

Treasurer Financial Report

November 12, 2018

Nathan Alley, Lincoln Academy Board Treasurer

*Finance Committee: (Staff) Janelle Johnson, Cindie Poulter,
Larisa Rogers, Jeanne Coyle*

(Parents) Jeff Baucum, Trey Johnson

• 2018-2019 Budget Notes

Expenses

- The second round of bonuses will go out in December, per prior board decisions. The bonus has been qualified as PERA eligible which means we will expense the benefit, as per the budget. The June payment did not qualify for PERA, so we did not have that expense.
- The projected margin remains at a loss, although that number has reduced some, of \$275k mainly because of the fire alarm.

Revenues

- Workman's compensation adjustment has given us a net income of \$2,300. The adjustment could be related to salary changes, but insurance adjusters do not give away their formulas.
- Budget adjustments from the October student count will be available in December. The numbers are higher than previously estimated, but only by a fractional amount.

Lincoln Academy is currently on budget with no major concerns at this time.

There are a number of financial events that have yet to occur this school year, but it is my opinion that the school is in a very good financial position to cover any impending need. Nevertheless, we must maintain a conservative financial outlook, as the available resources do not come close to covering the potential needs in the future. (see opportunities list)

The Finance committee continues to analyze the Financial Conditions and Activities (Board Policies). The intent is to re-state unclear or cumbersome policies in light of current operational strategies. Here are the discussion points:

- The board sets the trajectory of the budget with the strategic plan**
- The strategic plan is the defining document that dictates the scope of the budget**
- Non-budgeted items should come to the board's attention**
- The anticipation of future needs vs. handling surprise costs**
- Communication needs to be a priority**
- Guidelines need to be in place as a covering for Janelle's support and as a buffer.**
- All financial decisions must be kept in focus of what is best for the good of the school, in alignment with the strategic plan.**

I recommend that the board of directors allows the Administration to continue normal operations, under the approved budget (approved in June, 2018) without any adjustments.

2017-2018 Audit Analysis

The annual financial audit is complete and finalized. The CPA has given a standard statement of “fair.” While this is not a flattering title, there is not a better grade to earn. Fair is the best one can hope to achieve in a financial audit.

While it may appear from the audit’s Statement of Net Position (pg 1) that the school reduced its net position by a staggering \$6.85 million from the prior year, one should note that this number is impacted by the Colorado Governmental Accounting Standards Board Statement No. 68 (GASB No. 68) to record Unfunded Pension Liabilities. This negative position is based on the amount of total pension liabilities that Lincoln Academy has paid (\$22 million), and how much money the State of Colorado has available in cash to support that pension balance. The adjustment is made, principally, on paper and DOES NOT REFLECT the actual cash position of Lincoln Academy.

The reality of the cash position and total assets, as one could see on pg 15, is that the school has increased its total asset position by \$348k, which includes the addition of a facilities vehicle and \$40k in building improvements. As well, on pg 3, the total available cash (fund balance) is \$2.8 million, which is up from \$2.6 in the prior year.

The organization is healthy and continuing to improve, but the oddity of the regulation makes the audit less helpful as an evaluative tool.

2018-2019 Budget & 5-Year Projections

LINCOLN ACADEMY CHARTER SCHOOL

5 Year Plan 2018 - 2023

DRAFT BASED ON BUDGETING 9/7/2018

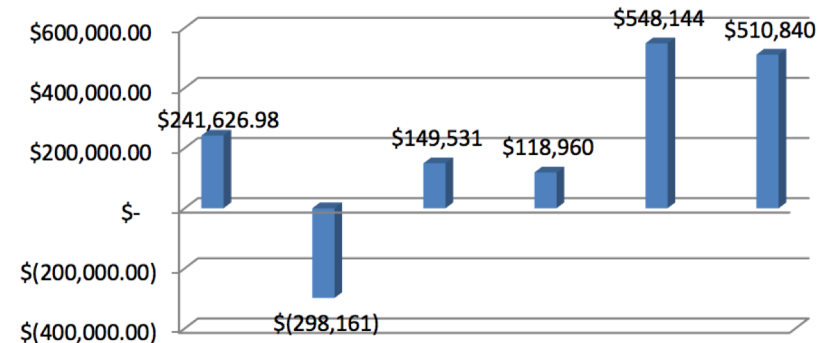
Prior Year 2017-18	Current 2018-19	2019-20	2020-21	2021-22	2022-23	
Actuals	1	2	3	4	5	NOTES

