

Fiscal-oscopy: Take a hard look at your financial health!

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Introductions



Damone Jordan
*Director of Finance,
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*Director of
Business Services,
SCCLC*



Peter Laub
*EVP and Chief
Client Services
Officer, EdTec*



Dena Koren
*Director of Client
Management,
EdTec*

Tell us about yourselves!

Learning Objectives

- 1** Financial Metrics: Name and explain key financial metrics that a school could use to measure its fiscal health... and why they are important!
- 2a** Dashboard Best Practices: Learn some of the fundamental principles in dashboard development and use
- 2b** Financial Dashboards: Review and critique some sample financial dashboards

1 Key Financial Metrics Categories

Budget / Forecast	<ul style="list-style-type: none"> Projected net income Multi-year net income outlook Debt service coverage ratio
Fund balance or reserve	<ul style="list-style-type: none"> Projected fund balance (multi-year outlook)
Revenue	<ul style="list-style-type: none"> Enrollment and attendance % Philanthropy and fee-for-service versus budget
Expenses	<ul style="list-style-type: none"> Variance % of forecast to budget Expense categories as a % of budget (and revenue) % of expenses for direct program versus overhead/support services
Cash	<ul style="list-style-type: none"> Monthly cash balance vs. benchmarks Days cash on hand
Other	<ul style="list-style-type: none"> <u>Health insurance</u>: utilization, average health insurance cost <u>Retirement</u>: 401k/403b match utilization

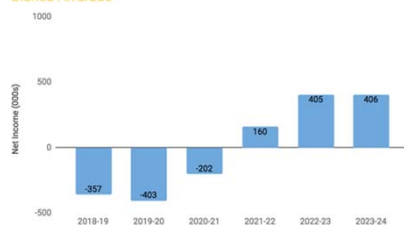
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1 Budget: One and Three Year Outlook

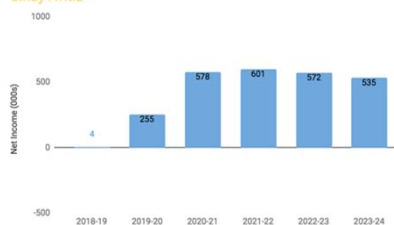
		2017-18	2018-19	2019-20	2020-21
		Current Forecast	Preliminary Budget	Projected Budget	Projected Budget
Revenue	LCFF Entitlement	2,791,944	2,996,381	3,125,350	3,208,714
	Federal Revenue	59,202	61,079	62,362	63,484
	Other State Revenues	354,341	412,179	309,494	313,874
	Local Revenues	800,886	804,024	856,357	856,751
	Fundraising and Grants	422,167	415,000	415,000	415,000
	Total Revenue	4,428,540	4,688,663	4,768,562	4,857,823
Expenses	Comp and Benefits	3,490,675	3,675,611	3,795,758	3,895,285
	Books and Supplies	161,919	230,605	211,081	217,291
	Services and Other Ops	836,744	818,364	863,120	752,777
	Depreciation	0	0	0	0
	Other Outflows	-	-	-	-
Total Expenses	4,489,338	4,724,579	4,869,959	4,865,352	
Operating Income		(60,797)	(35,916)	(101,397)	(7,530)
Beginning Balance (Audited)		1,351,734	1,290,937	1,255,021	1,153,624
Operating Income		(60,797)	(35,916)	(101,397)	(7,530)
Ending Fund Balance (incl. Depreciation)		1,290,937	1,255,021	1,153,624	1,146,094
Ending Fund Balance as % of Expenses		28.76%	26.56%	23.69%	23.56%

