Green Dot: Excel Public Charter School

2018-19 Financial Performance Report

by Washington State Charter School Commission

WASHINGTON STATE
Charter School Commission
STUDENTS • INNOVATION • TRANSPARENCY

SCHOOL OVERVIEW

Excel Public Charter School

N/A	
School Contact Information	N/A
School Website	https://wa.greendot.org/excel/
Neighborhood Location	Kent School District
Leadership	Andra Maughan
School Mission	To prepare all students to excel at four year colleges and to become leaders in their communities.
Education Program Terms & Design Elements	All middle school students will be enrolled in a technology focused course. All high school students will have access to technology and computer science focused courses. Students will experience effective teaching aligned to our teaching framework and multiple assessments to measure growth and inform instruction. Students will access the academic intervention, counseling and clinical services as necessary to break down the barriers to learning. All teachers will receive high quality professional development that includes focus on teaching and instruction, creating a college going culture, eliminating barriers to learning, and promoting leadership and life skills.
Grades Served	7-8
First Year of Operation	2016–17
Total Student Enrollment	161
Currently Operational	No

Student Demographics

STUDENT GROUPS	
Special Education	21%
Limited English	10%
Low Income	65%

GENDER	
Male	59%
Female	41%

RACE / ETHNICITY	
American Indian / Alaskan Native	1%
Asian	5%
Black / African American	40%
Hispanic / Latino of any race(s)	12%
Native Hawaiian / Other Pacific Islander	2%
Two or More Races	12%
White	29%

WHY A FINANCIAL FRAMEWORK?

The Financial Performance Framework is a reporting tool designed to assess the financial health and viability of charter schools annually.

The framework summarizes a charter school’s financial health while taking into account the school’s financial trends over a period of three years. The measures are designed to be complementary. No single measure gives a full picture of the financial situation of a school. Taken together, however, the measures provide a comprehensive assessment of the school's financial health and viability based on a school's historical trends, near-term financial situation, and future financial viability.

For each of the measures, targets are based on authorizer best practices, industry standards, and ratios that reflect the financial health of the school. The Commission will use data from the year-end audited financial statements for each school along with current financial data gathered through quarterly financial reports to calculate each measure. The calculations are based on *all funds* of the school and not just the general fund.

The Commission believes that the life stage of a school should be taken into consideration when reviewing the financial viability of schools. Therefore, some financial measures have two sets of targets. One set for schools in year 1 or 2 of operation and one set for schools in year 3 or beyond.

INDICATORS
1.a. Current Ratio (Near-Term)
1.b. Unrestricted Days Cash (Near-Term)
1.c. Debt Default (Near-Term)
2.a. Total Margin (Sustainability)
2.b. Debt to Asset Ratio (Sustainability)
2.c. Cash Flow (Sustainability)
Enrollment Variance (Informational)

RATINGS

The Financial Framework ratings are either **Meets Standard** or **Do Not Meet Standard**

MEETS STANDARD	DOES NOT MEET STANDARD
A **Meets Standard** rating indicates sound financial viability based on the overall financial records. The school may have already met the absolute Financial Performance Framework standard based on the financials under review, or, any concerns have been adequately addressed based on additional information such that the Commission concludes that performance indicates sound financial viability.	A **Does Not Meet Standard** rating means that based on the most current financial information (recent audited financials and most recent unaudited financials), the school is not meeting the standard, and/or concerns previously identified for heightened monitoring and/or intervention have not been adequately corrected and/or, if not currently manifested, have been of a depth or duration that warrants continued attention.

The overall rating of a school will document the Commission’s assessment of the school’s financial viability based on cumulative evidence from the quarterly reviews, State Auditor and independent audits, annual budgets, cash on hand, the financial performance framework, and/or more detailed examination of the school’s financial position, as needed.

Additionally, while the Commission provides oversight to charter schools, many of the state and federal fiscal accountability and reporting requirements will be monitored and/or audited by the Office of the Superintendent of Public Instruction (OSPI) and State Auditor’s Office (SAO) program staff.

