

Charter School Financial Reporting:

Understanding Reporting Requirements and School Financial Statements

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Supplemental Handouts

What Will Be Reported?

- SDE Dashboard and SDE Budget Worksheets (No change)
- Annual Financial Audit (No change)
- Balance Sheet (New-Generated from accounting software)
- Income Statement (Budget Report) (New-Generated from accounting software)

No Longer Required:

- Cash Flow Statements
- PCSC Budget Template

When Do You Report?

Honor Distinction

- July 30
 - SDE Dashboards and SDE Budget Worksheets
- October 15
 - Annual Financial Audit
- February 1
 - 2nd Quarter Reporting
 - Balance Sheet and Income Statement (Budget Report)
 - Revised Budget (If Applicable)

1st Quarter: July 1-September 30

2nd Quarter: October 1-December 31

3rd Quarter: January 1-March 30

4th Quarter: April 1-June 30

All Other Schools (Good Standing, Remedial, Critical)

- February 1
 - 2nd Quarter Reporting
 - Balance Sheet and Income Statement (Budget Report)
 - Revised Budget (If Applicable)
- May 1
 - 3rd Quarter Reporting
 - Balance Sheet and Income Statement (Budget Report)
- July 30
 - SDE Dashboards and SDE Budget Worksheets
- October 15
 - Annual Financial Audit
- November 1
 - 1st Quarter Reporting
 - Balance Sheet and Income Statement (Budget Report)

ABC Charter School
Balance Sheet (Statement of Net Position)
 December 31, 20XX

Assets

Current Assets (Assets that can be liquidated within next 12 months)

Cash & Investments (Money in checking, savings, and investment accounts) XXXX

Receivables (Money owed to you, but not yet received)

State XXXX

Federal XXXX

Total Current Assets XXXX

Noncurrent Assets

Nondepreciable Capital Assets (Land) XXXX

Depreciable Assets (Buildings, Equipment, Vehicles) XXXX

Total Noncurrent Assets XXXX

Total Assets

XXXX (XXXX + XXXX)

Liabilities

Current Liabilities (Obligations requiring payment in next 12 months)

Accounts Payable (Invoices that are due, but not yet paid) XXXX

Salaries and Benefits Payable (Wages earned by staff, but not yet paid) XXXX

Current Portion of Long-Term Debt (What portion of debt due in the next 12 months) XXXX

Unspent Grant Allocation (Grant money received, but not yet spent) XXXX

Total Current Liabilities XXXX

Noncurrent Liabilities

Long term debt, Noncurrent (The remaining balance owed on debt to be paid in future years) XXXX

Pension Liability (School's share of contributions based on actuarial valuation) XXXX

Total Noncurrent Liabilities XXXX

Total Liabilities

XXXX (XXXX + XXXX)

Net Position

Net Investment in Capital Assets (Purchase price-Accumulated Depreciation-Outstanding debt used to finance asset) XXXX

Restricted Funds (Assets subject to constraints on their use) XXXX

Total Net Position XXXX

Total Liabilities and Net Position

XXXX (Total Assets and Total Liabilities + Net Position must be equal)

ABC Charter School
Income Statement/Budget Report (2M users)
 (Statement of Revenues, Expenditures, and Changes in Fund Balances)
 Period Ending March 31, 20XX

Revenues (Income)	
Local	XXXX
State	XXXX
Federal	<u>XXXX</u>
Total Revenues	<u>XXXX</u>
Expenditures (Expenses)	
Salaries	XXXX
Benefits	XXXX
Support Services	XXXX
Child Nutrition	XXXX
Transportation	XXXX
Debt Service (Principal and/or Interest Payments)	<u>XXXX</u>
Total Expenditures	<u>XXXX</u>
Net Operating Income or (Loss)/(Excess (Deficiency) of Revenues over Expenditures)	XXXX
Other Financing Sources (Lines of credit, new loans, grant funding)	
Transfers In	XXXX
Transfers Out	<u>XXXX</u>
Total Other Funding Sources	<u>XXXX</u>
Net Change in Fund Balances (Net Income or (Loss))	XXXX
Fund Balances-Beginning	<u>XXXX</u>
Fund Balances-Ending	XXXX

