

Building Fiscally Savvy Board Members

FINANCIAL PRESENTATION
KEY INDICATORS

Agenda

1

FY23-24 Funding
Update

2

Other Budget
Drivers

3

Financial
Philosophies

4

Review Financial
Packages

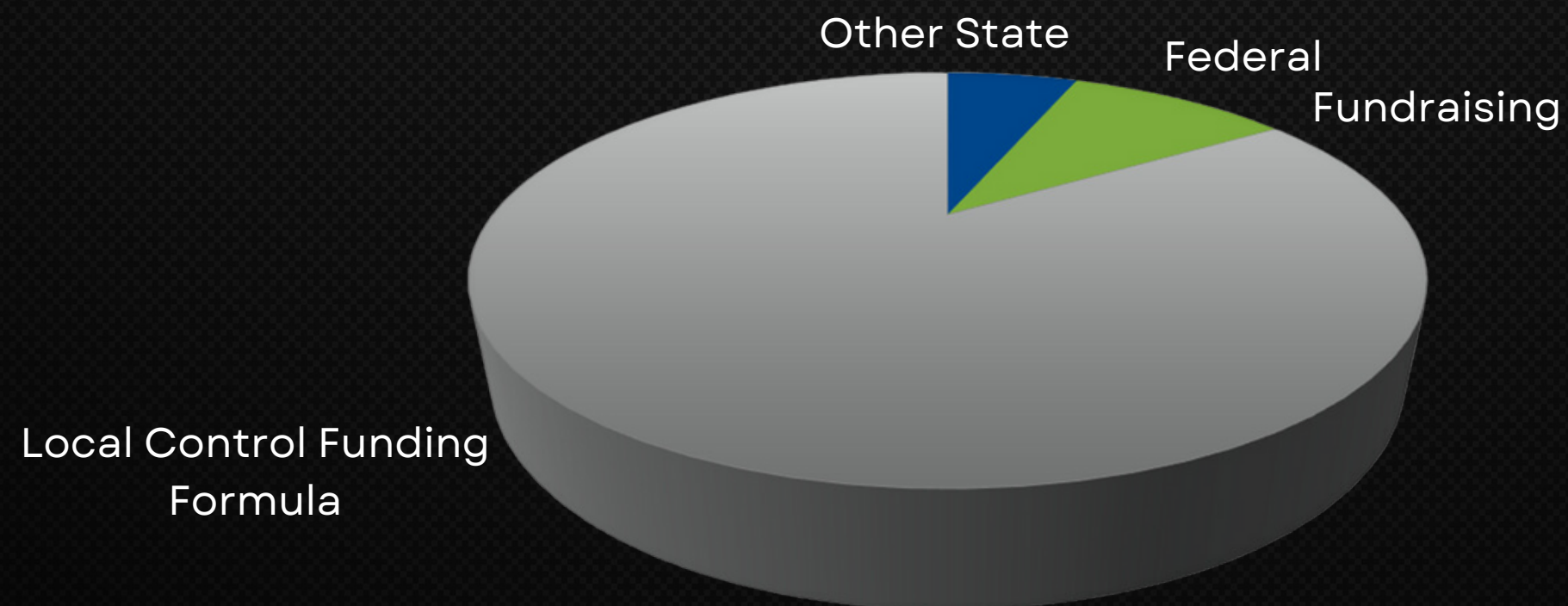
5

Question And
Answer

Charter School Funding Update

FUNDING & CONCERNS FOR FY23-24

- 70-90%** Local Control Funding Formula (“LCFF”)
- 5-20%** Other State Revenue
- 0-10%** Federal Revenue
- 0-5%** Fundraising and Grants



Local Control Funding Formula

Main source of school funding

Provides additional funding for “high need” students

- Low Income (or Free/Reduced Price Meal Eligible or Title I)
- English Learner
- Foster Youth

The “UNDUPLICATED” count of above groups has significant impact

School spending accountable to stakeholders through the Local Control Accountability Plan or “LCAP”

Local Control Funding Formula

Segments of LCFF:

