



# Impact Public ★ Schools | Puget Sound Elementary

2018-19 ANNUAL FINANCIAL PERFORMANCE REPORT  
by Washington State Charter School Commission

# SCHOOL OVERVIEW

Impact Public Schools | Puget Sound Elementary



School Contact	(206) 712-7640
School Website	<a href="http://www.impactps.org/schools/impact-puget-sound-elementary">http://www.impactps.org/schools/impact-puget-sound-elementary</a>
Neighborhood Location	Tukwila School District
Leadership	School Leader:
School Mission	<p>The mission of Impact Public Schools is to prepare a diverse student population to succeed in college and impact communities as the next generation of equity-driven, innovative leaders.</p> <p>We make a broader impact on public education across Washington state by advocating for public policies that close the opportunity gap and provide all students their right to a high-quality education.</p>
Education Program Terms & Design Elements	<p>At Impact Public Schools, we know that excellent schools have the power to transform communities. We also know that the “factory model” of education is not working for the vast majority of students in America, particularly in economically-disadvantaged communities. The way we educate our youth must evolve to ensure that students are not constantly compared to an average. Instead, we must trust our students to develop the skills, habits, and mindsets required to succeed in a rapidly changing world. There has never been a more important time than now to boldly reimagine what’s possible for all students - especially those whose voices are currently marginalized - and to create our next generation of diverse leaders prepared to transform the 21st century</p>
Grades Served	K-1
First Year of Operation	2018–19
Total Student Enrollment	178 Students

## Student Demographics

### STUDENT GROUPS

Special Education	4%
English Language Learners	41%
Low Income	72%

### GENDER

Male	52%
Female	48%

### RACE / ETHNICITY

American Indian / Alaskan Native	N/A
Asian	7%
Black / African American	52%
Hispanic / Latino of any race(s)	17%
Native Hawaiian / Other Pacific Islander	N/A
Two or More Races	6%
White	18%

## 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
<p>A <b>Meets Standard</b> 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 WSCSC concludes that performance indicates sound financial viability.</p>	<p>A <b>Does Not Meet Standard</b> 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.</p>

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

## IMPACT | PUGET SOUND ELEMENTARY

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

[Audit Report](#)

# METHODOLOGY

## IMPACT | PUGET SOUND ELEMENTARY

### 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
	2018-19	2019-20	2020–22	2021–22	2022–23
	5.4				

CURRENT YEAR TARGETS	MEETS STANDARD	<p><b>STAGE 1 (YEARS 1-2):</b> Current Ratio is greater than or equal to 1.0</p> <p><b>STAGE 2 (YEARS 3 AND BEYOND):</b> Current Ratio is greater than or equal to 1.1.</p> <p><b>OR</b></p> <p>CURRENT RATIO IS BETWEEN 1.0 AND 1.1 AND ONE-YEAR TREND IS POSITIVE (current year ratio is higher than last year’s)</p> <p><b>OR</b></p> <p><b>STAGES 1 AND 2:</b> Any concerns have been adequately addressed based on additional information such that the WSCSC concludes that performance against the standard indicates sound financial viability.</p>
	DOES NOT MEET STANDARD	<p><b>STAGES 1 AND 2:</b> 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.</p>

**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 a indicates financial health risk, based on common standards.

**SCHOOL-SPECIFIC NARRATIVE:** Impact Public Schools | Puget Sound Elementary (Impact | PSE) met the current ration standard meaning that it had current assets that exceeded its current liabilities.

**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
	2018-19	2019-20	2020-22	2021-22	2022-23
	167				

CURRENT YEAR TARGETS	MEETS STANDARD	<p><b>STAGE 1 (YEARS 1-2):</b> 30 Days Cash</p> <p><b>STAGE 2 (YEARS 3 AND BEYOND):</b> 60 Days Cash</p> <p>OR</p> <p>Between 30 and 60 Days Cash and One-Year Trend is positive</p> <p>OR</p> <p><b>STAGES 1 AND 2:</b> Any concerns have been adequately addressed based on additional information such that the WSCSC concludes that performance against the standard indicates sound financial viability.</p>
	DOES NOT MEET STANDARD	<p><b>STAGES 1 AND 2:</b> 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.</p>

**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:** Impact | PSE ended the year with 167 days’ cash on hand. This measure means that, if payments to the school had stopped or been delayed past the end of the year, the school would have been able to operate for 167 days at its prevailing spending levels.