1 Budget: Six Year Outlook!

Bianca Alvarado



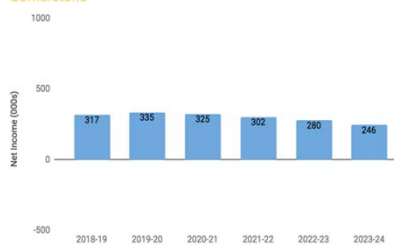
Cindy Avitia



Jose Hernandez



Cornerstone

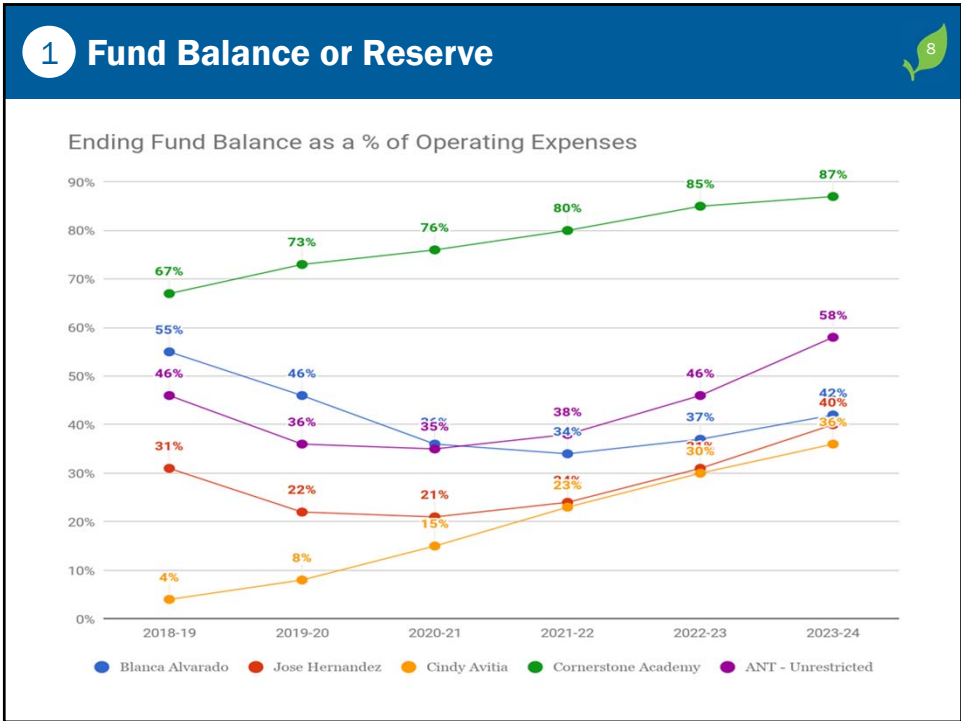


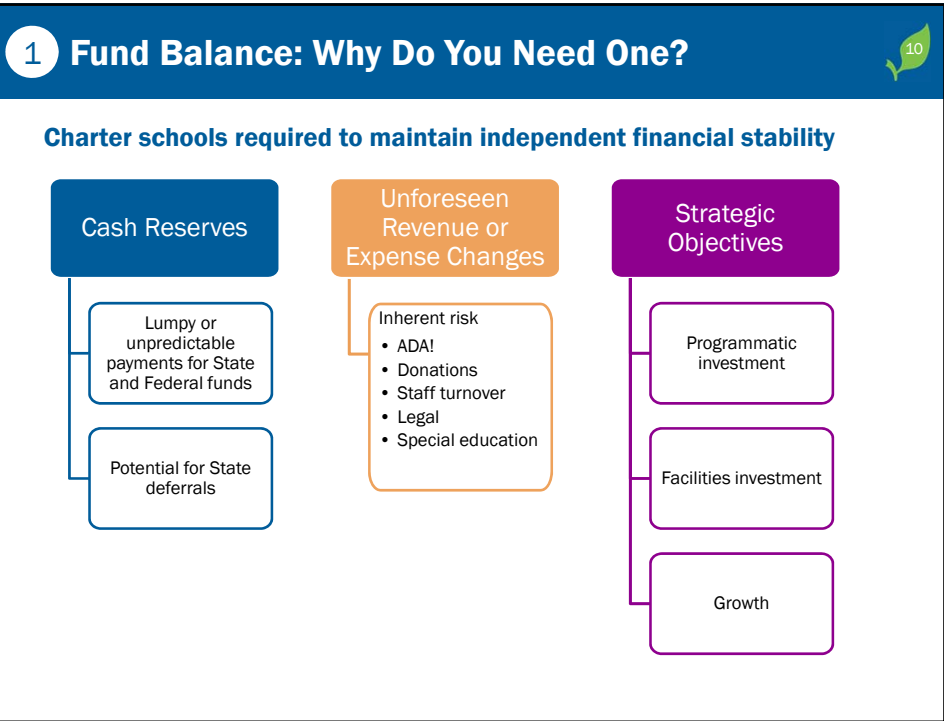
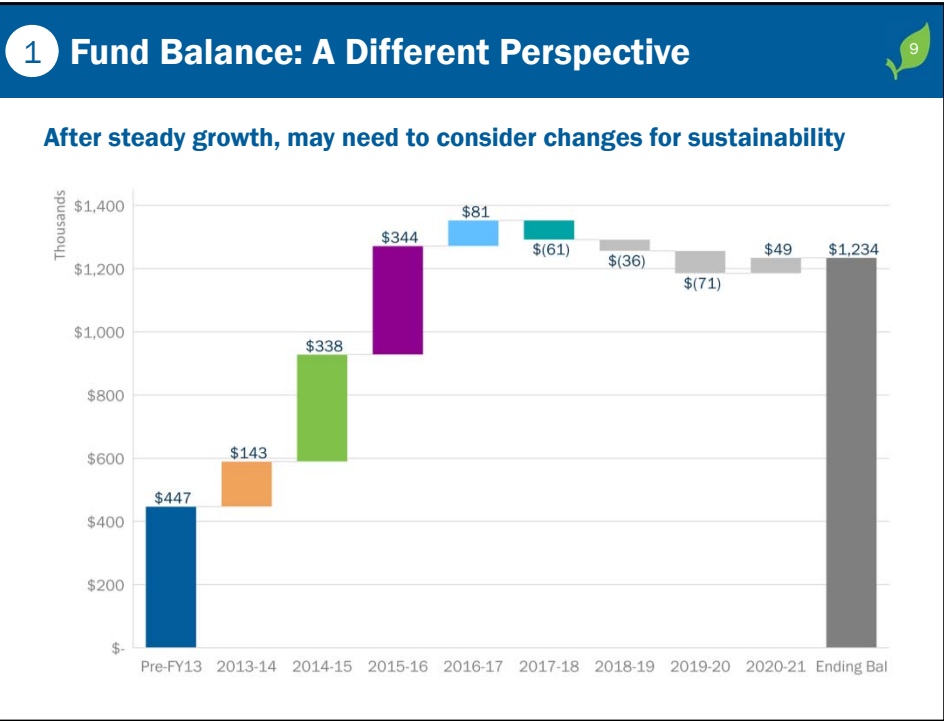
1 Budget: Debt-Service Coverage Ratio 7