✓ Base Grant + Add-Ons

Grade	Base	Grade Span	Total
TK	\$ 9,919	\$ 3,044	\$ 12,963
K-3	\$ 9,919	\$ 1,032	\$ 10,951
4-6	\$ 10,069	\$ -	\$ 10,069
7-8	\$ 10,367	\$ -	\$ 10,367
9-12	\$ 12,015	\$ 312	\$ 12,327

+

✓ Supplemental

20% Bonus for all
Unduplicated Students

+

✓ Concentration

65% Bonus Unduplicated
Students Over 55%

Other Sources Of Funding

Note:

Special Education funding varies based on the SELPA a charter school chooses to join. Above rates are for El Dorado SELPA.

Funding is based on TOTAL ADA, not the actual number of special education students

Funding Source	Amount/Student
Special Education	
Federal Sources (IDEA)	\$ 130
State Sources (AB602)	\$ 887
Mandate Block Grant	
Grades K-8	\$ 19.85
Grades 9-12	\$ 55.17
Lottery	
Unrestricted	\$ 177
Restricted	\$ 72
Title Funding	Varies
Other One-time funding (ESSER III, AMIMBG, LREBG)	Varies

Critical Budget Drivers

Critical Budget Drivers

While there are a multitude of factors that affect a school's financial condition, the following list represents the most critical in determining what programmatic elements you will be able to afford.

- **Enrollment**
- **Attendance Rate**
- **Student Demographics**
- **Staffing and Student-Teacher Ratio**
- **Timing of Cash Flow**
- **Fundraising**

Enrollment And Attendance

Nearly all school revenue is based on the average daily attendance of students, or ADA.

Enrollment

The # of students who have signed up for school



Attendance Rate

Of the students enrolled, the percent who come each school day



ADA

The average # of students who performed work each day during the school year.

$$\text{Enrollment} * \text{Attendance Rate} = \text{ADA}$$

Demographics

Student demographics have a significant impact on funding. The following is a comparison across three different demographic scenarios for a 500-student high school.

Sample School 1

Unduplicated Rate = 25%

Base Grant	\$	5,028,426
Supplemental	\$	251,421
Concentration	\$	-

Total Revenue \$ 5,279,847
 Per Pupil Revenue \$ 10,560

Sample School 2

Unduplicated Rate = 50%

Base Grant	\$	5,028,426
Supplemental	\$	502,843
Concentration	\$	-

Total Revenue \$ 5,531,269
 Per Pupil Revenue \$ 11,063

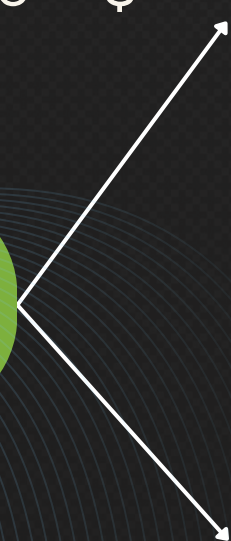
Sample School 3

Unduplicated Rate = 75%

Base Grant	\$	5,028,426
Supplemental	\$	754,264
Concentration	\$	502,843

Total Revenue \$ 6,285,533
 Per Pupil Revenue \$ 12,571

\$1MM Increase
 (\$2,011 per Pupil)



Typical Cash Flows

Month:	July	August	September	October	November	December	January	February	March	April	May	June	Total
Funding:	5%	5%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	100%
	Paid on Prior Year (PY) P2 ADA							Paid on Current Year (CY) P1 ADA				Paid on CY P2 ADA	

How it actually works - CY P1 is a true-up to what has already been paid and CY P2 is the final true-up to match full payment

Month:	July	August	September	October	November	December	January	February	March	April	May	June	Total
	5%	5%	9%	9%	9%	9%	9%	$\frac{P1\ 100\% - PY\ 55\%}{5}$				Balance	100%

Period	ADA	Funding
PYP2	100	1,000,000
CYP1	170	1,700,000
CYP2	200	2,000,000

\$\$ Values

Month:	July	August	September	October	November	December	January	February	March	April	May	June	Total
	50,000	50,000	90,000	90,000	90,000	90,000	90,000	230,000	230,000	230,000	230,000	530,000	100%
	= \$550,000							= \$920,000			= \$530,000		

