

# Monitoring Financial Performance

March 14, 2023



# Fiduciary Duties

A Fiduciary Duty is the **obligation** to act for **another's** benefit.

The Fiduciary is one whom another has placed the **utmost trust** and **confidence** to manage and protect interests, property, or money.

## Duty of Care

- Act in Good Faith
- Exercise Due Diligence
- Exercise care and skill of a reasonable, prudent person

## Duty of Loyalty

- Act in the Interest of:
  - The Charter School
  - its Students
  - the Public

## Duty of Obedience

- Ensure Actions Meet:
  - The Charter Contract
  - Applicable Rule and Law
  - Mission and Vision
  - Ethical Obligations

# Upholding Fiduciary Duties

## BOARDS (GOVERNANCE)

- Evaluate school and leader
- Set goals and create metrics for measurement
- Approve budget
- Create school policies
- Know local and state charter laws
- Fundraise for the school

Enact the  
school's  
mission and  
vision.

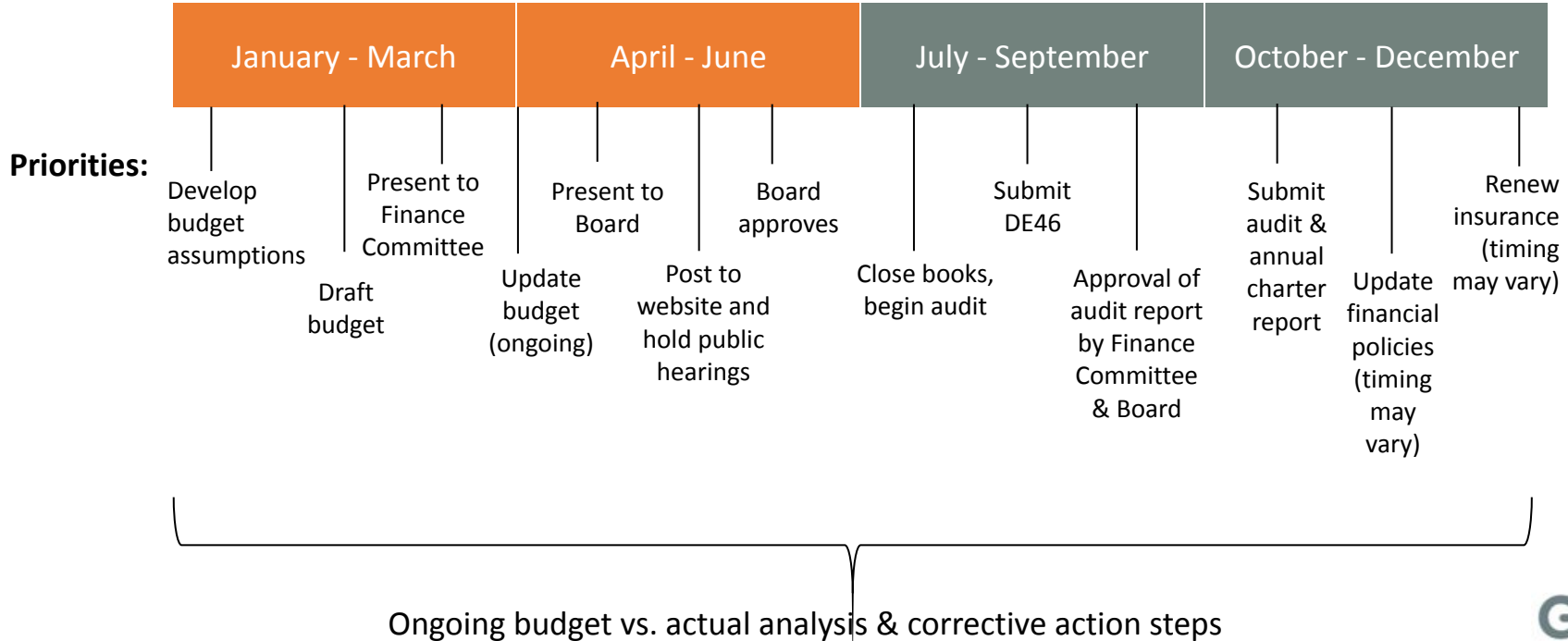
## LEADERS (MANAGEMENT)

