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AGENDA

Wednesday October 21, 2020, 2020 @ 6:30 p.m.

1. Call to order and roll call
   started at 10:13 p.m.

Present:    Chair Doug Scott     Absent:    Liberty Mitchell
            Betsy Brown         Mike Cantrell
            Adam Reynolds

2. Pledge of Allegiance and Moment of Silence
   Led by Supt. Banfield

ACTION ITEMS
The following items will be considered for action by the Board of Education on an individual basis and a roll call vote will be conducted on each item separately.

3. Minutes of the July 28, 2020, Special Board meeting.
   Board Member Brown moved to approve. Board Member Reynolds seconded the motion.
   Brown Approved ● Cantrell Approved ● Reynolds Approved ● Scott Approved
4. Minutes of the September 8, 2020, Special Board meeting.

*Board Member Reynolds moved to approve. Board Member Brown seconded the motion.*

*Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved*

5. **Information to the Board and Discussion**

a. Oklahoma State Auditor & Inspector’s Special Audit Report

*Board Attorney, Bill Hickman - This audit began over a year ago at the request of Governor Stitt. Epic has been studying and analyzing it, and the school and Charter Management Company (CMO) have produced a 190+ page response to be presented later in this meeting. There are finding the school disagrees with, items for corrective action, and items for the Board to discuss in executive session as to whether action will be taken.*

— Hickman stated this is substantially the same presentation as the One on One meeting with a few small differences that will be addressed in Libby Scott’s presentation given later in this meeting

b. Oklahoma Board of Education’s demand regarding administrative costs

*Hickman - The school received the demand letter yesterday requesting the return of $11,235,919. This amount was broken down into three categories. Hickman gave the breakdown amounts and the corresponding categories. Because Epic has not seen the detailed workpapers from the State Auditor and Inspector’s office (SAI), they are unable to verify the validity of these numbers in order to investigate further. Hickman previously requested these workpapers at the exit interview with the SAI, and also submitted an open records request on the same day. The State Board of Education (SBE) graciously gave Epic 60 (sixty) days to respond after they receive the SAI’s workpapers. Ultimately, Epic does not want to speculate, and wants to work in facts, which they can only do once the workpapers are received.*

*Chair Scott - when should the school receive the workpapers?*

*Hickman - He has been given no details as to when the open records request will be fulfilled, but he has followed up via email and has done an additional open records request relating to possible correspondence between an individual at the SAI’s office and outside sources.*

*Brown: Who ultimately makes the decision if Epic gives the SBE their response and they disagree?*
Hickman - he believes it would be a discussion with the SBE. He spoke to an assumption in the audit of a person was in an administrative position in 2015, that they stayed in that position for the subsequent years. However, that individual did not stay in the administrative category. So the investigation will be a detailed project looking at each position, by individual, and by year to make sure it is accurate. He believes there are differences in opinion, and some that will be clear cut, like teacher and principal positions.

c. Financial Update

Josh Brock, Epic’s CFO - reminded the Board that Brock is the Encumbrance Clerk and Josh Harp is the Treasurer and voted on annually by the Board.

This report is Harp’s financial statement, which is submitted quarterly to the SVCSB, but provided to the school monthly. Explained amounts for the school’s cash balance, bonus payments, and mid-year adjustment. The last few pages have a year-to-date actual and summary of monthly revenue. He also discussed warrants issued including the bonuses paid out to staff, and warrants paid which only accounts for checks that have cleared.

Reynolds - asked how this cash balance compares to last year?

Brock - lower than last year mostly due to the amount of growth since the end of the previous school year, and the school is funded on the number of students it ended the last school year with. The amount is not “trued up” until the mid-year adjustment.

Also, the Board approved the school obtaining financing of up to $30 million, and $25 million was financed. It helps the school pay its obligations due to the 30,000 plus increase in students until the mid-year adjustment, and will be paid back in full.

