



Sustaining the Future of Education

Afton empowers education leaders with effective financial strategies.





AFTON

IN PARTNERSHIP WITH



Always Ready for Learning Coaching Network

Finance Case Study: *New York State Charter School Network*

The Always Ready for Learning Coaching Network is a national, philanthropically-supported initiative working to ensure K-12 school district leaders find **pro-bono** rapid, customized guidance to help them plan for return to school safely.

Always Ready for Learning Coaching Network



Always Ready for Learning

PARTNER ORGANIZATIONS

The Always Ready For Learning Network brings together expert organizations from across the country to provide timely, targeted, and sustained coaching to ensure learning can happen anywhere, anytime.



Case Study

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Always Ready for Learning

Background

NEW YORK CHARTER NETWORK – 2020



Through the Always Ready for Learning Coaching Network, Afton worked to support a charter school network (“the Network”) in New York, comprised of multiple tuition-free charter schools across several campuses.

When engaging with the Network in Spring 2020, the team had a lot on their plate unique to the upcoming school year: managing uncertainty around **the level of state per-pupil funding for FY21** (and beyond), considering **multiple different instructional delivery plans in light of COVID-19**, leveraging a **new PPP loan**, planning to **open a new school** in the fall, working to acquire **philanthropic funding** to support growth, and engaging with lenders to **acquire a facility**. Each of these items have significant financial and operational implications in both the short and long term and require analysis and strategic thinking to drive effective decision making.



Considering the financial and operational challenges and uncertainty driven by COVID-19, through the ARL initiative Afton Partners supported a growing New York Charter Network with cash flow forecasting, budget scenario review and messaging, and long-term financial projections.

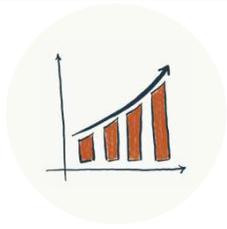
Afton Partners partnered with the Network to support three major areas:



Liquidity Monitoring and Cash Flow Forecasting



FY21 Budget Scenario Review and Messaging



Long-term Financial Forecast Model Updates

Summary of supports and lessons learned:



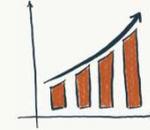
Liquidity Monitoring and Cash Flow Forecasting

- Maintain a monthly (if not weekly) cash forecast
- Focus on monthly timing of budgeted cash inflows and outflows
- Track cash with and without PPP funding
- Keep your model flexible to allow for scenario planning



FY21 Budget Scenario Review and Messaging

- With uncertainty, multiple budget scenarios are necessary
- Consider different per pupil funding and enrollment scenarios
- Codify fiscal impact of different instructional delivery scenarios (remote, in person, hybrid)
- Communicate early



Long-term Financial Forecast Model Updates

- Ensure your forecast model is flexible and dynamic, with changing inputs resulting in easy updates.
- Update your assumptions, with the impact of COVID-19 in mind

1) Liquidity Monitoring and Cash Flow Forecasting

Focus on Cash



The Network did not have a weekly or monthly cash flow forecasting tool, and they did not know with certainty if they would be able to maintain a healthy cash position during the upcoming year.

Because of all the moving parts with the budget and uncertainty on funding, understanding and forecasting cash became the most urgent priority.

Afton worked to develop a dynamic, MS Excel-based cash flow forecast model, leveraging the Network's budget to determine monthly cash balance and Days of Cash on Hand.

Lessons Learned

- **Focus on Timing of Cash Flows** – Budgeted revenues and expenditures will not impact an organization's bank account proportionally or evenly in each month over the course of a year. Oftentimes, the largest source of revenue (State funding) is received on an every-other-month basis. It's important to go line-by-line down the budget and make informed assumptions on the timing of both cash inflows and outflows to project reasonable monthly net cash flows.
- **With and Without PPP** – While some organizations assume PPP loans will be “forgiven”, this may not be the case. Our cash flow model monitors end-of-month cash balances under two scenarios: with and without PPP proceeds.
- **Stay Flexible (Scenario Planning)** – With the budget still in flux, and with communications on per pupil funding levels forthcoming, it was important to create a model where inputs could quickly change showing the cash forecast under different funding and operating scenarios.

