



# Charter Finance for Board Members

*Presented for TEACH Public Schools Inc.*



# Agenda

- I. Reading the Financial Package
- II. Funding Basics
- III. Future Risks to Mitigate
- IV. Bond Covenants

# I. READING THE FINANCIAL PACKAGE

# Financial Package Elements

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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 main elements included in the monthly package include:

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



# Monthly Cash Flow/Forecast

The monthly forecast is main management tool and intended to answer the following questions:

*How do future costs compare to what we have been spending?*

*Are we on track to end the year with a surplus?*

## TEACH Academy of Technologies

Monthly Cash Flow/Budget FY18-19

Revised 2/13/2019

ADA = 399.80



	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Year-End Accruals	Annual Budget	Original Budget Total	Favorable / (Unfav.)
	-	-	-	-	-	5,153	1,288	1,288	1,288	1,288	1,288	1,288	-	12,881	-	(12,881)
<b>Total Expenses</b>	<b>172,789</b>	<b>413,714</b>	<b>435,439</b>	<b>381,106</b>	<b>405,439</b>	<b>478,031</b>	<b>391,018</b>	<b>467,326</b>	<b>452,705</b>	<b>473,946</b>	<b>462,103</b>	<b>443,593</b>	<b>69,691</b>	<b>5,046,902</b>	<b>4,584,631</b>	<b>(462,271)</b>
<b>Monthly Surplus (Deficit)</b>	<b>(108,806)</b>	<b>(178,268)</b>	<b>(119,090)</b>	<b>(224)</b>	<b>(108,791)</b>	<b>124,081</b>	<b>296,511</b>	<b>(40,190)</b>	<b>(27,021)</b>	<b>137,322</b>	<b>80,988</b>	<b>12,762</b>	<b>554,630</b>	<b>623,903</b>	<b>697,067</b>	<b>(73,164)</b>
<b>Cash Flow Adjustments</b>														12%		
Monthly Surplus (Deficit)	(108,806)	(178,268)	(119,090)	(224)	(108,791)	124,081	296,511	(40,190)	(27,021)	137,322	80,988	12,762	554,630	623,903		
Cash flows from operating activities																
Depreciation/Amortization	4,738	4,386	4,386	5,362	4,869	4,869	5,099	5,099	5,099	5,099	5,099	-	-	59,205		
Public Funding Receivables	123,218	97,472	(108,146)	36,823	106,059	(298,380)	141,286	-	132,612	228,886	-	30,660	(624,321)	(133,833)		
Grants and Contributions Rec.	-	-	-	-	-	(14,605)	19,605	-	-	-	-	-	-	5,000		
Due To/From Related Parties	(304,241)	(136,504)	(197,614)	(44,715)	126,258	172,683	(29,018)	-	-	(400,000)	-	854,622	-	41,470		
Prepaid Expenses	(9,794)	(7,339)	5,779	(3,919)	(28,857)	18,534	(25,148)	-	-	-	-	-	-	(51,344)		
Accounts Payable	(109,270)	55,093	75,112	(728)	(76,527)	3,385	(60,215)	-	-	-	-	-	69,691	(37,459)		
Accrued Expenses	73,489	10,259	(23,524)	(26,410)	35,120	(13,801)	(5,033)	-	-	-	-	-	-	50,101		
Other Liabilities	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	-	69,341		
Cash flows from investing activities																
Purchases of Prop. And Equip	(63,546)	(52,743)	(48,116)	(13,116)	(10,645)	-	(27,600)	-	-	-	-	-	-	(215,767)		
Cash flows from financing activities																
Proceeds/(Payments) on Debt	-	-	372,360	-	(4,433)	(13,299)	(4,433)	-	-	-	-	-	-	350,196		
Total Change in Cash	(388,434)	(202,466)	(33,075)	(41,148)	48,831	(4,755)	316,832	(29,312)	116,468	(22,915)	91,865	908,921				
Cash, Beginning of Month	697,651	309,217	106,751	73,676	32,528	81,359	76,604	393,436	364,124	480,592	457,677	549,542	150.63	ADCOH		
<b>Cash, End of Month</b>	<b>309,217</b>	<b>106,751</b>	<b>73,676</b>	<b>32,528</b>	<b>81,359</b>	<b>76,604</b>	<b>393,436</b>	<b>364,124</b>	<b>480,592</b>	<b>457,677</b>	<b>549,542</b>	<b>1,458,464</b>				

*Will we have enough cash to meet our spending needs?*

*How do our current expectations compare to the original budget?*

Coverage 1.20



# Budget vs. Actual

The Budget vs. Actual is a historical review of what the school spent in the current month and year-to-date as compared to what was originally budgeted.