Chair Scott - confirmed that this will make sure the school can meet payroll until the mid-year adjustment, and Brock confirmed

Hickman - confirmed with Brock that the school’s treasurer, Harp, is the one who prepares these reports, and the reports are uploaded to the SVCSB quarterly. Has the school ever received information from SVCSB questioning any of these reports?

Brock confirmed and stated that Harp prepares monthly, but the report is uploaded quarterly. He does not recall having questions from the SVCSB regarding these financials.
Chair Scott - has the SVCSB requested any additional financial records since the SAI’s report, and have they called you to ask any questions? Brock - not outside the normal, and he personally has not been contacted -- substantially the same as the One on One meeting with a few differences.

d. Superintendent Update
Superintendent Bart Banfield

*Enrollment:* as of today for both schools is 60,772 -- Blended has over 24,000 students, about 40% of overall growth. Enrollment has leveled off and he believes these numbers will stay consistent unless there is a rise in Covid or the flu.

*SAI’s audit:* he wanted to mention the outflow of support from Epic’s student families advocating for the school by sharing their personal testimony, and how heart-warming it has been to receive these messages from the families that choose Epic. He wanted to share this because in the midst of politics, he doesn’t want the “why” for their school to be lost.

*Benchmarking:* Over 95% of students have completed, which met the school’s goal (in both ELA and Math). The teachers use this to customize a plan for each student. Reminder that over 30,000 students were added this year, and the results from benchmarking are as follows:

- Math: 84% of students are projected below grade level
- ELA: 80% of students are projected below grade level

It has been stated in the media that students leaving Epic and returning to brick and mortar schools are below grade-level, but this is quantifiable evidence that the majority of students coming to Epic are below grade-level. In the midst of everything going on, plus a global pandemic, the school has a lot of work to do in helping these students get to grade-level.

*General:* 1700 staff members completed a virtual PLC, and are currently working with students. All students have access to an online tutor 24/7, and all students have access to their online curriculum. He spoke about school districts struggling with technology in order to educate their students, but that it has been seamless for Epic due in large part to the CMO. He detailed the high number of technology the school has provided to its students (45,000 Chromebooks, 3,000 iPads, 18,000 MiFi devices, 9,000 calculators, etc.). Parents also have quick access to technology. When a parent places a Learning Fund order for technology, it is shipped
out the next day. Epic is continuing to honor its responsibility to educate its over 60,000 students.
Reynolds - asked if this number is accurate as he thought it was a bit higher
Banfield - stated it has been over 61,000, but as students come and go, this has been a steady number for the past month
Cantrell - stated that what the school is here for are the students and not the fighting and off-task duties that the school has had to deal with. He also realizes the responsibility of receiving State money and having it be used appropriately, and thanked Banfield for his work.
Banfield - stated the school’s growth in one year has been over 100% from last year, and it has been difficult. But it has been done in a seamless way, and is a testament to the CMO and the structure it put in place to allow over 30,000 students to migrate to Epic over the course of 3-4 months, and for those students to be engaged with curriculum, technology, and a teacher, all during a global pandemic
Cantrell - stated his granddaughter is in Epic this year, and talked about her having 24/7 tutoring and being on the phone at 10pm with a math tutor
Brown - how many teachers does the school have, and how many were hired this year?
Banfield - over 1,700 teachers this year, and close to 1,000 new teachers this year. This is a unique model, and takes time for the teachers to assimilate to the unique model. He commended the teachers and mentors for assisting the new teachers, and spoke to how hard teachers are working to meet this demand.
Chair Scott - the SAI released report 10-1-20 and SVCSB released its Notice on 10-13-20. Between those two dates, did anyone from the SVCSB contact you with any questions or to discuss the SAI’s report? Did anyone at the school receive an invitation to attend the SVCSB’s meeting?

Banfield - No to both questions.
Chair Scott - Thanked Banfield for attending that meeting to represent the school and provide the Board with comments, and for his leadership and commitment to the school.
-- the SAI met with Rose State College and presented their audit, but Rose State decided to take no action until they had the workpapers and all of the facts

**Purchasing and General Business**

6. Discussion and possible action to approve purchase orders and encumbrances through September 30, 2020.

Brock - reminder that Blended reimburses One on One for payroll and expenses One on One has previously paid includes a final accounting for FY 2020 now that the independent financial audit is completed. Contains all purchase orders for the entire year to make sure all entries are incorporated in case any were missed due to date cut-offs. Does not contain much new business on the accounts payable report.