ABC Charter School
Cash Flow Statement
 (Statement of Revenues, Expenditures, and Changes in Fund Balances)
 Period Ending March 31, 20XX

Revenues (Money coming in)		
Local		XXXX
State		XXXX
Federal		<u>XXXX</u>
Total Revenues		<u>XXXX</u>
Expenditures (Money going out)		
Salaries		XXXX
Benefits		XXXX
Support Services		XXXX
Child Nutrition		XXXX
Transportation		XXXX
Debt Service (Principal and/or Interest Payments)		<u>XXXX</u>
Total Expenditures		<u>XXXX</u>
Net Operating Income or (Loss) /(Excess (Deficiency) of Revenues over Expenditures)		XXXX
Other Financing Sources (Lines of credit, new loans, grant funding)		
Transfers In (Additional money into school)		XXXX
Transfers Out (Additional money out of school)		<u>XXXX</u>
Total Other Funding Sources		<u>XXXX</u>
Net Change in Fund Balances (Net Income or (Loss))		XXXX (XXXX + XXXX)
Fund Balances-Beginning (Cash balance as of end of last period)		<u>XXXX</u>
Fund Balances-Ending (Cash balance as of end of current period)		XXXX

Near-Term Measures:

Current Ratio:

- Measures a school's ability to pay its obligations over the next 12 months
- A current ratio greater than 1.0 means that the school's current assets exceed current liabilities, indicating ability to meet current obligations
- **Current Assets** / **Current Liabilities**

Unrestricted Days Cash:

- Indicates how many days a school can pay its expenses without another inflow of cash
- At least one month (30 days) is a standard minimum measure of health for any organization, with positive trending
- **Cash & Investments** /
((**Total Expenditures**-Depreciation Expense)/365)

Near-Term Measures Continued....

Enrollment Variance:

- Meeting projected enrollment
- Enrollment variance of less than 85% indicates that a significant amount of funding on which a school set its expense budget is no longer available, and is at significant financial risk
- Projected/Actual enrollment numbers obtained from State Department of Education

Default:

- Indicates whether or not a school is meeting debt obligations or covenants
- A school that cannot meet the terms of any outstanding loan may be in financial distress
- Evaluated based on annual audit/conversations with school board and/or administrators

Sustainability Measures

Total Margin and Aggregated Three Year Total Margin:

- Measures if a school is living within its available resources
- Schools cannot operated at deficits for a sustained period of time without risk of closure. Three year measure helps to smooth fluctuations, however the most recent year is indicative to the sustainability of the school, standard is positive 3 year and current year trend
- $\text{Net Income} / \text{Total Revenue}$

Debt to Asset Ratio:

- The extent to which a school relies on borrowed funds to finance operations
- Compares the schools assets to liabilities. A lower debt (liability) to asset ratio generally indicates stronger financial health
- $\text{Total Liabilities} / \text{Total Assets}$

Sustainability Measures Continued....

Cash Flow:

- Indicates a schools change in cash balance from one period to another
- Cash flow fluctuations from year to year can have an impact on a school's financial health. A multi-year cumulative cash flow and current year cash flow that are positive is desired.
- Year 3 **Cash & Investment** – Year 1 **Cash & Investment**
 Year 3 **Cash & Investment** – Year 2 **Cash & Investment**
 Year 2 **Cash & Investment** – Year 1 **Cash & Investment**

Debt Service Coverage Ratio

- A schools ability to cover its debt obligations in the current year
- Based on current years net income, measures if principal and interest can be paid. Depreciation expense is added back in to net income because it is a non-cash transaction. Debt interest already made during year are also added back in because it is one of the expenses the school is trying to pay.
- $$\frac{\text{Net Income} + \text{Debt Service Interest} + \text{Depreciation Expense}}{\text{Debt Service Interest} + \text{Debt Service Principal} + \text{Debt Service Lease Payment}}$$