Step 1	Amount	Step 3	Amount
Revenue	\$4,356,222	Interest Expense	\$245,788
Operating Expense	- \$3,875,434	Principal Payment	+ \$150,000
Interest	- \$25,501	Total Debt Service	\$395,788
Depreciation	- \$45,098		
Net Income	\$410,189		

Step 2	Amount
Net Income	\$210,189
Add Back: Interest	+ \$25,501
Add Back: Depreciation	+ \$45,098
Net Operating Income	\$480,788

Step 4	Amount
Debt Service Coverage Ratio = $\frac{\text{Net Operating Income}}{\text{Total Debt Service}}$	
$\frac{\$480,788}{\$395,788} = 1.21$	
1.21 > 1.03 Covenant	





1 Revenue: Understanding Average Daily Attendance 11

Average Daily Attendance, "ADA," is basic unit for state funding

	M	T	W	T	F	
✖ Enrollment	100	100	102	105	105	
✖ Attendance %	92%	94%	94%	94%	92%	
= Attendance	92	94	96	99	97	95.6

Average of all days of attendance = ADA

Good to view enrollment as *AVERAGE* enrollment, as a few open spots can affect ADA

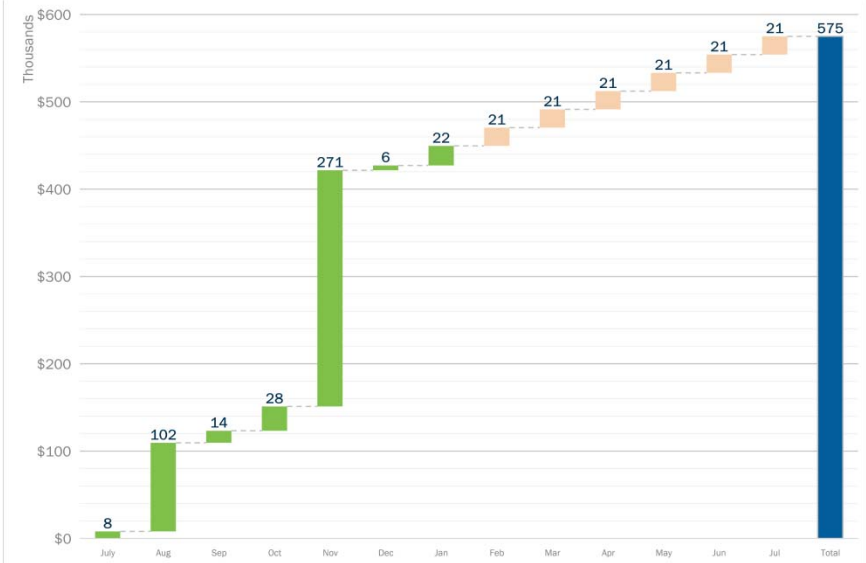
1 Revenue: Fee-for-Service 12

Revenue	FY17	FY18
After-School Subscribers	\$269,400	\$269,400
After-School Drop-In	\$33,497	\$33,497
Enrichment	\$55,248	\$55,248
Total Revenues	\$358,145	\$358,145

