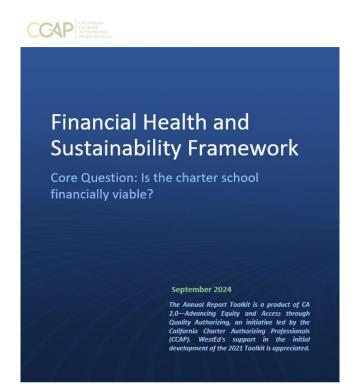
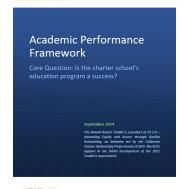
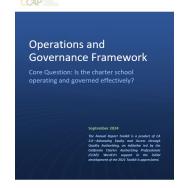


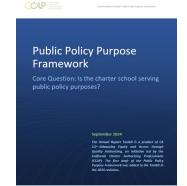
Advancing Equity and Access Through Quality Authorizing

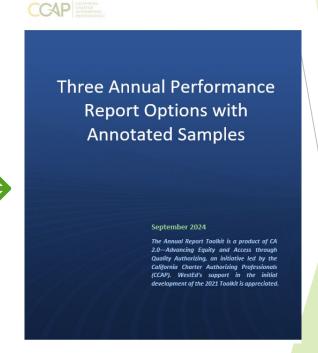
Components of the Annual Report Toolkit













Annotated Framework and Staff Report

Financial Health and Sustainability Framework

Core Question: Is the charter school financially viable?

Guides the development of the *Appendix: Staff Report*

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

APPENDIX
[YEAR] STAFF OVERSIGHT REPORT
[School]

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



- 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



Short-Term	Sustainability	Fiscal Controls
 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 	 Debt Default Multi-Year Financial Projections Subsequent Years' Cash Flow 	 County Office Financial Review Annual Independent Audit



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.

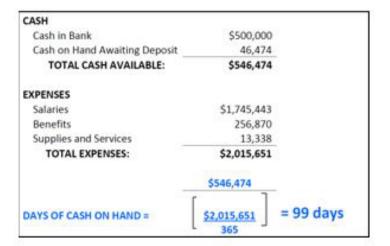
Should the State experience fiscal distress, as it did during the Great Recession, and initiate cash deferrals, the authorizer is encouraged to reevaluate the number of days to meet the standard depending on the deferral schedule.

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:

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



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



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

The Annual Report Toolkit is a product of *CA 2.0—Advancing Equity and Access through Quality Authorizing*, a 2021 initiative led by the California Charter Authorizing Professionals (CCAP) in collaboration with WestEd.