Corresponding formula's

Month:	July	August	September	October	November	December	January	February	March	April	May	June	Total
	$=.05*1000000$		$=.09*1000000$					$=(1700000-(.55*1000000))/5$				$=2000000-$ previously paid	100%

Financial Philosophies

Best Practice

1

Early Bird Gets the Worm

Start Budgeting
Early and Review
Assumptions
Often

Benefits:

- Keeps instructional model in line with financial constraints
- Ensures focus of funds aligns with mission and vision
- Maintains accuracy while inputs and assumptions change
- Use as a reference tool when decisions need to be made quickly

Best Practice

2

Throw in the Kitchen Sink

Start with budget
that includes
everything from
your wish list,
then prioritize

Benefits:

- Provides a holistic and realistic view on what's affordable and what's not
- All stakeholders can get on the same page and have a solid frame of reference moving forward
- Eliminates things on the list that aren't as high on the priority list during start-up phase
- Helps get your team to a balanced budget that doesn't start with a deficit

Best Practice

3

Communication is Key

Ensure all
stakeholders
understand fiscal
condition

Benefits:

- Provides clarity to teachers, staff, board and parents about what is financially possible
- Enables easier change management if programmatic cuts are necessary
- Emphasizes importance of enrollment and attendance

Best Practice

4

Plan for Surprises

The unexpected
will happen so
prepare for it
from the start

Benefits:

- Budgets should not be finalized once exactly balanced (maintain a surplus)
- Allows for the unknown to be affordable without re-working entire budget
- Reduces the likelihood of mid-year changes from small bumps
- Reduces stress on programmatic staff

In Practice

HOW TO APPLY THESE PRINCIPLES TO OUR BOARD MEETINGS

Financial Package Elements

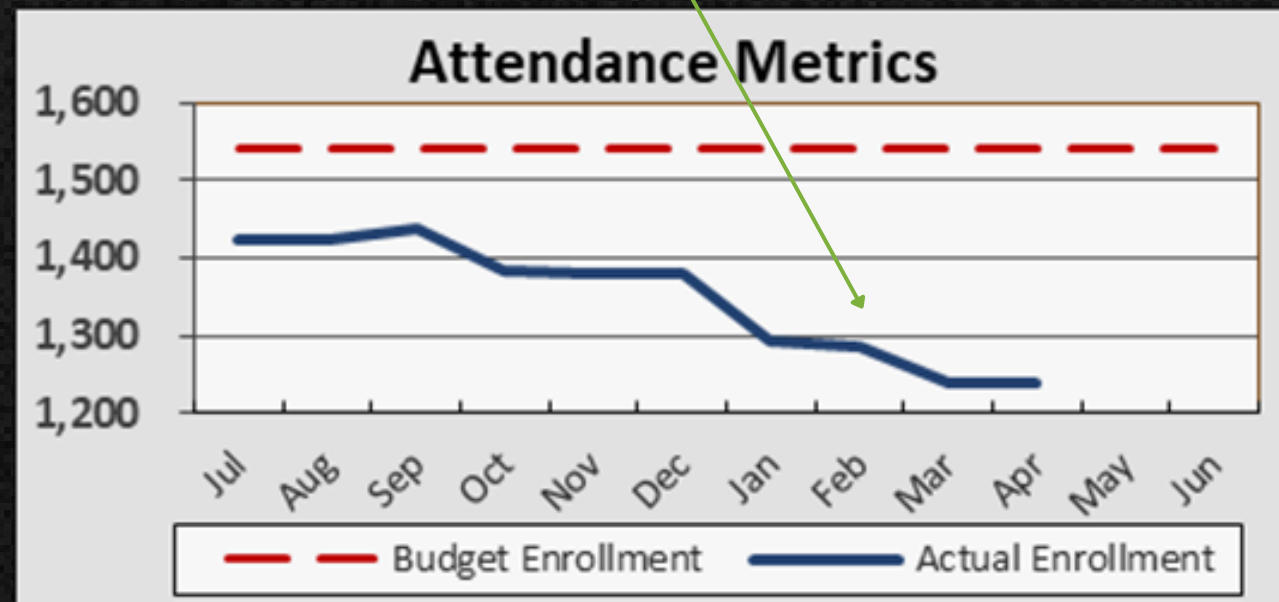
The financial statement package provided on a monthly basis is intended to give both a retrospective and prospective view of the organizations financial condition. The possible elements included in the monthly package include:

