

Charter Financial Analysis

CASBO Presenters:

Debi Deal, CCAP Treasurer
**Tom Hutton, CCAP Executive
Director**



Getting to know you...

School leaders

School governing board members

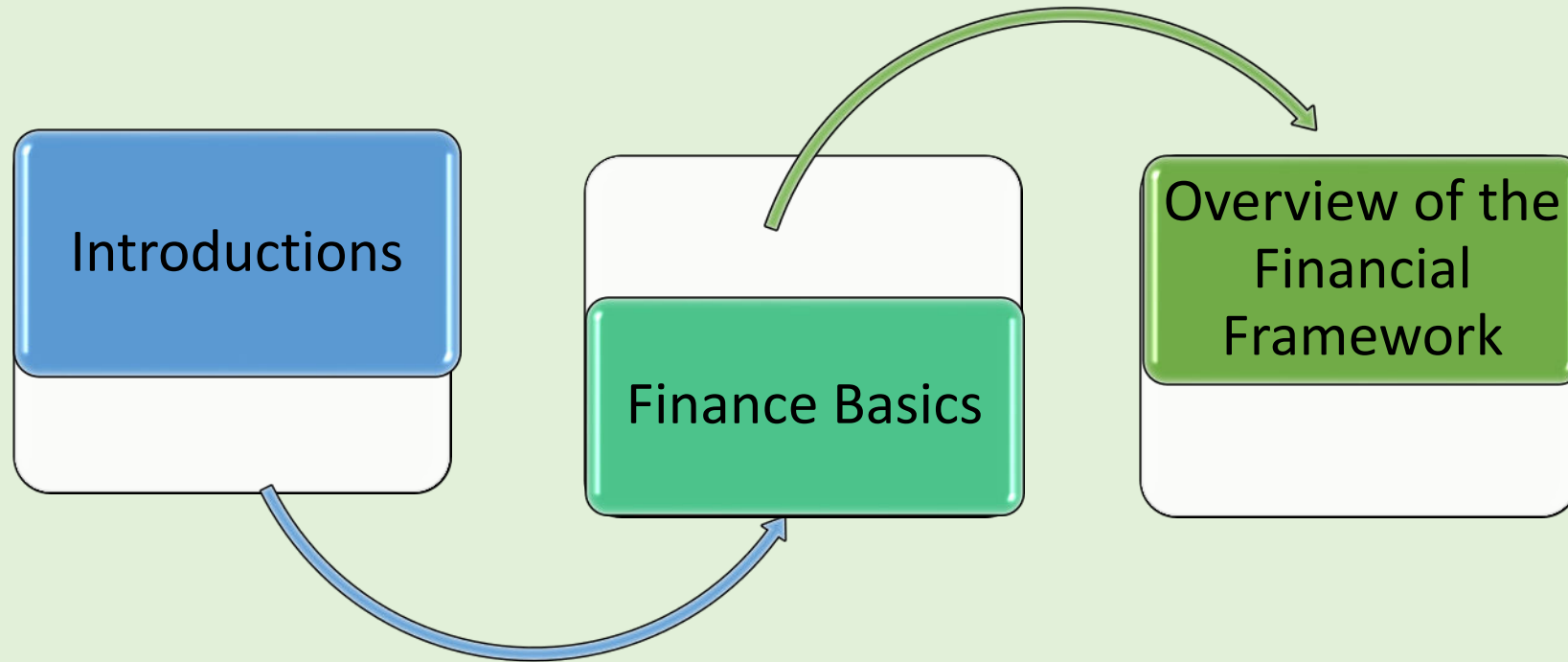
Staff for Operator / Network / CMO

Consultant

Authorizer

Others

Today's Road Map



CCAP

- **2013: Founded by authorizers to advance quality public education for all students**
- **Now partnering with CDE and Santa Clara County Office of Education on Charter Authorizer Support Initiative (CASI)**
- **Awarded National Dissemination Grant for new national organization, National Network for District Authorizing (NN4DA)**

