

Navigating Charter School Finance

with Josh Moreau and Charles Graham

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FINANCE

What will we talk about

- Who We Are
- Charter School Finance
- Case Study
- 3 Things to Remember
- Q&A

Who We Are

- Leading charter school accounting, finance and bridge financing organizations
- Incubated and managed by Victory Education Partners, a company founded in 1999
- We work with more than 20 charter schools in PA, NY, IL and FL
- Manage over \$500M in charter school funds annually

Charter School Difference



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What makes up charter school finance?



▪ **BUDGET**



▪ **ACCOUNTS PAYABLE /
PAYROLL / EXPENSES**



▪ **REPORTING**



▪ **AUDITS**



Budget

- Prelim Per Pupil allocation for following year
- Federal Funding - Anticipated Free/Reduced lunch population from school
- Staffing Plan - Principal/AP develop staffing plan, salaries are at board discretion
- General Expenses – Inflationary increase/trends/needs of the school



Accounts Payable & Expenses

- Attain goods and services at the lowest possible cost
- Three bids minimum
- Instructional/Furniture databases, built-in bids
- Goods:
 - Purchase Order
 - Goods Received - Packing Slip/Bill of Lading
 - Invoice
- Services:
 - Contract
 - Invoice
 - Check Request



Reporting

- Profit & Loss
- Balance Sheet
- Cash Flow
- Capital Expenditures
- Metrics





Reporting Example

Charter School

Financial Summary

(For Years Ending June 30)

	Actual 2010A	Actual 2011A	Actual 2012A	Actual 2013A	Actual 5/31/14	Forecast 5/31/14	5/31/14 Variance	Budget 2013E	6/30/13 Variance	Forecast 2013E
STUDENTS (At Full Capacity)	230	317	387	405	452	452	0	410	42	410
STUDENTS (Budgeted Enrollment)	230	317	387	405	452	452	0	410	42	410
STUDENTS (Final Enrollment)	228,125	316,700	389,725	409,892	443,050	443,050	0.000	404,655	38,395	443,050
REVENUES										
Per Pupil Revenues	2,838,559	4,284,001	5,258,640	5,544,609	5,493,709	5,493,709	0	5,546,070	(52,361)	5,993,137
Slate Funding	-	26,160	39,568	29,189	28,108	25,766	2,342	30,838	(2,730)	28,108
Federal Funding	148,128	171,057	295,602	296,989	247,997	279,536	(31,539)	317,000	(69,003)	304,948
SPED Funding	22,638	68,008	338,207	442,307	636,720	632,787	3,933	426,606	210,114	690,313
Grants/Contributions	65,682	63,286	63,664	5,921	6,726	6,166	561	-	6,726	6,726
Food Service	32,299	46,324	-	-	-	-	-	-	-	-
Interest Income	55	122	1,732	2,254	3,252	3,252	-	2,000	1,252	3,548
Other Income	3,136	-	45,540	48,336	7	6	1	1,500	(1,493)	7
TOTAL REVENUES	3,110,497	4,658,948	6,042,953	6,369,615	6,416,519	6,441,221	(24,702)	6,324,014	92,505	7,026,787
EXPENSES										
Personnel										
Employee Salaries	1,265,612	1,798,965	2,505,101	2,862,573	2,646,747	2,724,085	77,338	3,374,145	727,398	3,297,433
Payroll Taxes	120,219	165,409	246,381	257,669	242,781	249,875	7,094	337,613	94,832	302,467
Employee Benefits	250,855	383,897	549,095	645,047	550,050	617,278	67,228	580,778	30,728	673,394
Subtotal Personnel	1,636,686	2,358,261	3,300,577	3,765,289	3,439,578	3,591,238	151,660	4,292,536	852,958	4,273,294
Non-Personnel										
General/Administrative	80,704	108,921	124,354	82,324	95,844	98,602	2,758	104,482	8,638	107,566
Professional Services	128,119	153,664	98,868	162,164	158,725	169,775	11,050	135,245	(23,480)	185,209
Direct Educational Expenses	144,083	145,612	212,043	353,239	398,499	415,487	16,988	424,428	25,929	453,258
Operating/Maintenance	454,779	1,090,787	1,321,553	958,649	816,469	846,593	30,124	1,198,600	382,131	923,556
School Administration Services	456,250	445,000	412,000	424,360	157,619	157,619	-	168,168	10,549	171,948
Subtotal Non-Personnel	1,263,935	1,943,984	2,168,818	1,980,736	1,627,156	1,688,076	60,920	2,030,923	403,767	1,841,537
TOTAL EXPENSES	2,900,621	4,302,245	5,469,395	5,746,025	5,066,734	5,279,313	212,579	6,323,459	1,256,225	6,114,831
NET SURPLUS (DEFICIT)	209,876	356,703	573,558	623,590	1,349,785	1,161,908	187,877	565	1,349,230	911,955
ENDING CASH BALANCE (CUMULATIVE)	45,192	(84,957)	819,831	1,254,378	2,855,238	2,187,385	667,853	1,003,552	1,851,686	2,187,385



