

SUBJECT LINE: Following up on IDEA governance reforms & CEO transition

Dear Friends of IDEA Public Schools,

As a most unusual school year ends, I am sending this update to our supporters to share some of the governance reforms IDEA's board of directors has implemented to ensure that every decision we make, at every level, is consistent with IDEA's mission of supporting our students. The best charter schools meet their responsibilities as providers of a vital public service while also mirroring the agility of the private sector's most effective and innovative organizations. At IDEA, that balance is what we have been working toward with determination and humility. Below, I detail the steps we have taken in a few short months to meet the highest standards in governance, fiscal responsibility, and public transparency. I am also sharing with you more information about the leadership transition we announced last month.

New policies to strengthen governance and accountability

In late January, IDEA's board of directors held a special meeting to ascertain what led to poor decision-making regarding private air travel and other spending. The board charged IDEA's outside counsel with assessing our policies and practices, and at the meeting, they provided us with recommendations to strengthen these areas. Here is a summary of the accountability measures IDEA is implementing:

- Travel policies now prohibit access to private air travel, business, and first class seating on commercial flights, and increase the scrutiny and business purpose requirements for all travel.
- We have clarified guidelines regarding what constitutes appropriate IDEA development and networking activities, including reasonable costs and specifying that official IDEA functions should take place at IDEA properties whenever feasible.
- The board has reframed and limited executive benefits; only those that explicitly advance IDEA Public Schools will be approved.
- The CFO must submit a monthly report to the board's finance committee and the board's new audit committee to ensure all charges incurred by IDEA's senior leadership are aligned with our mission and accountability measures as well as comply with policy and law.
- The CFO's approval is required on all transactions over \$10,000, and the board must approve any transaction that exceeds \$250,000.
- All budget amendments are now reviewed in detail by the finance committee before the board reviews, and funds may not be transferred between departments or organizational units without going through the budget amendment process and receiving board approval in advance.
- We have instituted formal procedures for both whistleblowers and employee grievances. These procedures go beyond the requirements under Texas law.
- We have also implemented a stricter conflict-of-interest policy than the law requires. Disclosing conflicts and recusal from related decisions is what the law requires, but we believe that is insufficient. Board members, senior leaders, and their family members may not do business with IDEA. Texas law would otherwise allow them to do business, provided the conflict is fully and properly disclosed.
- In fundraising, IDEA will minimize unrestricted donations and establish clear expectations with donors regarding how their resources will support schools and students.

Experts on nonprofit and corporate governance from Nygren Consulting have been advising the board on the development and implementation of these policy changes. Nygren has advised clients ranging from General Mills and the Cleveland Clinic to Success Academy, SMU, and Georgetown University. Reviewing the policy changes we have made, Nygren has shared their view that “the updated policies ensure tighter control over the expenditure of funds, both public and private, and they ensure that the mission of IDEA Public Schools takes the highest priority.”

Assessment of board composition and practices

In addition, Nygren is helping us strengthen IDEA’s board to match our growing school network. They have made recommendations around board size, membership, diversity, and competencies we should be seeking as we recruit new members. Given those needs as well as current vacancies and normal turnover, we are seeking to add five or more new board members. The board and Nygren have also examined the system of checks and balances with IDEA management. IDEA’s founding CEO, Tom Torkelson, was a voting board member and held the title of “executive chair.” That position has been removed from IDEA’s bylaws.

The board is meeting monthly to monitor and advance the reforms I have shared here and to act on recommendations from our advisers.

Terms of CEO transition from Torkelson to Gama

With respect to the transition of Tom Torkelson as CEO and Executive Chair of IDEA Public Schools, the IDEA board and Tom worked earnestly to facilitate an orderly transition. With the assistance of professional advisers, counsel and a respected independent facilitator, an agreement was reached whereby IDEA Public Schools will pay Tom \$900,000 to facilitate this transition. That amount is roughly what Tom was paid in salary and performance bonus in 2019, and is in lieu of paying out the 2 ¼ years remaining on his employment contract. IDEA’s payments to Tom will be reported to the Internal Revenue Service as part of the organization’s annual financial filings. In accordance with the Texas Public Information Act, IDEA is providing the employment and transition agreements between IDEA and Tom, as well as IDEA’s 990 for Fiscal Year 2018-2019, which was filed as required on May 15, to journalists who have requested these as public records. The Form 990 can be accessed on our website.

All of us on the board are excited to work with IDEA’s new CEO, JoAnn Gama, and are actively involved in supporting her transition. JoAnn has been the co-architect of IDEA’s success since day one and has led our schools as Superintendent for the last 20 years. JoAnn has immediately stepped into her new role. While leading IDEA’s COVID-19 response and planning for the upcoming school year, she has named several priorities to strengthen and enrich our program and continue growing IDEA’s impact. JoAnn proactively informed the board that she feels well compensated as she takes on the CEO job and is not seeking a raise. That’s one more reason we admire JoAnn, and we respect her choice.

As JoAnn assesses the organization with new eyes as CEO, and as the board continues to strengthen our governance, we are committed to being transparent about any additional course corrections and improvements that IDEA needs to make to be more successful at our mission and continue to earn your trust as supporters. All of us on the board are committed to being IDEA’s advocates and to providing critical oversight as our organization continues to grow and make a difference for kids and communities.

Closing out the school year and looking ahead

With the benefit of hindsight, the board and IDEA’s management team wish some things had been done differently. We have embraced recent criticism and feedback as an opportunity to show how high-

performing public charter school systems can respond and evolve quickly to do what is required of them. We have demonstrated that, too, in another context—in our rapid mobilization to stem the spread of COVID-19 within our community and keep our students learning, as well as fed and cared for.

As abnormal as this school year has been, it has been another strong one for IDEA's schools and our students' accomplishments. We close out the academic year with 11 IDEA schools ranked among the nation's top high schools by *US News and World Report*, and 15 IDEA high schools on a respected list of the nation's most challenging—with more in the top 25 than any charter network or school district.

After submitting nearly 12,000 college applications and earning more than \$18 million in grants and scholarships, the IDEA Class of 2020 is headed to college—850 of them as the first in their families to attend. IDEA has distributed more than 2 million curbside meals at campuses closed because of the COVID-19 pandemic, and meals will continue to be available through the summer. We have a phenomenal team, and they are backed by remarkable supporters.

If you have any questions or suggestions about the path we are on, please get in touch. Thank you for your support and encouragement over the past several months.

Sincerely,

Al Lopez
Chair, IDEA Public Schools Board of Directors