



Charter School Finance
CCSA Pre-Conference March 2016

Who is ExED?

A Nonprofit, Mission-Driven Business Partner for Southern California's Leading Charter Schools

Results-focused:

As the full-service "CFO" for each school, ExED creates efficiencies and sound business practices that direct more resources to the classroom

A Charter School Pioneer:

20 years of experience supporting some of the region's most dedicated and effective charter schools



ExED By The Numbers



Charter
School
Clients

92



Students
Served by
ExED Clients

34,000



ExED
Financed
Facilities

29



Facility
Financing
Secured

\$175M



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Charter Schools
Your Fiscal Responsibility



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Principles of Sound Financial Management



Timely Reporting



Oversee Budgets



Hold Staff Accountable



Financial Policies



Internal Controls

Systems of policies and procedures designed to prevent fraud, waste and misappropriation.



Protect Assets



Regulatory Compliance



Reliable Reporting



Efficient Operations



Who is responsible?

Board of Trustees

Administration

Management

Teachers

Office Managers

Food Service

Vendors & Subcontractors

Volunteers



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Don't Be Surprised

- Total Board is Liable
- Timely & Understandable Financial Reports
- Finance & Audit Committees



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Financial Statement Presentation

For-Profit Financial Statement	Equivalent Government Statement	Equivalent Nonprofit Statement
Income Statement or Profit & Loss (P&L)	Statement of Activities	Statement of Activities
Balance Sheet	Statement of Net Assets	Statement of Financial Position
Cash Flow Statement	Statement of Cash Flows	Statement of Cash Flows



Monthly Financial Package

- Income Statement (budget vs. actual)
- Balance Sheet
- Cash Flow Forecast
- Attendance Reporting Update
- Government Funding Update



Net Income \neq Cash

- Net Income or Net Loss relates to revenue and expenses in the current period.
- Cash reflects the current period and all historical periods.



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Cash Flow "All the Time"

- Monthly cash flow forecasts.
- Crucial to understand timing of revenue. Plan for "hard times."
- State Revenue Deferralment Schedule.



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Tools to Manage Cash Flow

Create a budget model with monthly detail

- revenues and expenses
- minimum 5-10% ending cash reserve
- balanced annual budget

Twelve month Cash Flow plan

Month-by-month Cash Flow Report

- actual data
- revised forecasts for future months.

Compare actual month end cash balance to budget for that month.



Financial Statement Red Flags

Item	Red Flags
Cash	Low or Negative balance
Accounts Receivable	Remains constant throughout year and does not decrease
Accounts Payable	Remains constant or steadily increases
Payroll Liabilities	Payroll Taxes, STRS/PERS/403b Retirement balances constant or steadily increase
Current & Long Term Debt	Borrowed amount excessively high
Depreciation	Depreciation must be expensed either monthly or at year-end
Fund Balance	Declining (unless special project) or negative balance
Operating Expenses	Higher than budget
Enrollment & ADA Rate	Lower than budgeted



Risk Management

Review insurance policies annually



Additional coverage may be needed for Field Trips, Sports Programs, Volunteers, Consultants, etc.



Protecting Yourself:
Proper Segregation of Duties



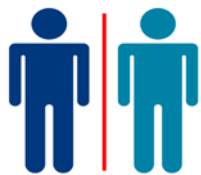
Where does financial misconduct most often occur?

- Conflict of Interest
- Collection / Depositing of Cash
- Bank Accounts
- Payroll
- Purchasing
- Weak Supervision

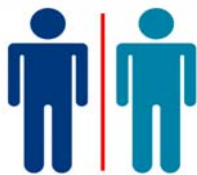


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Tips for Proper Segregation of Duties



The person who cuts the checks does not sign the checks



Cash is always counted by two people

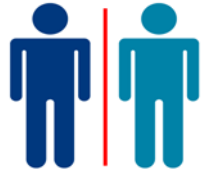


The person who cuts the checks does not reconcile the bank account(s)

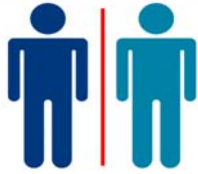


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Tips for Proper Segregation of Duties



The person who receives goods does not purchase or process payments for them



The person who opens the mail does not make bank deposits



The person who processes payroll does not distribute checks



Roles and Responsibilities Committees

Charter School Boards approve:

- annual financial reporting
- revenue applications
- banking decisions
- vendor contracts

Finance Committees

- conduct research & planning
- offer recommendations for board consideration



Audit & Finance Committee Membership

Member Qualifications include:

- Understands roles of a board trustee and the school
- Financial Literacy
- Courage and curiosity
- Commitment to safeguard the school and its assets
- Commitment to generate fair, accurate and timely reports



BOARD Oversight Checklist

Task	Annually	As Needed	Each Mtg.
Approve: Bank Account Changes, Fiscal Policies & Procedures, Loan Applications/Agreements, Vendor Contracts, Insurance Policies		✓	
Review Student Enrollment & Attendance			✓
Financial Statement Package			✓
Finance & Audit Committee Reports		✓	
Government Revenue Update			✓
Approve Multi-Year Budget	✓		
State & Federal Funding Applications		✓	
Chartering District/State Interim & Unaudited Financial Reporting		✓	
Staff Salary Schedule/Structure	✓		
Annual Audit	✓		
Annual Tax Return: IRS Form 990 & State Form	✓		
Federal Title Funding: SSD Plan & State LCFF LCAP	✓		



FINANCE Committee Check List

Task	Annually	As Needed	Each Mtg.
Review Bank Accounts: Opening/Closure/Signatory		✓	
Review & Recommend Loan Applications and Agreements, Consultant Agreements & Insurance Policies		✓	
Hold School Management Team Accountable for Fiscal Operations			✓
Review Financial Statements and Cash Flow Forecast			✓
Review Student Enrollment and Average Daily Attendance (ADA)			✓
Understand School's Revenue Sources			✓
Understand Financial Reporting Requirements of Chartering District/State/Federal	✓		
Review and Update Fiscal Policies & Procedures	✓		
Review Salary Schedule for Highest Compensated Employees	✓		
Review Health & Retirement Benefits Package	✓		



AUDIT Committee Check List

Task	Annually	As Needed	Each Mtg.
Coordinate Audit Firm Selection Process & Develop Recommendation for Board Consideration	✓		
Coordinate Annual Audit Report Review with: <ul style="list-style-type: none"> • Auditor • Business Services Provider • School Management Team 	✓		
Develop Recommendation of Annual Audit Report for Board Consideration	✓		



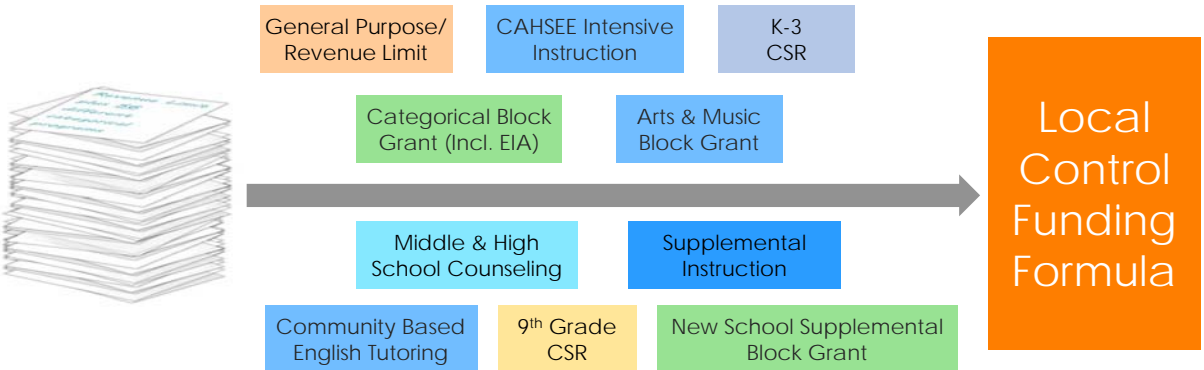
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Sources of Revenue
&
State and
Federal
Compliance



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The new K-12 finance system aims to reduce complexity



General Purpose/
Revenue Limit

CAHSEE Intensive
Instruction

K-3
CSR

Categorical Block
Grant (Incl. EIA)

Arts & Music
Block Grant

Middle & High
School Counseling

Supplemental
Instruction


Community Based
English Tutoring

9th Grade
CSR

New School Supplemental
Block Grant

Local
Control
Funding
Formula

The Revenue Limit and 56 categorical programs were phased out
and replaced by the new Local Control Funding Formula.