Board Member Brown moved to approve. Board Member Cantrell seconded the motion.

Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved

7. Discussion and possible action to approve monthly 2021 Board Meeting dates.

Hickman - while the law only requires meeting quarterly, due to the rapid growth, current size of the school, and feedback from governmental agencies, it is his recommendation as the Board’s attorney to have monthly meetings. The Board can always schedule more meetings, or cancel meetings if needed. Cantrell believes this is necessary since the school has gotten so big to keep the meetings from being four to five hours long.

Reynolds asked about laws centered around meeting virtually, Hickman stated the law allowing virtual meetings [due to the pandemic] expires December 1st, and explained why it does not seem like the time will be extended.

-- the Blended meetings are just after the One on One meetings

Board Member Reynolds moved to approve. Board Member Cantrell seconded the motion.

Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved

8. Discussion and possible action to approve updated Student/Parent Handbook.

Banfield stated the only change was to add the ICAP requirement to the handbook, though it was already on the graduation checklist. He read the policy to the Board in full at the One on One meeting.
Board Member Brown moved to approve. Board Member Reynolds seconded the motion.

Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved

9. Discussion and possible action to approve Form 5500 and accompanying 403(b) audit.

Brock – the audit for the Form 5500 was completed this year, and the tax form and the audit are both submitted to the IRA. The 403(b) was initiated because Epic received guidance that the teachers could not use their bonus earnings when deciding on an amount to contribute to retirement, so this was set up to allow the staff to add additional monies to their retirement if they chose. Approximately 30 teachers are enrolled.

-- the exact same form is filed under the Tax ID of Community Strategies, so it is the exact same form.

Board Member Reynolds moved to approve. Board Member Brown seconded the motion.

Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved

10. Discussion and possible action to accept resignation of Board Member Liberty Mitchell.

Scott discussed talking to and receiving a resignation letter in an email yesterday from Liberty Mitchell, and he read the resignation letter in full to the Board. In summation, she is a nurse who has been working long hours due to Covid-19, and is also planning to move to Texas for a career opportunity. Liberty was an Epic student and truly believes in the school’s mission.

Hickman stated that she was a nurse literally working around the clock for a while in our hospitals, and stated that he could not imagine the stress she was under. He thanked her for her service to the Board and to the community. He discussed that it was unfortunate that there are people in the media who have misconstrued her departure from the Board.

-- was discussed in full at One on One meeting

Board Member Reynolds moved to accept. Board Member Brown seconded the motion.

Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved
11. Discussion and possible action to approve prospective Board Member Application Form for publication by the Superintendent for the open board member position. 

Hickman prepared this Application himself and conflict of interest form based off of his experience working with other schools. He recommends approving this to formalize the process in filling Board seats.

Chair Scott asked if the Board is also approving a process by which to add or select a Board member.

Hickman stated that feedback from the Board as a part of approving this item would be beneficial.

There was further discussion between the Board and Hickman about publishing it publicly, what to do if there is an influx of applications, the process to follow, what processes traditional brick and mortar schools follow, being able to make quorum with the current number of Board members, and amending the Bylaws to include year terms for Board members (Chair Scott and Cantrell have been on the Board since inception) and including a process for choosing Board members.

Hickman shared his experience with other charter schools with this process:
- The superintendent takes the lead, and brings back recommendation(s) to the Board. Then the person(s) recommended comes to the meeting to be introduced to the Board and to be voted on.
- There is an option to invite multiple people to a meeting to be questioned in the public forum, or the Board can take the Superintendent’s recommendation.

Chair Scott stated that once they approve this application, the Board would like Superintendent Banfield to publish it. Then depending on the amount of interest, the Board can decide on a process to choose a board member.

