

Genesis Innovation Academy, Committee Meeting Summary – March 2021

- I. NAME OF COMMITTEE: Finance Committee
- II. DATE/TIME OF MEETING: March 18, 2021 6:00pm-8:00pm
- III. ATTENDEES: **Eddie Bradford, Gavin Samms, Doug Erwin, Jeff Lawrence, Tomika Jones, Kelsy Vargo**
- IV. AGENDA/DISCUSSION ITEMS:
 - January Boys and Girls Financials- The Finance Committee reviewed the financials for both schools. The financials were recommended for approval.
 - PPP Loan- Doug Erwin stated that the forgiveness documents have been submitted. We are still waiting approval.
 - Refinance Subcommittee -We have received the commitment letter. Jeff and Eddie will speak with Khalif and Amir on Monday to cover a few questions and then Jeff will provide a refinance subcommittee report. **The Subcommittee report is attached.**
 - Employee Salary Schedule – We discussed a need to come up with a salary schedule to guide us on employee salaries. Doug stated that he would provide a schedule that he currently has and Tomika reached out to an HR source that may be able to assist us.
 - Board Donations and Charitable Donations – We discussed setting up separate bank account for each school for board and charitable donations. Any donation that is not assign to a specific school should be split 50/50 between the schools. Doug will be updating the financial policy to incorporate the needed changes. We discussed creating a Foundation that would support the school. The foundation would need to be created by an independent group and it would need to have its own board of directors.
- V. RECOMMENDATIONS/MOTIONS to BOARD (if any):
 - To approve the January Financials subject to audit
- VI. ACTION ITEMS:
 - Tomika Jones will speak with the HR contact to see if she can assist us in creating an employee schedule.
 - Doug Erwin will update the financial policy to include language related to donations.
 - Jeff Lawrence and Eddie Bradford will have a meeting with Reinvestment Fund on Monday to discuss items in the commitment letter.
- VII. CLOSING/ADJOURN

Recommendation from the Refinance Subcommittee

On March 17, 2021 the Lenders, Reinvestment Fund (RF) and Low Income Investment Fund (LIIF) presented GIA with a formal loan commitment a summary of terms as listed below; the commitment is attached:

- Borrower:** Genesis Innovation Academy, Inc., a Georgia nonprofit corporation
- Project/Purpose:** Borrower intends to refinance certain real property known as 1049 Custer Avenue, Atlanta, GA.
- Loan Amount:** Up to \$5,500,000 (\$1,000,000 secured by a cash reserve) in the form of two notes as follows:
- (i) Reinvestment Fund Note: in an amount, up to \$2,750,000
 - (ii) LIIF Note: in an amount, up to \$2,750,000
- Term:** The Loan will have a term of eighty-four (84) months (the “**Term Period**”).
- Interest Rate:** Rates for each low will be as follows:
- (i) Reinvestment Fund Note: The Loan will bear interest at a fixed rate of 5.50%.
 - (ii) LIIF Note: The Loan will bear interest at a fixed rate of 5.75%.

AT THE SUBCOMMITTEE’S REQUEST TO LIIF, THEY ARE CONSIDERING LOWERING THE RATE TO 5.5% TO BE IN LINE WITH RF.

The commitment would provide loan proceeds to pay off the principal balance plus the 20% prepayment penalty.

Subcommittee Recommendation

The Subcommittee recommends acceptance of the commitment subject to the proposed modifications detailed below, which both RF and LIIF have deemed acceptable:

- Loan Amount:** \$4,500,000 (\$2,250,000/lender)
All terms related to the cash reserve would be removed.

Given that the appraisal approved by the board arrived at the same value as the lender, the chances that we will see a substantive increase in value is highly unlikely. Furthermore, given the low probability of a substantive increase in value to possibly recoup a portion of the cash reserve contemplated in the Loan Commitment does not warrant the GIA paying approximately \$50,000 per year in additional interest expense. In addition, we would be paying \$10,000 at closing as a part of the commitment fee on that additional \$1,000,000 cash secured loan.

In conclusion, if the Board had evidence that there was a high likelihood that there was going to be a substantive increased in value, we would suggest that Board accept the commitment as is but given the absence of hard data to draw that inference, we strongly support opting for the proposed lower loan amount and paying all differences out of cash.