Presenters



Debi Deal

- Retired FCMAT
Intervention Specialist
- CCAP Treasurer



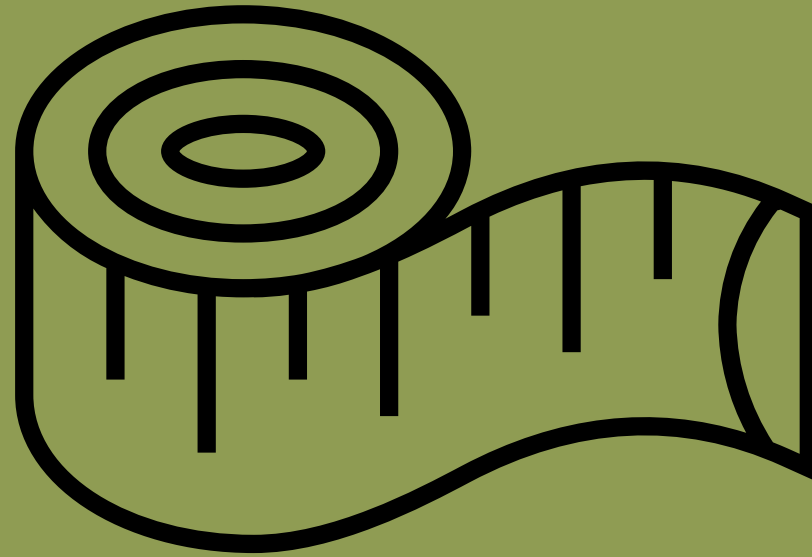
Tom Hutton

Executive Director

*Are you
measuring
the right
things?*

**"If you can't measure it, you can't
improve it."**

Peter Drucker



Themes For Today

How to fulfill your obligation to monitor the fiscal condition of the school – whether you are charter leader, board member, or authorizer

The *Financial Health and Sustainability Framework* is used to assess fiscal performance at each reporting period

Provides evaluation metrics for short-term fiscal health and long-term sustainability

Includes fiscal indicators and measures that reflect industry standards and best practices

CCAP Toolkits and Resources

CCAP



CCAP Toolkits and Resources

Developed with input from authorizers statewide, large and small

Collaborative effort and research

Can be customized by authorizer to suit local needs

Meant to be usable by small authorizers: [The essentials](#)