Expenses		
Staff	\$146,712	\$168,358
Enrichment	\$66,000	\$66,000
Supplies	\$5,471	\$5,471
Expenses	\$218,183	\$239,829

Net Income	\$139,963	\$118,316
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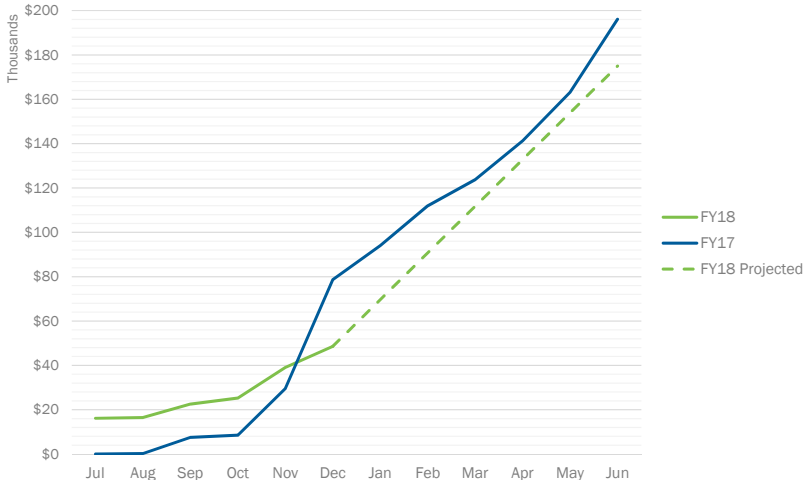
1 Revenue: Fundraising

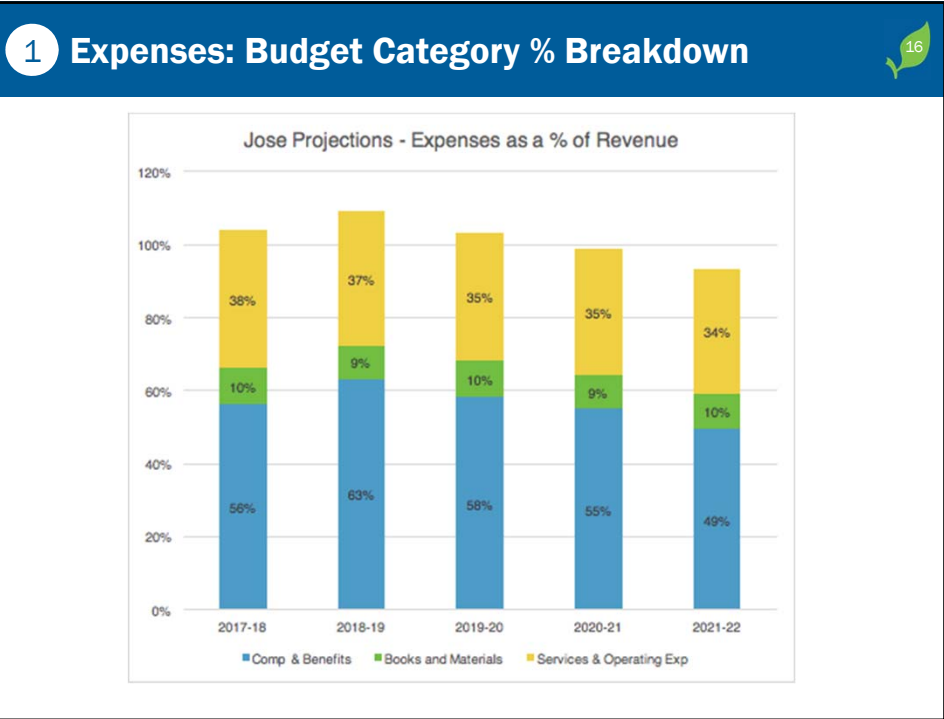
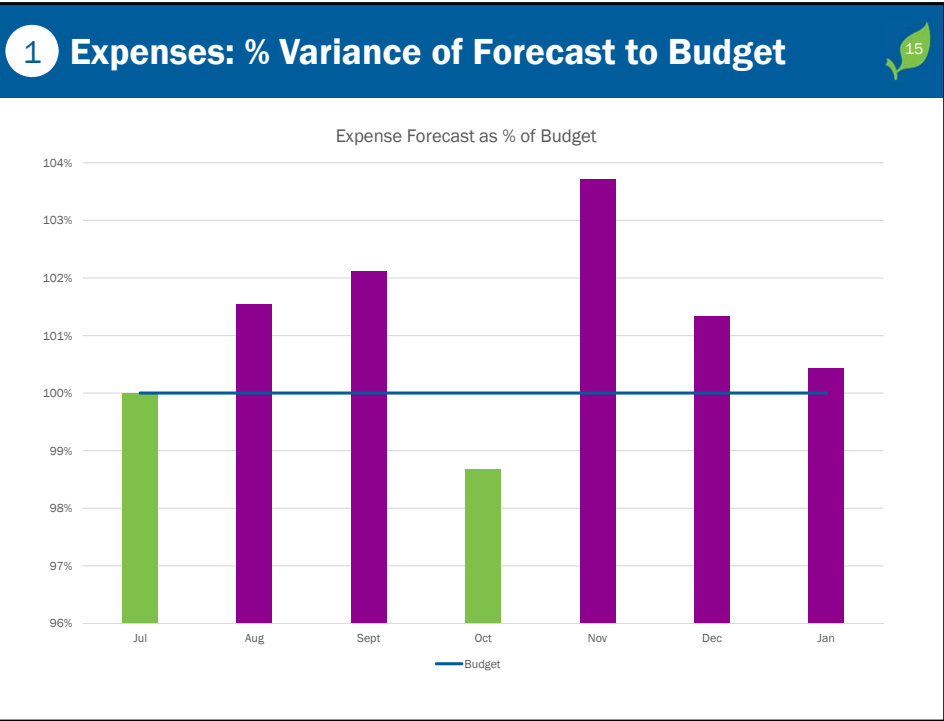