- Executive Summary
- Monthly Cash Flow/Forecast
- Budget vs. Actual
- Statement of Financial Position
- Statement of Cash Flows
- AP Aging
- Monthly Check Register

Enrollment

Enrollment, and attendance in some cases, is the main driver of school revenue. Good financial oversight starts with understanding enrollment.

What direction is enrollment trending?



Are enrolled students attending on a regular basis?

How does the actual enrollment compare to the budget?

Enrollment & Per Pupil Data			
	<u>Avg-YTD</u>	<u>Forecast</u>	<u>Budget</u>
Average Enrollment	1349	1540	1540
Attendance Rate	91.7%	95.0%	95.0%
Revenue per Student		\$12,130	\$12,611
Expenses per Student		\$12,118	\$12,162

Is the forecast updated to match the current enrollment?

Revenue

Maintaining a balanced budget means starting with the funds you have, THEN allocating them to meet needs.

How does the year-to-date revenue compare to the year end forecast?

How does the change in forecasted revenue compare to changes in enrollment?

Revenue	Year-to-Date			Annual		
	Actual	Budget	Fav/ (UnFav)	Forecast @6/30/2023	Budget	Fav/ (UnFav)
Core State Funding	\$ 6,885,720	\$ 7,782,756	\$ (897,036)	\$ 15,930,925	\$ 15,791,793	\$ 139,132
Federal Revenue	748,321	430,572	317,749	1,106,198	1,125,157	(18,958)
Other State Revenue	798,732	1,071,633	(272,901)	1,522,725	2,262,346	(739,621)
Other Local Revenue	75,218	209,824	(134,605)	120,666	241,062	(120,396)
Total Revenue	\$ 8,507,991	\$ 9,494,784	\$ (986,793)	\$ 18,680,514	\$ 19,420,358	\$ (739,844)

Do delays in funding require more collection activities?

Are particular revenue sources changing from the budget?

Expenses

Properly allocating spending requires understanding the difference between “wants” and “needs” and adjusting based on available resources.

Expenses	Year-to-Date			Annual		
	Actual	Budget	Fav/ (UnFav)	Forecast @6/30/2023	Budget	Fav/ (UnFav)
Certificated Salaries	\$ 3,055,224	\$ 3,734,807	\$ 679,583	\$ 4,761,632	\$ 5,617,037	\$ 855,405
Classified Salaries	2,090,993	1,619,447	(471,546)	3,187,712	2,449,669	(738,043)
Benefits	2,051,764	2,098,070	46,306	3,173,506	3,146,499	(27,007)
Books and Supplies	1,198,199	1,835,414	637,214	1,744,772	2,238,888	494,116
Student Services	159,850	314,927	155,078	259,066	495,000	235,934
Professional Services	342,938	371,528	28,589	725,294	627,918	(97,376)
Facilities	2,293,441	2,080,903	(212,538)	3,408,691	3,121,355	(287,336)
Operations	639,302	570,552	(68,750)	924,000	880,328	(43,672)
Depreciation	102,944	101,583	(1,361)	161,935	152,374	(9,561)
Interest	210,000	-	(210,000)	315,000	-	(315,000)
Total Expenses	\$ 12,144,656	\$ 12,727,231	\$ 582,575	\$ 18,661,607	\$ 18,729,068	\$ 67,461

Are there any significant changes from the budget?

Were budget overages previously discussed and approved?

Are there any surprise expenses?

If revenue is decreasing, are expenses being reduced proportionately?

Fund Balance

Also known as “Net Assets” The Fund Balance represents “net worth” of the school. It consists of all of the accumulated surpluses and deficits going back to the date the organization was first created.