AT A GLANCE

GREEN DOT: EXCEL PUBLIC CHARTER SCHOOL

INDICATOR	MEASURE	RATING
1. Near-Term	1.a. Current Ratio	DOES NOT MEET STANDARD
	1.b. Unrestricted Days Cash	DOES NOT MEET STANDARD
	1.c. Debt Default	MEETS STANDARD
2. Sustainability	2.a. Total Margin	DOES NOT MEET STANDARD
	2.b. Debt to Asset Ratio	DOES NOT MEET STANDARD
	2.c. Cash Flow	MEETS STANDARD
3. Informational Only	Enrollment Variance	DOES NOT MEET STANDARD

Audit Report

AT A GLANCE

GREEN DOT: EXCEL PUBLIC CHARTER SCHOOL

NEAR-TERM INDICATORS

1.A. CURRENT RATIO

DEFINITION: The current ratio depicts the relationship between a school's current assets and current liabilities.

OVERVIEW: The current ratio measures a school's ability to pay its obligations for the following twelve months. A current ratio of greater than 1.0 indicates that the school's current assets exceed its current liabilities, thus indicating the ability of a school to meet its current financial obligations. A ratio of less than 1.0 means that the school does not have sufficient current assets to cover its current liabilities and it is not in a satisfactory position to meet its financial obligations for the following 12 months.

SOURCE OF DATA: Audited balance sheet

5 YEAR CHARTER TERM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	2016–17	2017–18	2018–19	2019–20	2020–21
	11.2	3.56	0.7		

CURRENT YEAR TARGETS	MEETS STANDARD	**STAGE 1** (YEARS 1-2): Current Ratio is greater than or equal to 1.0 **STAGE 2** (YEARS 3 AND BEYOND): Current Ratio is greater than or equal to 1.1. OR CURRENT RATIO IS BETWEEN 1.0 AND 1.1 *AND* ONE-YEAR TREND IS POSITIVE (current year ratio is higher than last year's) OR **STAGES 1 AND 2:** Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.
	DOES NOT MEET STANDARD	**STAGES 1 AND 2:** Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.

GUIDELINES FOR TARGET LEVEL AND RATINGS: As a general rule of thumb, a school should have a current ratio of at least 1.0. A current ratio of greater than 1.0 indicates greater financial health, hence the greater than or equal to 1.1 to meet the standard in stage 2 of school operation. A current ratio of less than 0.9 is indicates financial health risk, based on common standards.

SCHOOL-SPECIFIC NARRATIVE: Green Dot: Excel Public Charter School (Green Dot Excel) did not meet the current ratio standard.

SCHOOL RESPONSE:

1.B. UNRESTRICTED DAYS CASH

DEFINITION: The unrestricted days cash on hand ratio indicates how many days a school can pay its expenses without another inflow of cash.

OVERVIEW: The unrestricted days cash ratio indicates whether or not a school has sufficient cash to meet its cash obligations. Depreciation expense is removed from the total expenses denominator because it is not a cash expense.

SOURCE OF DATA: Audited balance sheet and income statement. Note that if cash is restricted due to legislative requirements, donor restrictions, or others, the restriction should be listed in the audit.

5 YEAR CHARTER TERM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	2016–17	2017–18	2018–19	2019–20	2020–21
	24	108	19.9		

CURRENT YEAR TARGETS	MEETS STANDARD	**STAGE 1** (YEARS 1–2): 30 Days Cash **STAGE 2** (YEARS 3 AND BEYOND): 60 Days Cash **OR** Between 30 and 60 Days Cash and One-Year Trend is positive **OR** **STAGES 1 AND 2:** Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.
	DOES NOT MEET STANDARD	**STAGES 1 AND 2:** Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.

GUIDELINES FOR TARGET LEVEL AND RATINGS: At least one month's of operating expenses cash on hand is the standard minimum measure of the financial health of any organization. Due to the nature of charter school cash flow and sometimes irregular receipts of revenue, a 60-day threshold was set for stage-two schools to meet the standard. Schools which are showing a growing cash balance from prior years and have enough cash to pay at least one month's expenses are also financially stable. If a school has less than 15 days of cash on hand, the school will not be able to operate for more than a few weeks without another cash inflow and is at high risk for immediate financial difficulties.

SCHOOL-SPECIFIC NARRATIVE: Green Dot Excel did not meet the standard for unrestricted days cash on hand.

SCHOOL RESPONSE:

1.C. DEBT DEFAULT

DEFINITION: Debt default indicates if a school is not meeting its debt obligations or covenants.

