



UTAH ASSOCIATION OF
PUBLIC CHARTER SCHOOLS

Reading Financial Documents

How to get the most out of your budget reports

Why do Financial Statements Matter?

- Numbers tell a story
- Provide critical information about an organization's growth and trends
- Help you evaluate financial health
- Help you plan for the future
- Third parties require them to evaluate your organization (bonding/loans, foundation grants)
- Ensure your school is operating sustainably and can execute your educational model

Financial Responsibilities of a Charter School Board


- School Budget
- Safe Guarding of Public Funds
- Long Term Planning
- Charter School Accountability Framework
 - Finance component

School Budget

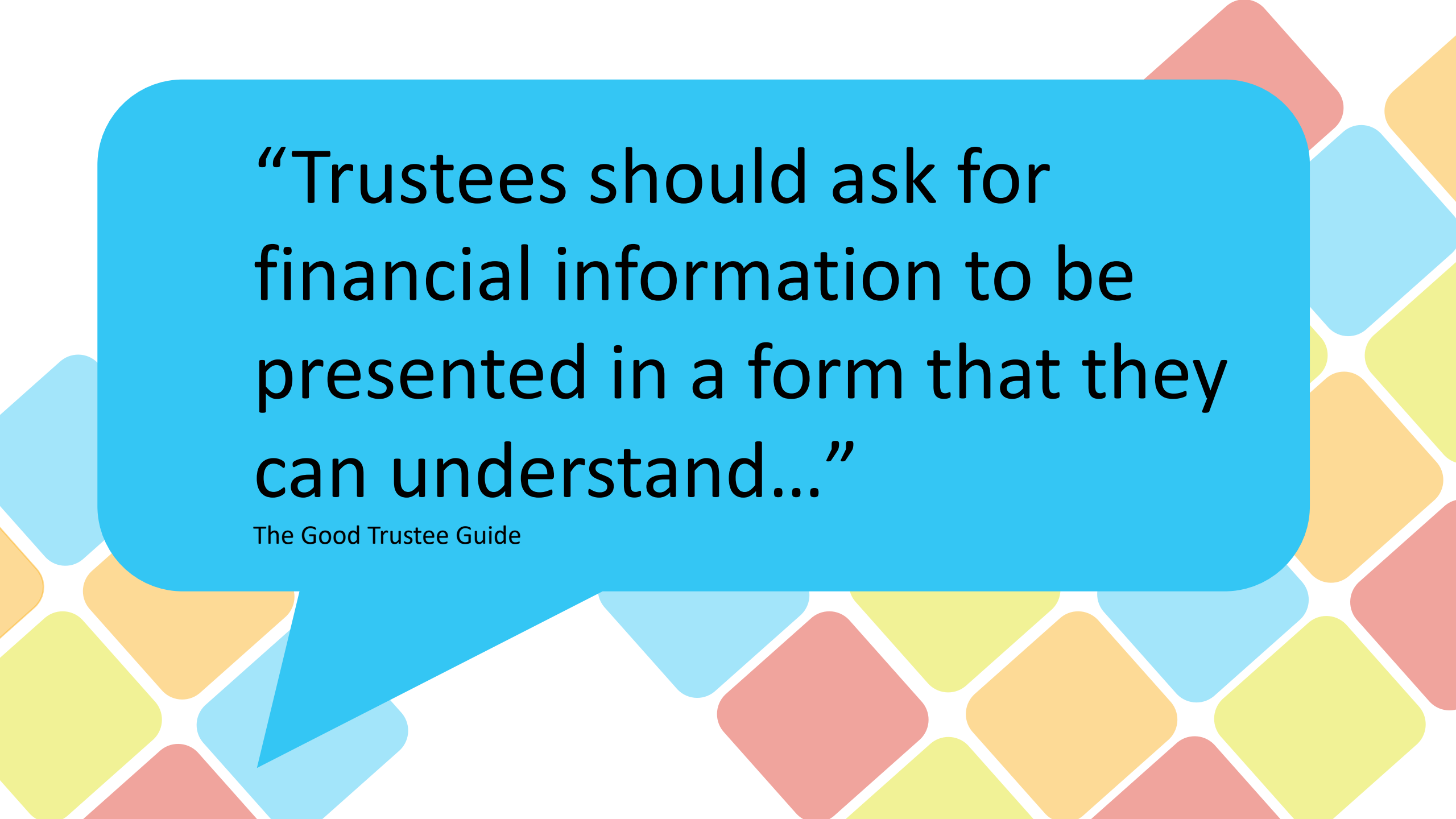
- Become familiar with and approve the **annual budget**
- Monitor and oversee the actual **budget monthly**
 - Amend the budget when needed
 - Restricted funds
 - Signing checks
 - Questions to ask
- Finance Committee-select members of the board to attend. They go over budget in more detail and report back to the full board.
- Ensure the school is spending its dollars on its mission and charter goals.

