

# Charter School Financial Oversight

Presented by Amanda Karger, SFO - Owner Paragon Financial Services

January 11, 2022 CDE Schools of Choice Topic Based Webinar

# Agenda

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01 Intro and Overview

02 Roles and Responsibilities

03 Financial Internal Controls

04 Accounting and Financial Reporting

05 Audit

06 Wrap-Up



# Introduction



## Contact Information:

Email: [amandakarger@paragonk12.com](mailto:amandakarger@paragonk12.com)

Website: <https://paragonk12.com>

## Governmental Finance Service Provider

Providing full suite of high-quality financial services to PK-12 charter schools in Colorado. Services range from ad-hoc consulting to fractional CFO services.



## Expertise

Amanda Karger (Paragon's Owner) has over 15 years of experience in governmental finance serving state and local governments in Colorado – over 8 of which have been in public education.

## School Choice Partner and Advocate

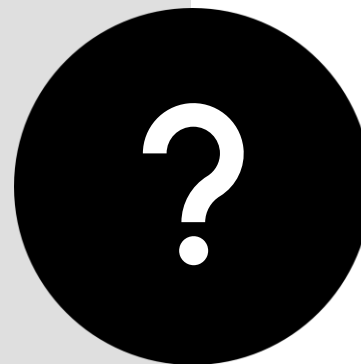
Steadfast supporter of high-quality school choice for every child in the Colorado. As a parent an active community member, Amanda has seen how important access to high quality school choice is for thriving communities.

# Overview



## Welcome:

- What to Expect
- No Judgment



## Q&A

- There will be time allotted in each section for live Q&A
- Send in chat
- Email them to [amandakarger@paragonk12.com](mailto:amandakarger@paragonk12.com)



## Up Next...

- Take a moment to pull up the following docs if you have them:
  - Most recent FY 2021-22 financial reports
  - Most recent annual audit (should be on your website)

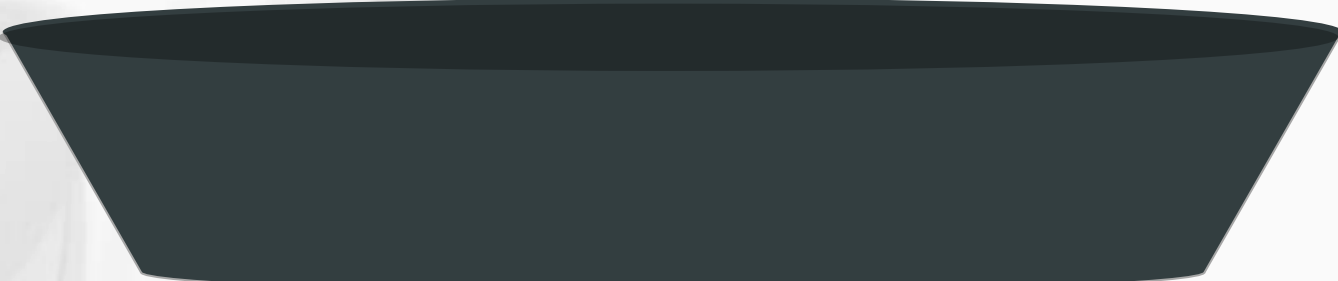
# Overview: Importance of Financial Oversight

- ✓ **Compliance**
- ✓ **Loss Prevention**
- ✓ **Informed Decision Making**
- ✓ **Avoid closure**

