



CWC Silverlake Financial Analysis August 2012

Financial Warning

CWC Silverlake is projected to have a negative net income of \$(46.6k) in FY12-13 which is a negative variance of \$(212.2k) versus the budgeted net income of \$165.6k. The negative variance is primarily the result of a significant decline in student enrollment. CWC SL must take immediate steps to reduce expenses to bring them in line with revenue.

Furthermore, without additional financing or revenue or a reduction in expenditures, CWC SL will run out of cash in April 2013. The cash flow needs will be intensified in 2013-14 given CWC SL's planned growth and the nature of charter school funding (i.e., funding based on prior year ADA and the deferral schedule), adding further pressure to reduce expenditures in 2012-13.

Net Income

CWC Silverlake is projected to achieve a net income of \$(46.6k) in FY12-13 compared to \$165.6k in the board approved budget. Reasons for this variance are explained below in the Income Statement section of this analysis.

Balance Sheet

As of August 31, 2012, the school's cash balance was \$127.4k. By June 30, 2013, the school's cash balance is projected to be \$(137.7k).

As of August 31, 2012, CWC SL had a debt balance of \$227.5k compared to \$227.5k in the prior month.

Income Statement

Revenue

Total revenue for FY12-13 is projected to be \$1,935.0k, which is a negative variance of \$(1,283.6k) or -40% versus budgeted revenue of \$3,217.7k. This variance is explained by:

- The negative variance of 139 students which reduces revenue by \$(1,098.1k) in the following areas (variances greater than \$8k):

8015 · Charter School General Purpose	\$(439k)
8096 · In lieu of Property Taxes	\$(180k)
8181 · Special Education - IDEA	\$(25k)
8220 · Child Nutrition (Federal)	\$(18k)
8291 · Title I, A, Basic Low Income	\$(22k)
8311 · Special Ed - AB 602	\$(74k)
8560 · State Lottery Revenue	\$(19k)
8590 · Charter School Categorical Block Grant	\$(74k)
8599 · Other State Revenue	\$(17k)
8634 · Food Service Sales	\$(18k)

This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$8,000 and 10%.

8699 · Fundraising

\$(209k)

- **8311 · Special Ed - AB 602:** Negative variance of \$(9.6k) given reduction from budget rate of \$588 per ADA to actual rate of \$561 per ADA. The \$(9.6k) variance is in addition to the negative variance noted above from the reduction in enrollment.
- **8591 · SB740:** Negative variance of \$(37.5k) which assumes no SB 740 funding. This is a conservative assumption and reflects the fact no students are currently placed at the Long-Term Regional Facility, any move of students to this facility would impact students and their families, and the over-capacity available at CWC SL's Prop. 39 facilities does not necessitate the use of this space at this time.

8690 · All Other Income: Negative variance of \$(135.6k) as the afterschool program has been outsourced and the associated revenue have been removed.

Expenses

Total expenses for FY12-13 are projected to be \$1,981.6k, which is \$1,070.4k or 35% under budgeted expenditures of \$3,052.0k. This variance is explained by:

- 1000 - Certificated Salaries
 - 1110 · Teachers Salaries: Positive variance of \$(274.7k) due to: a) reduction of five teaching positions comprised of three teaching positions that were never filled and the elimination of two teaching positions, b) the transition of Special Education Coordinator to CWC Regional Support Office (RSO) to be shared with CWC HW, and c) actual salaries being less than budgeted.
 - 1300 · Certificated School Administrators: Negative variance of \$30.0k due to: a) transition of Assistant Principal from Other Certificated (1900) to 1300 through 10/15, b) elimination of one Administrator position, and c) the CWC LA Executive Director salary has been accounted for in the school budgets through "on-loan agreement" rather than through RSO. Beginning 10/1, Executive Director salary will be accounted for in CWC RSO as budgeted.
 - 1900 · Other Certificated: Positive variance of \$(65.0k) as the position was moved to Object Code 1300.
- 2000 - Classified Salaries
 - 2100 · Instructional Aides: Positive variance of \$(96.2k) due to: a) reduction of five TA positions given reduced enrollment, b) reduction of TA hours per day from 6/day to 5/day, and c) reduction of Music and PE hourly wages and the fact positions have not been filled.
 - 2400 · Clerical/Technical/Office: Positive variance of \$(25.8k) as Family Support Coordinator position will not be filled.
 - 2900 · Other Classified (noon and yard supervisors, etc.): Positive variance of \$(122k) as the afterschool program has been outsourced and the associated expenses have been removed.
- Total 3000 · Employee Benefits (STRS, OASDI, Medicare, Health & Welfare, SUI, Worker's Compensation): Positive variance of \$(152.4k) due to: a) reduction in Certificated Salaries and Classified Salaries as noted above and b) actual Worker's

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compensation contract being less than budgeted, and c) actual Health & Welfare benefits being less than budgeted.

- Total 4000 · Supplies: Positive variance of \$(122.5k) due to reduction in students and associated expenses.
- Total 5000 · Operating Services
 - 5300 · Dues and Fees: Positive variance of \$(13.2k).
 - 5500 · Utilities and Housekeeping: Positive variance of \$(13.0k) due to a) Long-Term Regional Facility has been moved to CWC RSO and b) reduction in utilities given CWC HW historical performance on Prop. 39 sites.
 - 5610 · Building Rent: Positive variance of \$(89.6k) reflecting transition of Long-Term Regional Facility to CWC RSO and Prop. 39 expenses being less than budgeted.
 - 5850 · Non-Instructional Consultants: Positive variance of \$(44.0k) reflecting reduction of professional development.
 - 5851 · Instructional Consultants: Positive variance of \$(33.8k) due to a) reduction in assumed paid-substitute days to 4 days/teacher (from 5 days/teacher) and reduction in daily rate vs. budget (\$200/day to \$150/day), and b) reduction in Special Education consultants given fewer students.
 - 5896 · Fair Share Special Education Cost: Positive variance of \$(45.1k) due to reduction of IDEA and AB 602 funding given reduced enrollment.
 - 5897 · Fundraising Cost: Positive variance of \$(12.8k) due to reduction in fundraising.

ADA

Budgeted average ADA for FY12-13 is 365 based on an enrollment of 384 students and a 95% attendance rate.

The forecast assumes an ADA of 233 based on an enrollment of 245 students and a 95% attendance rate.

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