For the period ended January 31, 2019

	Current Period Actual	Current Period Budget	Current Period Variance	Current Year Actual	YTD Budget	YTD Budget Variance	Total Budget
<b>Books &amp; Supplies</b>							
Textbooks and Core Curricula Materials	1,001	-	(1,001)	22,703	46,166	23,463	46,166
Books and Other Reference Materials	-	-	-	641	974	333	974
School Supplies	-	750	750	-	5,249	5,249	8,998
Special Activities/Field Trips	-	3,879	3,879	10,545	7,759	(2,786)	11,638
Uniforms	279	1,247	968	2,724	8,728	6,004	14,963
Software	6,344	2,217	(4,128)	34,385	15,517	(18,869)	26,600
Noncapitalized Equipment	(11,399)	-	11,399	6,329	30,000	23,671	30,000
Food Services	(10,752)	25,259	36,011	125,165	151,553	26,388	277,848
<b>Total Books &amp; Supplies</b>	<b>(14,526)</b>	<b>33,352</b>	<b>47,878</b>	<b>202,493</b>	<b>265,946</b>	<b>63,453</b>	<b>417,187</b>
<b>Subagreement Services</b>							
Special Education	1,549	5,945	4,396	35,831	35,673	(159)	65,400
Substitute Teacher	6,255	4,182	(2,073)	23,584	25,091	1,507	46,000
Transportation	-	340	340	-	2,040	2,040	3,740
Security	5,797	545	(5,252)	23,587	3,273	(20,314)	6,000
Other Educational Consultants	10,826	13,000	2,174	43,016	65,000	21,984	130,000
<b>Total Subagreement Services</b>	<b>24,427</b>	<b>24,013</b>	<b>(415)</b>	<b>126,018</b>	<b>131,076</b>	<b>5,058</b>	<b>251,140</b>

**NOTE:** This report does not take mid-year revisions or changing estimates into account. For estimates based on current information, refer to the forecast.



# Statement of Financial Position

The Statement of Financial Position (or “Balance Sheet” in the for-profit environment) shows the school’s assets, liabilities and net assets as of a single point in time.

*This is what you own and what others owe you*

*This is what you owe to others*

*This is your net worth or “fund balance”*

Teach Public Schools, Inc.  
Statement of Financial Position  
January 31, 2019

Teach Academy of Technologies	
<b>Assets</b>	
<b>Current Assets</b>	
Cash & Cash Equivalents	\$ 393,436
Accounts Receivable	30,660
Public Funding Receivables	361,498
Grants & Contributions Receivables	-
Due To/From Related Parties	573,653
Prepaid Expenses	61,986
<b>Total Current Assets</b>	<b>1,421,232</b>
<b>Long Term Assets</b>	
Property & Equipment, Net	1,123,822
Deposits	4,900
Deferred Lease Asset	-
Investments	-
Valuation of Treasury Notes	-
Valuation of Treasury Bond	-
<b>Total Long Term Assets</b>	<b>1,128,722</b>
<b>Total Assets</b>	<b>2,549,954</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	2,694
Accrued Liabilities	99,902
Interest Payable	-
Deferred Rent, Current Portion	-
Notes Payable, Current Portion	-
<b>Total Current Liabilities</b>	<b>102,596</b>
<b>Long Term Liabilities</b>	
Deferred Rent, Net of Current Portion	231,874
Capital Lease, Net of Current Portion	350,196
Bonds Payable, Net of Current Portion	-
Bond Issuance Cost	-
Discount on Bonds	-
<b>Total Long Term Liabilities</b>	<b>582,069</b>
<b>Total Liabilities</b>	<b>684,665</b>
<b>Total Net Assets</b>	<b>1,865,289</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,549,954</b>

Cash Balance  
≠  
Fund Balance

# AP Aging & Check Register



These two schedules are provided to the Board for oversight purposes. They are intended to be used for transparency purposes rather than analysis.