-- exact same item as the One on One because the Board member is for Community Strategies

Board Member Cantrell moved to approve. Board Member Reynolds seconded the motion.

Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved
Presentation

12. Presentation of Response to the Oklahoma State Auditor & Inspector’s Special Audit Report by Elizabeth Scott and Lauren Kiefner of Crowe & Dunlevy and Lee Pugh of Lee Pugh & Associates on behalf of Epic Youth Services.

Elizabeth “Libby” Scott presented based on the attached PowerPoint presentation. This presentation is to go over the major findings of the forensic audit one by one to objectively share the facts. Some findings are correct, some are incorrect, with no politicizing.

She gave a brief overview of the audit, including the assertion that the school has been uncooperative, which is inaccurate. There were 51 audits of the school, the school gave the auditors their own room to work in, Brock and several other employees were interviewed multiple times, and the school has complied with each open records request except for one because it was too broad with a response being over 35,000 pages with redactions needed. The school is currently working with them on responding to this one. She also stated there has been no finding of any criminal or fraud in the report.

Libby then went over a PowerPoint presentation of findings of the SAI’s audit wherein the school detailed why it was either accurate or inaccurate. Time was given for questions from and discussions with the Board members throughout the presentation.

— Libby stated there are only four (4) items different for Blended, and most of the other items were addressed in the corrective actions taken during the executive session of the One on One meeting. Libby then detailed the items on the attached PowerPoint presentation that are particular for Blended and also the services shared with One on One.

13. EXECUTIVE SESSION:

Motion to enter into Executive Session as provided for in 25 O.S. 307(4) to have confidential communications between a public body and its attorney concerning a pending investigation, claim, or action, concerning the (1) State Audit & Inspector’s Investigative Audit Report, and the (2) Oklahoma Board of Education demand concerning administrative costs, when advised by legal counsel that disclosure of any additional information could seriously impair the ability to process or conduct the pending investigation and/or claim in the public interest - 25 O.S. §§ 307 (B) (4) and (7)
a. (Action) Vote to convene into Executive Session.

_board Member Reynolds moved to convene into Executive Session at 10:38 pm. Board Member Brown seconded the motion._

_Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved_

b. (Action) Vote to return to Open Session and Reading of the Executive Session Minute.

_board Member Cantrell moved to return to Open Session at 10:53 pm. Board Member Brown seconded the motion._

_Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved_

_No action taken. No votes cast._

c. (Action) Discussion and possible action(s) on items considered in Executive Session.

_board Member Reynolds moved to adopt Resolution No. 2020-01 for corrective action. Board Member Cantrell seconded the motion._

_Before the final vote, Chair Scott read the entire attached Resolution No. 2020-01 to the Board and members of the public._

_Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved_

_board Member Brown moved to call a special meeting for November 18, 2020, time to be determined, to continue the discussion of corrective action, other issues brought up during this meeting, and to put a finer point on the Resolution. Board Member Reynolds seconded the motion._

_Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved_

14. Public Comments

All meetings of the Board of Education shall be open to the public, and any regular meeting shall include an opportunity for the public to address the Board. Presentations under “Public Comments” are limited to three (3) minutes. Where several people wish to address the same subject, a spokesperson must be selected. The Board Chairman may interrupt and terminate any presentation that is not in accordance with any of these criteria. Board members may not respond to speakers’ comments. Matters that are subject to any legal action or investigation are not proper topics of public comment and are not authorized.

None.
15. **Adjournment**

Adjourned at approximately 11:00 p.m. Board Member Cantrell moved to approve to adjourn the meeting. Board Member Brown seconded the motion.

Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved

Board Chairman Doug Scott

Secretary Betsy Brown
# VISITOR SIGN IN SHEET

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RESPONSE OF EPIC CHARTER SCHOOLS TO OKLAHOMA STATE AUDITOR & INSPECTOR’S AUDIT

EPIC BLENDED

OVERVIEW OF AUDIT REPORT

✓ Community Strategies and Blended complied with requests from the SAI – the only subpoena item the School has not delivered is a request for roughly 37 million emails. Costs have been quoted to the SAI and the parties are discussing how to proceed.