Will be updated, as the one we are discussing today has been

Useful reference point for charter schools

Related to authorizers but also for own fiscal oversight and planning

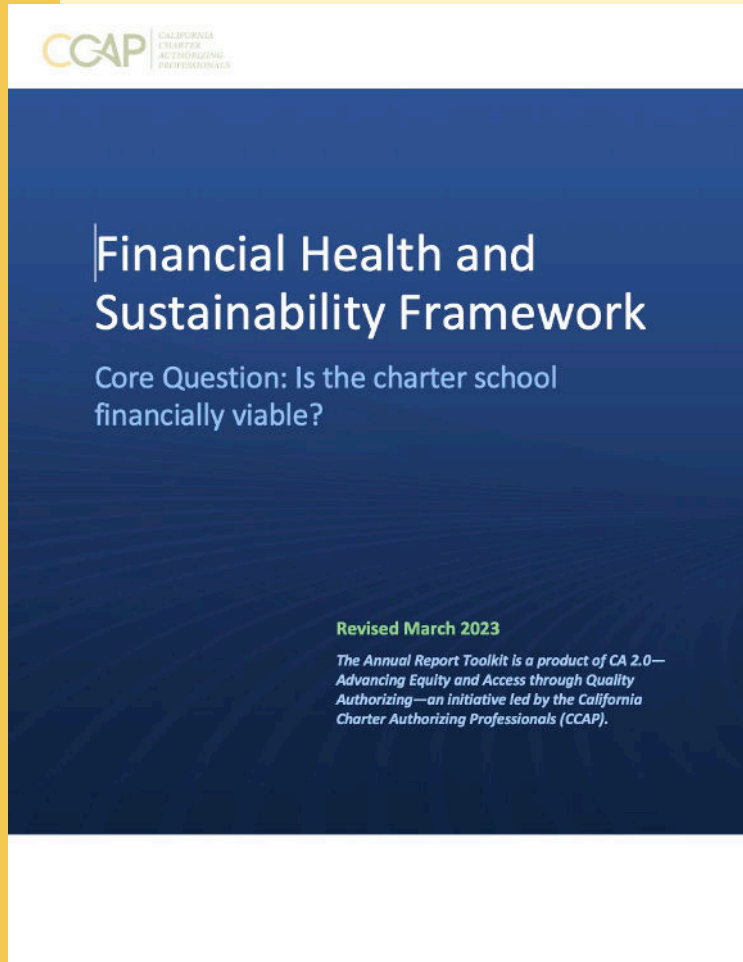
Authorizer Toolkits



| CA2.0 Core Performance Question | Specific Toolkit Resource |
|---|---|
| Is the education program a success? | Academic Framework |
| Is the school financially viable? | Financial Health Framework |
| Is the school operating and governed effectively? | Operations and Governance Framework |
| Is the school advancing equity and access through serving public policy purposes? | Frameworks and narrative in the Annual Performance Report |

<https://calauthorizers.org/resource/annual-report-toolkit-financial-health-and-sustainability-framework/>

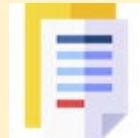
Financial Health & Sustainability Framework



Financial Framework



Performance Indicators



Template



CCAP Financial Health & Sustainability Framework

Financial Framework Overview

| | Definition |
|-----------|---|
| Indicator | Categories of financial performance |
| Measure | Means to evaluate one aspect of an indicator |
| Metrics | Measure of quantifying a measure |
| Targets | Thresholds that signify success in meeting the standard of performance for a specific measure |
| Rating | Assignment of a school's performance into a category, based on how the school performs against a target |

Highlights of the Financial Health and Sustainability Framework



Purpose

Framework designed to assist the authorizer with monitoring the fiscal condition of each charter school under its authority.



Detailed Examples

Short-term Indicators, Sustainability Standards and Fiscal Controls provide detailed examples.

References include Ed Code citations; FCMAT's Charter School Accounting and Best Practices Manual; and Projection Pro.

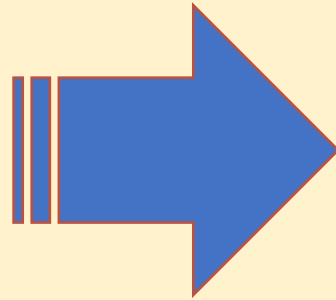


Templates

Templates guide reviews through each section, provide reviewer comments and action items for the charter school, if needed.

Fiscal Health Measures

The CCAP Framework includes three measures to evaluate a school's financial performance



1. Short-term
2. Sustainability
3. Fiscal Controls

Fiscal Health

Short-Term Indicators

Days of Cash on Hand

Does the school have the cash available to pay its bills?

Enrollment Variance

Does the school's actual student enrollment support the projected revenue?

Average Daily Attendance

Are the year-over-year ADA trends steady?

Unduplicated Pupil Percentage (UPP) Variance

Does the school's actual UPP funding support the operating budget?

LCAP Represented in Budget

Is the LCAP represented in the Budget?

Economic Reserve

Does the school have resources to weather uncertainties?

Fiscal Health Sustainability Indicators

Multiyear Projection

Is the school living
within its means?

Subsequent Years
Cash Flow

How much money does
the school have
available to spend?

Debt Default

Is the school meeting
its debt obligations?

Fiscal Health Other Indicators

Authorizer Reviews

Is the Charter Board receiving copies of a COE financial review, if any?

Audit Performance

Did the auditors provide a clean opinion?