OVERVIEW: This metric addresses whether or not a school is meeting its loan covenants and/or is delinquent with its debt service payments. Additionally, a school that is holding employee 403b contributions to aid cash flow could be considered in default. A school that cannot meet the terms of its loan may be in financial distress. Dependent on the debt environment, the Commission may consider a school in default only when it is not making payments on its debt, or when it is out of compliance with other requirements in its debt covenants. The Commission will have to monitor the debt environment to determine if violations of debt covenants should be considered qualifications for not meeting standards.

SOURCE OF DATA: Notes to the audited financial statements.

5 YEAR CHARTER TERM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	2016–17	2017–18	2018–19	2019–20	2020–21
	MEETS	MEETS	MEETS		

CURRENT YEAR TARGETS	MEETS STANDARD	**STAGE 1** (YEARS 1-2): School is not in default of loan convenant(s) and/or is not delinquent with debt service **STAGES 1 AND 2:** Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.
	DOES NOT MEET STANDARD	**STAGES 1 AND 2:** Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.

GUIDELINES FOR TARGET LEVEL AND RATINGS: Schools that are not meeting financial obligations, either through missed payments or violations of debt covenants, are at risk of financial distress.

SCHOOL-SPECIFIC NARRATIVE: There was no evidence that the school failed to meet its financial obligations or violated any debt covenants.

SCHOOL RESPONSE:

SUSTAINABILITY INDICATORS

2.A. TOTAL MARGIN AND AGGREGATED THREE-YEAR TOTAL MARGIN

DEFINITION: Total margin measures the deficit or surplus a school yields out of its total revenues; in other words, whether or not the school is living within its available resources.

OVERVIEW: The total margin measures if a school operates at a surplus (more total revenues than expenses) or a deficit (more total expenses than revenues) in a given period. The total margin is critical to track as schools cannot operate at deficits for a sustained period without risk of closure. Though the intent of a school is not to make money, it is essential for charters to build, rather than deplete, a reserve to support growth or sustain the school in an uncertain funding environment.

The aggregated three-year total margin helps measure the long-term financial stability of the school by smoothing the impact of single-year fluctuations on the single year total margin indicator. The performance of the school in the most recent year, however, is indicative of the sustainability of the school; thus the school must have a positive total margin in the most recent year to meet the standard.

SOURCE OF DATA: Three years of audited income statements

5 YEAR CHARTER TERM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	2016–17	2017–18	2018–19	2019–20	2020–21
	-0.07	-0.16	-0.2		

CURRENT YEAR TARGETS	MEETS STANDARD	**STAGE 1** (YEARS 1–2): Total Margin must be positive in both years **STAGE 2** (YEAR 3 AND BEYOND): Aggregated Three-Year Total Margin is positive and the most recent year Total Margin is positive OR, **AGGREGATED THREE-YEAR TOTAL MARGIN IS GREATER THAN -1.5%,** the trend is positive for the last two years, and the most recent Total Margin is positive OR, **STAGES 1 AND 2:** Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.
	DOES NOT MEET STANDARD	**STAGES 1 AND 2:** Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.

GUIDELINES FOR TARGET LEVEL AND RATINGS: General standard in any industry is that the total margin is positive, but organizations can make strategic choices to operate at a deficit for a year for an item of large capital expenditure or other planned expense. The targets are set to allow for flexibility over a three-year timeframe in the aggregate total margin but require a positive total margin for the current year to meet the standard. A margin in any year of less than -10 percent or an aggregate three-year total margin of less than -1.5 percent is an indicator of financial risk.

SCHOOL-SPECIFIC NARRATIVE: Green Dot Public Schools: Excel did not meet the standard for this indicator meaning that its current year total margin ratio was less than 0 (-0.2) and the school operated at a deficit.

SCHOOL RESPONSE:

2.B. DEBT TO ASSET RATIO

DEFINITION: The debt to asset ratio measures the amount of liabilities a school owes versus the assets they own; in other words, it measures the extent to which the school relies on borrowed funds to finance its operations.

OVERVIEW: The debt to asset ratio compares the school's liabilities to its assets. Simply put, the ratio demonstrates what a school owes against what it owns. A lower debt to asset ratio generally indicates stronger financial health.

SOURCE OF DATA: Audited balance sheet

5 YEAR CHARTER TERM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	2016–17	2017–18	2018–19	2019–20	2020–21
	1.0	1.31	2.29		

CURRENT YEAR TARGETS	MEETS STANDARD	**STAGES 1 AND 2:** Debt to Asset Ratio is less than 0.90 OR, **STAGES 1 AND 2:** Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.
	DOES NOT MEET STANDARD	**STAGES 1 AND 2:** Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.