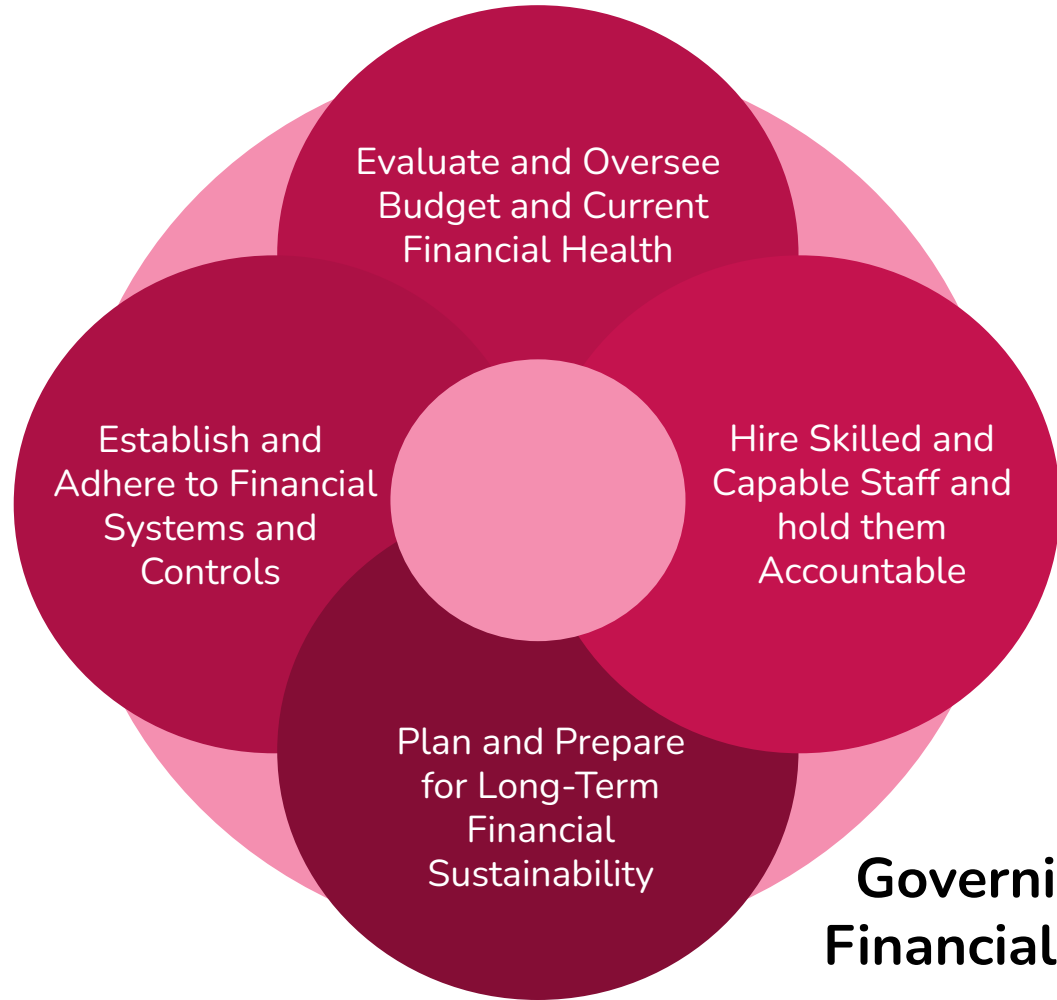
- Make curricular decisions
- Hire Staff
- Manage day-to-day affairs of the school
- Interact with the parents
- Report to the board
- Implement the board's suggestions and strategies

### [Starting Strong: Best Practices in Starting a Charter School](#)

Marisa Cannata, Grant Thomas, Zaia Thombre

# Financial Priorities Throughout the Year





## Governing Board Financial Oversight

# Ongoing Budget Management

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# Monitoring Your Budget

- **Adopted in Accordance with Law and School Policy (O.C.G.A. 20-2-167.1)**
- **Reviewing Monthly Reports:**
  - Budget to Actuals Variance
  - Cash Flow
  - Balance Sheets
- **Accuracy of Assumptions and Estimates**
- **Need for Credit or Fundraising**