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Key Charter Revenue Sources

I. State Funding

- LCFF (Base + Supplemental + Concentration)
- State Programs – Mandate Block Grant, Special Ed, Lottery, SB 740, ASES

II. Federal Funding

- Title I, II, and III
- Special Education
- Child Nutrition
- Title V – Public Charter School Grant Program
- Facilities Incentive Grant

III. Local Funding

- Grants
- Fundraising
- Food and other sales



What revenue is generated by ADA?

Revenue Source	Rate	CALPADS Requirement
LCFF	Varies	Yes!
Special Ed*	Varies	No
Lottery	\$181/ADA	No



* Special Ed rates/applications vary by SELPA.



How are other revenue sources generated?

Revenue Source	Rate	Application Type	CALPADS Requirement
Nutrition	Meal rates updated annually	Meal Claims and SFA set-up	No
Mandate BG	\$14/ADA for K-8, \$42/ADA for HS	1-Time Form per year	No
SB 740	\$750/ADA or 75% Facility Costs, whichever is less	Forms at least 2x per year	Yes (FRPM Data)
Title Funds	Varies (Calculated by the CDE)	ConApp, LEA Plan, other reports	Yes (FRPM Data)
Special Ed*	Varies	Varies by SELPA	No
ASES	Typically \$150K for MS, \$112,500 for ES	Application every 3 years	No
Other Federal	Varies	Varies	Possibly FRPM



Cash Flow Schedules

Some funding sources will always be partially deferred to following year

- Nutrition reimbursement
- SB 740 (facility grant)
- Public Charter Schools Grant Program (PCSGP)
- Some Title funds
- Lottery

Growing schools experience more cash flow impacts.



Cash Flow: Helpful Tips

- Specific dates and funding amounts can be found on CDE website: www.cde.ca.gov/fg/aa/pa/index.asp
- Set up direct deposit with local district and county education
- Pick up checks when timing is of the essence
- Ensure you are preparing monthly cash flow forecasts
- Understand State Revenue Payment Schedule, including Special Advanced Apportionments for growing schools
- Plan for "hard times" during "good times"
- Establish strong communication between finance staff, finance committee and Board of Directors



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Cash Flow: Why Maintain Strong Reserves?

Even with fewer deferrals, it's critical to protect against:

- Economic downturns and budget cuts
- **Volatility in LCFF gap closure funding (especially if you have high unduplicated count)**
- Not reaching enrollment targets
- Unplanned/emergency expenses (i.e. STRS increases)
- Cash shortages due to payment schedules, school growth and other deferrals



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The Local Control Funding Formula has 3 main elements

Base grants

Same rate for every California student (by grade span)

- Adjustments to the K-3 base grant for Class Size Reduction (10.4%) and to the 9-12 base grant for Career Technical Education (2.6%)

Supplemental grant

Equal to 20% of adjusted base grant for English Learners, students eligible to receive free or reduced price meals, or foster youth

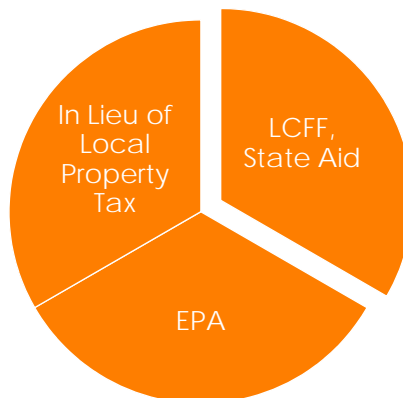
Concentration grant

Equal to 50% of the adjusted base grant for targeted students exceeding 55% of a charter school's enrollment (but capped at the eligible student enrollment of the district in which the charter school is located)



LCFF will come via multiple funding streams.

