Rainier Valley Leadership Academy

2019-20 ANNUAL FINANCIAL PERFORMANCE REPORT

by Washington State Charter School Commission

WASHINGTON STATE
Charter School Commission
Students • Innovation • Transparency

SCHOOL OVERVIEW

Rainier Valley Leadership Academy

6020 Rainier Avenue South, Seattle, WA 98118	
School Contact Information	206-659-0956
School Website	https://myrvla.org/
Neighborhood Location Leadership	Seattle School District Baionne Coleman
School Mission	RVLA's mission 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	6-10
First Year of Operation	2017-18
Total Student Enrollment	320

Student Demographics

STUDENT GROUPS

Special Education	18%
Limited English	21%
Low Income	75%

GENDER

Male	47%
Female	53%

RACE / ETHNICITY

American Indian / Alaskan Native	N/A
Asian	2%
Black / African American	76%
Hispanic / Latino of any race(s)	11%
Native Hawaiian / Other Pacific Islander	1%
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.

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)

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.

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

RAINIER VALLEY LEADERSHIP ACADEMY

INDICATOR	MEASURE	RATING
1. NEAR-TERM	1.a. Current Ratio	MEETS STANDARD
	1.b. Unrestricted Days Cash	MEET 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	MEETS STANDARD
3. INFORMATIONAL ONLY	Enrollment Variance	DOES NOT MEET STANDARD

METHODOLOGY
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	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. 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: 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: RVLA is projected to continue to maintain and improve its current ratio.

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	2021–22
	108	11.2	146.4		

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: RVLA ended the year with a 146.4 days cash on hand.

SCHOOL RESPONSE: RVLA is projected to continue to maintain and improve its unrestricted days of cash. The school would like the commission to note the significant increase in unrestricted days of cash.

Furthermore, the school would like to add that current projections show the school maintaining and increasing unrestricted days of cash for the foreseeable future.

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	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 loan covenants or service its debts.

SCHOOL RESPONSE: RVLA is projected to improve its debt default standard.

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	0.0		

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: Any concerns have been adequately addressed based on additional information such that the Commission concludes that performance against the standard indicates sound financial viability. RVLA met the standard for this indicator meaning that its current year total margin ratio was 0.0.

SCHOOL RESPONSE: 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.

RVLA in SY 19-20, is at a pivotal phase in the school history. With the recent closures of the two sister schools (Destiny and Excel) and as a regional affiliate of Green Dot Public Schools National many obligations to maintain this status greatly impacted the total margin for RVLA.

RVLA was the sole remaining entity post school closures necessitating that the school take on and encumber all financial obligations for the closing schools and home office while the school transitioned into independence. This required that RVLA manage and support home office staff, encumber financial obligations for the school closures, facilitate and cover any outstanding debt held by Destiny and Excel. Furthermore, RVLA used SY 19-20 to transition from the larger Green Dot network. The school's transition to independence required internal support for all services that were previously covered by Green Dot National to be housed internally or contracted with local third parties. This required a transition from one school information system to a new school information system, development and hiring new staff, new leadership onboarding for compliance, financial back office supports, leadership compliance training and handoff, supporting in house curriculum purchases, IT needs, and many other essential areas to ensure the school had the knowledge base, platforms and long term contracts with companies. This required the school to pay additional onboarding fees with new contracts, new contract fees with the loss of network affiliation and cancellation and penalty fees for contracts that were no longer in use or feasible given the size of the school versus the size of the regional operations of four separate schools.

As a result the existing affiliation of the Green Dot Public Schools network impacted the total margin for a young school. Despite these facts the school has made several strides towards a more positive financial outlook. In the 20-21 school year RVLA has a budget of 125 scholars. The school has maintained consistent enrollment at 165 allowing for significant cost savings. Included in the budgeting process, which was led by a collaborative community approach, there were significant adjustments and an overall conservative budgeting approach to allow for the school to adjust enrollment while COVID-19 uncertainty remains. For SY 21-22 RVLA is taking the same approach of overly conservative budgeting and cost cutting efforts for the next three years to ensure that the school reaches sustainability. In addition, the board and school staff are in close collaboration for boosting unrestricted philanthropic giving to ensure that the schools total margin will meet standard and support the school until it reaches sustainability.

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	0.90		

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 Commissionconcludes 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: The Commission concludes that the school's performance indicates sound financial viability based on additional information that RVLA has provided to the Commission. Any concerns have been adequately addressed by RVLA. The school received a Meets Standard.

SCHOOL RESPONSE: RVLA achieved a debt to asset ratio of 0.90 which puts it on the line for meeting standard but the official requirement is to be below 0.90. With the reduction of obligations from Destiny and Excel and the lean operations of the standalone charter, RVLA is seeking to meet standards in this area for future school years.

Additionally, RVLA would like to note that significant improvement from 18-19 to 19-20 support the efforts the school has made to have lean operations. In addition, in future years RVLA will be responsible for the physical facility of RVLA only. Based on the current audited financials for SY 19-20 RVLA will continue to see a reduction in its annual deficit and a decrease in its annual debt.

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	$ 173,00	$3,013,306		

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: RVLA is proud to show that is has positive cash flow. The school will continue to maintain, fundraise and grant write to ensure that the school can cover any expenses and supplement costs until sustainability is reached. Furthermore, the school hopes the commission and others recognize the significant increase in cash flow from year 2 to year 3 and note that the school is on target to maintain this same level of cash flow for year 4.

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
	731.%	71.9%	71.5%		

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: RVLA did not meet the standard for the Enrollment Variance indicator. Its end-of-year enrollment of 257.7 students was less than its budgeted enrollment of 360.

SCHOOL RESPONSE: As an emerging entity a part of the Green Dot Public Schools network, RVLA had enrollment metrics based upon a regional model. This required RVLA to stretch its reach and capacity based upon that model. RVLA showed strong enrollment (in excess of 360 scholars) and application completion prior to the announcement of school closures for SY 19-20. However, with the knowledge of sister school closures, more than 90% of school staff deciding to leave the school due to the school closures, an almost entirely new staff and school leadership being hired over the summer there were significant impacts to scholar enrollment during the beginning of SY 19-20. Amongst many of those changes there were also programmatic modifications requested from the community, scheduled adjustments based on teacher and staff ability and cultural adjustments required to accommodate a major culture shift in the school. The amount of change in a short period of time, the impact of school cultures lurking in the background significantly impacted enrollment in SY 19-20. In current enrollment projections RVLA has seen sustained enrollment from the beginning of the year to current date with little to no enrollment movement. As a school the focus has been to build strong lasting relationships with families to ensure that retention of scholars from one year to the next is sustained and that the annual enrollment variance meets standards for future years. In addition, the former model for enrollment was to overbid and try to fill spots at the last minute. RVLA as a standalone has really shifted from creating enrollment targets that are not aligned with current enrollment and school climate. It is paramount to RVLA staff and the greater school community to build a strong school culture that promotes scholar safety, achievement and leadership. The school understands that in order to turnaround a school this will be a long term project that typically takes 3-5 years in middle and high schools. RVLA has updated enrollment projects to reflect a realistic growth plan that supports retention of scholars and staff to ensure that enrollment can be consistent from the beginning of the year to end.

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