## Check Register

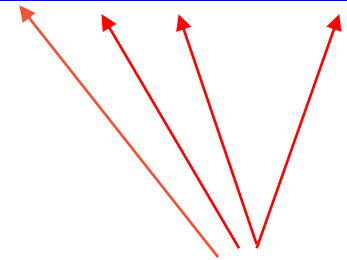
*This shows all checks written during the reporting period (typically the prior month).*

Teach Academy of Technologies				
Check Register				
For the period ended January 31, 2019				
Check Number	Vendor Name	Transaction Description	Check Date	Check Amount
15102	Department of Justice	Fingerprint Apps 10/18 & 12/18	1/28/2019	224.00
15103	Excel Professional Staffing Services	Sub Teach Svcs 01/07/19 - 01/11/19	1/28/2019	238.00
15104	PlanConnect	PlanConnect 08/18 - 10/18	1/28/2019	187.50
15105	Staples Business Credit	Office and Janitorial Supplies, office supplies	1/28/2019	864.21
15106	Wilmington Trust, National Assoc	Reserve Fund Deficiency as of 12/01/18	1/28/2019	3,168.88
15107	Andrade Paving, Inc.	Removed trees & bushes, finish grade & pour concrete	1/29/2019	27,600.00
15108	Bay Alarm Company	Replaced Contact and Batteries	1/29/2019	142.60
ACH	CALPERS	PEBS for 12/18	1/3/2019	4,496.81
ACH	CALSTRS	STRS for 12/18	1/3/2019	39,350.23
ACH	Sterling Administration	Sterling	1/4/2019	50.00
ACH	LADNIP - 2130	Utilities for 11/28/18 - 12/31/18 (0000)	1/6/2019	145.66
ACH	LADNIP - 7788	Utilities for 08/21/18 - 12/28/18 (7788)	1/6/2019	1,608.80
ACH	LADNIP - 1536	Utilities for 11/29/18 - 12/31/18 (1536)	1/11/2019	263.01
ACH	PlanConnect	PlanConnect 01/01/19-01/15/19	1/18/2019	10.00
ACH	PlanConnect	PlanConnect 12/16/18-12/31/18 & 01/01/19-01/15/19	1/18/2019	5,322.50
ACH	Sterling Administration	Sterling PPE 12/15/18	1/24/2019	538.18
ACH	Sterling Administration	Sterling PPE 12/31/18	1/24/2019	538.18
ACH	LADNIP - 4653	Utilities for 11/28/18 - 12/28/18 (4653)	1/25/2019	2,380.79
ACH	Sterling Administration	Sterling for PPE 01/15/19	1/28/2019	558.09
ACH	Sterling Administration	Sterling - FSA 2018 Initial Contribution	1/31/2019	1,556.67
Total Payments Issued in January				\$ 389,160.44

Teach Academy of Technologies									
Accounts Payable Aging									
For the period ended January 31, 2019									
Vendor Name	Invoice/Credit Number	Invoice Date	Date Due	Current	1 - 30 Days Past Due	31 - 60 Days Past Due	61 - 90 Days Past Due	Over 90 Days Past Due	Total
Blue Shield of California	190140455237	1/14/2019	2/1/2019	\$ 670.97	\$ -	\$ -	\$ -	\$ -	\$ 670.97
Charter Impact, Inc.	6826	11/9/2018	12/9/2018	24.95	-	-	-	-	24.95
Diaz Locksmith	3540J	5/15/2018	6/14/2018	-	75.94	-	-	-	75.94
Diaz Locksmith	3552J	6/7/2018	7/7/2018	182.31	-	-	-	-	182.31
Diaz Locksmith	3560J	6/22/2018	7/22/2018	825.70	-	-	-	-	825.70
Excel Professional Staffing Services	2980	1/24/2019	2/8/2019	631.72	-	-	-	-	631.72
Teachers on Reserve	71265	1/11/2019	1/11/2019	282.50	-	-	-	-	282.50
<b>Total Outstanding Invoices</b>				<b>\$ 2,618.15</b>	<b>\$ 75.94</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,694.09</b>

## AP Aging

*This shows all outstanding invoices due to vendors and how old they are as of a point in time.*