Reporting Example

Charter School

Balance Sheet

(For Years Ending June 30)

	Actual 2010A	Actual 2011A	Actual 2012A	Actual 2013A	Actual 5/31/14	Forecast 5/31/14	5/31/14 Variance	Budget 2014E	6/30/14 Variance	Forecast 2014E				
ASSETS														
Current Assets														
Cash (1000 - 1099)	45,192	-337%	(84,957)	-288%	819,831	-1065%	1,254,378	53%	2,855,238	2,187,385	(667,853)	1,003,552	(1,851,686)	2,187,385
Escrow Account (1025)	10,001	0%	10,001	0%	75,003	650%	75,040	0%	75,068	75,100	32	70,100	(4,968)	75,100
Accounts Receivable (1200 - 1299)	-	0%	-	0%	9,757	0%	70,756	625%	7,219	70,000	62,781	15,000	7,781	70,000
Accrued Revenue/Other Current Assets (1300 - 1399)	118,565	27%	163,688	38%	22,738	-86%	91,443	302%	247,997	90,000	(157,997)	30,000	(217,997)	90,000
Prepays (1400 - 1499)	72,229	182%	80,492	11%	114,937	43%	120,136	5%	114,839	115,000	161	115,000	161	115,000
<i>Subtotal Current Assets</i>	245,987	147%	169,224	-31%	1,042,266	516%	1,611,753	55%	3,300,361	2,537,485	(762,876)	1,233,652	(2,066,709)	2,537,485
Other Assets														
Fixed Assets, net (1500 - 1599)	532,890	108%	576,590	8%	280,499	-51%	407,753	45%	375,159	441,939	66,780	277,734	(97,425)	441,939
Other Assets (1600 - 1999)	90,326	41%	111,270	23%	144,074	29%	94,074	-35%	94,074	94,074	-	55,000	(39,074)	94,074
<i>Subtotal Other Assets</i>	623,216	95%	687,860	10%	424,573	-38%	501,827	18%	469,233	536,013	66,780	332,734	(136,499)	536,013
TOTAL ASSETS	869,203	107%	857,084	-1%	1,466,839	71%	2,113,580	44%	3,769,594	3,073,498	(696,096)	1,566,386	(2,203,208)	3,073,498
LIABILITIES/EQUITY														
Current Liabilities														
Accounts Payable (2000)	95,100	695%	47,031	-51%	82,665	76%	84,140	2%	25,485	85,000	59,515	85,000	59,515	85,000
Accruals (2100 - 2199)	243,601	70%	227,596	-7%	333,050	46%	342,396	3%	103,384	400,000	296,616	400,000	296,616	400,000
Unearned Income (2200)	32,640	-1278%	39,788	22%	-	0%	10,064	0%	553,021	-	(553,021)	-	(553,021)	-
Payroll Tax Liabilities (2300 - 2399)	-	0%	4,836	0%	415	-91%	1,350	225%	6,199	1,000	(5,199)	1,000	(5,199)	1,000
Deferred VSI Management Fees (2410)	194,800	-19%	45,000	-77%	-	0%	-	0%	14,329	-	(14,329)	-	(14,329)	-
Cash Advances Due to Victory Schools (2420)	150,000	-36%	-	0%	-	0%	-	0%	-	-	-	-	-	-
Other Due To/From (2411 - 2499)	14,614	-111%	8,016	-45%	809	-90%	2,140	165%	43,901	-	(43,901)	-	(43,901)	-
Payroll Liabilities (2500 - 2599)	101	0%	-	0%	-	0%	-	0%	2,053	2,053	-	2,053	-	2,053
<i>Subtotal Current Liabilities</i>	730,856	48%	372,227	-49%	416,939	12%	440,090	6%	746,319	488,053	(258,266)	488,053	(258,266)	488,053
Long-Term Liabilities														
Obligations Under Capital Lease (2610)	18,708	19%	8,515	-54%	-	0%	-	0%	-	-	-	-	-	-
<i>Subtotal Long-Term Liabilities</i>	18,708	19%	8,515	-54%	-	0%	-	0%	-	-	-	-	-	-
Equity														
Retained Earnings (3900)	(90,237)	0%	119,639	-233%	476,342	298%	1,049,900	120%	1,673,490	1,673,490	-	1,077,778	(595,712)	1,673,490
Total Surplus/(Deficit)	209,876	-333%	356,203	70%	573,558	61%	623,590	9%	1,349,785	911,955	(437,830)	555	(1,349,230)	911,955
<i>Subtotal Equity</i>	119,639	-233%	476,342	298%	1,049,900	120%	1,673,490	59%	3,023,275	2,585,445	(437,830)	1,078,333	(1,944,942)	2,585,445
TOTAL LIABILITIES/EQUITY	869,203	107%	857,084	-1%	1,466,839	71%	2,113,580	44%	3,769,594	3,073,498	(696,096)	1,566,386	(2,203,208)	3,073,498
<i>Difference</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-