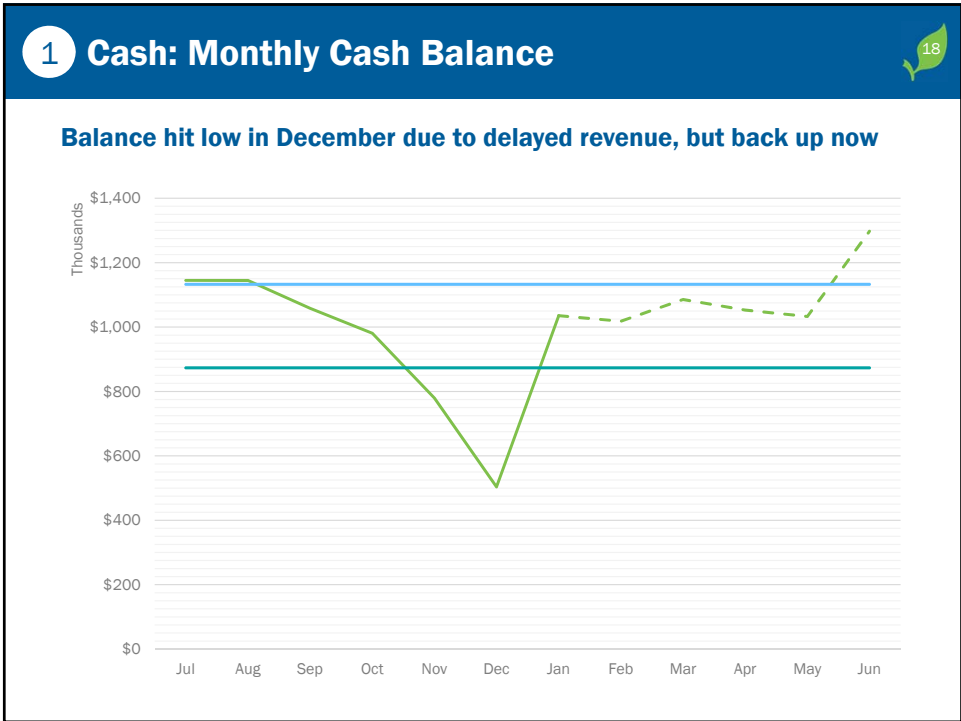
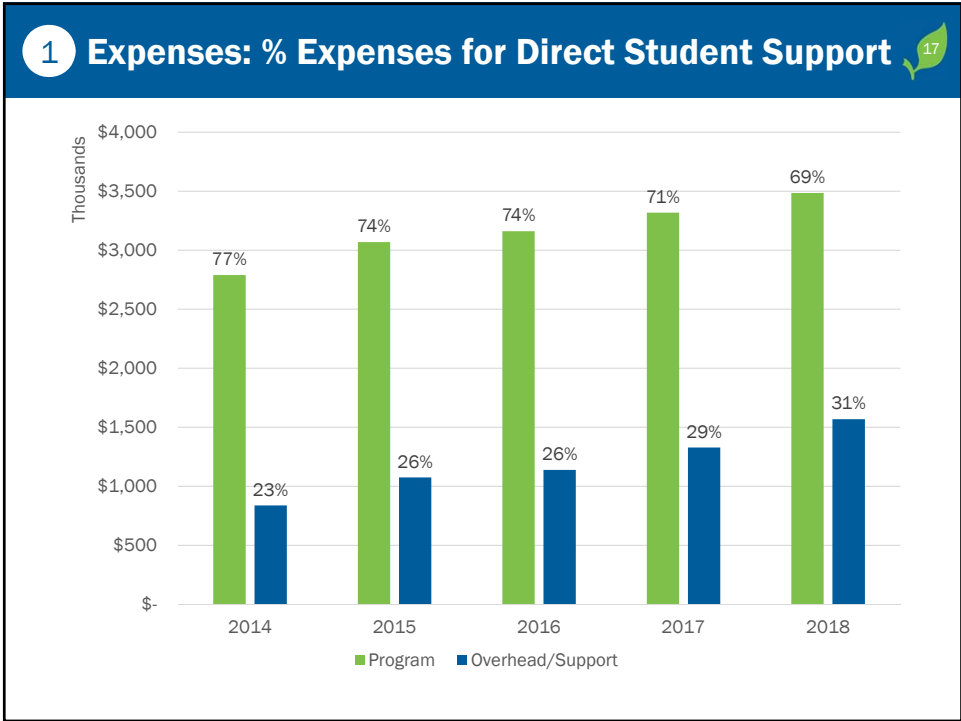
1 Revenue: Fundraising Comparison