Proportions will vary based on your school and your local district



Targeting Supplemental and Concentration Grant Funds to High Need Students

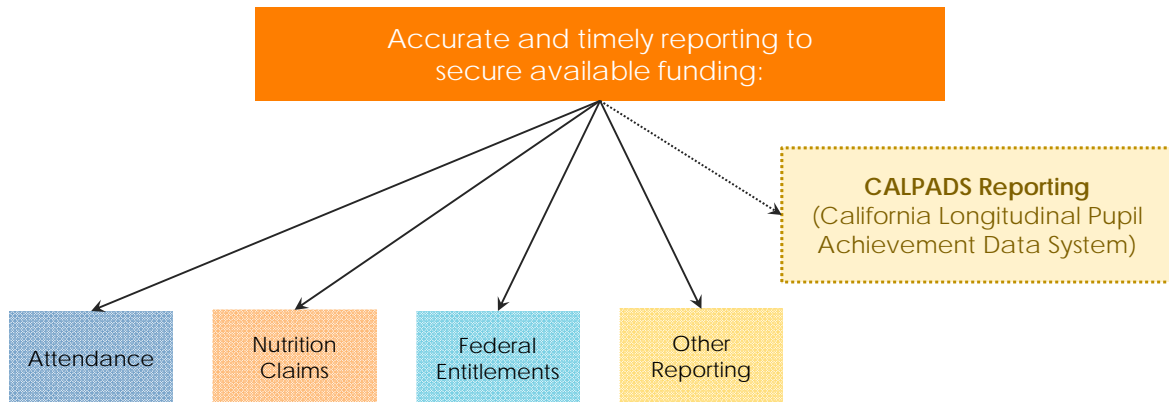


While LCFF is an unrestricted revenue source, you are required to expand or improve services for high-needs students in proportion to the additional funding that these students bring to your school.

Tip: LCFF Calculators are available. Find one at <http://fcmat.org/local-control-funding-formula-resources/>



Requirements tied to funding



The role of attendance accounting is...

$$\frac{\text{\# of days student(s) attendance}}{\text{\# of instructional days}} = \text{ADA (Average Daily Attendance)}$$

ADA Impact on Funding



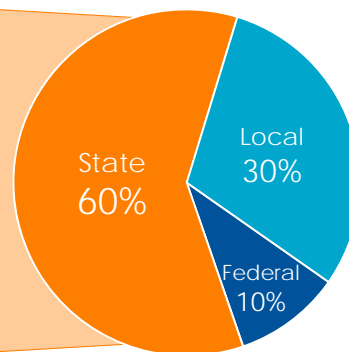
The role of attendance accounting is...

know what reporting impacts your funding

Examples of reports

Period 1 (P1)
Period 2 (P2)
Annual
Monthly
PENSEC & 20 Day
(Pupil Estimates for New or
Significantly Expanding Charters)

Sources of Public School Funding



State School Attendance Regulations

Attendance Processes

- Your school must follow attendance accounting policies and procedures

Instructional Minutes

- Your school must offer the minimum number of annual minutes by grade level
- Your school is required to operate 175 days to receive a full apportionment

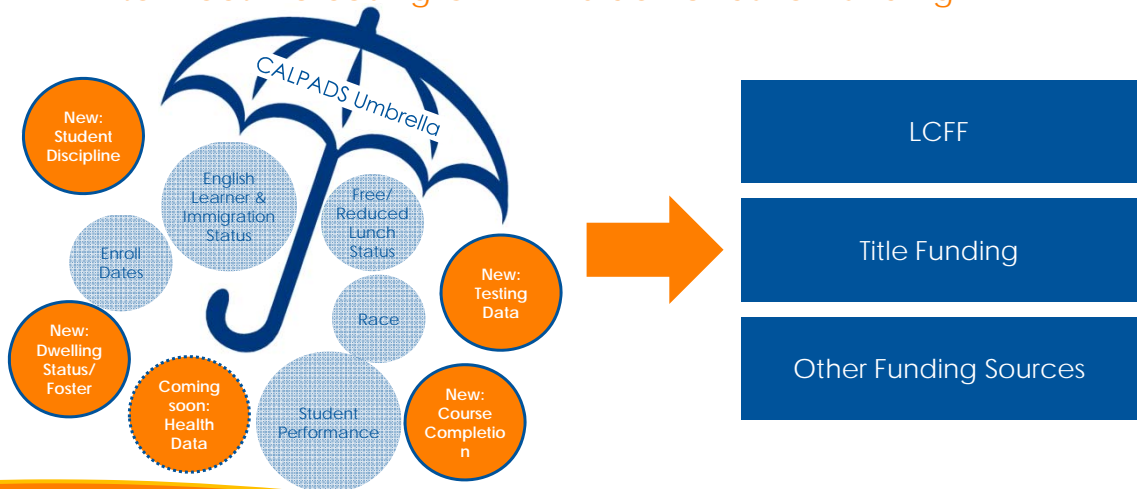
Independent Study (IS)

