



Charter Finance 210, part II

A Step Beyond the Basics of Charter Finance 101 for Board Members

Agenda

- I. Reviewing Financial Packages – Test Case
- II. Q and A

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

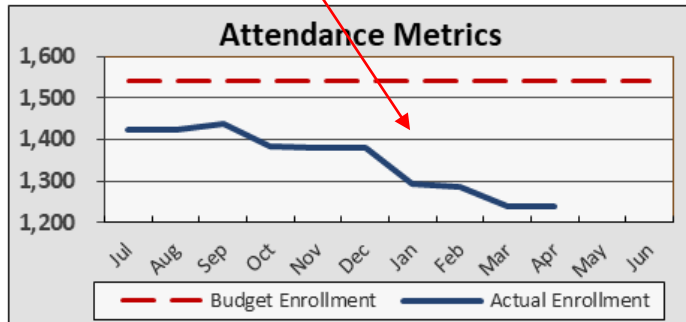
Enrollment, and attendance in some cases, is the main driver of school revenue. Good financial oversight must start with understanding enrollment.

Do these changes match your expectations and other discussions about school operations?

Are enrolled students attending on a regular basis?

How does the actual enrollment compare to the budget?

What direction is enrollment trending?



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.

Is it possible to estimate revenue more accurately in the future?

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

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

Revenue

Year-to-Date			Annual			
Actual	Budget	Fav/ (UnFav)	Forecast @6/30/2018	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.

Does the school spending mirror it's priorities?

Are there any significant changes from the budget?

Expenses

	Year-to-Date			Annual		
	Actual	Budget	Fav/ (UnFav)	Forecast @6/30/2018	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

Were budget overages previously discussed and approved?

Are there any surprise expenses?

If revenue is decreasing, are expenses being reduced proportionately?



Assets

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

Does the school have sufficient cash to meet operating needs?

	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?

Are there any transactions with related parties?

Is cash increasing or decreasing?

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.

Do you fully understand all of the school's obligations?

Are invoices being received on a timely basis?

Liabilities

Current Liabilities

	Current Balance	Beginning Year Balance	YTD Change	YTD % Change
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%

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

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

Total Liabilities	6,648,561	5,399,060	1,249,501	23%
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Does the school have enough cash to meet current needs? (compare current assets to current liabilities)

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%

Are outstanding obligations increasing?



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	3878	2/12/2019	2,637	-	-	-	-	2,637
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 vendor relationships being strained?

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)*



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?

Total Surplus(Deficit)

Beginning Fund Balance

Ending Fund Balance

As a % of Annual Expenses

Year-to-Date		
Actual	Budget	Fav/ (UnFav)
\$ (3,636,665)	\$ (3,232,447)	\$ (404,219)
850,147	850,147	
\$ (2,786,518)	\$ (2,382,300)	
-14.9%	-12.7%	

Annual		
Forecast @6/30/2018	Budget	Fav/ (UnFav)
\$ 18,907	\$ 691,290	\$ (672,383)
850,147	850,147	
\$ 869,054	\$ 1,541,437	
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?

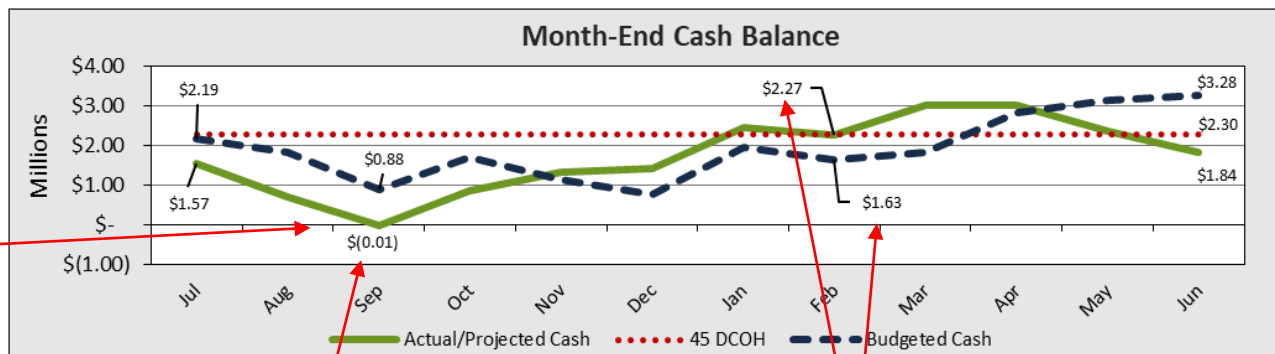
Are there minimum “reserves” required by the authorizer or state?



Cash Flow Forecast

There are often significant difference between the time that revenue is received, and 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 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?

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