# Compliance



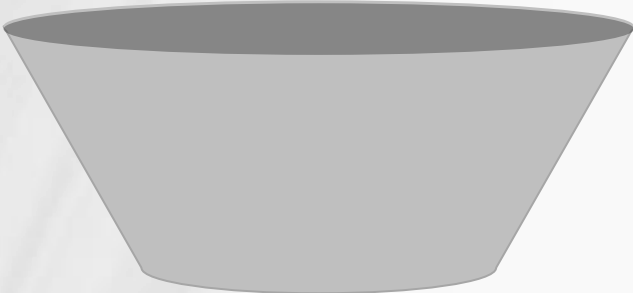
**Federal Regulations**



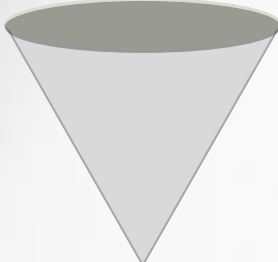
**State Statute**



**State Rule**



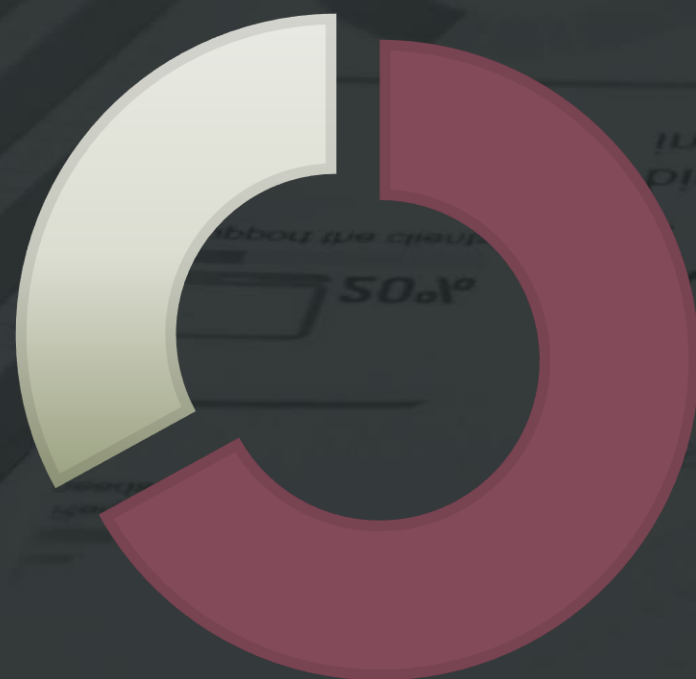
**Board Policies**



**Contracts (Charter, Debt, Grant, etc)**

# Loss Prevention

**Under-Resourced**



~Up to 30% less funding~

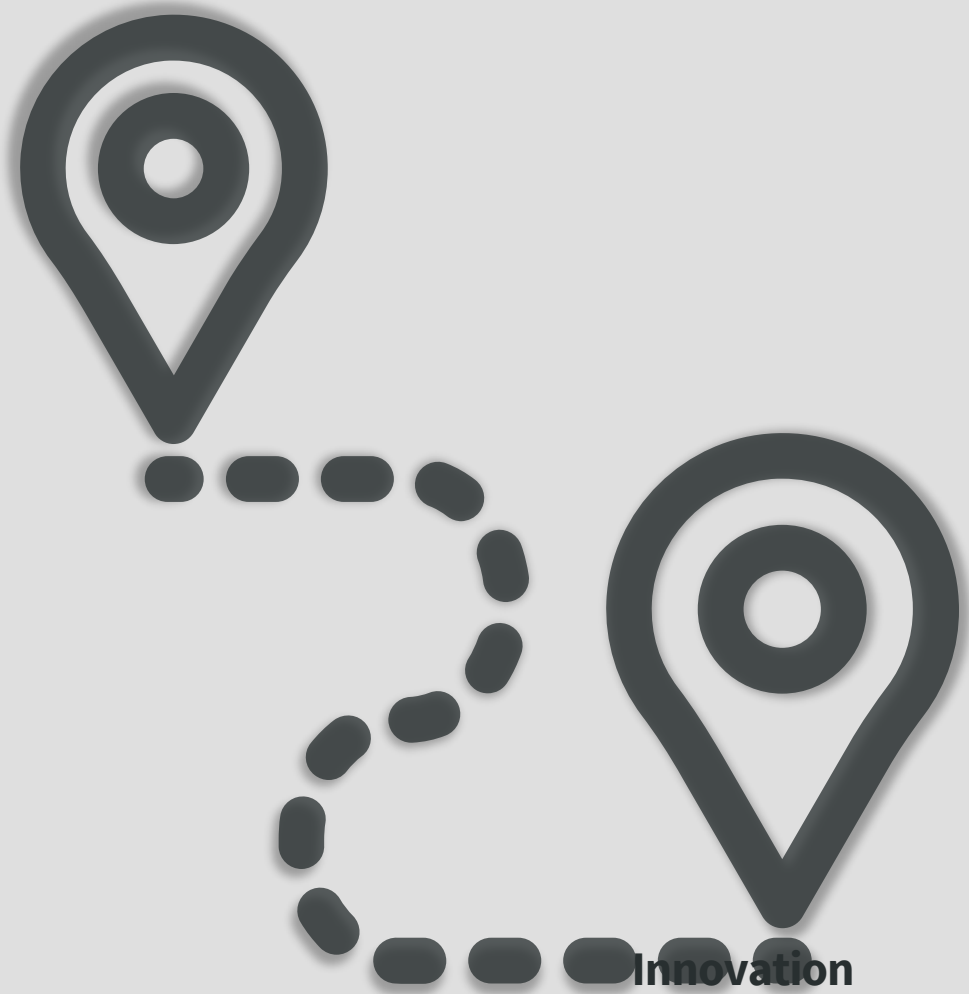
**Avg Lost Annual Revenue\***

**5%**

**Non-Profit Median Loss\***

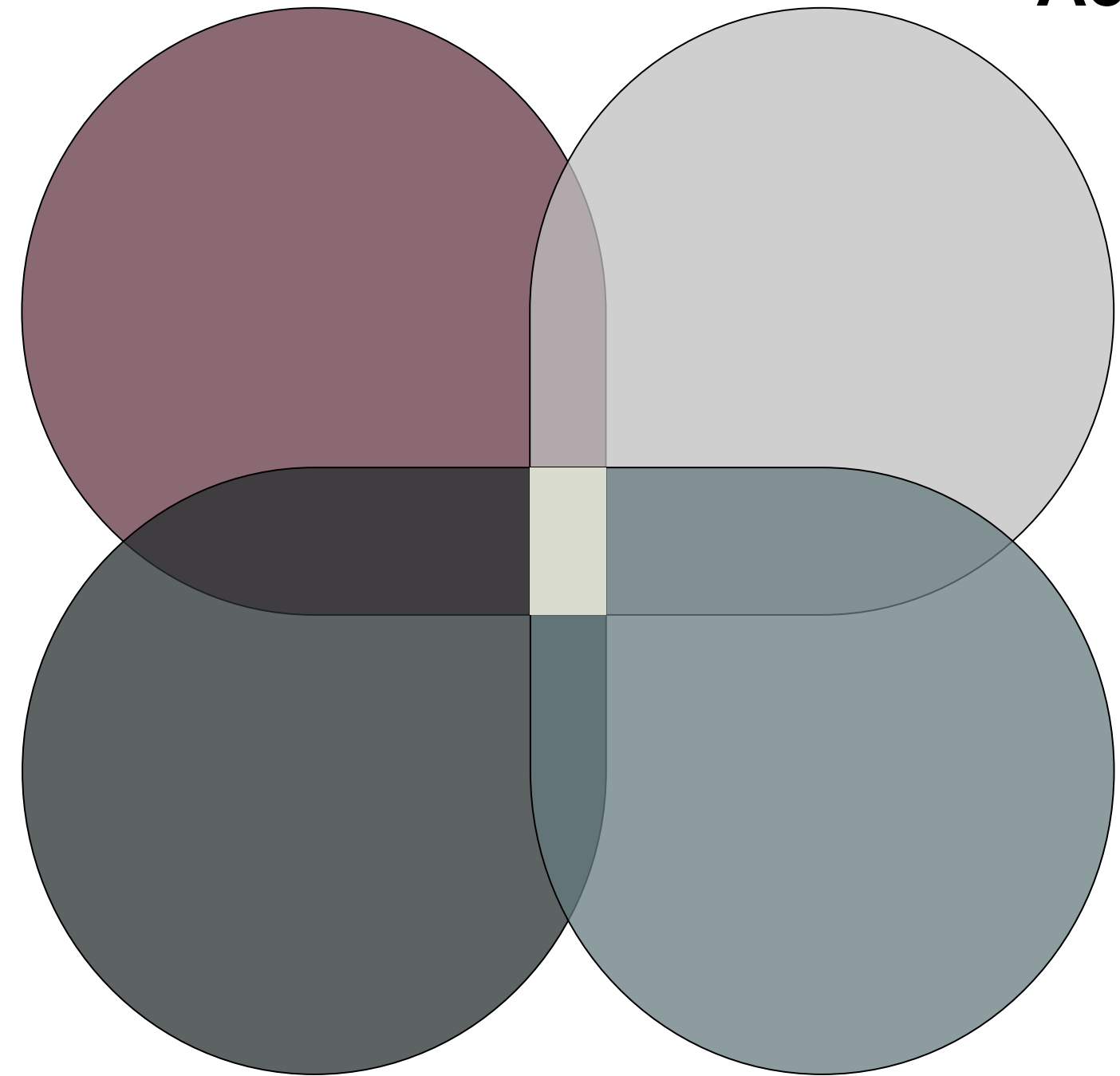
**\$75K**

# Informed Decision Making



Reliable

