

Generation 17 Applicant Conference

Selected Business Plan Issues

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Resources

Financial Accountability System Resource Guide (FASRG) version 14

- ▶ Module 10 - Special Supplement - Charter Schools
- ▶ Module 11 - Special Supplement – Nonprofit Charter School Chart of Accounts

<http://www.tea.state.tx.us/index4.aspx?id=1222>

Resources

Student Attendance Accounting Handbook (SAAH)

<http://www.tea.state.tx.us/index4.aspx?id=7739>

11. a) Sources of Funding

- What funds will be used until the charter school is operational?

Applicant Checklist

- Attachment M. Documentation Verifying All Sources of Funding or a statement explaining that there are no sources of funds (General letters of support should NOT be included).

11. b) Current Assets of Sponsoring Entity

- Cash and cash equivalents
- Short-term investments
- Unconditional promises to give
- Accounts receivable
- Prepaid expenses

Will be converted to cash within one year

11. c) Current Liabilities of Sponsoring Entity

Accounts payable

Compensation

Payroll taxes

Refundable advances

Current portion of long-term debt

Due within one year

Start-Up Funding

- ▶ The start-up funding grant is not to be used for the budget process (Instruction 11(I) of the application).
- ▶ Please note that a successful applicant will be required to resubmit the budget if the grant is included for budgeting purposes.
- ▶ The SBOE committee will be informed that the grant was included and there is a potential for deficit operations.

Attachment J – Audit Report

- ▶ Most recent audit report

- ▶ If no audit report
 - Unaudited financial statements with notarized acknowledgement signed by chief executive officer and chief financial officer of sponsoring entity

or

 - Statement that sponsoring entity incorporated after January 1, 2010 and < \$5,000 in receipts and total assets

Unaudited Statement of Financial Position

- ▶ Reports amounts of the organization's assets, liabilities and net assets (fund balances) at a specified date. Previously known as the Balance Sheet
- ▶ Fixed assets include land, building, and equipment
- ▶ Long-term liabilities include long-term debt and mortgages
- ▶ Net assets represent the net of assets over liabilities
 - Restrictions are determined by the conditions which donors place on their contributions

Unaudited Statement of Activities

- ▶ Reports revenues, expenses, and the resulting change in net assets for the year.
- ▶ Changes are reported for each of the three classes of net assets
 - Unrestricted
 - Temporarily restricted
 - Permanently restricted
- ▶ Previously known as the Income Statement

Unaudited Statement of Cash Flows

- Reports how the organization's cash position changed during the year
- Not a check register

Attachment K – Credit Report

- ▶ If no credit report -
 - Statement that sponsoring entity incorporated after January 1, 2010 and < \$5,000 in receipts and total assets
- ▶ **If the sponsoring entity does not have a credit history, it should obtain correspondence from the credit reporting agency stating that there is insufficient information upon which to base a credit report. This is typical of start up organizations with little or no financial history.**

How do we obtain a credit report for our sponsoring entity?

Although there are other organizations, the following are reputable entities.

- Dun & Bradstreet - dnb.com/us
- Experian Business - experian.com
- Equifax Business - equifax.com
- Business Credit USA - businesscreditusa.com
- TransUnion - transunion.com

Attachment L – Form 990

- ▶ Most recently filed 990 or 990EZ
- ▶ Include Schedule A (required for a complete return)

Filing

In general, if gross receipts > \$25,000 or IRS correspondence requires filing

Due Date – 15th day of the 5th month after the organization's accounting year end

Statement of Explanation required if Form 990 or 990-N (e-Postcard) not available

Form 990-N (New)

- ▶ Beginning in 2008, small tax-exempt organizations that previously were not required to file an annual Form 990 may be required to file an annual electronic notice, Form 990, Electronic Notice (e-Postcard).
- ▶ The e-Postcard is due every year by the 15th day of the fifth month after the close of the tax year.
- ▶ The first e-Postcards were due in calendar year 2008.
- ▶ If 990 or 990EZ not filed, include the e-Postcard.

The Internal Revenue Service web-site indicates the following information will be requested.