✓ There were no findings of criminal misconduct
OVERVIEW OF AUDIT REPORT

✓ There were no auditing standards identified. Instead, the report explained the SAI's understanding of the rules and regulations applicable to charter schools, identified best practices for compliance with its interpretation of charter school law, and then made findings based upon noncompliance with the SAI's best practice recommendations.

✓ There were 12 findings directed at Blended:

1. was factually incorrect
2. involved the accounting practices of Epic Youth Services, LLC
3. interpreted rules or laws in a way that conflicts with the supervising agency's guidance or decision on the matter
4. interpreted Blended's Operating Agreement differently than EPIC's interpretation

EPIC BLENDED
OCAS FINDINGS
OCAS FINDINGS

SAI Finding No. 3

- One-on-One and Blended reported EYS management fees to SDE based upon estimates, instead of the actual cost of services provided. This reporting method resulted in the questionable classification of FY 2017 through FY 2019 administrative costs totaling $16,570,782.80 for One-on-One, and FY 2018 through FY 2019 costs totaling $6,652,916.55 for Blended.

EPIC's Response

- The SAI is incorrect.
- The total management fee reported has never been based on estimates. It has always been the actual amount paid to EYS by the School.
- Between 2017 and 2019, there was no requirement to code and report itemized components of a management fee. Instead, Blended voluntarily itemized the EYS management fee pursuant to the SDE’s request. In consultation with the SDE, the schools used allocations to itemize and report the fee. The SDE approved these allocated itemizations and recertified the schools each year.

OCAS FINDINGS

SAI Finding No. 4

- Although the FY 2020 invoices obtained by One-on-One and Blended from EYS did itemize the goods and services provided as required by 70 O.S. § 5-200 (HB 1395), they did not provide an accurate accounting of actual costs.

EPIC's Response

- The SAI is incorrect.
- Actual costs were reported. Based upon 70 O.S. § 5-200, the School coded the FY 2020 amount paid to EYS using the new management organization codes added to the OCAS system and invoices provided by EYS. Coding selections were made and will continue to be made in consultation with the SDE and no coding issues have been raised by the SDE.
- The SAI is really asking for back up documentation of how EYS spent the money. But there is no legal requirement for Districts to obtain such information.

*Backup documentation: p. 24 EPIC Response*
PAYROLL FINDINGS

SAI Finding No. 6
- One-on-One and Blended submitted inaccurate information to the State Department of Education as part of their annual accreditation reporting.

EPIC's Response
- The SAI is incorrect.
- Accreditation applications endured the scrutiny and review at the SDE. The SDE did not have an issue with the 60/40 percentage split as submitted in the accreditation process.
- Sharing personnel expenses between EPIC's schools creates savings to each that result in more funds being directed towards instruction rather than duplicating overhead costs, and EPIC has never been advised the School Personnel Report needs to be cross referenced with the employee's payroll coding.
EPIC BLENDED
ALLOCATED DUES & FEES
FINDINGS

ALLOCATED DUES & FEES FINDINGS

SAI Finding No. 8

- In FY 2018 and FY 2019, Blended paid One-on-One for shared services that were not properly documented or appropriately authorized.

EPIC's Response

- The SAI is incorrect.
- The SAI has not pointed to any rule or law requiring cost allocations between the schools to be addressed in an Intercompany Agreement. Because the Schools share some expenses that cannot be attributed to just one particular school, the costs for those expenses are allocated based on the schools' average daily membership percentages, with each school paying its proportional share of the expense. The insinuation that cost allocation for shared services constitutes a commingling of funds is not substantiated.

Backup Documentation: p.48-111, EPIC Response
ALLOCATED DUES & FEES FINDINGS

SAI Finding No. 9
- In August 2019, Blended issued payment to One-on-One for FY 2019 "Allocated Due and Fees" totaling $6,000,000, without board approval.

