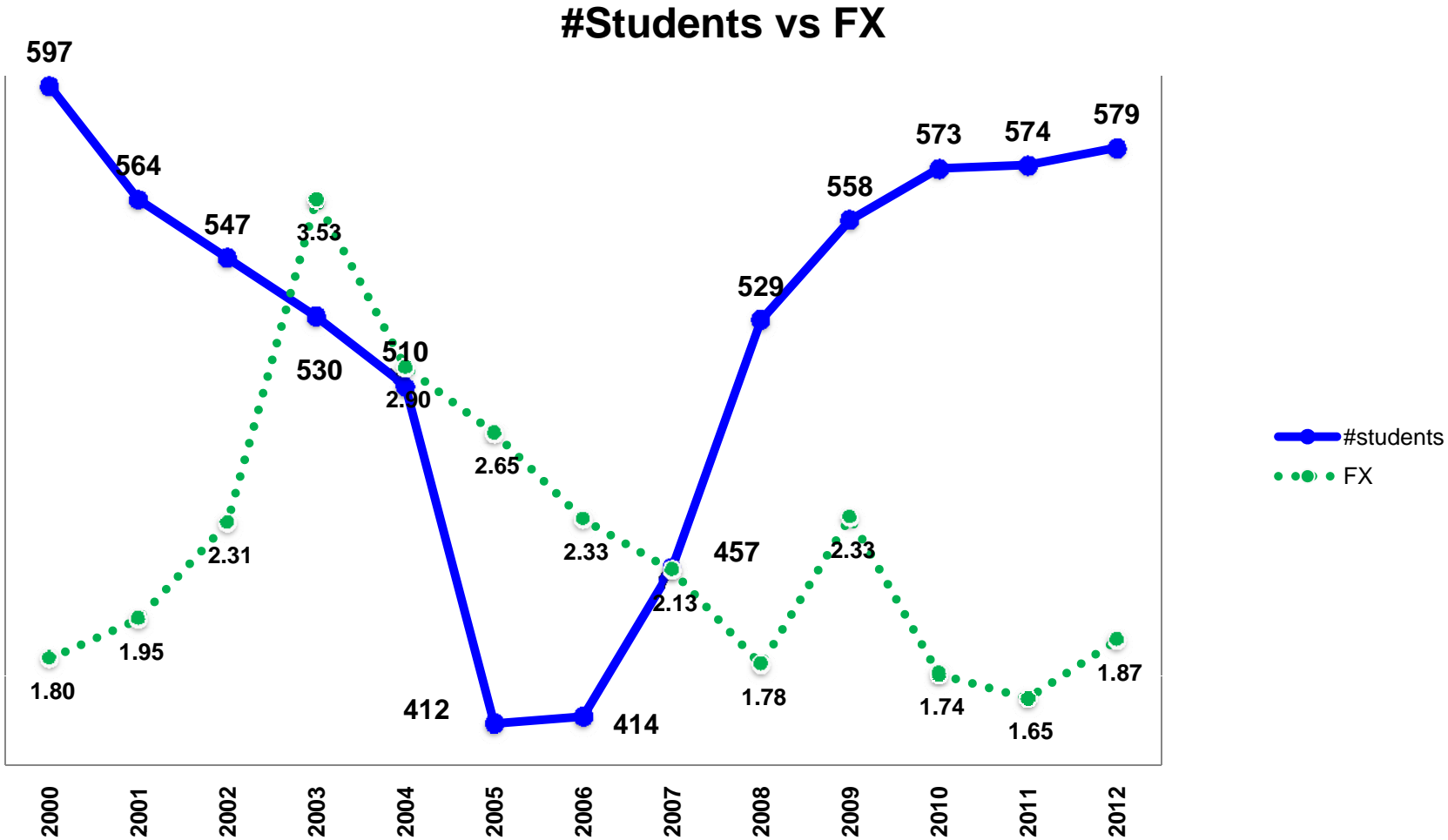


GDP per capita



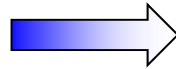
***FINCOM's view:* the next 5-10 years for Brazil are not likely to be as good as the last 5-10 year.**

It is important to remember our recent past



Key issues on the budget

1) Tuition increase



- How much to raise
- Consequences
 - perception
 - regulatory
 - ECC/LS self sufficient

2) Use of the Association Fee for OPEX



- Budget's proposal: 35%

3) Cutting costs



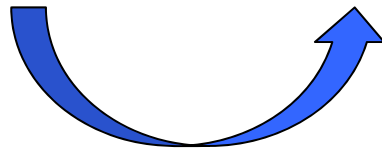
- Affect academics

Tuition increase

	'11-'12			12-'13 (proposed)		
	Monthly R\$	increase		Monthly R\$	increase	
		R\$	%		R\$	%
HS	3,512	119	3.5%	3,793	281	8.0%
LS (K-5-5th)	2,986	156	5.5%	3,255	269	9.0%
ECC (K3-K4)	1,954	194	11.0%	2,262	308	15.8%

The 12/13 budget in a snapshot

OPEX (nominal R\$ - in million)	
<u>11/12</u>	<u>12/13</u>
R\$ 21,4	R\$ 22,4



4.7% increase

<i>headcount</i>	
<u>11/12</u>	<u>12/13</u>
167	163

<i>number of students</i>	
<u>11/12</u>	<u>12/13</u>
519	522
55	57

<i>Associates</i>	
<u>11/12</u>	<u>12/13</u>
102	88

The 12/13 budget forecasts a May-12 “dissidio” of 8%.