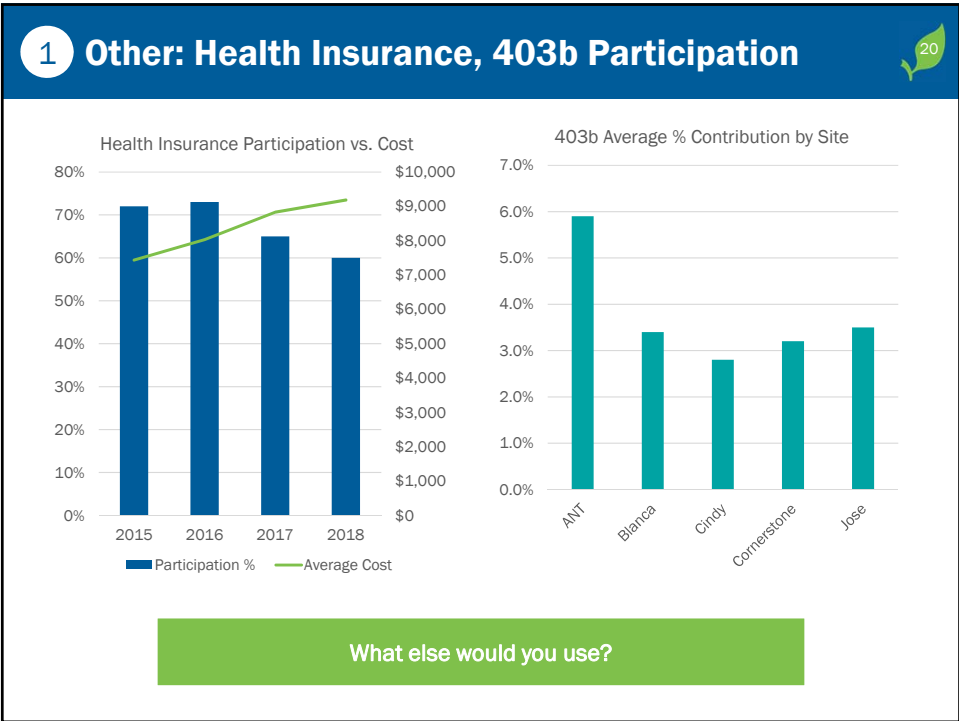
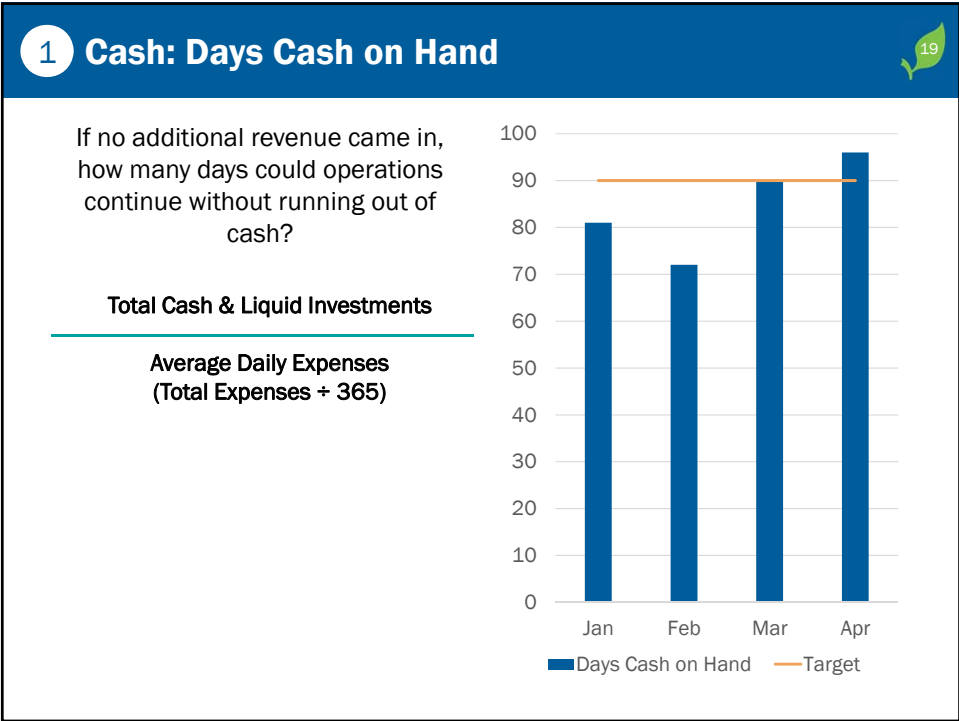