# Monitoring Your Budget Monthly

- Monthly Financial Packet for Board May Contain: Income Statement, Balance Sheet, **Cash Flow Statement, Credit Card Register, Check Register, Budget Vs. Actual Analysis, Cash Flow Projections, Financial Analysis**
- Recommended focus on Budget vs. Actual Revenues, Expenses – identify areas for intervention, adjustments to spending plans, timing, hiring plans
- Consider also: Executive Director Credit Card Expenses for Approval (depending on financial policies)
- Dashboards – Enrollment, unrestricted days cash, authorizer/CPF indicators, enrollment, other strategic priorities
- Forecast Updates – Changes affecting bottom line from approved budget

# Monitoring Your Budget Annually: Budget Calendar

- Interim and Final Review and Submission Dates:**
  - Operating Budget**
  - DE046**
  - Audit**
  - Yearly/Quarterly Tax Filings**
  - Other (Debt Covenants; MOE Reporting)**
- Policy Review**
- Compliance Reports**
- Annual Account/Program Review**
  - TRS**
  - Benefits**

# From the State Charter Schools Commission



# Monitor Your Budget: Common Issues

Overestimating  
Funding

Underestimating  
Expenses

Including  
Donations as a  
Guaranteed Source  
of Revenue

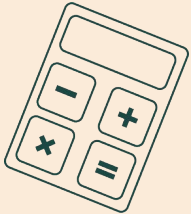
Budget Deficits  
w/o Deficit  
Reduction Plan

Negative Ending  
Cash Amounts



# Monitor Your Financial Performance

- Establish performance goals
  - Should align with the school's strategic goals
- Monitor monthly
  - Create a tool (or dashboard) to assess performance
  - Don't forget to align with SCSC Performance Framework
- Hold Staff Accountable



# Important Near-Term Financial Measures

- **Current Ratio:**
  - **Current Assets/Current Liabilities**
- **Unrestricted Days Cash**
  - **Unrestricted Cash/(Total Expenses/365)**
- **Annual Debt to Income**
  - **Annual Debt Service/Annual Revenue**
- **Credit Timeliness and STUDENT ENROLLMENT**

# Important Long-Term Financial Measures

- **Fund Balances**
- **Debt to Asset Ratio**
  - **Total Liabilities/Total Assets**
- **Efficiency Margin**
  - **Change in Net Assets/Total Revenues. Calculated over time**
- **Be Careful of Pension Liabilities**

## A Note on Fund Balances

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- School Districts are limited to 15% annual reserves (in theory).
- Your Students, Families, and Communities expect your revenue to be expended for public education.
- Adopt a policy regarding the planning and use of budget surplus and deficits.
- (Deficits should rarely be planned.)



## Where can you find this information?

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Indicator	Data Source
Near-Term Measures	School Audit Report: Governmental Funds-Balance Sheet School Audit Report: Statement of Revenues, Expenditures, and Changes in Fund Balance SCSC Annual Enrollment Projection Form GADOE: Data Collections, Student Enrollment by Grade Level School Audit Report: Notes
Sustainability Measures	School Audit Report: Statement of Activities/Change in Net Position and Audit Notes School Audit Report: Statement of Net Position

# Financial Monitoring: Staff Accountability

- Ensure CFO, Business Manager, Director of Operations, Bookkeeper, Data Coordinator are Skilled and Trained
- Consider Credit Checks for Key Staff
- Ensure Staff are Experienced
- Ensure Staff Receive Internal and External Training
- Address Noncompliance

# Financial Monitoring: Engaging Discussion

- **Why are revenues behind?**
  - Is this a timing issue or a true variance?
  - If true variance, what expenses will be cut (or revenues increased) to cover revenue the shortfall?
- **Why are expenses ahead?**
  - Is this a timing issue or a true variance?
  - If true variance, what expenses will be cut (or revenues increased) to cover revenue the shortfall?
- Do we have enough cash on hand to meet monthly expenses? How many months?
  - If not, what can we delay or not spend?
  - Are we up-to-date on grant drawdowns?
- **Have we met / are we on-track to meet enrollment targets?**
- If assessed today, how would we score on all authorizer financial indicators?
- Are accounts receivable asset accounts changing/decreasing month-to-month?
  - What type of monthly follow-up is happening?
  - Are there uncollectable amounts that need to be written off?
- Are accounts payable and payroll liability accounts changing/decreasing month-to-month?
  - Are we staying on top of bills and in good standing with vendors?
  - Are withholds from employee paychecks being remitted in a timely manner to taxing authorities, TRS, insurance companies, etc.?

