

**Charter
Financial
Analysis**

CASBO Presenters:

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

CCAP

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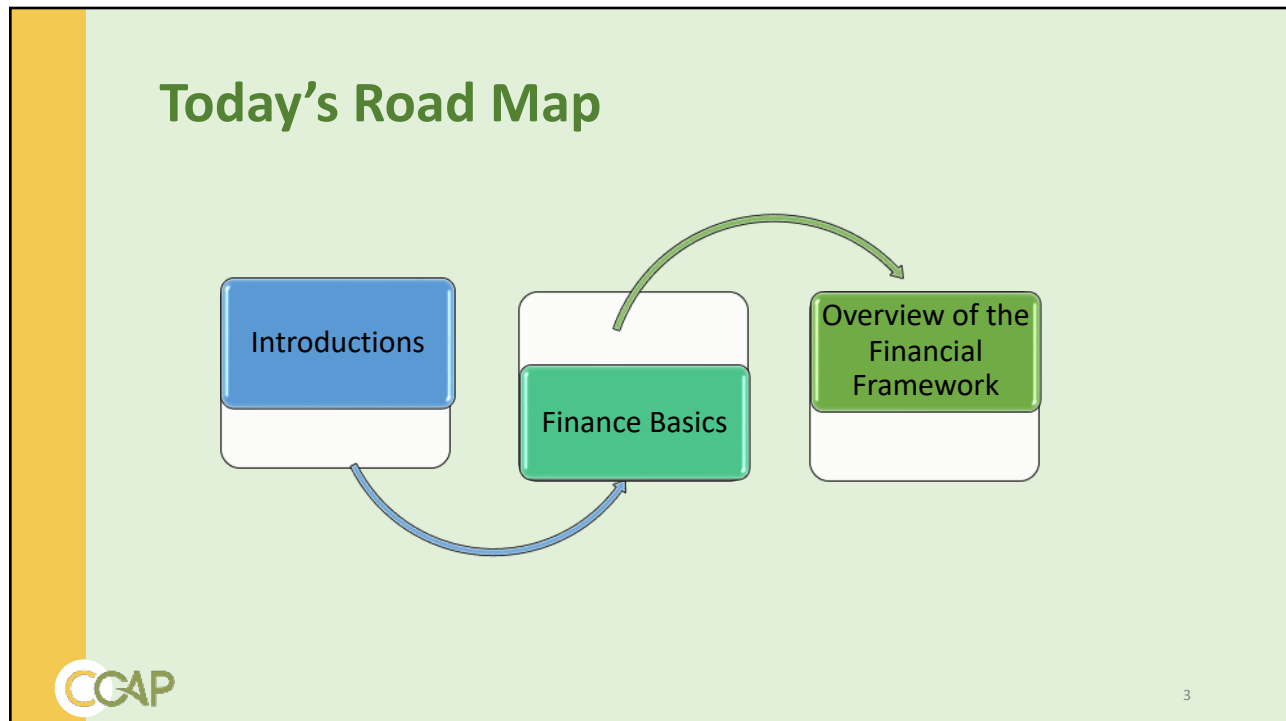
Getting to know you...

- School leaders**
- School governing board members**
- Staff for Operator / Network / CMO**
- Consultant**
- Authorizer**
- Others**

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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)**

The CCAP logo is visible in the bottom left corner, and the number 4 is in the bottom right corner.

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Presenters



Debi Deal

- Retired FCMAT
- Intervention Specialist
- CCAP Treasurer




Tom Hutton
Executive Director



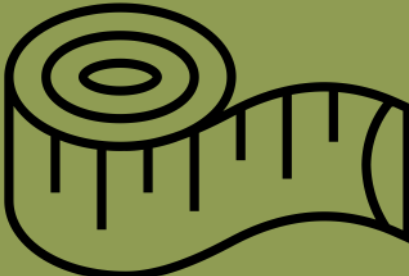
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*Are you
measuring
the right
things?*



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

Peter Drucker



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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



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CCAP Toolkits and Resources



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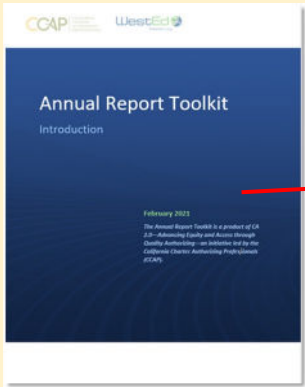
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CCAP Toolkits and Resources

- 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

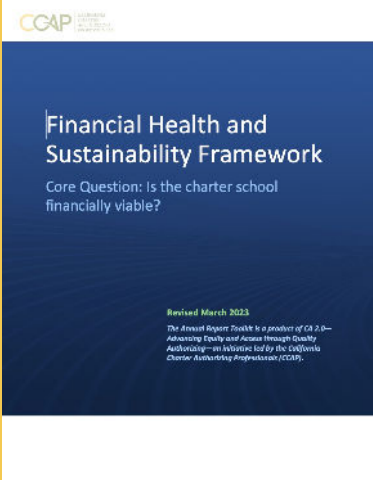


CA2.0 Core Performance Question	Specific Toolkit Resource
Is the education program a success?	Academic Framework
Is the school financially viable?	Financial Health Framework
Is the school operating and governed effectively?	Operations and Governance Framework
Is the school advancing equity and access 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 Health and Sustainability Framework
Core Question: Is the charter school financially viable?
Revised March 2023

-  Financial Framework
-  Performance Indicators
-  Template






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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




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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.




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Fiscal Health Measures

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

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



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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?



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Fiscal Health Sustainability Indicators

Multiyear Projection Is the school living within its means?	Subsequent Years Cash Flow How much money the school has available to spend.
Debt Default Is the school meeting its debt obligations?	



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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?



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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.



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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 2022-23	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	ACCRRUAL
Beginning Cash		1,550,564	1,412,920	1,358,936	1,626,573	1,586,136	1,603,418	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 Formula	\$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	\$ 32,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,250	\$ -	\$ -	\$ 8,125	8,125
Total 8100-8299 Federal Income														
8300-8599 State Income	\$ 258,200	-	7,569	(3,302)	1,910	4,855	-	27,751	-	-	14,850	-	-	203,000
Total 8300-8599 State 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
8600-8799 Local 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
TOTAL INCOME														
EXPENSE														
1000 Certificated Salaries	\$1,341,256	\$ 19,237	\$ 24,322	\$ 104,966	\$ 107,663	\$ 107,823	\$ 107,823	\$ 106,603	\$ 106,603	\$ 106,603	\$ 106,603	\$ 106,603	\$ 143,666	192,785
Total 1000 Certificated Salaries														
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
Total 2000 Classified Salaries														
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
Total 3000 Employee Benefits														
4000 Books and Supplies	\$ 84,796	\$ 10,029	\$ 25,612	\$ 6,620	\$ 9,242	\$ 5,644	\$ 10,413	\$ 2,677	\$ 2,677	\$ 2,677	\$ 2,677	\$ 2,677	\$ 2,677	-
Total 4000 Supplies														
5000 Services and Other Operating Expenditures	\$ 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
Total 5000 Services and Other Operating Expenditures														
6000 Capital Outlay	\$ 4,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Total 6000 Capital Outlay														
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 Depn)/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		Accrual		
	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
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	24,470												
Change in Prepaid Expenditures		3,846	58,518		34,252	88,155							
Change in Deferred Revenue													
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.



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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>



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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/>



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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



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