- Your school's IS may offer an alternative instructional strategy, but not an alternative curriculum
- Your school's IS allows students to work independently according to a written agreement and under the supervision of a credentialed teacher

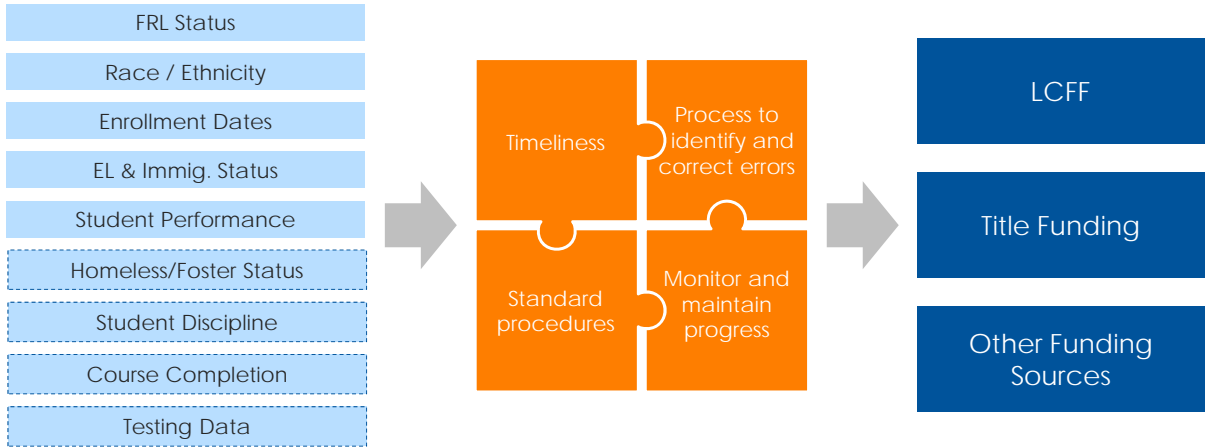


The role of CALPADS reporting is...

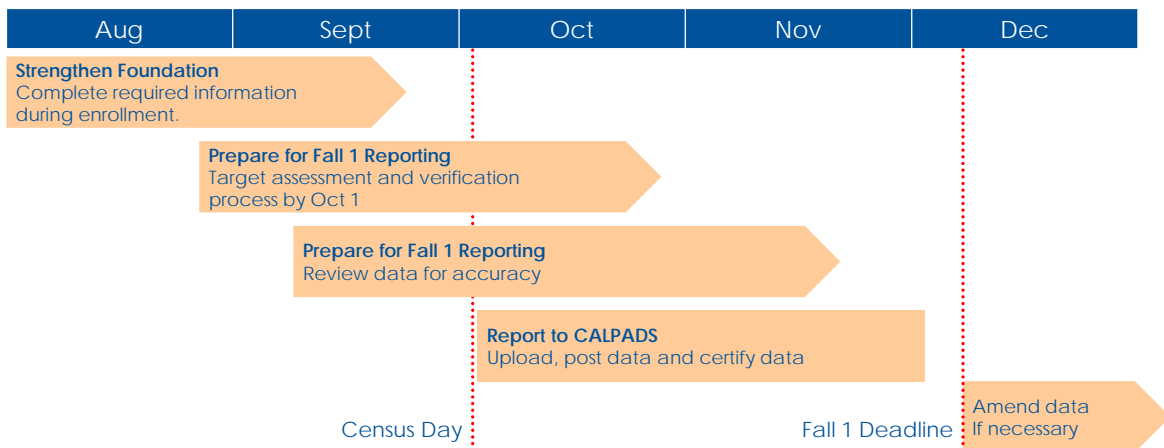
to meet increasing CALPADS demands for funding



My school's CALPADS reporting role is...
to create, follow and implement processes



My school's CALPADS reporting role is...
to monitor and review regularly



The role of nutrition reimbursements is...

to get reimbursed for the meals schools offer



The National School Lunch Program (NSLP) assists schools in providing nutritious lunches to children



This federally-funded program is operated on a reimbursement basis, with schools paid on the number of meals served