EPIC's Response
- The SAI is incorrect.
- The Schools' contracts with their shared CMO give EYS the specific authority to transfer funds between school accounts without Board approval for each transfer. Although not required, the School nevertheless diligently attempts to report all transactions involving the School to its Board at each Board meeting. These transfers were ultimately approved by the Board. SAI finding is contrary to the contract between the parties.

Backup Documentation: p.49-111, EPIC Response

ALLOCATED DUES & FEES FINDINGS

SAI Finding No. 10
- Blended loaned $3.3 million to One-on-One through undocumented transfers without board approval.

EPIC's Response
- The SAI is incorrect.
- The Schools' contracts with their shared CMO give EYS the specific authority to transfer funds between school accounts without Board approval for each transfer. Although not required, the School nevertheless diligently attempts to report all transactions involving the School to its Board at each Board meeting. These transfers were ultimately approved by the Board. SAI finding is contrary to the contract between the parties.

Backup Documentation: p.49-111, EPIC Response
EPIC BLENDED
STUDENT LEARNING FUND
FINDINGS

STUDENT LEARNING FUND FINDINGS

SAI Finding No. 11

- One-on-One and Blended paid EYS approximately $79.3 million for deposit in the Student Learning Fund without an agreement or contract defining the student count to be used in calculating the actual amount due. The amount paid to EYS were unsubstantiated and unverified by the Community Strategies Board.

EPIC’s Response

- The contract provides that Blended will pay EYS for the Learning Fund "on a per pupil basis."
- To determine the number of students enrolled within the first quarter, the School pulls on LEA (Local Education Agency) Summary report on the 45th school day of each school year that certifies the "Entire Period Student Count" that student count is then used to calculate the School's total Learning Fund payments for that year.
- EYS engaged Grant Thornton, a national accounting firm, to determine if it had been paid the correct amount for the Learning Fund. Grant Thornton compared the actual Learning Fund payments to the correct amounts and found that since FY 16 EYS has been underfunded by more than $2.6 million. SAI represented that it would include this expert analysis in its report, yet did not do so.

Back-up Documentation, p. 111-130, EPIC Response.
STUDENT LEARNING FUND FINDINGS

SAI Finding No. 12
- The Student Learning Fund payments made by One-on-One and Blended are deposited into the same bank account resulting in commingled state funds.

EPIC's Response
- This finding relates to the accounting practices of Epic Youth Services, LLC and presupposes that Student Learning Fund payments to EYS remain "state funds" after being paid to a private company. This finding refers to the bank accounts of a private company that is not a school bank account and is the subject of ongoing litigation.
- The School's independent auditor confirmed that funds paid to EYS become private and are not part of the School's audit.
- The SAI approved this each year by accepting CBEW audited financial statements.

EPIC BLENDED COMMUNITY STRATEGIES-CA FINDINGS
CS-CA FINDINGS

SAI Finding No. 13
- The financial capacity of Community Strategies was pledged to be "used in order to obtain $500,000 in capital for year 1 funding" for Epic-California.

EPIC's Response
- The SAI is incorrect.
- The word "pledged" was not used in any documentation provided to SAI. The loan obtained to start the California school was not secured by collateral and was a non-recourse loan in the form of an promissory note. No public assets were EVER pledged to secure the loan and no guarantees were made by the Oklahoma public school to repay the loan. The loan has since been fully repaid to the lender, and the lender was not the Oklahoma public school.

CS-CA FINDINGS

SAI Finding No. 20
- The transfer of $203,000 from the Student Learning Fund to Epic-California, was in violation of the One-on-One and Blended Charter School Operating Agreements and state law.

EPIC's Response
- The SAI is incorrect. This was not a violation of the Operating Agreements.
- Again, this transfer was made from a private account and is the subject of ongoing litigation. The School's independent auditor confirmed that funds paid to EYS become private and are not part of the School's audit. The SAI approved this each year by accepting CBEW audited financial statements.
- Also, EPIC understands this transfer was repaid prior to SAI inquiring about it.
- The SDE has demanded repayment of $203,000.
EPIC BLENDED
OTHER FINDINGS

OTHER FINDINGS

SAI Finding No. 21

- EYS' Management Fee payments were calculated on total State Aid received by the SVCSB and Rose State College instead of the actual funds received by One-on-One and Blended. This calculation resulted in EYS receiving additional $686,116.04 in management fees between FY 2016 and FY 2020.