Reporting Example

Charter School

Cash Flow

(For Years Ending June 30)

	Actual 2010A	Actual 2011A	Actual 2012A	Actual 2013A	Actual 5/31/14	Forecast 5/31/14	5/31/14 Variance	Budget 2014E	6/30/14 Variance	Forecast 2014E				
OPERATING ACTIVITIES														
Net Surplus/(Deficit)	209,876	-333%	356,703	70%	573,558	61%	623,590	9%	1,349,795	911,955	(437,830)	555	(1,349,230)	911,955
Changes in Net Assets														
Escrow Account	(10,001)	0%	-	0%	(65,002)	0%	(37)	-100%	(28)	(60)	(32)	(50)	(22)	(60)
Accounts Receivable	-	0%	-	0%	(9,757)	0%	(60,999)	525%	63,537	756	(62,781)	-	(63,537)	756
Accrued Revenue/Other Current Assets	(25,083)	-73%	(45,123)	80%	140,950	-412%	(68,705)	-143%	(156,554)	1,443	157,997	-	156,554	1,443
Prepays	(47,095)	87%	(8,263)	-82%	(34,445)	317%	(5,199)	-85%	5,297	5,136	(16)	-	(5,297)	5,136
Depreciation	61,155	179%	123,316	102%	345,899	180%	213,500	-38%	183,859	202,314	18,455	276,183	92,324	202,314
Other Assets	(26,159)	-59%	(20,944)	-20%	(32,804)	57%	50,000	-252%	-	-	-	(2,589)	(2,589)	-
Changes in Net Liabilities														
Accounts Payable	83,134	595%	(48,069)	-158%	35,634	-174%	1,475	-96%	(58,655)	860	59,515	-	58,655	860
Accruals	100,375	-30%	(16,045)	-116%	105,494	-757%	9,346	-91%	(239,012)	57,604	296,616	26,152	265,164	57,604
Unearned Income	35,410	-1378%	7,118	-80%	(39,788)	-657%	10,064	-126%	542,967	(10,064)	(553,021)	-	(542,967)	(10,064)
Payroll Tax Liabilities	-	0%	4,836	0%	(4,421)	-191%	935	-121%	4,849	(350)	(5,199)	-	(4,849)	(350)
Deferred VSI Management Fees	(44,750)	-18%	(149,800)	235%	(45,000)	-70%	-	0%	14,329	-	(14,329)	-	(14,329)	-
Cash Advances Due to Victory Schools	(85,000)	-136%	(150,000)	76%	-	0%	-	0%	-	-	-	-	-	-
Other Due To/From	147,162	-21%	(6,598)	-104%	(7,207)	9%	1,331	-182%	41,761	(2,140)	(43,901)	-	(41,761)	(2,140)
Payroll Liabilities	101	0%	(101)	-200%	-	0%	-	0%	-	2,053	2,053	-	-	2,053
NET CASH PROVIDED BY OPERATING ACTIVITIES	399,125	64%	47,060	-88%	963,111	1947%	775,301	-20%	1,752,125	1,169,507	(582,618)	300,251	(1,451,874)	1,169,507
INVESTING ACTIVITIES														
Fixed Asset Additions	(338,167)	22%	(167,016)	-51%	(49,808)	-70%	(340,754)	584%	(151,265)	(236,500)	(85,235)	(201,500)	(50,235)	(236,500)
NET CASH PROVIDED BY INVESTING ACTIVITIES	(338,167)	22%	(167,016)	-51%	(49,808)	-70%	(340,754)	584%	(151,265)	(236,500)	(85,235)	(201,500)	(50,235)	(236,500)
FINANCING ACTIVITIES														
Obligations Under Capital Lease	2,981	-81%	(10,193)	-442%	(8,515)	-16%	-	0%	-	-	-	-	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,981	-81%	(10,193)	-342%	(8,515)	84%	-	0%	-	-	-	-	-	-
BEGINNING CASH	(18,747)	0%	45,192	-341%	(84,957)	-288%	819,831	-	1,254,378	1,254,378	-	904,801	(349,577)	1,254,378
Net Cash Increase/(Decrease)	63,939	-411%	(130,149)	-304%	904,788	-295%	434,547	-	1,600,860	933,007	(667,853)	98,751	(1,502,109)	933,007
ENDING CASH	45,192	-341%	(84,957)	-288%	819,831	-1065%	1,254,378	-	2,855,238	2,187,385	(667,853)	1,003,552	(1,851,686)	2,187,385
Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-