\$29K less in Annual Fund than by Dec 2016









2a Identify the Key Indicators of Success

Financially successful schools likely share these indicators:

- **Strong financial foundation**
 - Fund balance or reserve
 - Strong average cash balance or access to capital (LOC)
- **Consistently healthy bottom line**
 - Positive or breakeven net income, year over year
 - Conservative spending? Spending to plan?
- **Stability**
 - Short-term: cash balance, spending controls, solid revenue drivers
 - Medium-term: budget planning, ability to adjust and account for emergencies
 - Long-term: Sound expense structure vs. expected revenue

What are the key indicators of success at your school?

2a Agree on the Metrics and Targets

Each key driver should have metrics and target for success:

- Measurable
- Repeatable, comparable and consistent
- Easy to access
- Clear targets
- Buy-in from all stakeholders, including those controlling metric outcomes

Clarify who the dashboard is for and how often it is refreshed

- Board and CMO leadership/school leadership, not operating managers (at least not this type of dashboard)
- Monthly or quarterly for board (if doing an operating dashboard, more frequent!)

What are the right metrics for your school?

2a Best Practices



Dashboards should be consistent and easy to understand

- Use visuals and graphs that aid in understanding complex data
- Use colors to draw attention and clarify; avoid using color needlessly
- Provide context for data – typically ratios, percentages, and comparisons will provide more meaningful information than raw data
- Present information that is actionable and relevant
- Use data that is readily accessible or create a process to make it so
- Use data that is comparable over time
- Assign responsibility and timelines for generating parts of the dashboard
- Keep it simple – apply the 15 second rule

2b Sample Financial Dashboard #1



Finance (Quarterly report delivered separately)											
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Days Cash on Hand (Goal 60)	N/A	N/A	NA	NA	NA	60+	60+				
Days between end of month and statements (Goal 15)	15	20	NA	21	26	18	13				
Surplus/Deficit on budget YTD (Goal variance < \$30,000)	N/A	N/A	NA	NA	NA	NA	NA				
Total Enrollment											