Illustration

Formula

Formula:

$$\text{Days of Cash on Hand} = \frac{\text{Cash Received}}{\text{Budgeted Expenses}/365}$$

Standard:

MEETS STANDARD: At least 60 Days of Cash on Hand

DOES NOT MEET STANDARD: 30-Less than 60 Days of Cash on Hand

FALLS FAR BELOW STANDARD: Less than 30 Days of Cash on Hand

Note: This is the only indicator in the Framework that includes a third option, for "Falls Far Below Standards."

Example

Example:

| CASH | |
|-------------------------------|--|
| Cash in Bank | \$500,000 |
| Cash on Hand Awaiting Deposit | 46,474 |
| TOTAL CASH AVAILABLE: | \$546,474 |
| EXPENSES | |
| Salaries | \$1,745,443 |
| Benefits | 256,870 |
| Supplies and Services | 13,338 |
| TOTAL EXPENSES: | \$2,015,651 |
| | \$546,474 |
| DAYS OF CASH ON HAND = | $\left[\frac{\$2,015,651}{365} \right] = 99 \text{ days}$ |

Conclusion: **Meets Standard** - Cash on hand exceeds 60 days.

Illustration – Cash Flow Statement

(My Personal Favorite is Cash!)

CASHFLOW PROJECTIONS
FISCAL YEAR 2022-23

P2 ADA 252.20
Enrollment 260
Unduplicated Pupil Count % 45%

| | CASH FLOW BASED ON PRIOR YEAR P-2 | | | | | | | CASH FLOW BASED ON P-1 SUBMISSION | | | | | CASH FLOW UPDATED BASED ON P-2 | |
|--|-----------------------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|-----------------------------------|--------------------|-------------------|--------------------|--------------------|--------------------------------|----------------|
| | BUDGET | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | PROJECTION | PROJECTION | PROJECTION | PROJECTION | PROJECTION | PROJECTION | ACCRUAL |
| | 2022-23 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | |
| Beginning Cash | | 1,550,564 | 1,412,920 | 1,358,936 | 1,626,573 | 1,586,136 | 1,503,418 | 1,721,137 | 1,674,020 | 1,642,193 | 1,801,616 | 1,785,890 | 1,754,063 | 1,871,797 |
| INCOME | | | | | | | | | | | | | | |
| 8011-8096 Local Control Funding Formula Sources | | | | | | | | | | | | | | |
| Total 8011-8096 Local Control Funding Formul | \$ 2,655,500 | \$ 93,889 | \$ 93,889 | \$ 347,578 | \$ 168,999 | \$ 168,999 | \$ 376,177 | \$ 142,878 | \$ 177,170 | \$ 352,170 | \$ 177,170 | \$ 177,170 | \$ 408,013 | - |
| 8100-8299 Federal Income | | | | | | | | | | | | | | |
| Total 8100-8299 Federal Income | \$ 32,500 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 16,250 | \$ - | \$ - | \$ 8,125 | 8,125 |
| 8300-8599 State Income | | | | | | | | | | | | | | |
| Total 8300-8599 State Income | \$ 258,200 | - | 7,569 | (3,302) | 1,910 | 4,855 | - | 27,751 | - | - | 14,850 | - | - | 203,000 |
