Green Dot Rainier Valley Leadership Academy

2018-19 ANNUAL FINANCIAL PERFORMANCE REPORT

by Washington State Charter School Commission

WASHINGTON STATE
Charter School Commission
Students • Innovation • Transparency

SCHOOL OVERVIEW

Green Dot Rainier Valley Leadership Academy

6020 Rainier Ave S, Seattle, WA 98118	
School Contact	(206) 659-0956
School Website	https://wa.greendot.org/rvla/
Neighborhood Location	Seattle School District
Leadership	School Leader: Walter Chen
School Mission	As with all Green Dot schools, the mission of the School is to prepare Students for high school, college, leadership and life by providing a small, college preparatory program where all stakeholders actively engage in the education process.
Education Program Terms & Design Elements	Teaching and Instruction: Students will experience effective teaching aligned to our teaching framework and multiple assessments to measure growth and inform instruction. College-going Culture: Students will experience college-going culture by participating in academic counseling, accessing college tours, and taking college preparatory core content. Eliminating Barriers to Learning: Students will access the academic intervention, counseling and clinical services as necessary to break down the barriers to learning. Promoting Leadership and Life Skills: Students will learn a broad set of tools to prepare them for college and beyond through student leadership opportunities, partnerships with community programs, and attending an Advisory program that will build students' academic behaviors and college awareness.
Grades Served	6-7, 9
First Year of Operation	2017–18
Total Student Enrollment	251 Students

Student Demographics

STUDENT GROUPS	
Special Education	18%
Limited English	19%
Low Income	62%

GENDER	
Male	47%
Female	53%

RACE / ETHNICITY	
American Indian / Alaskan Native	N/A
Asian	3%
Black / African American	76%
Hispanic / Latino of any race(s)	11%
Native Hawaiian / Other Pacific Islander	N/A
Two or More Races	8%
White	2%

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 Does 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 RAINIER VALLEY LEADERSHIP ACADEMY

INDICATOR	MEASURE	RATING
1. Near-Term	1.a. Current Ratio	MEETS STANDARD
	1.b. Unrestricted Days Cash	DOES NOT MEET STANDARD
	1.c. Debt Default	MEETS STANDARD
2. Sustainability	2.a. Total Margin	MEETS 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

METHODOLOGY

GREEN DOT RAINIER VALLEY LEADERSHIP ACADEMY

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
	2017–18	2018–19	2019–20	2020–21	2021–22
	7.38	1.0			

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 indicates financial health risk, based on common standards.

SCHOOL-SPECIFIC NARRATIVE: Green Dot Rainier Valley Leadership Academy (Green Dot RVLA) met the current ratio standard meaning that the school had current assets (cash or other assets that could be accessed in the following 12 months) that exceeded its current liabilities (debt obligations due in the following 12 months).

SCHOOL RESPONSE: A response was not provided by the school.

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
	2017–18	2018–19	2019–20	2020–21	2012–22
	108	11.2			

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 RVLA ended the year with 11.2 days cash on hand. Schools with less than 15 days cash on hand will not be able to operate for more than a few weeks without another cash inflow, and are at high risk of immediate financial difficulties.

SCHOOL RESPONSE: For operating efficiency, Green Dot Public Schools Washington State maintained one checking account which was used to write checks for RVLA, Destiny Middle School, Excel Public Charter School and Green Dot Public Schools Washington State regional office. RVLA, Destiny Middle School and Excel Public Charter School did not have individual bank accounts from which they wrote checks to pay their obligations. The cash balance in the Green Dot Public Schools Washington State checking account at year end was $2,889,828. As Green Dot Public Schools Washington State has no other operations, the sole purpose of the Green Dot Public Schools Washington State checking account was to support the mission of Green Dot Public Schools Washington State, RVLA, Destiny Middle School, and Excel Public Charter School. The Commission requires that the Green Dot Public Schools Washington State checking account balance be reported and attributed to the Green Dot Public Schools Washington State regional office 100%. None of funds in the Green Dot Public Schools Washington State checking account were used in calculating the Unrestricted Days Cash for RVLA, Destiny Middle School, or Excel Public Charter School. With the closing of Excel and Destiny, and there being no other Green Dot Public Schools Washington State charter schools, the balance of Green Dot Public Schools Washington State checking account ($2,889,828) becomes cash of RVLA in the next fiscal year, 2019-2020. The RVLA's Unrestricted Days Cash balance would be 198 days if one combines the RVLA's cash balance of $173,000 and Green Dot Public Schools Washington State checking account $2,889,828, well above the 60 days benchmark.