GUIDELINES FOR TARGET LEVEL AND RATINGS: A debt to asset ratio greater than 1.0 is a generally accepted indicator of potential long-term financial issues, as the organization owes more than it owns, reflecting a risky financial position. A ratio of less than 0.9 indicates a financially healthy balance sheet, both in the assets and liabilities and the implied balance in the equity account.

SCHOOL-SPECIFIC NARRATIVE: Green Dot Excel did not meet the debt top asset ratio standard.

SCHOOL RESPONSE:

2.C. CASH FLOW

DEFINITION: The cash flow measure indicates a school's change in cash balance from one period to another.

OVERVIEW: Cash flow indicates the trend in the school's cash balance over a period of time. This measure is similar to days cash on hand but measures long-term financial stability. Since cash flow fluctuations from year to year it can have a long-term impact on a school's financial health, this metric assesses both three-year cumulative cash flow and annual cash flow. Similar to the total margin ratio, this measure is not intended to encourage amassing resources instead of deploying them to meet the mission of the schools, but rather to provide for stability in an uncertain funding environment.

SOURCE OF DATA: Three years of audited balance sheets

5 YEAR CHARTER TERM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	2016–17	2017–18	2018–19	2019–20	2020–21
	N/A	$1,338,795	$30,016		

CURRENT YEAR TARGETS	MEETS STANDARD	**STAGE 1** (YEAR 1): N/A **STAGE 1** (YEAR 2): Positive one-year cash flow **STAGE 2** (Year 3 and Beyond): Multi-Year Cumulative Cash Flow is positive and Cash Flow is positive for each year OR, **MULTI-YEAR AND MOST RECENT YEAR CASH FLOWS ARE POSITIVE** **OR,** **STAGES 1 AND 2:** Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.
	DOES NOT MEET STANDARD	**STAGES 1 AND 2:** Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.

GUIDELINES FOR TARGET LEVEL AND RATINGS: A positive cash flow over time generally indicates increasing financial health and sustainability of a charter school.

SCHOOL-SPECIFIC NARRATIVE: Green Dot Excel had a positive cashflow and met the standard.

SCHOOL RESPONSE:

INFORMATIONAL ONLY

ENROLLMENT VARIANCE (NEAR TERM INDICATOR)

DEFINITION: Enrollment variance indicates whether or not the school is meeting its enrollment projections. As enrollment often the key driver of revenue, the variance is essential to track the sufficiency of revenues generated to fund ongoing operations.

OVERVIEW: Enrollment variance indicates whether or not the school is meeting its enrollment projections. As enrollment is the key driver of revenue, the variance is essential to track the sufficiency of revenues generated to fund ongoing operations.

SOURCE OF DATA:

- Projected enrollment—F203 budget document submitted to the Office of the Superintendent of Public Instruction by July 10th of each year.
- Actual enrollment—Report 1251 summary of Full-Time Equivalent Enrollment as reported on Form P223 at the end of each school year.

5 YEAR CHARTER TERM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	2016–17	2017–18	2018–19	2019–20	2020–21
	72%	32.00%	57.5%		

CURRENT YEAR TARGETS	MEETS STANDARD	**STAGES 1 AND 2:** Enrollment Variance equals or exceeds 95% **STAGES 1 AND 2:** Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability.
	DOES NOT MEET STANDARD	**STAGES 1 AND 2:** Upon evidence from the performance framework, quarterly reports, notice of concerns, and investigation and review, the Commission identifies significant financial risk such that heightened monitoring and/or intervention are warranted.

GUIDELINES FOR TARGET LEVEL AND RATINGS: Enrollment variance less than 85 percent indicates that a significant amount of funding on which a school set its expense budget is no longer available, and thus the school is at a substantial financial risk. Schools that achieve at least 95 percent of projected enrollment generally have the operating funds necessary to meet all expenses, and thus are not at a significant risk of financial distress.

SCHOOL-SPECIFIC NARRATIVE: Green Dot Excel did not meet the standard for the Enrollment Variance indicator. Its end-of-year enrollment of 161 students was less than its budgeted enrollment of 280.

SCHOOL RESPONSE:

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