Questions to Ask

- Are we running a gain or loss?
- Are key expense under control?
- Do we have sufficient resources?
- Do we have an investment policy?
- Is cash flow adequate?
- Where are we compared to the budget?
- Is our financial plan consistent with our strategic plan?
- Are the staff satisfied and productive?



*Don't rely
on just one
source!*



“Trustees should ask for financial information to be presented in a form that they can understand...”

The Good Trustee Guide

Safe Guarding of Public Funds

- Annual Audit
 - Required each year and presented to the board
 - Audit Committee (board members only, admin and business manager NOT on this committee)
- A board member (usually treasurer) should review all bank statements
- As part of the Finance Committee, review periodically:
 - Where is our cash, and is the interest received competitive?
 - Is our Accounting Manual/Financial Policy up to date?
 - Are proper controls in place?
 - Contract and agreements, new accounts, etc.
 - Does the budget support the charter goals and key elements?
- Make sure school, board, admin, and staff are all adequately protected by an insurance policy.

Long Term Planning

- Long-term planning could be part of a “strategic planning committee” or done at a board retreat.
- A 3 to 5 year financial forecast that matches the school’s strategic goals is advised, typical items to consider:
 - Expansion of grades and/or students
 - Facility projects and expansions
 - Large program needs (new curriculum, books, technology)
 - Addition of programs (lunch program)
 - Purchase building (if leasing)

Charter School Accountability Framework

For school authorized by the Utah State Charter School Board, or for schools wanting to follow best practices, the following is required:

- Unrestricted days cash on hand—Maintain at least **30 days** unrestricted cash on hand.
- Maintain debt to asset ratio of ≤ 1
- Maintain a current ratio (current assets to current liabilities) of ≥ 1 with a positive trend
- Yearly audit has no audit findings

Financial Mistakes Charter Schools Often Make

1. Underestimating finance and operations responsibilities.
2. Hiring the wrong people.
3. Not defining roles clearly among your finance team, board finance committee and full board of trustees.
4. Underappreciating finance and operations staff.
5. Providing finance and operations staff with inadequate support or training.
6. Poorly communicating and integrating finance and operations staff into the rest of the school.
7. Severely underestimating start-up and/or annual financial audit needs.
8. Throwing money away by not implementing best practices and reflecting for improvement.
9. Not taking the time to thoroughly document internal controls.
10. Being reactive instead of proactive and inadvertently encouraging burnout.

Financial Mistakes Charter Schools Often Make

11. Making frequent errors with payroll that frustrate school staff.
12. Making inconsistent and late payments to vendors.
13. Being unaware of the school's actual cash balance.
14. Double dipping by using multiple funding sources to cover the same expense.
15. Having disorganized financial documentation.
16. Creating budget vs. actual reports without forecasts and/or not forecasting effectively.
17. Creating inaccurate budgets without input from school staff or thorough review before board approval.
18. Not implementing systems appropriate for the school's size and growth.
19. Creating reactive human resources policies instead of proactive.
20. Poorly managing relationships with service providers or not considering the use of service providers at all.
21. Improper use of SPED restricted funds
22. Inaccurate documentation of SPED funding.

Resources

- UAPCS Resource Library
- State Charter School Accountability Framework
 - https://docs.wixstatic.com/ugd/5c86f6_74e471a8d3e34572bfc98cffb8a34eb1.pdf (Overall)
 - https://docs.wixstatic.com/ugd/39fb0b_6a4d2e5596cd48379e2082c0d1120a28.pdf. (Details)
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