Debt Covenants	Forecast	Budget
Days Cash On Hand (45 min)	36.07	63.85
Debt Service Coverage (1.20 min)	1.01	1.24
Fund Balance Reserve (5% min)	4.7%	8.2%

Are covenant minimums being met?

Is the budget balanced?

	Year-to-Date			Annual		
	Actual	Budget	Fav/ (UnFav)	Forecast @6/30/2023	Budget	Fav/ (UnFav)
Total Surplus(Deficit)	\$ (3,636,665)	\$ (3,232,447)	\$ (404,219)	\$ 18,907	\$ 691,290	\$ (672,383)
Beginning Fund Balance	850,147	850,147		850,147	850,147	
Ending Fund Balance	<u>\$ (2,786,518)</u>	<u>\$ (2,382,300)</u>		<u>\$ 869,054</u>	<u>\$ 1,541,437</u>	
As a % of Annual Expenses	-14.9%	-12.7%		4.7%	8.2%	

If the school sold all of its assets, collected its receivables and paid off all of its liabilities, the Fund Balance is what would be left over.

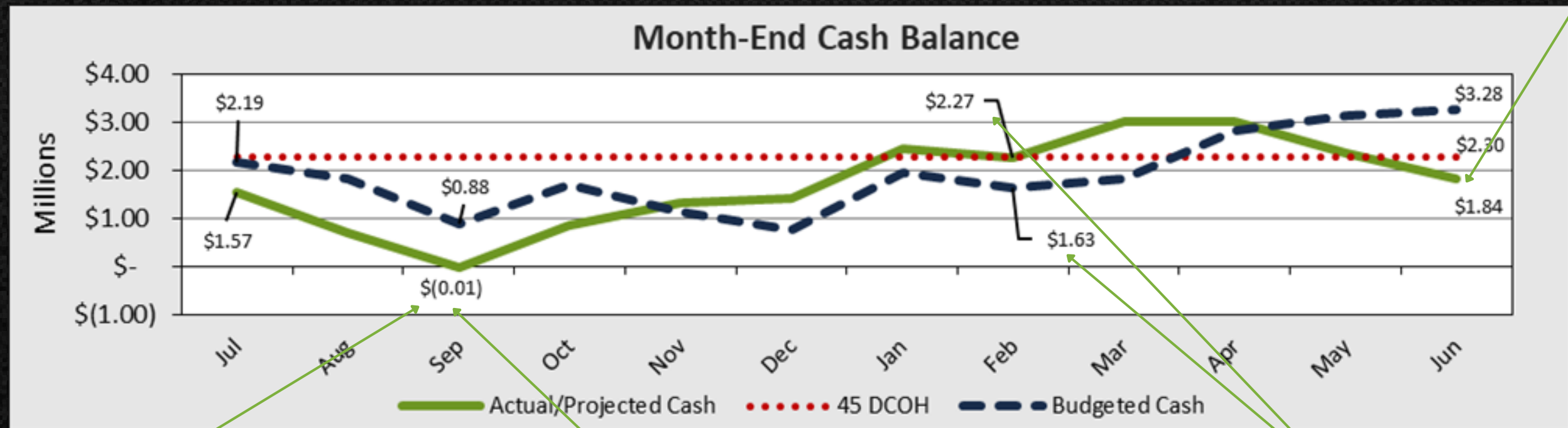
Are there significant timing differences between when expenses are incurred and revenue received?

Are there minimum “reserves” required by the authorizer or state?

Cash Flow Forecast

There are often significant differences between when revenue is received and when bills need to be paid. In addition to maintaining a balanced budget, the school should monitor its expected cash balances throughout the year.

Should the Board set a minimum cash reserve to prepare for the unknown?



Are there any minimum cash requirements?

Are there any cash shortfalls during the year?

Will any loans be needed? (And what options does the school have?)

Is the actual cash balance consistent with the budget?

Assets

Assets represent everything the school owns and everything it is owed as of a specific point in time.