2b Sample Financial Dashboard #2

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FINANCE & OPERATIONS	FY 2015 Actual	FY 2016 Actual	FY 2017 Goal	Goal for Yellow	FY 2017 Actual	Definition
CASH BALANCE (% of Annual Expenses)	51%	54%	25%	20%	45%	Most recent end-of-month cash balance as a percentage of the total budgeted expenses for the current fiscal year. Goal is 25% or 3 months, based on latest revised budget.
YTD CHANGE IN NET ASSETS	\$1,658,002	\$1,966,644	\$901,000	\$810,900	\$953,313	The year-to-date change in net assets (net income) for the most recently closed month.
END-OF-YEAR PROJECTED CHANGE IN NET ASSETS	\$1,658,002	\$1,966,644	\$901,000	\$810,900	\$1,292,716	The projected change in net assets (net income) at year end based on ADA, funding, and expense trends. Goal based on latest revised budget.
TOTAL NET ASSETS	\$3,553,173	\$5,519,817	\$8,636,000	\$8,545,900	\$8,172,608	The total net assets (assets minus liabilities) for the most recently closed month.
FUNDRAISING (% of Annual Target Received or Committed)	N/A	82%	100%	90%	83%	The % of the annual budgeted fundraising target that has been received or committed (only including amounts that will be recognized as revenue in the current fiscal year). Goal based on latest revised budget.

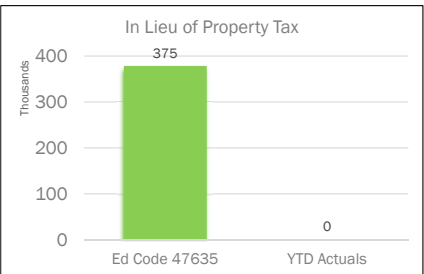
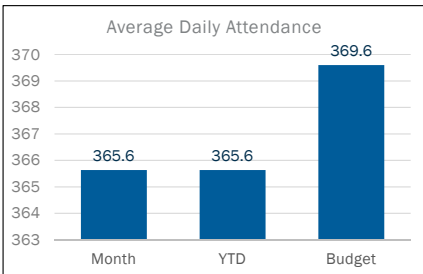
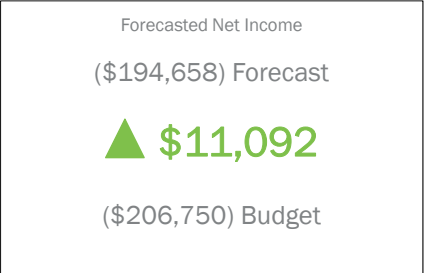
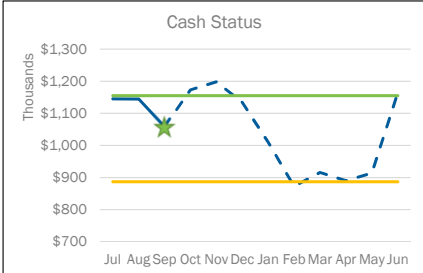
2b Sample Financial Dashboard #3

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		2017 - 18 Board Meetings								
		Metric	Target	Legend	9/12	10/10	12/12	2/6	4/10	6/19
Revenue	Enrollment	157 ¹		<ul style="list-style-type: none"> ■ >157 ■ 155-156 ■ <155 	166	158 ³	159 ³	158		
	ADA	146.0		<ul style="list-style-type: none"> ■ >146 ■ 145-146 ■ <145 	154.5	150.6	147.88	147.68		
	Fundraising received to date	\$1.2M		<ul style="list-style-type: none"> ■ \$500K+ ■ \$250-499K ■ \$0-250K 	\$3,600	\$36.1K	\$515K ⁴	\$625K ⁴		
Expenses	Expense variance to budget	No less than -5%		<ul style="list-style-type: none"> ■ >-4% ■ -4 to -5% ■ <-5% 	-1%	-1%	-2.6%	-4.0%		
Ops	Uncategorized revenue & expense	<\$5,000		<ul style="list-style-type: none"> ■ <\$5000 ■ \$5K-7K ■ >\$7000 	\$0	\$0	\$26,389	\$0		
Cash	Months until cash shortfall	6		<ul style="list-style-type: none"> ■ >5 ■ 3-5 ■ <3 	4 ²	3	2	2		
Sustainability	Year-end fund balance (forecast)	15.0%		<ul style="list-style-type: none"> ■ >14% ■ 10-14% ■ <10% 	18.6%	18.5%	15.5%	14.4%		

1. Revised from original budget of 168 in December. 2. Revised from original dashboard; 7 down to 4. 3. Includes 2 partially ineligible TK students. 4. Includes pledges and cash-in.

2b Sample Financial Dashboard #4



Thank you!

ADDITIONAL QUESTIONS? CONTACT US:

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About EdTec

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- A **mission-driven** organization, EdTec's social impact spans:

300+	170K+	17
Partner Schools	Students Supported	Years of Charter School Focus

- A combined **380+ years of experience** with all aspects of charter school management.
- Known for **best-in-class services**:

Charter Development	Back-Office Services	Student Data & Compliance	Professional Services
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