Schools submit a monthly reimbursement claim form to the CDE via CNIPS



Federal Revenue Compliance Regulations



My school's fed funds reporting role is...
to know your plans and committees

Requirements for your school	Option A	Option B	Option C
Plans			
Local Education Agency (LEA) Plan	Yes	—	No Funding = No Requirements
Single Plan for Student Achievement (SPSA)	Yes	—	
Single School District Plan (SSD)	—	Yes	
Targeted Title I or School wide Program	Either	Either	
Policies / Committees			
School Site Council	Yes	Yes	No Funding = No Requirements
Homeless Education Policy	Yes	Yes	
Parental Involvement Policy	Yes	Yes	
English Learner Advisory Committee (ELAC)	Yes	Yes	



My school's fed funds reporting role is...
to ensure understanding of LEA / SSD plans

LEA + SPSA	OR	SSD
<p>Local Educ. Agency Plan</p> <ul style="list-style-type: none"> describes actions your school will take to meet programmatic requirements summarizes assessment data, school goals and activities from the SPSA requires school board and State Board of Educ. approval <p>Single Plan for Stud. Achievement</p> <ul style="list-style-type: none"> describes actions required to implement Title-funded programs guides the evaluation of progress toward meeting proficiency goals 		<p>Single School District Plan</p> <ul style="list-style-type: none"> incorporates the required elements of both the LEA Plan and SPSA aligns and streamlines the planning requirements for your single school districts (direct-funded charters) meets all state and federal requirements for plans for categorical programs.



My school's fed funds reporting role is...

to review and update plans annually



Your school must review and update which of the following each year:

- A. Budget
- B. LCAP
- C. LEA/SPSA or SSD Plan
- D. None of the above
- E. All of the above



My school's fed funds reporting role is...

to implement its policies and committees



School Site Council	English Learner Advisory Ctte.	Parental Involvement	Homeless Education
<ul style="list-style-type: none"> • Required if your school receives Title I funds • Develops, approves, monitors implementation evaluates, and revises the SPSA. • Includes proposed expenditures of funds allocated to the school. 	<ul style="list-style-type: none"> • Required if your school has 51 or more English learners • Advises school leadership on programs and services for English learners and reviews reporting requirements for Consolidated Application 	<ul style="list-style-type: none"> • Required if your school receives Title I funds • Provides an opportunity for parents to be more involved in their children's education and contribute to student success 	<ul style="list-style-type: none"> • All schools • Ensures that each homeless child has equal access to the same free public education as other children and youth



Reporting



Consolidated Application	
Reporting Period	Purpose
Fall Release	<ul style="list-style-type: none"> Documents participation in federal programs Reserves or reports expenditures Provides assurances school will comply with regulations
Winter Release	
Spring Release	

Cash Management Data Collection	
Reporting Period	Purpose
Report each Quarter	<ul style="list-style-type: none"> Collects quarterly cash balances for Title I - III Minimizes time for schools to receive federal funds Determines your school's quarterly apportionment



Internal Monitoring
<p>Ensure your documentation, communication and systems are in place:</p> <ul style="list-style-type: none"> Time and Effort Reporting Cost Objectives Time Reporting Meeting Documentation <ul style="list-style-type: none"> Agenda Sign-in sheets Parental Involvement Activities <ul style="list-style-type: none"> Survey Coordinator Review Policies and Procedures Disseminate Annual Public Notices

External Monitoring
<p>Who wants to know?</p> <p>At the Federal level:</p> <ul style="list-style-type: none"> Student Achievement and School Accountability Office of Inspector General <p>At the State level:</p> <ul style="list-style-type: none"> Federal Program Monitoring (FPM) Single Audit <p>What will be reviewed?</p> <ul style="list-style-type: none"> Previously non-compliant items FPM Instruments Legal Assurances via Con App Guidance / Instructions via Con App US Dept. of Ed Guidance Documents



Charter Schools and the LCAP

- Update LCAP annually by June 30th
- Need to incorporate a description of the annual goals and actions
- Required to submit LCAP to the chartering authority and county superintendent; neither party must approve
- No charter school posting requirements but posting is encouraged
- County superintendents are not required, but are encouraged, to post LCAPs of the charter schools within their counties



Lessons Learned: Stakeholder Involvement

Engagement

- Soliciting input from too broad an audience is not always helpful or meaningful
- Engagement focused around data, student outcomes, and the LCAP guiding questions was the most effective