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
	2018-19	2019-20	2020-22	2021-22	2022-23
	MEETS				

CURRENT YEAR TARGETS	MEETS STANDARD	<p><b>STAGE 1 (YEARS 1-2):</b> School is not in default of loan covenant(s) and/or is not delinquent with debt service</p> <p><b>STAGES 1 AND 2:</b> Any concerns have been adequately addressed based on additional information such that the WSCSC concludes that performance against the standard indicates sound financial viability.</p>
	DOES NOT MEET STANDARD	<p><b>STAGES 1 AND 2:</b> 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.</p>

**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
	2018-19	2019-20	2020-22	2021-22	2022-23
	0.01				

CURRENT YEAR TARGETS	MEETS STANDARD	<p><b>STAGE 1 (YEARS 1-2):</b> Total Margin must be positive in both years</p> <p><b>STAGE 2 (YEAR 3 AND BEYOND):</b> Aggregated Three-Year Total Margin is positive, and the most recent year Total Margin is positive</p> <p>OR,</p> <p><b>AGGREGATED THREE-YEAR TOTAL MARGIN IS GREATER THAN -1.5%</b>, the trend is positive for the last two years, and the most recent Total Margin is positive</p> <p>OR,</p> <p><b>STAGES 1 AND 2:</b> Any concerns have been adequately addressed based on additional information such that the WSCSC concludes that performance against the standard indicates sound financial viability.</p>
	DOES NOT MEET STANDARD	<p><b>STAGES 1 AND 2:</b> 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.</p>

**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:** Impact | PSE met the standard meaning that the school's 2018-19 total margin ratio of 0.01 was greater than 0; thus, the school operated at a surplus.

**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
	2018-19	2019-20	2020–22	2021–22	2022–23
	0.90				

CURRENT YEAR TARGETS	MEETS STANDARD	<p><b>STAGES 1 AND 2:</b> Debt to Asset Ratio is less than 0.90</p> <p>OR,</p> <p><b>STAGES 1 AND 2:</b> Any concerns have been adequately addressed based on additional information such that the WSCSC concludes that performance against the standard indicates sound financial viability.</p>
	DOES NOT MEET STANDARD	<p><b>STAGES 1 AND 2:</b> 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.</p>

**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:** Impact | PSE had a debt to asset ratio of 0.09; thus meeting the standard— its total assets exceeded its total debts.

**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
	2018-19	2019-20	2020-22	2021-22	2022-23
	N/A				

CURRENT YEAR TARGETS	MEETS STANDARD	<p><b>STAGE 1 (YEAR 1):</b> N/A</p> <p><b>STAGE 1 (YEAR 2):</b> Positive one-year cash flow</p> <p><b>STAGE 2 (Year 3 and Beyond):</b> Multi-Year Cumulative Cash Flow is positive and Cash Flow is positive for each year</p> <p>OR,</p> <p><b>MULTI-YEAR AND MOST RECENT YEAR CASH FLOWS ARE POSITIVE</b></p> <p>OR,</p> <p><b>STAGES 1 AND 2:</b> Any concerns have been adequately addressed based on additional information such that the WSCSC concludes that performance against the standard indicates sound financial viability.</p>
	DOES NOT MEET STANDARD	<p><b>STAGES 1 AND 2:</b> 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.</p>
	NOT APPLICABLE	<p>The Cash Flow indicator requires two years of audited data to measure and is therefore “not applicable” following Year 1 (2017–18).</p>

**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:** This metric is not applicable for schools after their first year.

# 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 10<sup>th</sup> 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
	2018-19	2019-20	2020–22	2021–22	2022–23
	106%				

CURRENT YEAR TARGETS	MEETS STANDARD	<p><b>STAGES 1 AND 2:</b> Enrollment Variance equals or exceeds 95%</p> <p><b>STAGES 1 AND 2:</b> Any concerns have been adequately addressed based on additional information such that the WSCSC concludes that performance against the standard indicates sound financial viability.</p>
	DOES NOT MEET STANDARD	<p><b>STAGES 1 AND 2:</b> 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.</p>

**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:** Impact | PSE met the standard for the enrollment variance indicator. They budgeted for an enrollment at 168 and ended the year with 10 more students than budgeted.

**SCHOOL RESPONSE:**



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