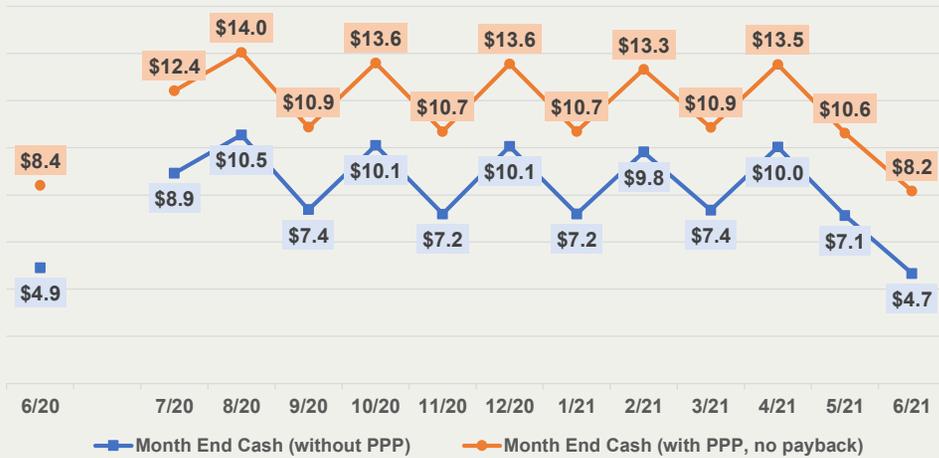
RESOURCES:

- **AFTON COVID-19 CMO CASH MANAGEMENT BLOG POST ([HERE](#))**
- **CUSTOM MONTHLY CASH FLOW FORECAST MODEL**

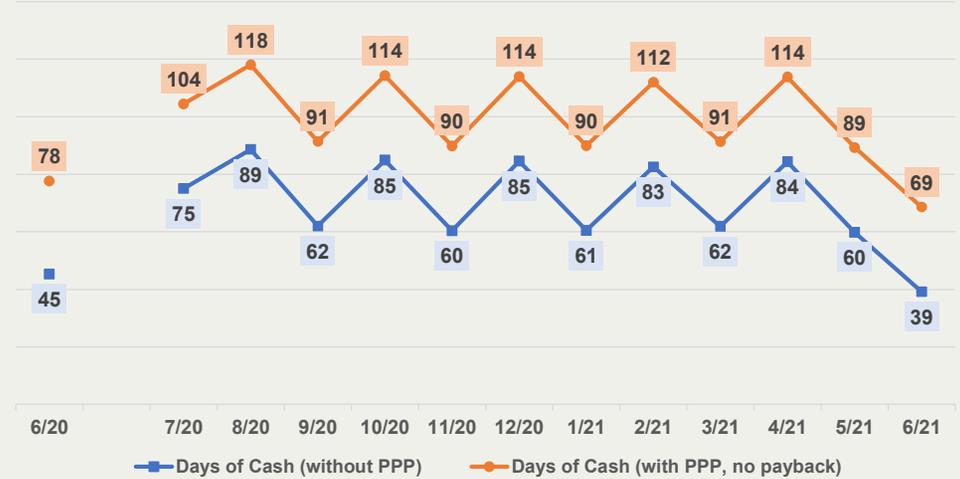


Example – Cash flow projection model reporting

Example CMO Projected Month End Cash
(\$ millions)



Example CMO Projected Days of Cash on Hand



2) FY21 Budget Scenario Review and Messaging

Scenario Planning



The Network had been budgeting for many funding different scenarios: 5%, 10%, and 15% decrease to per pupil funding. They also had different instructional delivery scenarios to consider: in-person, remote and hybrid.

Afton reviewed internal budget scenarios and provided guidance on messaging to stakeholders.