| 8600-8799 Local Income | | | | | | | | | | | | | | |
| Total 8600-8799 Local Income | \$ 250,804 | \$ 0 | \$ 0 | \$ 61 | \$ 5,032 | \$ 5,172 | \$ 13,030 | \$ 23,612 | \$ 22,362 | \$ 22,362 | \$ 23,612 | \$ 22,362 | \$ 22,362 | 90,834 |
| TOTAL INCOME | \$ 3,197,004 | \$ 93,889 | \$ 101,458 | \$ 344,337 | \$ 175,940 | \$ 179,026 | \$ 389,207 | \$ 194,241 | \$ 199,532 | \$ 390,782 | \$ 215,632 | \$ 199,532 | \$ 438,500 | 301,959 |
| EXPENSE | | | | | | | | | | | | | | |
| 1000 Certificated Salaries | | | | | | | | | | | | | | |
| Total 1000 Certificated Salaries | \$ 1,341,256 | \$ 19,237 | \$ 24,322 | \$ 104,966 | \$ 107,663 | \$ 107,923 | \$ 107,823 | \$ 106,603 | \$ 106,603 | \$ 106,603 | \$ 106,603 | \$ 106,603 | \$ 143,666 | 192,785 |
| 2000 Classified Salaries | | | | | | | | | | | | | | |
| Total 2000 Classified Salaries | \$ 460,668 | \$ 7,247 | \$ 20,147 | \$ 32,814 | \$ 36,140 | \$ 35,563 | \$ 34,334 | \$ 40,224 | \$ 40,224 | \$ 40,224 | \$ 40,224 | \$ 40,224 | \$ 47,042 | 6,930 |
| 3000 Employee Benefits | | | | | | | | | | | | | | |
| Total 3000 Employee Benefits | \$ 338,102 | \$ 31,770 | \$ 20,966 | \$ 25,517 | \$ 24,370 | \$ 22,357 | \$ 27,256 | \$ 28,960 | \$ 28,960 | \$ 28,960 | \$ 28,960 | \$ 28,960 | \$ 22,317 | 17,677 |
| 4000 Books and Supplies | | | | | | | | | | | | | | |
| Total 4000 Supplies | \$ 84,796 | \$ 10,029 | \$ 25,812 | \$ 6,620 | \$ 9,242 | \$ 5,644 | \$ 10,413 | \$ 2,677 | \$ 2,677 | \$ 2,677 | \$ 2,677 | \$ 2,677 | \$ 2,677 | - |
| 5000 Services and Other Operating Expenditures | | | | | | | | | | | | | | |
| Total 5000 Services and Other Operating Expe | \$ 686,215 | \$ 50,702 | \$ 42,549 | \$ 56,546 | \$ 42,515 | \$ 51,074 | \$ 47,807 | \$ 62,895 | \$ 52,895 | \$ 52,895 | \$ 52,895 | \$ 52,895 | \$ 105,065 | 4,268 |
| 6000 Capital Outlay | | | | | | | | | | | | | | |
| Depreciation Expense | 4,200 | | | | | | | | | | | | 4,200 | - |
| Total 6000 Capital Outlay | \$ 4,200 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,200 | - |
| TOTAL EXPENSE | \$ 2,915,237 | 118,984 | 133,796 | 226,463 | 219,929 | 222,560 | 227,633 | 241,359 | 231,359 | 231,359 | 231,359 | 231,359 | 324,966 | 221,661 |
| NET INCOME (LOSS) | \$ 281,767 | \$ (25,095) | \$ (32,338) | \$ 117,875 | \$ (43,988) | \$ (43,534) | \$ 161,575 | \$ (47,117) | \$ (31,827) | \$ 159,423 | \$ (15,727) | \$ (31,827) | \$ 113,534 | 80,298 |
| Total Expense (less Depr)/Number of Days in the Year = Daily Cash Requirements | | \$ 7,975 | | | | | | | | | | | | |

Keep track of this number.



Illustration – Cash Flow Statement (My Personal Favorite is Cash!)