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
	2017–18	2018–19	2019–20	2020–21	2021–22
	MEETS	MEETS			

CURRENT YEAR TARGETS	MEETS STANDARD	**STAGE 1** (YEARS 1-2): School is not in default of loan covenant(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: A response was not provided by the school.

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
	2017–18	2018–19	2019–20	2020–21	2021–22
	-0.17	0.01			

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 RVLA met the standard for this indicator meaning that its current year total margin ratio was 0.01.

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
	2017–18	2018–19	2019–20	2020–21	2021–22
	0.95	1.44			

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 less than 0.9 indicate a financially healthy balance sheet, both in the assets and liabilities, and the implied balance in the equity account.

SCHOOL-SPECIFIC NARRATIVE: Green Dot RVLA did not meet the standard meaning that its total assets did not exceed its total liabilities.

SCHOOL RESPONSE:

The Commission report is 1.44. The debt to asset ratio we calculate is 0.98. See discussion in 1.B. UNRESTRICTED DAYS CASH regarding the Green Dot Public Schools Washington State bank account with $2,889,828. With the closing of Excel and Destiny, and there being no other Green Dot Public Schools Washington State charter schools, the balance of Green Dot Public Schools Washington State checking account ($2,889,828) becomes cash of RVLA. The RVLA's debt to asset ratio would be 0.17 if one combines the Green Dot Public Schools Washington State checking account $2,889,828 with RVLA's total assets of $589,322, well below the 0.90 benchmark.

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
	2017–18	2018–19	2019–20	2020–21	2021–22
	N/A	$ 173,000			

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.
	NOT APPLICABLE	The Cash Flow indicator requires two years of audited data to measure and is therefore "not applicable" following Year 1 (2017–18).

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: The Cash Flow indicator indicates a positive cash flow consistent with the standard.

SCHOOL RESPONSE:

Rainier Valley Leadership Academy's leadership team and Board are committed to increasing our schoolwide enrollment. Enrollment has continued to decline as a result of multiple factors: significant staff turnover including the leadership team and the transition from Green Dot Public Schools to becoming a stand alone community based school. In response to this data and the data from our last school year, the leadership team has taken many steps to adjust our budget to ensure financial sustainability. Enrollment is monitored on a daily, weekly and monthly basis to ensure that we are responding to any fiscal needs. The leadership team has undergone contingency budgeting and has reconfigured our 5 year enrollment projections to meet financial sustainability. Our operations team makes daily phone calls to scholars who are absent and our engagement team follows up to all families who dis-enroll to ensure we learn why families are dis-enrolling and reports back to the leadership team to provide feedback on any potential or necessary changes to our programming and structure.

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
	2017–18	2018–19	2019–20	2020–21	2021–22
	71.33%	71.9%			

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 RVLA did not meet the standard for the Enrollment Variance indicator. Its end-of-year enrollment of 251 students was less than its budgeted enrollment of 349.

SCHOOL RESPONSE: A response was not provided by the school.

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MAILING ADDRESS
P.O. Box 40996, Olympia,
WA 98504-0996

STREET ADDRESS
1068 Washington Street SE,
Olympia, WA 98501

PHONE
(360) 725-5511

EMAIL
charterschoolinfo@k12.wa.us

CHARTERSCHOOL.WA.GOV