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# Following School Policies

- **Failing to Follow Adopted Board Policies is FREQUENTLY found through state monitoring.**
- Establish a Culture of Compliance
- Review Monitoring Preparation, Findings, and Response
- Establish Compliance Log:
  - Activity, Date, Citation, Documentation
  - Review and Verify

# Long-Term Spending Plans

- **Ensure Budgets and Expenses Align to Long-Term Spending Plans**
- Long-term forecasting involves planning for multiples years (5 or more)
- Promotes efficient use of current resources
- Required for strategic planning, creditors, and donors.
- Allows you to predict break-even timeline

# Be Aware of Budget Amendments

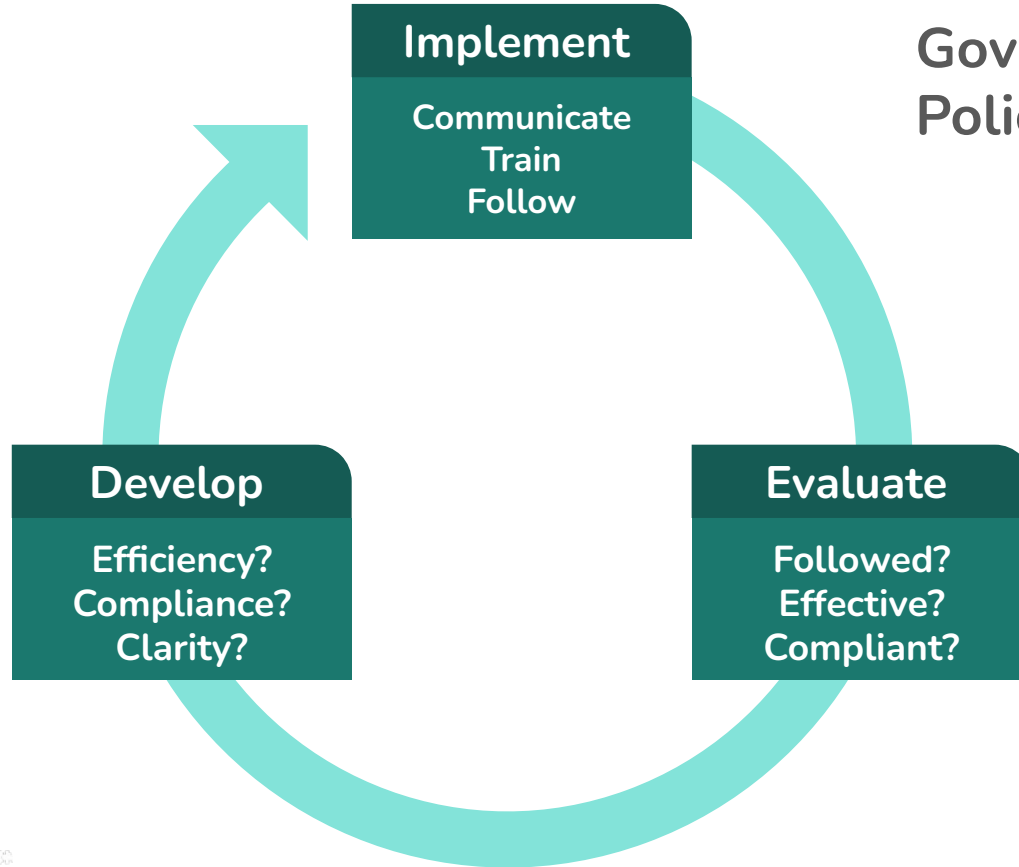
- **A pattern of budget amendments may indicate underlying problems.**
- Charter Funding depends on a lot of factors and can change during the year.
- Frequent changes to assumptions, estimates of revenue or expenses, or necessary staff is indicative of greater systemic issues.
  - Underlying Staff Experience, Capacity, Efficiency, Redundancy

# The Importance of Board Policies

- **Board Policies are Actions by that provide Clear Directives for the future.**
- **Policies:**
  - Direct Implementation of Mission, Vision, Charter
  - Ensure Actions and Application of Rules are Consistent
  - Promotes Compliance, Equity, and Confidence
  - Preserves Knowledge and Continuity
  - Mitigates Risk
- **Effective Policies are Clear, Specific, and Implemented**



# Governing Board Policy Cycle





Gregg Stevens

**VP of New School Development**

**Georgia Charter Schools Association**

**Office: 470.419.4128**

**Cell: 404.709.5926**