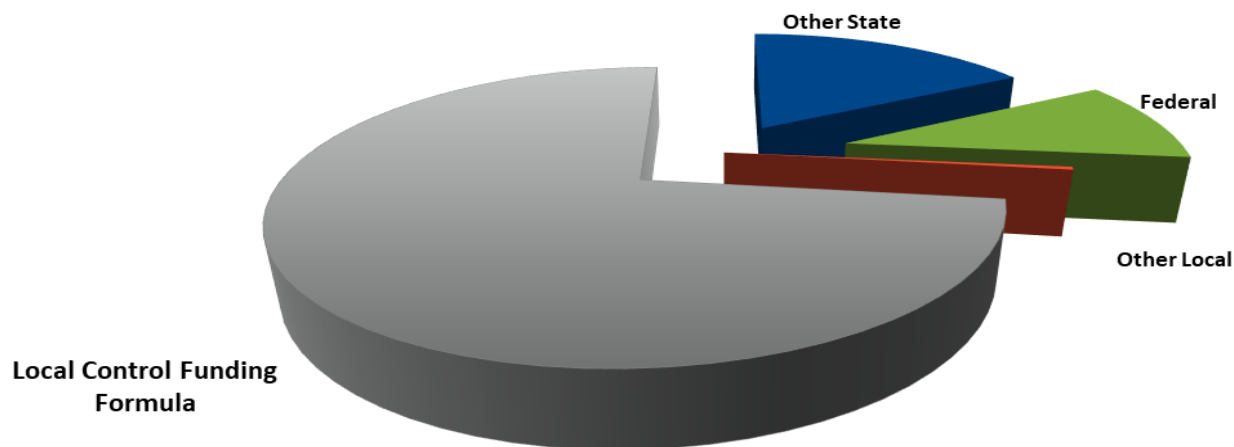


## II. FUNDING BASICS

# Revenue Sources

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- **72.9%** Local Control Funding Formula (“LCFF”)
- **16.9%** Other State Revenue
- **9.8%** Federal Revenue
- **.04%** Fundraising and Grants



# Enrollment and Attendance

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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 actually perform work each school day



## ADA

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

*Enrollment*

x

*Attendance Rate*

=

*ADA*

# Local Control Funding Formula

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- 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 Grant	Add-On	Total
TK-3	\$ 7,459	\$ 776	\$ 8,235
4-6	\$ 7,571	\$ -	\$ 7,571
7-8	\$ 7,796	\$ -	\$ 7,796
9-12	\$ 9,034	\$ 235	\$ 9,269



**SUPPLEMENTAL**



*20% Bonus for all Unduplicated  
Students*



**CONCENTRATION**



*50% Bonus Unduplicated  
Students Over 55%*



# Other State Revenue

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Funding Source	Amount per Student
Special Education (AB602)	\$ 506
Lottery	\$ 194
Mandate Cost Block	\$ 14 - \$ 42
Other One-Time Grant (18-19)	\$ 184
Charter School Facility Grant (SB740)	\$ 1,145
Other State Revenue	<i>varies</i>

- Other revenue from the State often provides funding for specific purposes and can vary widely based on program participation.
- While these funds supplement the core LCFF funding, many have required applications, restrictions on spending, and may vary from year to year.



# Federal Revenue

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Funding Source	Amount
Special Education	\$ 195
Title Funds	<i>varies</i>
Other Special Education ( Mental Health)	\$ -
Child Nutrition (per day)	\$ 5

- Federal revenue almost always comes with significant restrictions and non-financial programmatic requirements.
- Many of the grants are less predictable in both award amounts and timing of payments.
- Federal revenue can be a great supplement but schools should be fully aware of all requirements prior to applying for or accepting funds.

# Federal Revenue-Public Charter School Grant Program- PCSGP



Purpose: Serve Public Charter Schools by providing startup and initial operating capital

TEACH Elementary awarded the PCSGP Grant \$375,000- Reimbursable Grant

## Implementation Activities

- a. Informing the community about the school
- b. Acquiring necessary equipment and educational materials and supplies
- c. Acquiring or developing curriculum materials
- d. Other initial operational cost that cannot be met with State and Local Sources

## Allowable Expenditures:

1. Cost associated setting up and implementing accounting, attendance, registration systems and human resources policies.
2. Cost of installation of computers, data systems, networks and telephones.
3. Rental or occupancy cost for the school facility for a reasonable time in preparation for the school's opening
4. Personnel cost related to **initial implementation activities** such as development of curriculum and teacher and staff recruitment

TES received \$325K Walton Grant in December 2018 which was 1<sup>st</sup> cash receipt. Other State and Local funds have not been received yet.





# Federal Revenue-Public Charter School Grant Program- PCSGP

## Unallowable Cost

PCSGP Funds **may not** be used for construction nor for projects that may add to the permanent value of the building or appreciably prolong the life.