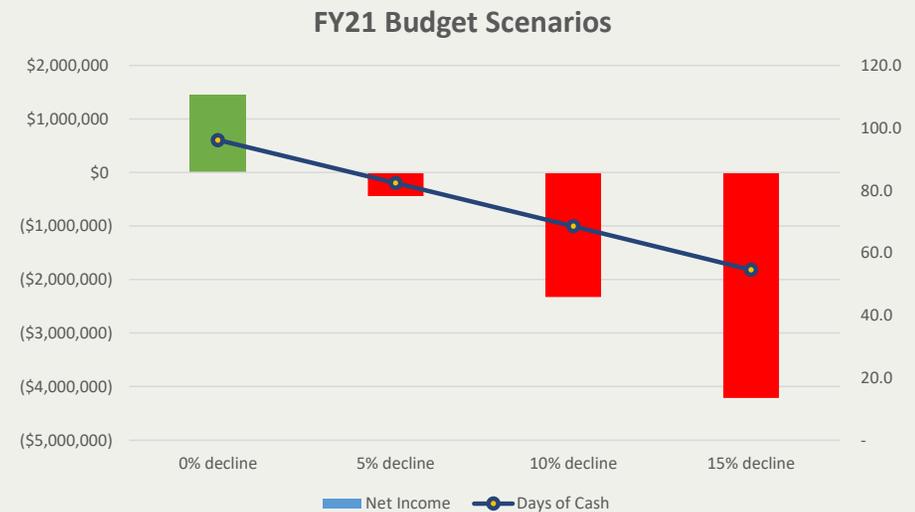
Lessons Learned

- **Identify funding scenarios** – Use your budget models to understand the impact of different levels of decreased funding. In the Network’s case, they understood the impact to 5%, 10%, and 15% declines in per pupil funding. What is the budget shortfall in each scenario, and how does that impact board-defined financial targets?
- **Codify budgetary impact to different operating scenarios** – Is your plan to deliver instruction in person, remotely, or some hybrid version? Considering that boards are likely briefed on budgets before the first day of school, your budget should reflect the most likely scenario. In a world where COVID news changes the likelihood of in person instruction each day, it’s best to develop a budget model for each scenario and understand the cost implications of each.
- **Enrollment** – to add another dimension to the mix, consider the impact of remote learning on enrollment. Will you need to modify your projected enrollment/attendance? What will the implications be on funding and staffing?
- **Communicate early** – the budget is a working document, subject to change and updates. In an uncertain world, it is important to communicate assumptions included in each version of your budget and share why you believe the presented version presented is the most realistic. Most importantly, communicate to stakeholders that this budget WILL change as your organization monitors updates to enrollment and new information!



Example – FY21 Budget Scenario review and messaging

Sample budget scenarios				
	0% decline	5% decline	10% decline	15% decline
Revenue	\$50,972,021	\$48,839,625	\$46,707,228	\$44,574,831
Expenses	\$49,524,735	\$49,277,761	\$49,030,787	\$48,783,813
Net Income	\$1,447,287	(\$438,136)	(\$2,323,559)	(\$4,208,982)
Days of Cash	96.1	82.4	68.5	54.5



3) Long-term Financial Forecast Model Updates

Reflect new (and uncertain) reality



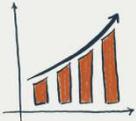
While the Network already had developed a long-term financial projection, assumptions needed to be vetted and updated.

Once a budget was approved, Afton updated the financial model to reflect updates to projected enrollment, revenues, expenditures, and facilities assumptions.

