



Advancing Equity and Access Through Quality Authorizing

Components of the Annual Report Toolkit



Financial Health and Sustainability Framework

Core Question: Is the charter school financially viable?

September 2024

The Annual Report Toolkit is a product of CA 2.0—Advancing Equity and Access through Quality Authorizing, an initiative led by the California Charter Authorizing Professionals (CCAP). WestEd's support in the initial development of the 2021 Toolkit is appreciated.



Academic Performance Framework

Core Question: Is the charter school's education program a success?

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Operations and Governance Framework

Core Question: Is the charter school operating and governed effectively?

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Public Policy Purpose Framework

Core Question: Is the charter school serving public policy purposes?

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Three Annual Performance Report Options with Annotated Samples

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Annotated Framework and Staff Report

Financial Health and Sustainability Framework

Core Question: Is the charter school financially viable?

APPENDIX [YEAR] STAFF OVERSIGHT REPORT [School]

Guides the development of the *Appendix: Staff Report*

- Introductory language
 - Financial Performance Framework Detail
- Annotated Template
 - Explanations
 - Examples

Available in *Grab and Go Tools*:

- Fully formatted and customizable template
- The *Staff Report* becomes the appendices to the *Annual Performance Progress Report*

Getting Started

▶ Introduction

- ▶ Baseline to institute performance-based accountability for fiscal outcomes.
- ▶ A tool to identify schools in a healthy fiscal position and those currently in or trending toward fiscal distress.

▶ Use

- ▶ Academic + Finance + Operational/Governance and Public Policy Frameworks are used annually to assess and document performance
- ▶ Cumulative record across years leading to renewal
- ▶ Basis for honest, transparent, and supportive conversations with schools
- ▶ These reports are summarized in the annual Performance Progress Report for authorizing boards and the public

Is the charter school financially viable?

▶ Introduction

- ▶ Fulfills obligation to monitor the fiscal condition of each charter school
- ▶ Evaluates near-term health and long-term sustainability
 - ▶ Not compliance matters... those are found in the Operational and Governance Framework
- ▶ Focuses on financial data found in audited financials
- ▶ Indicators and measures reflect best practices

▶ Use

- ▶ Academic + Finance + Operational Frameworks annually to assess performance
- ▶ Tools to engage in conversations regarding fiscal position and school planning

Is the charter school financially viable?

Short-Term	Sustainability	Fiscal Controls
<ul style="list-style-type: none">• Days of Cash on Hand• Cash Flow Projection• Enrollment Variance• Average Daily Attendance (ADA) to Enrollment Variance• Unduplicated Pupil Percentage (UPP) Variance• Budgeted Local Control and Accountability Plan (LCAP)• Reserve for economic uncertainty	<ul style="list-style-type: none">• Debt Default• Multi-Year Financial Projections• Subsequent Years' Cash Flow	<ul style="list-style-type: none">• County Office Financial Review• Annual Independent Audit

Is the charter school financially viable?

An annotated framework provides information and an example.

Indicator 1: Short-Term Measures

Measure 1: Days of Cash on Hand — “How many days of cash on hand does the school have to pay its bills?”

“Cash is King!” means cash is more valuable than any other asset, particularly when the majority of school operating expenses are for payroll and benefits. The definition of insolvency is when the charter school runs out of cash.

FCMAT’s Charter School Accounting and Best Practices Manual¹ recommends a 5% cash reserve of the total of all budgeted expenditures to manage cash flow and avoid costly borrowing options. In addition to a cash reserve, days of cash-on-hand can be “at this point in time,” which can be problematic given the timing of expenditures such as monthly payroll, rent, and other large expenses.

The days of cash on hand ratio indicates the total number of days a school can pay its expenses without an influx of cash. This ratio tells authorizers whether the school has sufficient cash to meet its cash obligations without incurring a loan or in some cases defaulting on a payment.

Should the State experience fiscal distress, as it did during the Great Recession, and initiate cash deferrals, the authorizer is encouraged to reevaluate the number of days to meet the standard depending on the deferral schedule.

Data sources: Balance sheet, Income Statement, and Bank Statements.

Note: If cash is restricted due to legal or donor requirements or for other reasons, the restricted cash portion should not be included in the formula below.

Formula:

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

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 =	$\left[\frac{\$546,474}{\frac{\$2,015,651}{365}} \right] = 99 \text{ days}$

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

Is the charter school financially viable?

Measure 1. Days of Cash on Hand — “How many days of cash on hand does the school have to pay its bills?”

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.”



Indicators, measures, and targets



The authorizer assesses and completes

1. Days of Cash on Hand — “How many days of cash on hand does the school have to pay its bills?”

Metric 1 Rating: Meets Standard	
Days of Cash on Hand- How many days of cash on hand does the school have to pay its bills?	
Meets Standard	At least 60 Days of Cash on Hand
Does Not Meet Standard	Days Cash on Hand is between 30 and 60 days
Falls Far Below Standard	Fewer than 30 Days Cash on Hand



CCAP is here to support you!
Questions: info@calauthorizers.org

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