1. Contingency or "petty cash" funds
2. Contributions and donations
3. Dues/memberships to professional organizations or societies
4. On-going equipment and supplies for building maintenance
5. Fines and penalties
6. Food other than conference meal reimbursements
7. Furniture and appliances for staff lounges
8. Gifts, door prizes, etc.
9. Instructional aids, uniforms, tools, laptops or other items to be used by a limited number of students or retained by students
10. Interest and other financial costs
11. Student or non-teacher lodging, food, individual transportation, or dues for student organizations
12. Mileage not related to conference travel
13. Maintenance contracts or agreements
14. Excessive installation costs for equipment purchased with PCSGP funds
15. Any entertainment costs, including meals or banquets
16. Promotional items, such as T-shirts, pens, cups, key chains, and other memorabilia
17. Student tuition costs or university fees
18. On-going lease payments for passenger vehicles including vehicles such as automobiles, trucks, buses, utility vehicles, airplanes, boats, and golf carts. One-time payment can be made for any leases. Must be necessary for the success of the education plan.
19. Purchasing, constructing, renovating or remodeling facilities
20. Administrative, supervisory, or teacher regular salaries beyond the planning year
21. Administrative and clerical activities beyond the planning year
22. Salaries or wages paid to students
23. Conference travel unrelated to the educational plan submitted in the PCSGP application
24. Out-of-state travel not directly related to educational plan submitted in the PCSGP application
25. Student instructional costs or tuition of either technical or academic courses used to meet remediation, graduation, degree or certificate requirements
26. Student expenses/direct assistance to students
27. Insurance/Self-Insurance beyond the planning year
28. Audits
29. Alcohol
30. Fund Raising
31. Extended warranties including Apple Care
32. Farm animals for show and selling: only breeders can be charged to the grant
33. Others, as evaluated on a case-by-case basis

All costs charged to the grant must be reasonable, necessary, and allocable to meet the objectives of the grant. All requested items must also appear in the approved grant application budget.

### III. FUTURE RISKS TO MITIGATE

# Compensation & Benefits

The largest cost for any school is personnel. For the 18-19 school year, salaries and benefits accounted for **44%** of the school's spending. The major areas of focus to monitor are:

- Staffing Costs (salary scale increases)
- Pension Costs (STRS increases)
- Health Care

	2019-20	2020-21	2021-22	2022-23
Total Salaries <i>(2% increases)</i>	1,784,843	1,837,318	1,892,254	1,949,021
<i>STRS Rate</i>	<i>17.10%</i>	<i>18.10%</i>	<i>18.60%</i>	<i>18.60%</i>
STRS Cost	233,332	254,238	269,073	277,145
Health Care <i>(5% increases)</i>	139,104	143,194	147,475	151,899
<b>Annual Cost Increases</b>		<b>3.59%</b>	<b>3.31%</b>	<b>3.00%</b>
<i>Annual Revenue Increases</i>		<i>2.12%</i>	<i>2.19%</i>	<i>2.19%</i>

# Other Risks to Monitor

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- State Funding/Deferrals

*LCFF is fully implemented. While future funding is optimistic, any changes in the State's economic condition will lead to funding cuts or deferrals.*

- Technology and Equipment Replacement

*In order to provide best-in-class education, maintenance of equipment and access to new technology is paramount.*

- Facility Maintenance

*There is always potential for budget overruns with facility maintenance*

## IV. BOND COVENANTS

# Debt Service Coverage

This covenant requires the school to earn an annual surplus large enough to cover the rent cost, plus a cushion to ensure continued fund balance growth.

	<b>As of 6/30/18</b>	<b>Projected 6/30/20</b>
Annual Surplus	\$ 208,236	\$ 697,015
Add: Rent Expense	727,181	879,811
Add: Subordinated Management	376,752	553,105
Add: Depreciation	44,438	60,389
	<u>1,356,607</u>	<u>2,190,319</u>
Rent per Lease	<u>727,181</u>	<u>879,811</u>
<b>Coverage Ratio (1.20 minimum)</b>	<b>1.87</b>	<b>2.49</b>
<b>Minimum Surplus</b>	<b>\$ 145,436</b>	<b>\$ 175,962</b>

- Minimum ratio of 1.20:1 is required
- Measured on June 30<sup>th</sup> every year
- Annual surplus requirement increases with additional debt

# Days Cash on Hand

This covenant is a measure of the school's liquidity. It reflects the school's ability to meet near-term obligations as well as protection against future economic downturns.

	<i>Projected 6/30/20</i>
Unrestricted Cash Balance	\$ 2,334,027
Unrestricted Receivables from G	433,637
Modified Cash Balance	2,767,664
Annual Expenses (trailing 12 mo)	5,448,595
Cash Ratio	0.51
<b>Days Cash on Hand (45 minimum)</b>	<b>185.41</b>
<b>Minimum Cash Balance</b>	<b>\$ 671,745</b>

- Measured on June 30<sup>th</sup> every year
- Minimum 45 days required
- Cash requirement increases as spending increases

# **CHARTER** IMPACT

Empowering charter schools and non-profits with  
financial management and operational support.

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