EPIC's Response

- The SAI is incorrect.
- EYS was not overpaid. The management fee paid to EYS is 10% of collected Revenues. Under the Charter Operating Agreements, "Revenue" includes "all funds received by or on behalf of the Charter School." This then, includes the total amounts received by Rose State on behalf at the School.
- The Schools' independent financial auditor approved by SAI confirmed these payments were correct. The parties to the contract are in complete agreement on calculation of the management fee.

Backup documentation: p. 132-139, EPIC Response
OTHER FINDINGS

SAI Finding No. 22

- Epic Charter School's multi-year contracts with Penn Square Mall and Woodland Hills Mall are in direct violation of Article 10 Section 26 of the Oklahoma Constitution.

EPIC's Response

- The SAI is incorrect.
- The cited provision prohibits multi-year indebtedness, not multi-year contracts. Schools sign multi-year contracts all the time. The counterparty to these contracts does indeed bear additional risk due to the constitutional provision cited by the SAI, but the Schools do not violate the constitution by entering these contracts.
COMMUNITY STRATEGIES, INC.
EPIC BLENDED
RESOLUTION No. 2020-01

WHEREAS, Community Strategies, Inc., an Oklahoma not for profit, is the board of education of Epic One-on-One Charter School (the “Epic One-on-One”);

WHEREAS, Community Strategies, Inc. is the board of education of Epic Blended Charter School (“School”);

WHEREAS, the School has entered into an Operating Agreement (the “Operating Agreement”) with Epic Youth Services (“EYS”);

WHEREAS, the Oklahoma State Auditor and Inspector (“SAI”) has conducted a special, investigatory audit (the “Audit”) of Epic One-on-One and Epic Blended (collectively, “Epic Charter Schools” or the “schools”);

WHEREAS, Community Strategies, Inc. is the board of education (the “Board) of the School;

WHEREAS, the Board provides oversight of the School;

WHEREAS, on October 12, 2020, the Oklahoma Board of Education (“BOE”) voted to demand that the School respond within sixty (60) days of receipt of the SAI’s work papers to administrative costs in the amount of approximately eleven million dollars (the “Administrative Cost Demand”);

NOW, THEREFORE, Board of the School adopts the following corrective actions:

BE IT RESOLVED that the Board directs the School and EYS to amend the Intercompany Agreement between Epic One-on-One and Epic Blended for Board approval to specify the authority for the payroll and cost allocations between the schools, the basis for the calculation of the payroll and cost allocations, and the requirement for Board approval prior to each time there is a payment between the schools;

BE IT RESOLVED that the Board directs the School and EYS to amend the Operating Agreement for Board approval to specify how the learning fund payments are calculated;

BE IT RESOLVED that the Board directs the School and EYS to further amend the Operating Agreement to specifically describe the basis upon which the management fee is calculated;

COMMUNITY STRATEGIES, INC.
BE IT RESOLVED that the Board directs the School and EYS that Board approval is required for any financial transfers between the schools and that such transfers should be reflected on the Treasurer’s report and that no loans shall be made between the schools;

BE IT RESOLVED that the Board directs the School and EYS that Board approval is required at each Board meeting of the Treasurer’s report and the encumbrance register; and, that all financial transactions are to be approved by the Board;

BE IT RESOLVED that the Board directs the School to hire an individual that reports to the Superintendent, is responsible for the School’s finances, will serve as Encumbrance Clerk, and other duties as may be directed by the Board;

BE IT RESOLVED that the Board directs that either the School’s Superintendent or Board members sign all School contracts on behalf of the School; and

BE IT RESOLVED that the Board acknowledges that further action may be required.

Approved by a majority vote of the Board this 21st day of October 2020.

BOARD PRESIDENT:

BOARD SECRETARY: