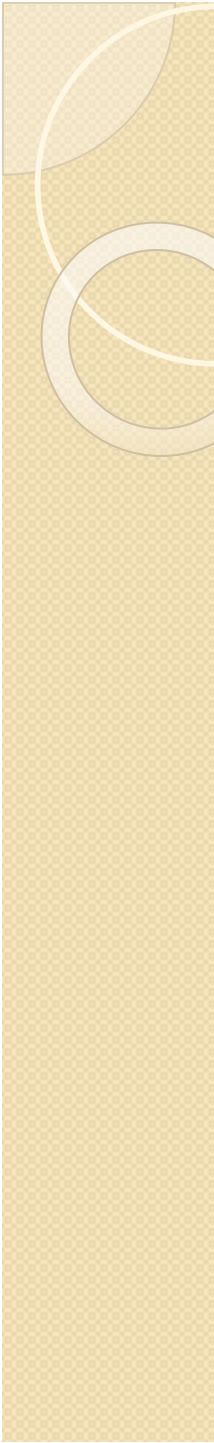


Lincoln Academy Board of Directors

2016-17 Forecast Finance Committee Summary

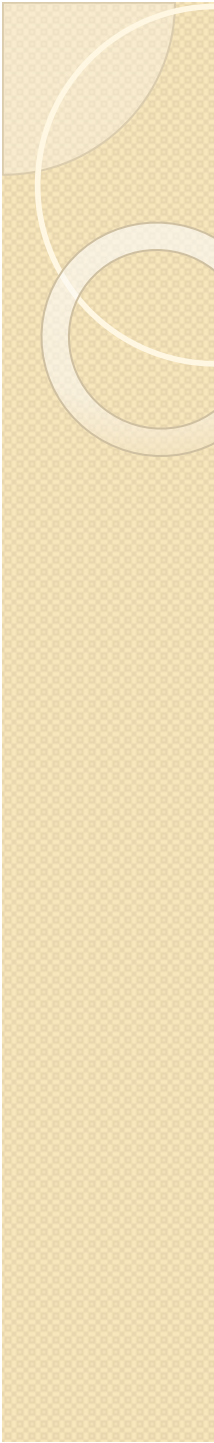
The Mission of Lincoln Academy is to help students attain their highest social and academic potential through an academically rigorous, content-rich educational program in a safe, orderly, and caring environment.





Introduction to Finance Committee

- Jeff Baucum; Board of Directors – Treasurer (parent)
● jeffbaucum@lincolnacademy.net
- Janelle Johnson; Principal
- Cindie Poulter; Business Manager
- Nathan Alley – Member at large (parent)
- Rohe Eshbaugh - Member at Large (parent)
- Jeanne Coyle – DSS Director (consultant)



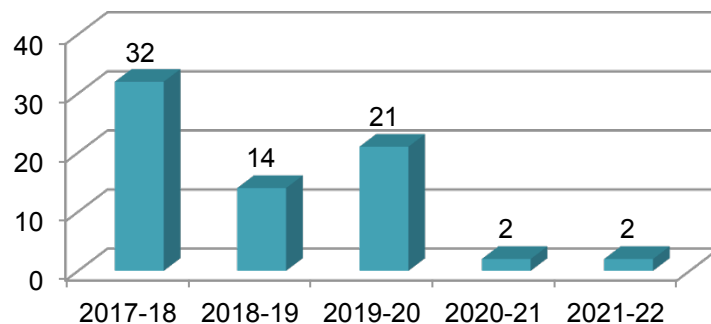
Purpose

- To provide to the Board of Directors a projected budget for 2017-18 via the 5 year forecast for consideration.
- Give input on proposed budget

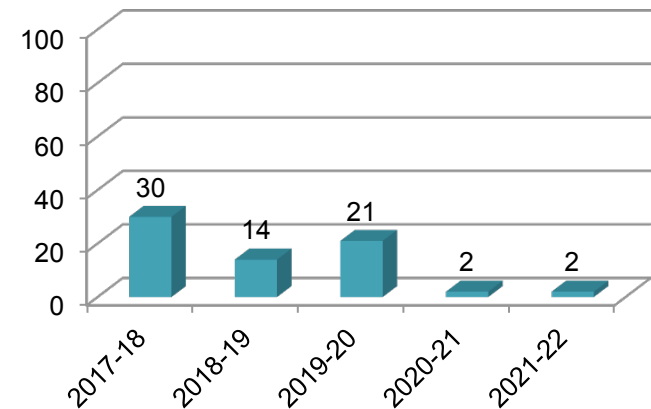
Primary Model Assumption

- Student Growth: Growth will occur naturally through Kindergarten as the expanded class sizes move into the higher grade with final FTE count of 755.
- Only student attrition of one (1) is built into the budget for grade levels 7th and 8th. Historical trends have been 6-8 patient before 2016-17 which saw a smaller decrease.

Student Growth per Year

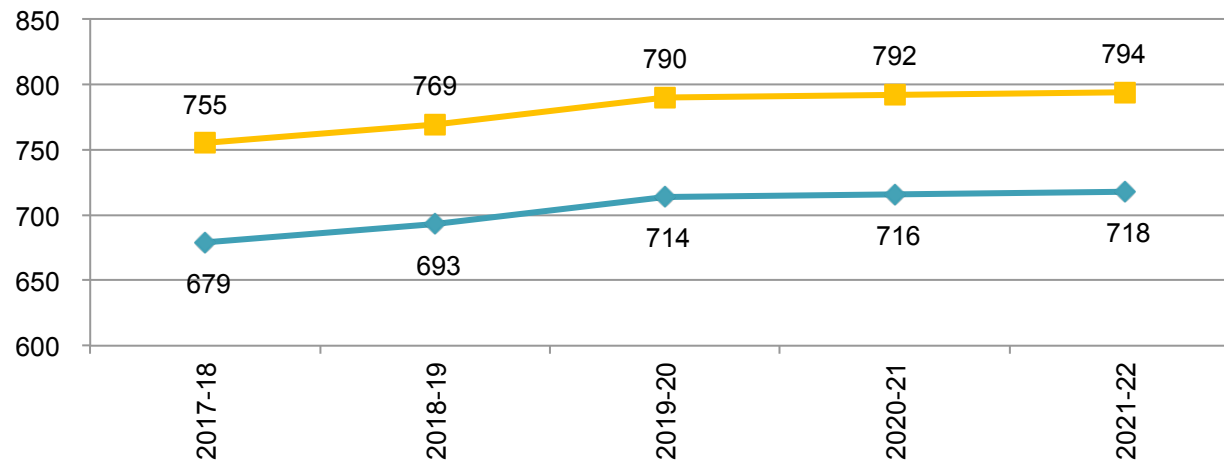


FTE Growth per Year



Total Students

Students



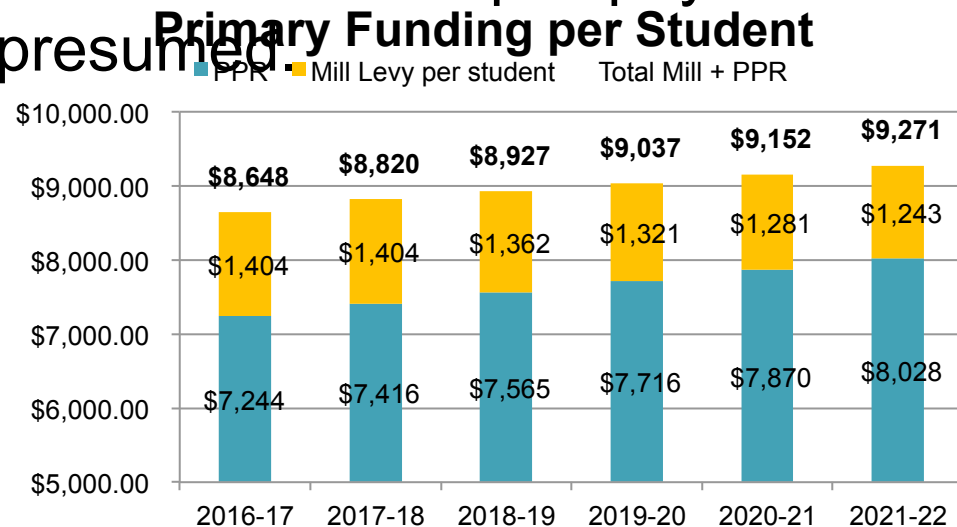
Lincoln will see the end of the plan student growth during the 2019-20 school year. After that year, revenues will be dependent on PPR and Mill Levy adjustments by the state and district.

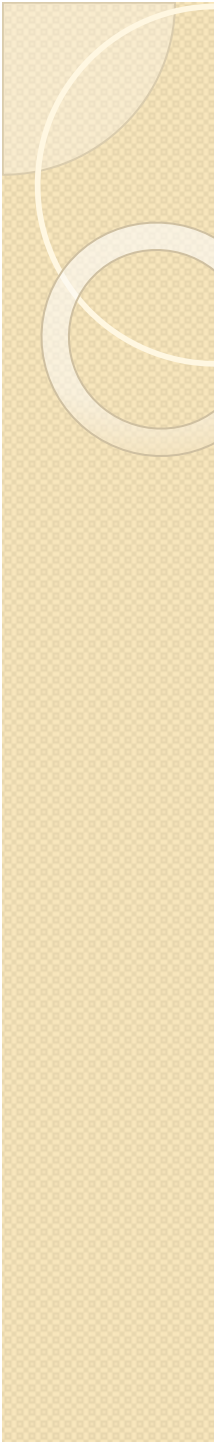
Primary Model Assumption

- Per Pupil Revenue (PPR) Growth: Year 1: 2.4%; Year 2-5: 2.0%.

● Note the 2.4% is based on expected full PPR payment for 17-18

- Mill levy is projected at \$1,404 per student for 2017-18; Rate decreases each subsequent year by 3% to account for growing student and charter student populations. Continue equal payments from Jeffco are presumed.





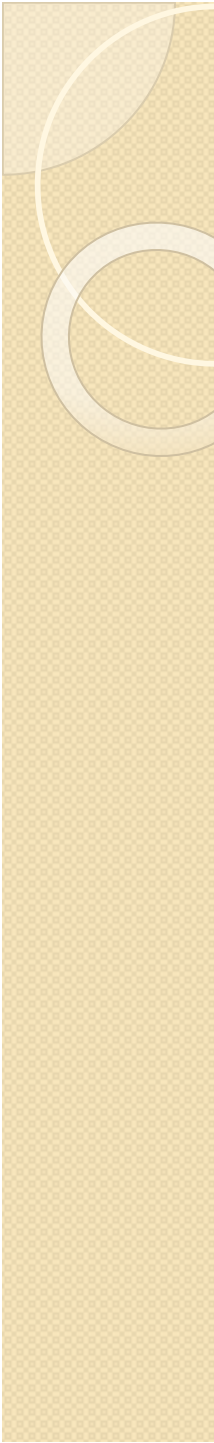
Staffing Model Assumptions

- Staffing growth of one teacher and one EA per new class over each of the next 3 years.
- Staff salaries raises modeled to be grow by 2% in years 1-5.
- EA salaries were adjusted this year to account for the increase in the minimum wage requirements voted in during the Nov ballot
- Salaries increasing by \$172k including raises for 2017-18 (5.3%).
- Benefits: As percent of salary - growing 0.9% in 2017-18 to 24.3%; Forecasted to grow additional 0.9% in years 2-5.

Salaries as % of total expenses ratio:

(used to determine amount of costs that are going to overhead)

- 53.5% in 2017-18 (Best practice:
60%-70%)



Staff Growth Details

- 6th Grade Teacher + 6th grade educational assistant (2.0 FTE)
- Full-time DSS EA (1.0 FTE)
- Maintained the additional facility FTE (Hiring TBD)

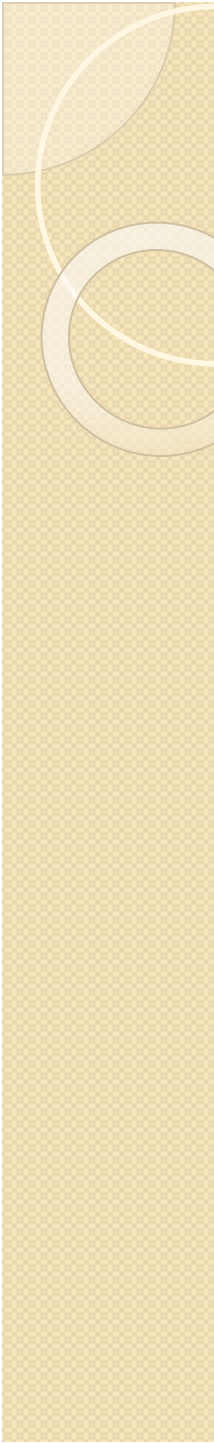
Impact of Minimal Wage



LA Teacher Salaries

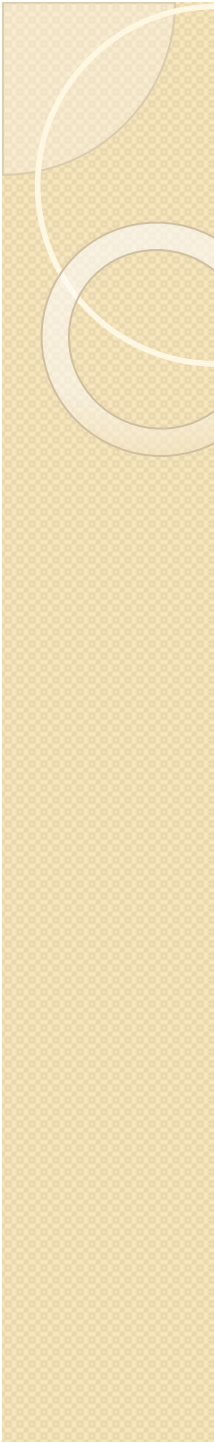
- Projected Staff raises to average 2% across the school – approximately \$69k.
 - Note: The goal of the finance & operational teams is to support our teachers at 90% or higher of market based rates.
 - Projected to be at 80% of district with budgeted salary levels

Compensation Committee will work during 2017-18 to present a full compensation plan to the BoD by Feb 2018. This plan is expected to consider salary, benefits, and additional support (education, fees, Eas)



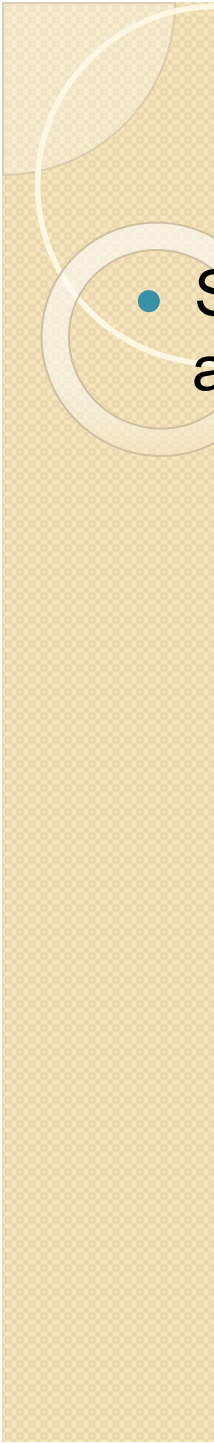
Primary Model Assumption

- Individual expense accounts have growth of 2.0% for inflation or based on student growth as appropriate.
- Costs have been trended on last year run rates plus inflation
- Operating income needs to cover operating expense plus provide for future capital requirements.
- Pre-payments on \$1.35M loan will continue in 2017-18 with a projected \$250k pre-payment per year for the next 5 years. Remainder of loan will be made within the monthly interest heavy payments.



Primary Model Assumption

- Building Fund Contingency: None moving forward.
- Loan: \$1.35 million over 5 years at 5.5% interest.
\$3.9k in yearly payments and \$200k in total interest cost to LA depending on payment schedule
- No building contingency funds for Years 1 & 2;
\$50k budgeted in years 3-5.
- NO BEST Grant funding

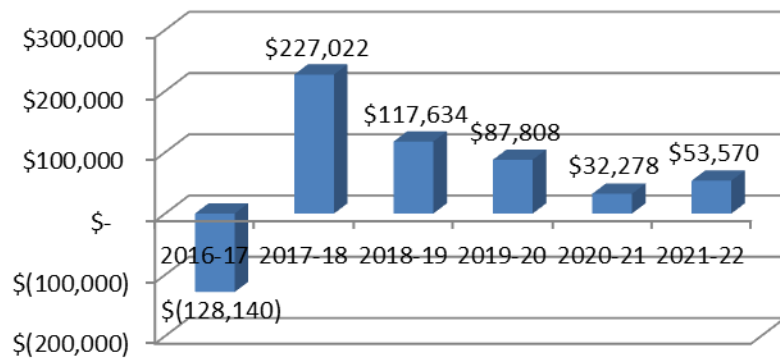


Financial Ratios

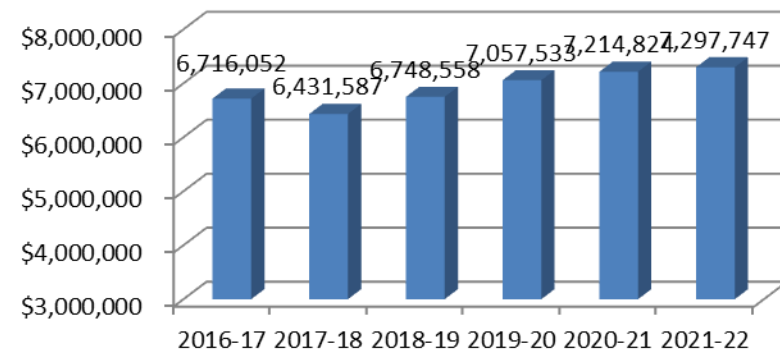
- Several significant Ratios will be monitored for operating and bond purposes:

Additional Fiscal Trended Metrics

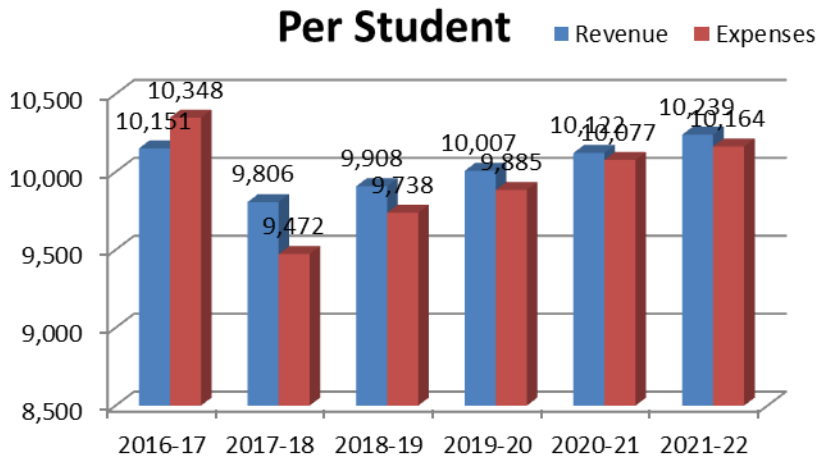
Operating Margin per Year



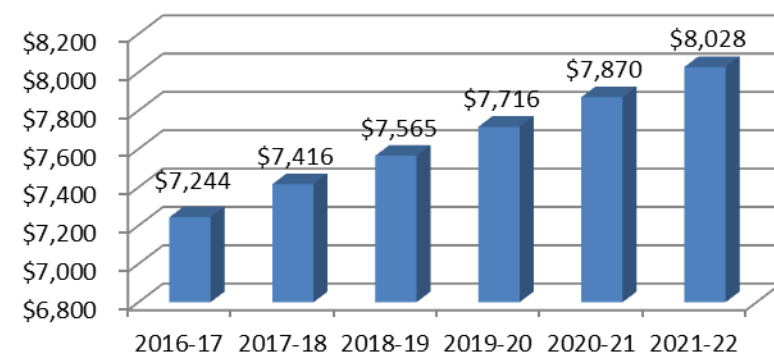
Expenses per Year



Per Student



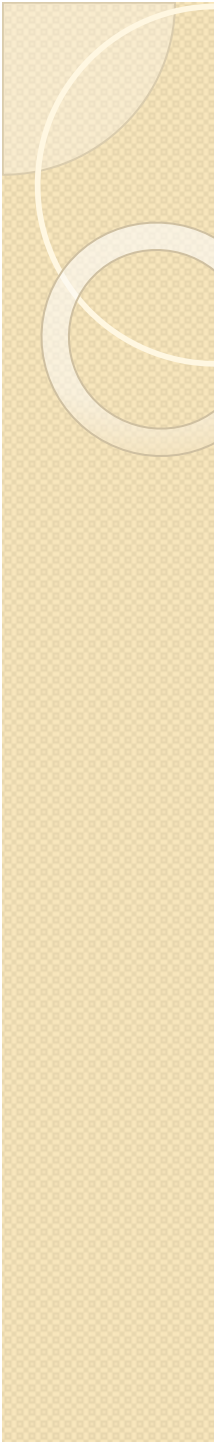
PPR per Year



Risk Points

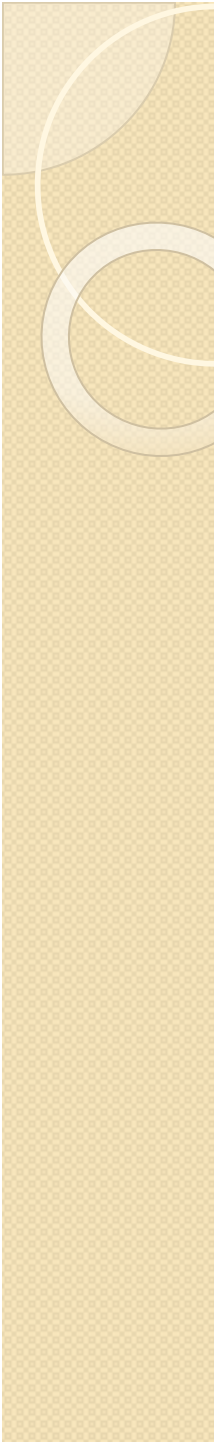
- \$310k in annual debt costs on new loan will limit LA flexibility toward other initiatives and goals.
- Student count: If actual LA FTE is 5 fewer students than projected, the margins would be impacted by \$43,000
- Teacher salary: The forecast provides for limited salary raises in each year of the budget. New Jeffco salary levels may rise higher than LA can afford in future years.
- Teacher staff increases: Proposal has minimal staffing increase for the next three year. LA has traditionally underestimated staffing needs specifically in the support areas (DSS, facility, Admin). Future needs will be difficult to accommodate as noted the 5 year plan with decreasing margins.
- Money Pit: Our facilities and property require continual ongoing maintenance and upkeep. The next few year allow for limited property improvement budget within the operational expenses but could be covered out of savings made over the past two years.
- Low margins prevent any significant innovation in operations or financial support of leadership vision.

• DBB funding and Mill equalization may change negatively in future



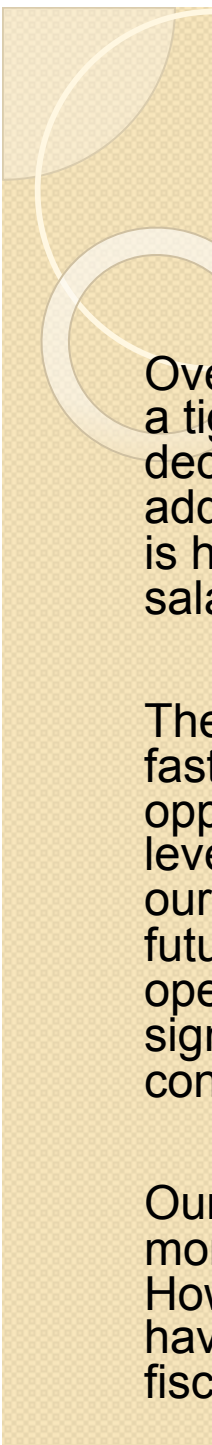
Budget Opportunities

- Increase student class sizes – Higher FTE = higher state funding
 - [Not first choice – space issue – learning impacts]
- Capital spending: Live with what we got – reduce overall building funding & facility expenditures.
- Fund Raising or Grant support
- PPR growth! Mill levy Growth!



Initiatives for Consideration

- Maintaining competitive compensation level for staff
- Lower Class sizes
- Facility upgrades outside of space planning
- IT Development
- Second Language or Additional Specials
- Science Expansion
- High School preparation strategy

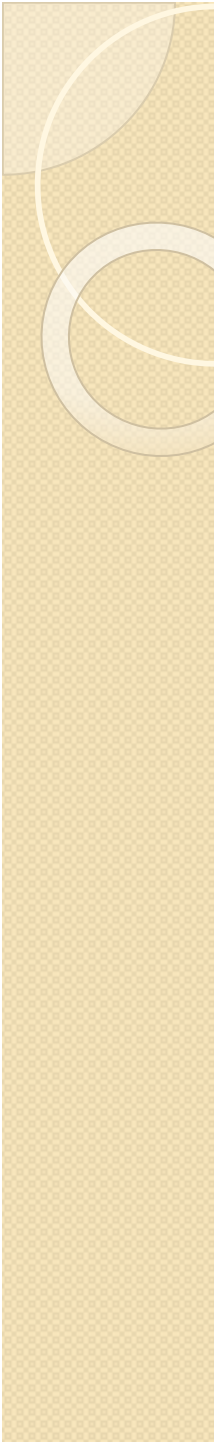


Overall Impression

Overall, the committee has submitted a 5 year plan that is focused on sustaining a tight fiscal model due to the additional debt obligations incurred in 2016. This decision allows for new student growth and effectively moves the Mill Levy additional funding from building contingency to Loan payments. The overall risk is higher than in prior years due to increased debt load, narrow margins and salary commitments.

The forecasted 5 year fiscal model represents a budget where expenses grow faster than revenues . Where the PPR and Mill levy funding present areas of opportunity (and some uncertainty), the FTE levels and maintaining desired levels of teachers compensation, present areas of risk for the fiscal strength of our school. Year 4 represents the end of the student expansion period and future funding of initiatives from that point will be required to come more from operational saving than revenue enhancements. This budget does not provide significantly for contingency plans for capital purposes and less so for operational contingency.

Our administrative team has demonstrated their diligence in consistently monitoring operating expenses and demonstrated creativity in meeting operating. However, looking at the five year projection, we should consider if Lincoln will have sufficient operating margin to allow for flexibility toward initiative and strong fiscal stewardship.



Charter School Closures

- There are five primary reasons for charter closures – financial (41.7 percent), mismanagement (24 percent), academic (18.6 percent), district obstacles (6.3 percent) and facilities (4.6 percent).
- Most charter schools that close for financial or operational deficiencies do so within the first five years, or within their first charter contract.