If in May salary increase (dissídio) is:

- a) higher; EAB has to cut costs;
- b) lower, the budget is easily met.

Budget is using 35% of the projected Associate Fee for OPEX

Proposed operating budget

	2011-2012	2012-2013
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← Budget is using 35% of the projected Associate Fee for OPEX

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Assotiate expenses	(150.000)	(150.000)
TOTAL:	(336.574)	(105.169)

OPERATIONAL RESULT	21.875	43.499
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Association Fee and New Families

By Constitution, 75% has to be allocated to the Capital Fund

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2012-2013	88	2,403,219	80	2,184,745

**K3-K4 were excluded- NO Capital fee charged until K5.*

We are buying some cushion here

What does the proposed Budget implies for EAB Funds?

ASSOCIATION FEES			CAPITAL FEES	
YEAR	Number of Associates	Associate Fee Collected	*Number of New Students	Capital Fee Collected
2007-2008	88	1,635,309	102	1,480,547
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2012-2013	88	2,403,219	80	2,184,745

*K3-K4 were excluded- NO Capital fee charged until K5.

Association fee
used in Opex
amount left

2.403.219
(831.126)
1.572.093

Capital fee collected
@75%
amount left

2.184.745
(1.638.559) *(by constitution)*
546.186

Amount remaining
to be allocated 2.118.279

What to allocate to the Contingency Fund?

Amount remaining to be allocated	2.118.279
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(-) contingency fund	(1.117.719)
to capital fund	1.000.561

(-) contingency fund	(2.118.279)
to capital fund	-

Scenario 1: Have the minimum balance required by the Constitution (7,5% of OPEX)

Contingency Fund		
Balance (1-Jul-12)	563.000	2,5%
Source		
to make minimum	1.117.719	5,0%
additional	-	0,0%
TOTAL Source	1.117.719	
Uses	-	
Balance (1-Jul-13)	1.680.719	7,5%

7,5% covers less than a month of OPEX (0,9 months)

Scenario 2: Make the MAXIMUM balance

Contingency Fund		
Balance (1-Jul-12)	563.000	2,5%
Source		
to make minimum	1.117.719	5,0%
all remaining	1.000.561	4,5%
TOTAL Source	2.118.279	
Uses	-	
Balance (1-Jul-13)	2.681.279	12,0%

It covers 1,4 months of OPEX

What is left for the Capital Fund?

Scenario 1: Have the minimum balance required by the Constitution (7,5% of OPEX) for the Contingency Fund

Amount remaining	2.118.279
(-) contingency fund	(1.117.719)
to capital fund	1.000.561
Capital Fund	
Balance (1-Jul-12)	2.400.000
Sources	
OPEX Debt	2.043.850
from capital fee	1.638.559
remaining	1.000.561
Uses	
Forgiveness OPEX Debt	(2.043.850)
Minor repairs	-
School improvement	-
Balance (1-Jul-13)	5.039.119

Scenario 2: Make the MAXIMUM balance possible for the Contingency Fund

Amount remaining	2.118.279
(-) contingency fund	(2.118.279)
to capital fund	-
Capital Fund	
Balance (1-Jul-12)	2.400.000
Sources	
OPEX Debt	2.043.850
from capital fee	1.638.559
remaining	-
Uses	
Forgiveness OPEX Debt	(2.043.850)
Minor repairs	-
School improvement	-
Balance (1-Jul-13)	4.038.559

Cash position at this time

(values in R\$)

	'11-'12		'12-'13
	Current 19-Mar-12	1-Jul-12 <i>estimated</i>	1-Jul-13 <i>projected</i>
Total cash	5.646.000	4.772.522	8.572.859
Contingency fund	561.000	563.000	<i>to be defined</i>
Capital Improvement fund	2.500.000	2.400.000	<i>to be defined</i>

Working Capital

2.585.000

1.809.522

Recommendations to the Board

Related to the 2012-13 Budget

- 1) **Approve budget as proposed by the HoS, with the use of R\$ 831k from the Assoc fee for Opex**
- 2) **Approve to raise the Contingent Fund's balance to cover 1 month of Opex**
- 3) **Approve the forgiveness of the “internal loan” that Opex took from the Capital Fund**
- 4) **Defer approval of Capital Fund use after Facilities Committee presents a plan**

Guidelines for the following year Budget

- 5) **Following budget should have ZERO dependency on Associate fee**
- 6) **Contingent Fund's balance to cover at least 3 months of Opex – increase a month per year**
- 7) **All segments of School should breakeven**

Recommendation on monthly data to be presented to the board

- 1) **Detailed cash position** (*already being presented, FINCOM will work on some minor details*)
- 2) **Monthly follow up of the approved budget (cash basis)**
- 3) **Data on Headcount, #Students, #Associates, #New families**

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