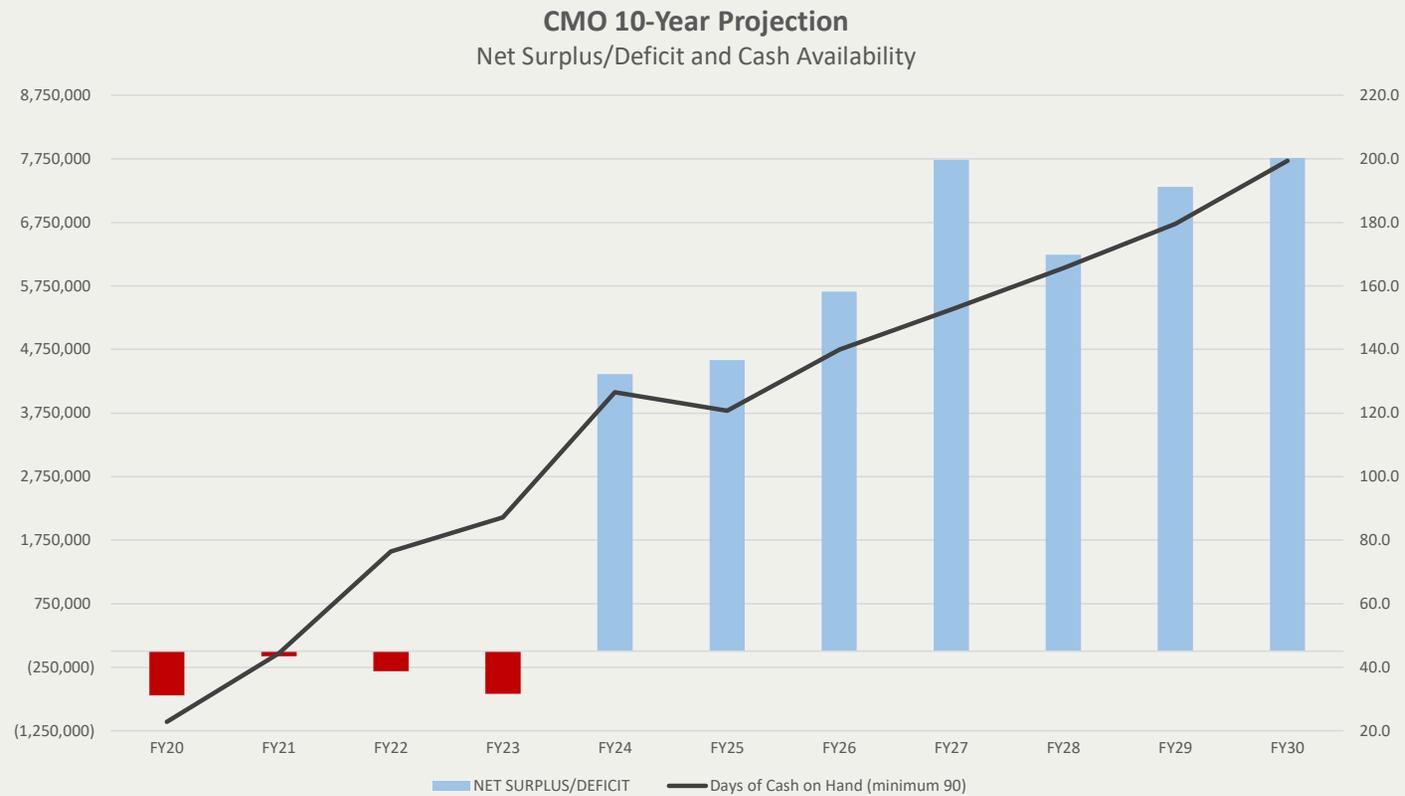
This model was used to quantify an annual funding gap and philanthropic need that the Network has used in communications with potential funders.

Lessons Learned

- **Ensure your model is flexible** – Allowing for a quick update on assumptions such as average teacher salary, per pupil revenues, new school opening timing, enrollment, and debt service obligations allows for different projection scenarios to be run more efficiently and makes understanding the fiscal impact of strategic decisions more transparent.
- **Many pre-COVID projection models need updating** – COVID has impacted FY21 budgets, most drastically in per pupil funding and in enrollment counts, but it will likely have implications in future years as well. Your model should incorporate one-time COVID-related revenues and expenditures for FY20. It should consider decreased funding for FY22.



Example – Long term financial forecast outcomes



Cash Flow Model

OVERVIEW

Afton has anonymized and shared a simple 12-month cash flow projection tool, which allows charter management organizations to project cash on a monthly basis by leveraging the organization-total annual budget and input assumptions on timing of cash flows.

A copy of the MS Excel model can be found [here](#). Please refer to the 'Intro' tab for an overview of the model and general instructions for use.

**Please note that "dummy data" is being used for demonstration purposes, and the figures in this model do not represent any organization in particular.*