| | PRIOR YEAR P-2 | | | | | | P-1 | | | P-2 | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------|
| | ACTUAL Jul-22 | ACTUAL Aug-22 | ACTUAL Sep-22 | ACTUAL Oct-22 | ACTUAL Nov-22 | ACTUAL Dec-22 | PROJECTION Jan-23 | PROJECTION Feb-23 | PROJECTION Mar-23 | PROJECTION Apr-23 | PROJECTION May-23 | PROJECTION Jun-23 | Accrual |
| Beginning Cash Balance | 1,550,564 | 1,396,466 | 1,342,481 | 1,610,119 | 1,569,682 | 1,486,964 | 1,704,683 | 1,657,565 | 1,625,739 | 1,785,162 | 1,769,436 | 1,737,609 | 1,855,343 |
| Cash Flow from Operating Activities | | | | | | | | | | | | | |
| Net Income (Loss) | (35,300) | (32,338) | 117,875 | (43,988) | (43,534) | 161,575 | (47,117) | (31,827) | 159,423 | (15,727) | (31,827) | 113,534 | 80,298 |
| Change in Accounts Receivable | (19,200) | 64,940 | 91,467 | 14,778 | (35,392) | (35,392) | | | | | | | |
| Change in Accounts Payable | (11,300) | 11,860 | 3,075 | (11,067) | (37,744) | 3,610 | | | | | | | |
| Change in Payroll Liabilities | (112,767) | (102,293) | (3,297) | (159) | (300) | (230) | | | | | | | |
| Change in Deferred Wages | | | | | | | | | | | | | |
| Change in Prepaid Expenditures | 24,470 | | | | | | | | | | | | |
| Change in Deferred Revenue | | 3,846 | 58,518 | | 34,252 | 88,155 | | | | | | | |
| Depreciation Expense | - | - | - | - | - | - | - | - | - | - | - | 4,200 | - |
| Cash Flow from Investing Activities | | | | | | | | | | | | | |
| Capital Expenditures | | | | | | | | | | | | | |
| Cash Flow from Financing Activities | | | | | | | | | | | | | |
| Source- Sale of Receivables | | | | | | | | | | | | | |
| Use- Sale of Receivables | | | | | | | | | | | | | |
| Source- Loans | | | | | | | | | | | | | |
| Use- Loans | | | | | | | | | | | | | |
| Ending Cash Balance (Cash on hand) | 1,396,466 | 1,342,481 | 1,610,119 | 1,569,682 | 1,486,964 | 1,704,683 | 1,657,565 | 1,625,739 | 1,785,162 | 1,769,436 | 1,737,609 | 1,855,343 | 1,935,641 |
| Days Cash Hand (higher the number the better) | 175 | 168 | 202 | 197 | 186 | 214 | 208 | 204 | 224 | 222 | 218 | 233 | 243 |
| Average 3 month of budgeted payroll and benefits (ideal) | 535,007 | | | | | | | | | | | | |

→ Take ending cash of \$1,396,466 divided by daily cash of \$7,975 = 175 days of cash on hand. Equates to almost 6 months ☆☆☆

Let's dialogue about current challenges
for authorizers with evaluating the
financial condition of a charter school.

Please meet in groups of two or three
to identify your top three issues.

Charter Authorizer Support Initiative (CASI)

CDE-funded
Implementation by CCAP and
Santa Clara County Office of Education

Training, networking, emphasis on small & rural authorizers
Monthly charter chats
In-person onsite trainings

<https://www.cde.ca.gov/sp/ch/casi.asp>



California Charter Authorizers Conference

June 13-16, 2023

Palm Springs

Programming & hands-on training on fiscal oversight

Networking role-alike with fiscal staff

Announce recommendations on fraud prevention & detection

<https://calauthorizers.org/2023-conference/>:

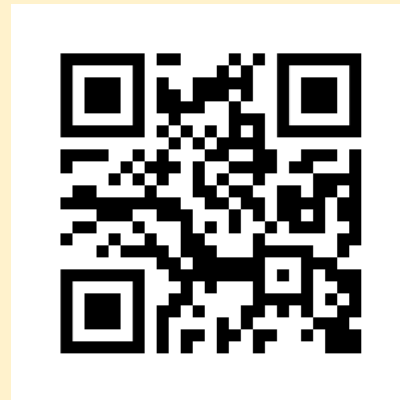


Contact information

You have Questions? We have answers!

- Debi Deal, CCAP Treasurer: ddeal@brightlake.com
- Tom Hutton, Executive Director: tom.hutton@calauthorizers.org

www.calauthorizers.org



Thank you!