	Current Balance	Beginning Year Balance	YTD Change	YTD % Change
Assets				
Current Assets				
Cash & Cash Equivalents	\$ 2,269,841	\$ 2,572,309	\$ (302,468)	-12%
Accounts Receivable	-	12,667	(12,667)	-100%
Public Funding Receivables	941,894	2,884,146	(1,942,252)	-67%
Due To/From Related Parties	15,000	-	15,000	100%
Prepaid Expenses	-	41,834	(41,834)	-100%
Total Current Assets	3,226,735	5,510,956	(2,284,221)	-41%
Long Term Assets				
Property & Equipment, Net	625,307	728,251	(102,944)	-14%
Deposits	10,000	10,000	-	0%
Total Long Term Assets	635,307	738,251	(102,944)	-14%
Total Assets	\$ 3,862,042	\$ 6,249,207	\$ (2,387,165)	-38%

Do collection activities need to be increased?

Does the school have sufficient cash to meet operating needs?

Is cash increasing or decreasing?

Are there any transactions with related parties?

Are the school's assets liquid or tied up in permanent fixtures?

Liabilities

Liabilities represent everything the school owes to others as of a specific point in time.

	Current Balance	Beginning Year Balance	YTD Change	YTD % Change
Liabilities				
Current Liabilities				
Accounts Payable	\$ 542,848	\$ 245,330	\$ 297,518	121%
Accrued Liabilities	1,401,296	754,530	646,766	86%
Deferred Revenue	18,128	139,303	(121,175)	-87%
Total Current Liabilities	1,962,272	1,139,163	823,109	72%
Long Term Liabilities				
Deferred Rent, Net	1,186,289	759,897	426,392	56%
Notes Payable, Net	3,500,000	3,500,000	-	0%
Total Long Term Liabilities	4,686,289	4,259,897	426,392	10%
Total Liabilities	6,648,561	5,399,060	1,249,501	23%

Are invoices being received on a timely basis?

Is the school maintaining cash levels by not paying bills? (check the AP Aging)

Does the school have enough cash to meet current needs? (compare current assets to current liabilities)

Are outstanding obligations increasing?

Are there any covenants or restrictions from lenders?

Debt Covenants	Forecast	Budget
Days Cash On Hand (45 min)	36.07	63.85
Debt Service Coverage (1.20 min)	1.01	1.24
Fund Balance Reserve (5% min)	4.7%	8.2%

Accounts Payable Aging

The accounts payable aging shows all outstanding invoices that are awaiting payment and how old they are. Old invoices indicate that bills are being paid late and service could be disrupted.

Vendor Name	Invoice/Credit Number	Invoice/Credit Date	Current	1 - 30 Days Past Due	31 - 60 Days Past Due	61 - 90 Days Past Due	Over 90 Days Past Due	Total
Vendor Name	1	2/9/2019	\$ 60	\$ -	\$ -	\$ -	\$ -	\$ 60
Vendor Name	200326	8/31/2017	-	-	-	-	19,306	19,306
Vendor Name	APEX051418	5/14/2018	-	-	-	-	21,704	21,704
Vendor Name	APEX062918	6/29/2018	-	-	-	-	22,884	22,884
Vendor Name	2856	1/7/2019	-	2,002	-	-	-	2,002
Vendor Name	2878	2/13/2019	2,627	-	-	-	-	2,627
Vendor Name	0000062647	12/12/2018	-	-	86,715	-	-	86,715
Vendor Name	0000062810	1/7/2019	-	6,804	-	-	-	6,804
Vendor Name	1701302	2/15/2019	9,259	-	-	-	-	9,259
Vendor Name	1701306	2/15/2019	8,409	-	-	-	-	8,409
Vendor Name	110044322-0	11/9/2018	-	-	-	46,347	-	46,347
Vendor Name	112220575-0	1/9/2019	-	33,910	-	-	-	33,910
Vendor Name	69148021	12/26/2018	-	-	4,382	-	-	4,382
Total Outstanding Invoices			\$ 108,245	\$ 100,694	\$ 96,831	\$ 56,120	\$ 180,958	\$ 542,848
			20%	19%	18%	10%	33%	

Are invoices being paid a timely basis?

Are invoices being paid a timely basis?

Is the AP Aging complete?
(The total should match the AP balance on the Statement of Financial Position)

Thank You!

ANY QUESTIONS?