Needs Assessment

- Gathering and sharing data isn't enough
- Stakeholders need to know how to use the data – make it accessible
- LEAs who provided trend data in a way that allowed stakeholders to quickly and easily identify areas of need by subgroup and schools were highly successful

Transparency

- Failing to educate and engage in meaningful ways resulted in missing the point of the LCAP—Transparency and Ownership
- Working side-by-side promotes accountability and shared information and ownership along with positive involvement



Think of the LCAP as "Evergreen"

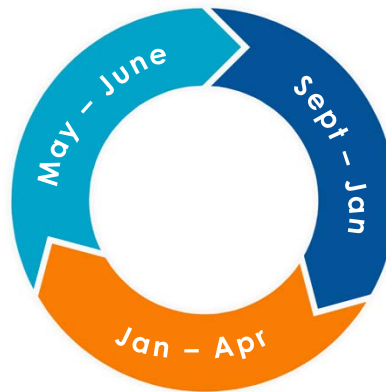
What will your school...	2014-15	2015-16	2016-17	2017-18
Do	Implement Year 1 actions	Implement Year 2 actions	Implement Year 2 actions	Implement Year 2 actions
Measure	Implement goals and actions	Measure Year 1 (2014-15) progress	Measure Year 1 (2015-16) progress	Measure Year 1 (2016-17) progress
Change in its LCAP	If necessary make revisions to LCAP goals and actions based on 2013-14 data and revised LCAP template	<ul style="list-style-type: none"> Year 1 (2014-15) actions fall away Year 2 (2015-16) actions become Year 1 actions for your plan update Add new Year 3 (2017-18) actions 	<ul style="list-style-type: none"> Year 1 (2015-16) actions fall away Year 2 (2016-17) actions become Year 1 actions for your plan update Add new Year 3 (2018-19) actions 	<ul style="list-style-type: none"> Year 1 (2016-17) actions fall away Year 2 (2017-18) actions become Year 1 actions for your plan update Add new Year 3 (2019-20) actions

Beginning in 2015-16, every year you will be implementing Year 2 actions, measuring progress on Year 1 actions, and revising/updating the LCAP to include new Year 3 actions



The Life Cycle of the LCAP

- GROW**
- Adopt the annual update
 - Implement the revised plan



- ADAPT**
- Plan goals, actions, and services
 - Review and revise based on stakeholder input

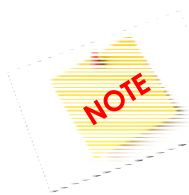
- REFLECT**
- Evaluate progress
 - Engage stakeholders



The LCAP and the Annual Audit

Auditors will:

- Select samples of the implemented actions or services
- Confirm expenditures were made for the sample actions or services noted by the LEA



LEAs should work with their respective auditors to identify the actions or services for review

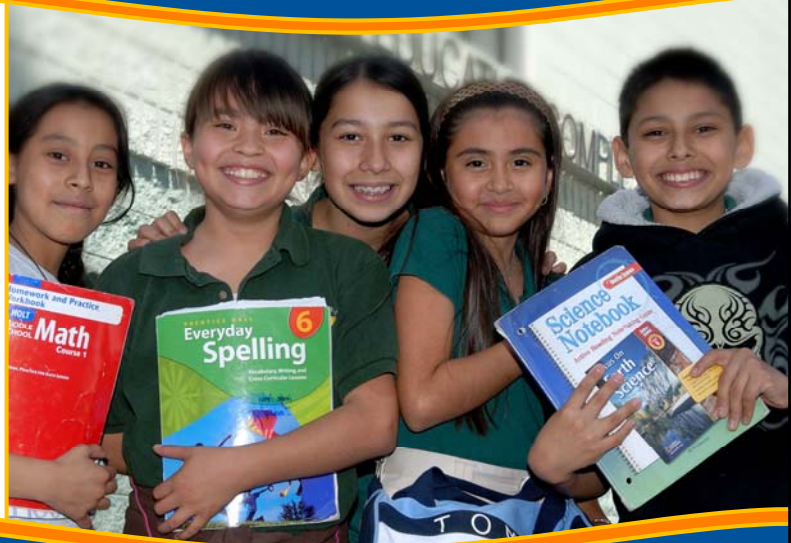


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Thank you!

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