Reporting Example

Charter School

Capital Expenditure Plan - Summary

(For Years Ending June 30)	Actual 2010A	Actual 2011A	Actual 2012A	Actual 2013A	Actual 9/30/14	Forecast 9/30/14	9/30/14 Variance	Budget 2014E	6/30/14 Variance	Forecast 2014E
Fixed Assets										
Classroom Furniture/Fixtures (1510)	52,732 -15%	45,348 -14%	1,094 -98%	6,903 531%	8,357	13,750	5,393	15,000	6,643	15,000
Office Equipment (1515)	7,790 -68%	3,733 -52%	6,439 72%	2,870 -95%	-	5,958	5,958	6,500	6,500	6,500
Computer Equipment (1520)	76,854 40%	88,246 15%	3,653 -96%	197,382 5303%	107,955	160,417	52,462	175,000	67,045	175,000
Telephone Equipment (1540)	- 0%	6,000 0%	- 0%	- 0%	-	-	-	-	-	-
Leasehold Improvements (1550)	198,641 153%	63,793 -68%	18,825 -70%	133,599 610%	22,013	22,917	904	-	(22,013)	25,000
Construction in Progress (1560)	- 0%	(43,043) 0%	- 0%	- 0%	-	-	-	-	-	-
Software (1580)	2,150 -81%	2,339 32%	19,797 574%	- 0%	12,940	13,750	810	5,000	(7,940)	15,000
<i>Subtotal Fixed Assets</i>	338,167 22%	167,016 -51%	49,808 -70%	340,754 584%	151,255	216,792	65,527	201,500	50,235	236,500
Depreciation										
Classroom Furniture/Fixtures (1510)	15,296 135%	22,271 46%	21,898 -2%	23,580 8%	22,712	22,702	(10)	28,356	5,644	24,766
Office Equipment (1515)	8,184 115%	6,633 -18%	13,482 101%	8,435 -37%	2,896	2,955	59	14,511	11,615	3,224
Computer Equipment (1520)	22,380 211%	62,733 180%	76,328 23%	43,647 -43%	95,170	96,807	1,637	99,787	4,617	105,608
Telephone Equipment (1540)	676 0%	1,674 148%	3,362 101%	2,000 -41%	986	1,808	822	2,016	1,030	1,972
