



STANDARD OPERATING PROCEDURE 4.5

PROCEDURE TITLE: Fiscal Monitoring Classification Process

Department: Fiscal Department

Proposed by: Chief Financial Officer

Effective Date: 03/15/2018

PURPOSE

The FISCAL MONITORING CLASSIFICATION PROCESS ensures that a school's fiscal condition is categorized for the CSS team to use in monitoring the financial performance of a school. This information helps the CSS team ensure that schools are operating consistently and mitigates the possibility of a school closing during the school year.

SCOPE

The FISCAL MONITORING CLASSIFICATION PROCESS applies primarily to the Fiscal Department and President. Statuses assigned under this process are for internal reference only.

PROCEDURE

The FISCAL MONITORING CLASSIFICATION PROCESS occurs semi-annually with the fiscal review of each school. The classification process is completed in January and July and it is based on December and June Financials.

1. The Fiscal Department designee reviews the school and classifies the school in one of three statuses; Monitoring Status, Watch Status, or Emergency Status according to the criteria listed below.
 - a. Monitoring Status
 - i. School is not in the first two years of operations.
 - ii. School only has mortgages or bond debt, no other debt, short term or long term.



- iii. Net Income or Change in Position positive or break-even (-\$10,000 or less) for at least three (3) consecutive months.
 - iv. FTE is consistent with the school's charter and/or no FTE decreases for more than three (3) consecutive months or a decrease of 10% or greater.
 - v. Rent payments do not exceed 20% of Total Gross Revenues.
 - vi. Staff payroll and fringes do not exceed more than 80% of Total Gross Revenues.
 - vii. Clean audits including but not limited to no findings and records are auditable.
- b. Watch Status – Meets one or more of the following criteria
- i. School has debt other than mortgage secured by real estate, or bond debt.
 - ii. School owes more than three (3) months of management fees to their management company.
 - iii. Negative Net Income or Change in Net Position >\$10,000 for more than 3 consecutive months and YTD Net Income or Change in Net Position is negative.
 - iv. FTE reduction for 3 consecutive months or not in compliance with the school's charter or a decline in enrollment of 10% or greater.
 - v. Rental payments exceed 20% of the school's Total Gross Revenues.
 - vi. Staff payroll and fringes are more than 80% of the school's Total Gross Revenues.
 - vii. School has a significant finding for recovery in their audit or an unresolved finding from the previous year's audit.
- c. Emergency Status- Meets one or more of the following criteria
- i. School has CAP in place and is not adequately completing its plan to return to Monitoring Status.
 - ii. School Continues to show large losses (>\$10,000) monthly.
 - iii. Enrollment continues to decline after CAP in place.
 - iv. Amounts owed to the management company increasing monthly.
 - v. Increases in debt (>\$5,000), excluding those schools that had debt with Charter School Capital, while on CAP.
 - vi. Audit finding that has not been corrected for two (2) or more years or qualified opinion for preceding year's audit.
2. After being classified as being in Monitoring Status, Watch Status, or Emergency Status, each school will receive the interventions listed below based on the status determination.
- a. Monitoring Interventions



- i. None
- b. Watch Interventions
 - i. The Fiscal Department designee shall consult with the President to determine if the school should be placed on a Corrective Action Plan (CAP). CSS School Treasurer will then work with the Legal Department to place the school on a Corrective Action Plan (CAP). (See Corrective Action Plan Process).
 - ii. The Fiscal Department designee reviews CAP for accuracy in resolving the issue(s).
- c. Emergency Interventions
 - i. School shall be placed on Probation. The Fiscal Department designee will provide General Counsel or designee with conditions the school must meet to resolve the issue(s). (See Community School Probation Process)
 - ii. Sponsor may recommend or require replacement of the Treasurer.
 - iii. Sponsor may take over operations of the school.
 - iv. Sponsor may place the school on Suspension.

DOCUMENTATION / VERIFICATION

All FISCAL MONITORING CLASSIFICATION PROCESS documents will be saved with a naming convention and the date in TEAMS as follows:

Location of documentation: TEAMS Fiscal Team – Documents/Monthly Fiscal Reviews/Fiscal Reviews/3 – School Classifications

DOCUMENT HISTORY

Orig. March 2018
Rev. November 2018
Rev. March 2020
Rev. April 2021
Rev. July 2022

REVIEW AND APPROVAL

Reviewers of the FISCAL MONITORING CLASSIFICATION PROCESS are as follows:



Reviewed By: Management Team

Date: 07/27/2022

Approved By: President: David L. Cash, Jr.

Date: 07/27/2022

The effective date is as of the date signed above. Processes are consistently reviewed and revised as necessary throughout the term. The FISCAL MONITORING CLASSIFICATION PROCESS may be implemented as currently written and will be formally evaluated and revised as necessary going forward.