EXECUTIVE SUMMARY

STUDENT ONE DAY COUNT	690.0	699.0	721.0	719.0	719.0	719.0
PPR	\$ 7,473.15	\$ 7,945	\$ 8,199	\$ 8,461	\$ 8,732	\$ 9,011
Operating Debt Ratio (<18% of Rev)	11.2%	10.6%	12.2%	11.8%	5.8%	5.6%
Debt Service Coverage (>1.0; 1.1 better)	1.31	0.61	1.16	1.13	2.18	2.10
Unrestricted Cash as % of Exp (8% < 17%)	32.6%	23.5%	25.3%	26.0%	34.6%	39.9%
Days Unrestricted Cash on Hand (>40)	148	119	122	125	156	175
REVENUE OVER EXPENSES	\$ 241,626.98	\$ (298,161)	\$ 149,531	\$ 118,960	\$ 548,144	\$ 510,840
Operating Margin	3.5%	-4.1%	1.9%	1.5%	6.8%	6.2%

- 2018-2019 Projecting a loss of \$275k
 - \$375k for Fire Alarms upgrade
- 2019-2020 is the final year of classroom growth. Student increases will level out after that
- 2020-2021 is the final year of payments for the temporary building.
- Operating margins are projected to decline year-over-year at the rate of .5%

Operating Margin per Year



Annual Budgeted P&L

	Prior Year 2017-18	Current 2018-19	2019-20	2020-21	2021-22	2022-23	
	Actuals	1	2	3	4	5	NOTES
REVENUES	\$ 6,884,508	\$ 7,329,793	\$ 7,714,358	\$ 7,868,029	\$ 8,048,122	\$ 8,234,664	
SALARIES	\$ 3,564,137	\$ 3,838,913	\$ 3,862,116	\$ 3,995,244	\$ 4,135,315	\$ 4,282,519	
BENEFITS	\$ 858,186	\$ 1,071,433	\$ 1,037,262	\$ 1,083,005	\$ 1,131,312	\$ 1,182,290	
TOTAL BENEFITS AND SALARY	\$ 4,422,323	\$ 4,910,346	\$ 4,899,378	\$ 5,078,248	\$ 5,266,627	\$ 5,464,809	
PURCHASE SERVICES	\$ 1,908,908	\$ 2,048,515	\$ 2,278,235	\$ 2,277,363	\$ 1,833,524	\$ 1,852,690	
CAPITAL OUTLAY	\$ 52,856	\$ 375,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	
TOTAL EXPENDITURES	\$ 6,642,881	\$ 7,627,954	\$ 7,564,827	\$ 7,749,069	\$ 7,499,979	\$ 7,723,824	
REVENUE OVER EXPENSES	\$ 241,627	\$ (298,161)	\$ 149,531	\$ 118,960	\$ 548,144	\$ 510,840	
CARRY FORWARD	\$ 2,887,031	\$ 2,588,870	\$ 2,738,402	\$ 2,857,361	\$ 3,405,505	\$ 3,916,345	

			Future Year Projections			
Fiscal Metrics	Actuals	Current Year Projection	Year 2	Year 3	Year 4	Year 5
Tabor Reserve Requirement	\$ 206,535	\$ 219,894	\$ 231,431	\$ 236,041	\$ 241,444	\$ 247,040
Bond Cash Reserve Requirement	\$ 754,467	\$ 803,265	\$ 845,409	\$ 862,250	\$ 881,986	\$ 902,429
Unrestricted Operating Funds (Reserves)	\$ 1,926,029	\$ 1,565,711	\$ 1,661,562	\$ 1,759,071	\$ 2,282,075	\$ 2,766,876
Expense cost per day	\$ 18,055	\$ 19,871	\$ 20,520	\$ 21,025	\$ 20,342	\$ 20,956
REVENUE	103.6%	96.1%	102.0%	101.5%	107.3%	106.6%
Salaries	52%	52%	50%	51%	51%	52%
Benefits	12%	15%	13%	14%	14%	14%
PURCHASE SERVICES	28%	28%	30%	29%	23%	22%
MATERIAL AND SUPPLIES	4%	4%	4%	4%	4%	4%
CAPITAL OUTLAY	1%	5%	1%	1%	1%	1%
Total Revenue per Student	\$ 9,978	\$ 10,486	\$ 10,700	\$ 10,943	\$ 11,193	\$ 11,453
Total Expense per Student	\$ 9,627	\$ 10,913	\$ 10,492	\$ 10,778	\$ 10,431	\$ 10,742
Salaries as % of Total Expenses	53.7%	50.3%	51.1%	51.6%	55.1%	55.4%
Debt costs	\$ 774,249	\$ 774,249	\$ 942,249	\$ 925,637	\$ 463,128	\$ 463,128
Debt cost as % of Revenue	11.2%	10.6%	12.2%	11.8%	5.8%	5.6%
Building costs	\$ 213,943	\$ 321,478	\$ 328,545	\$ 333,257	\$ 338,273	\$ 343,388
Facility and Debt costs as % of Revenue	14%	15%	16%	16%	10%	10%