Leasehold Improvements (1550)	12,100 482%	26,192 116%	218,435 734%	128,259 -41%	53,328	53,385	57	122,206	68,878	58,238
Construction in Progress (1560)	- 0%	- 0%	- 0%	- 0%	-	-	-	-	-	-
Software (1580)	2,519 51%	3,753 49%	11,794 214%	7,579 -36%	8,767	7,797	(970)	9,307	540	8,506
<i>Subtotal Depreciation</i>	61,155 179%	123,316 102%	345,899 180%	213,500 -38%	183,859	185,455	1,596	276,183	92,324	202,314
Net Present Value (Cumulative)										
Classroom Furniture/Fixtures (1510)	93,160 67%	116,237 25%	95,433 -18%	78,756 -17%	64,401	86,481	22,080	71,951	96,432	68,990
Office Equipment (1515)	20,450 -2%	17,490 -14%	10,447 -40%	4,882 -53%	1,986	13,450	11,464	(4,280)	5,332	8,158
Computer Equipment (1520)	102,140 114%	127,653 25%	54,378 -57%	208,113 283%	220,898	117,987	(102,911)	220,213	116,806	277,505
Telephone Equipment (1540)	2,022 -25%	6,348 214%	2,986 -53%	986 -67%	-	1,178	1,178	(1,046)	1,956	(986)
Leasehold Improvements (1550)	263,009 244%	300,610 14%	101,000 -66%	106,340 5%	75,025	70,532	(4,493)	(18,412)	10,109	73,102
Construction in Progress (1560)	43,043 0%	- 0%	- 0%	- 0%	-	-	-	-	-	-
Software (1580)	9,066 -4%	8,252 -9%	16,255 97%	8,676 -47%	12,849	22,208	9,359	9,308	7,775	15,170
<i>Subtotal Net Present Value</i>	532,890 108%	576,590 8%	280,499 -51%	407,753 45%	375,159	311,836	(63,323)	277,734	238,410	441,939



Reporting Example

Charter School

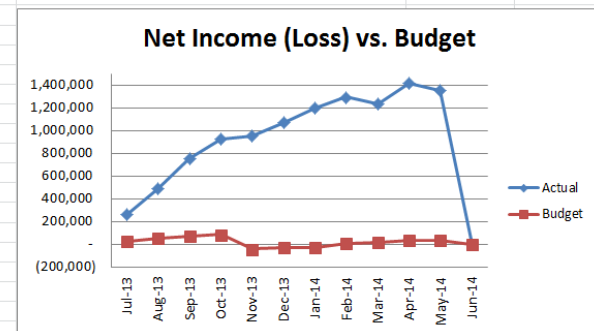
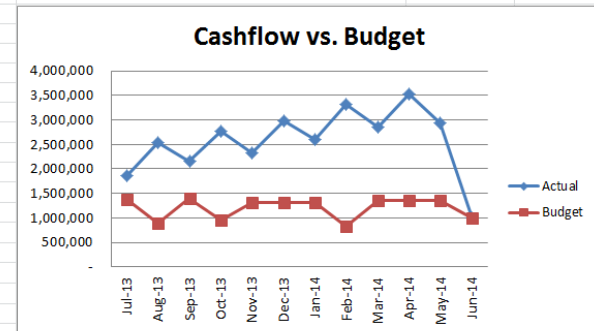
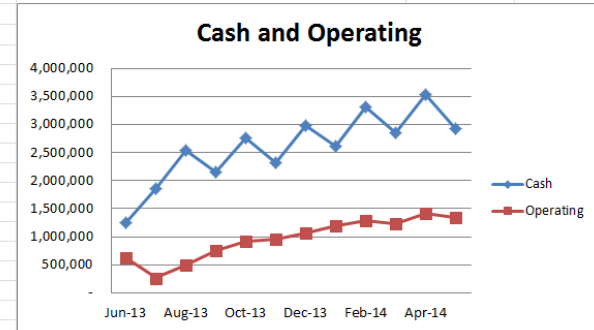
Dashboard