- ▶ The e-Postcard will require you to provide the following information:
 - Organization's legal name;
 - Any other names your organization uses;
 - Organization's mailing address;
 - Organization's website address (if applicable);
 - Organization's employer identification number (EIN);

The Internal Revenue Service web-site indicates the following information will be requested. (continued)

- Name and address of a principal officer of your organization;
- Organization’s annual tax period;
- A statement that your organization’s annual gross receipts are still normally \$25,000 or less; and
- If applicable, a statement that your organization is terminating (going out-of-business).

Current Operations of Sponsoring Entity

- ▶ 11.i) describe how current non-charter operations relate to charter school
- ▶ 11.j) if plans for non-charter operations, how do they relate to charter school?
- ▶ 11.k) logistics – non-charter activities
 - physical location
 - separate administrative, business, financial, payroll, personnel & other records

Separate activities

- ▶ A charter holder is required to keep separate and distinct accounting, auditing, budgeting, reporting, and recordkeeping systems for the management and operation of the charter school.
- ▶ (1) Any business activities of a charter holder not directly related to the management and operation of the program described in the open-enrollment charter shall be kept in separate and distinct accounting, auditing, budgeting, reporting, and recordkeeping systems from those recording the business activities of the charter school.

Separate activities (continued)

- (2) Any commingling of charter and non-charter business in the accounting, auditing, budgeting, reporting, and recordkeeping systems of the charter school shall be a material charter violation.

TAC 100.1047(e) effective April 18, 2002

Start-up Budget

- Use the template – Attachment N
- **Sources of funding** – 11.m) and Attachment M – Verification of all non-governmental source of funding
 - Note: Federal Start-Up Grant Funds should not be used for budget purposes (11.l).

Start-up Budget (continued)

- **Revenues & Expenses** - each entry in the budget template must be supported with written calculations indicating how the amounts were derived
 - 3 teachers times \$30,000 = \$90,000 entered on line 6119

These written calculations should be attached following the printout of the completed start-up budget template.

First Year Budget

- Use the template – Attachment O
- Sources of funding – Attachment M
- Verification of all non-governmental source of funding
 - Note: Federal Start-up Grant Funds should not be used for budget purposes (11.I).

First Year Budget (continued)

- Revenues & Expenses - each entry in the budget template must be supported with written calculations indicating how the amounts were derived
 - 3 teachers times \$30,000 = \$90,000 entered on line 6119
- **These written calculations should be attached following the printout of the completed first year budget template.**

3 Columns for Budgets

- Permanent restrictions – property that may not be sold or assets required to be invested for income
- Temporary restrictions – expires after a time period or fulfilling the donor's request
- Unrestricted – for any school-related use

Kindergarten Funding

- ▶ The open-enrollment charter school (charter school) may offer either a half-day or full-day kindergarten program.
- ▶ The charter school is entitled to full-day funding for students enrolled in a full-day program (4 hours of instruction per day).
- ▶ Charter schools that offer half-day programs (2 hours of instruction per day) may not count students who attend both the morning and afternoon half-day sessions for eligible full-day attendance.

Funding

- ▶ An open-enrollment charter school may only receive funding for one-half day for an eligible student enrolled in a Prekindergarten Program. The Prekindergarten Expansion Grant is no longer available.

Financial Accounting System

Account Descriptions from Chart of Accounts

Account Descriptions from Chart of Accounts

- **6341 Food**

- This code is used to classify expenses for food, including related costs such as transportation, handling, processing, etc.

- **6342 Non-Food**

- This code is used to classify expenses for non-food items such as napkins, straws, brooms, etc.

Account Descriptions from Chart of Accounts

- **6343 Items for Sale**

- This code is used to classify expenses for such items as soft drinks, food, or other goods to be sold through vending machines, school stores, etc., not related to the regular food service program.

- **6344 USDA Donated Commodities**

- This code is used to classify the costs of commodities. Expenses in this account should agree with the revenue realized in account 5923, USDA Donated Commodities.

Facility Management

- If a site has been determined, provide information as requested
- If not determined, submit as soon as available. Include a statement in the application that the site has not been determined.

CAVEATS

- Consistency
- Proofing / Math checks (2nd set of eyes)
- Adaptation
- Completeness
- Research (Texas Education Code, Texas Administrative Code, Student Attendance Accounting Handbook)
- Documentation

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