(For Years Ending June 30)

	Actual 5/31/14	Forecast 5/31/14	Budget 2014E	Forecast 2014E	Budget Used
Per Pupil Revenues	5,493,709	5,493,709	5,546,070	5,993,137	99%
State Funding	28,108	25,766	30,838	28,108	91%
Federal Funding	247,997	279,536	317,000	304,948	78%
SPED Funding	636,720	632,787	426,606	690,313	149%
Grants/Contributions	6,726	6,166	-	6,726	0%
Food Service	-	-	-	-	0%
Interest Income	3,252	3,252	2,000	3,548	163%
Other Income	7	6	1,500	7	0%
TOTAL REVENUES	6,416,519	6,441,221	6,324,014	7,026,787	101%
Personnel					
Employee Salaries	2,646,747	2,724,085	3,374,145	3,297,433	78%
Payroll Taxes	242,781	249,875	337,613	302,467	72%
Employee Benefits	550,050	612,278	580,778	673,394	95%
<i>Subtotal Personnel</i>	<i>3,439,578</i>	<i>3,591,238</i>	<i>4,292,536</i>	<i>4,273,294</i>	<i>80%</i>
Non-Personnel					
General/Administrative	95,844	98,602	104,482	107,566	92%
Professional Services	158,725	169,775	135,245	185,209	117%
Direct Educational Expenses	398,499	415,487	424,428	453,258	94%
Operating/Maintenance	816,469	846,593	1,198,600	923,556	68%
School Administration Services	157,619	157,619	168,168	171,948	94%
<i>Subtotal Non-Personnel</i>	<i>1,627,156</i>	<i>1,688,076</i>	<i>2,030,923</i>	<i>1,841,537</i>	<i>80%</i>
TOTAL EXPENSES	5,066,734	5,279,313	6,323,459	6,114,831	80%
NET SURPLUS (DEFICIT)	1,349,785	1,161,908	555	911,955	243205%
ENDING CASH BALANCE (CUMULATIVE)	2,855,238	2,187,385	1,003,552	2,187,385	285%
TOTAL REVENUE PER STUDENT	15,799	15,860	14,274	15,860	
TOTAL EXPENSE PER STUDENT	12,476	12,999	14,273	13,802	

(For Years Ending June 30)

	Actual 5/31/14	Actual 4/30/14	Notes
Total Cash	2,930,306	3,611,120	Includes Escrow Account - \$75K
Accounts Receivable	7,219	6,920	
Other Assets	832,069	723,576	
Accounts Payables and Other Accruals	135,068	143,421	
Other Liabilities	611,251	1,113,096	
Equity	3,023,275	3,085,099	
Current Ratio (Current Assets/Current Liab)	4.42	3.13	Between 1.5 and 3.0 is healthy
Liquidity Ratio (Liquid Assets/Current Liabilities)	3.94	2.88	Greater than 1.0 is healthy





Audit

- After the June closing, the audit is scheduled (“field work”), typically for August/September
- Auditors perform tests on the financial functions of the school as determined by the auditing and accounting standards
- The auditors offer an opinion on the financial statements, unqualified or qualified

Case Study - RMA

- Who was the school?
- Why did they need a finance/accounting solution/team?
- What were the key problems they faced?
- How did BoostEd solve these problems?



Key Takeaways

Understand major functional areas of charter school finance

Understand why the audit takes place and its importance

Reporting! Reporting! Reporting!

Look at every financial situation/obstacle/hurdle as an opportunity to be more efficient



Thank you!

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