Accurate

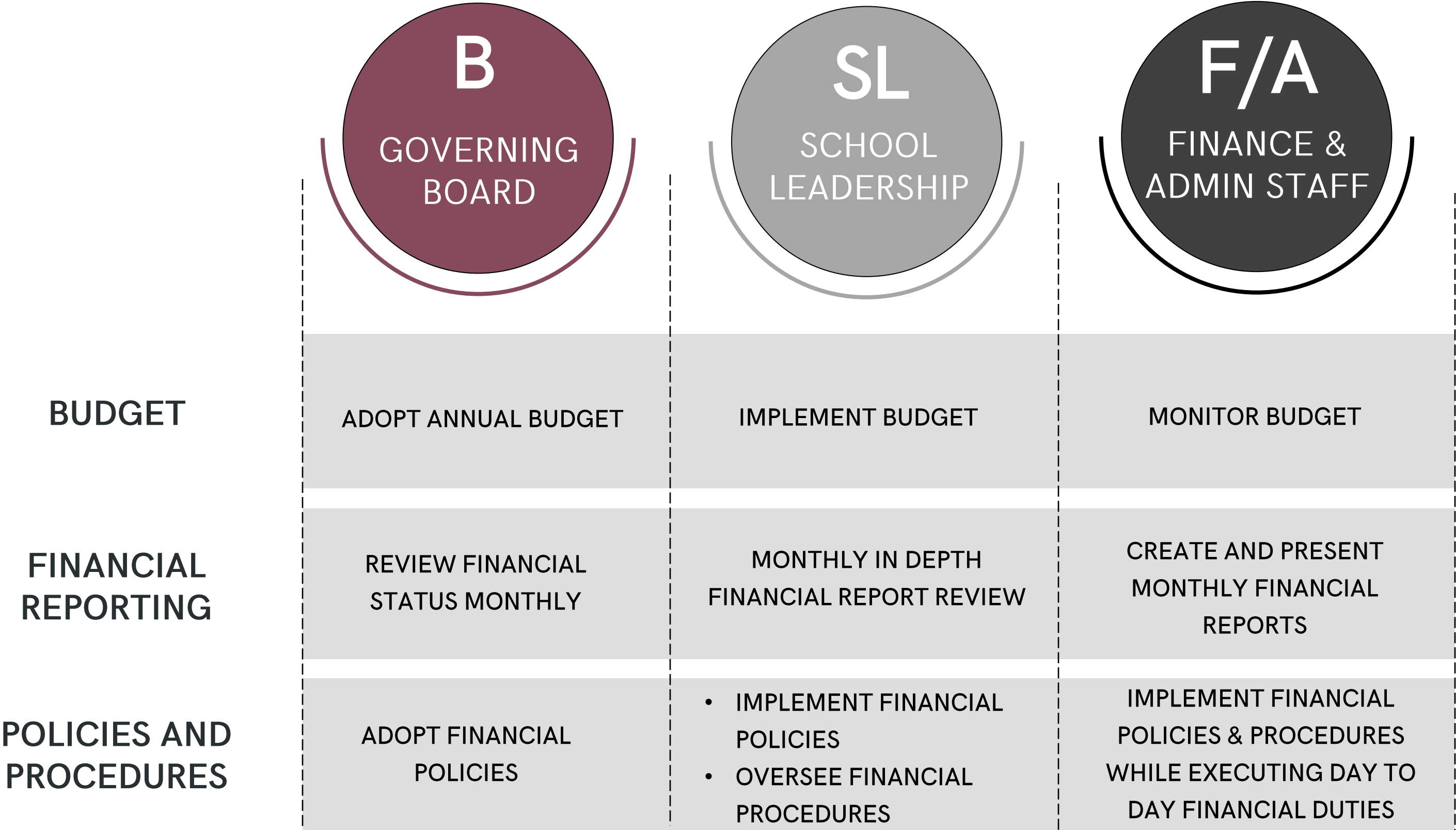


Transparent

Accessible



# Financial Oversight: Roles & Responsibilities



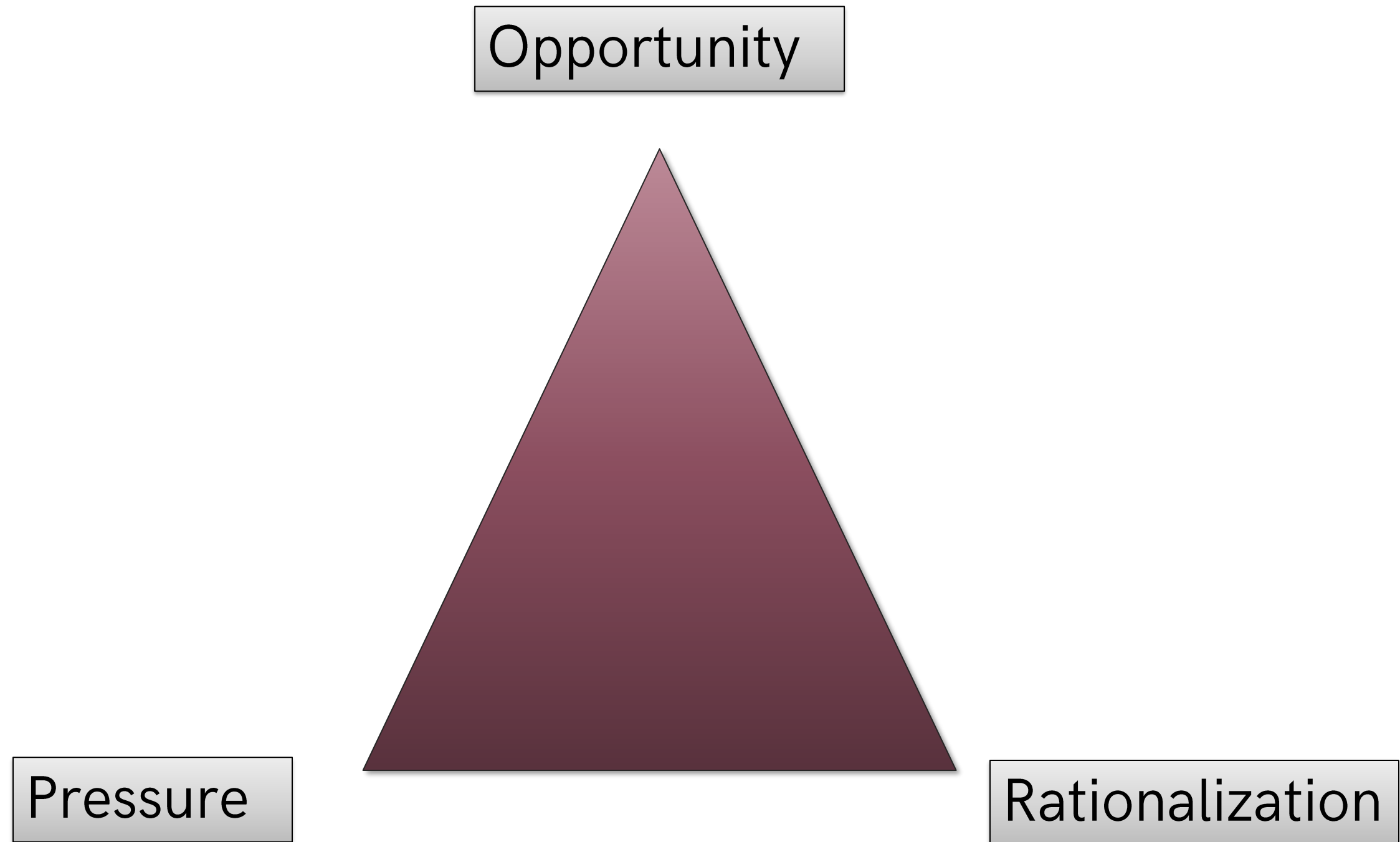
# Exercise: Roles and Responsibilities



Take 5 minutes to review your org chart and determine where each financial responsibility falls within ONE category

# Financial Oversight: Internal Controls

## The Fraud Triangle



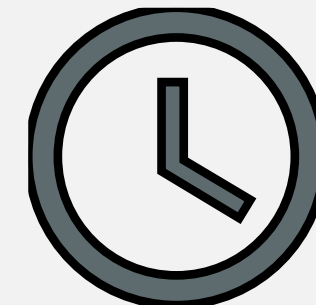
# Financial Oversight: Internal Controls

## Internal Controls:

Activities that mitigate risks to an organization

## Financial Internal Controls:

Specific procedures implemented to safeguard assets, minimize financial errors, and ensure that financial operations are conducted in an approved manner



# Financial Oversight: Internal Controls



## Preventative



- Prevent a loss from occurring
- Built into operating procedures
- Investment of effort in initial design of procedures



## Detective



- Identify loss after it has occurred
- Supply the means with which to correct data errors, modify controls or recover missing assets
- Represent a continuous operating expense and effort

# Exercise: Internal Controls Self Assessment



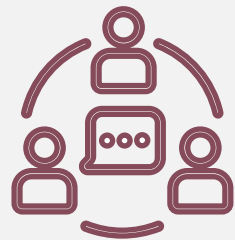
Take 5 minutes to  
complete the internal  
controls self-assessment

# Financial Oversight: Accounting & Reporting



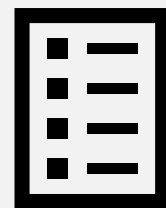
## DIY BEWARE

Technical expertise is required to ensure your school is financially compliant and sustainable



## BOARD FINANCE COMMITTEE

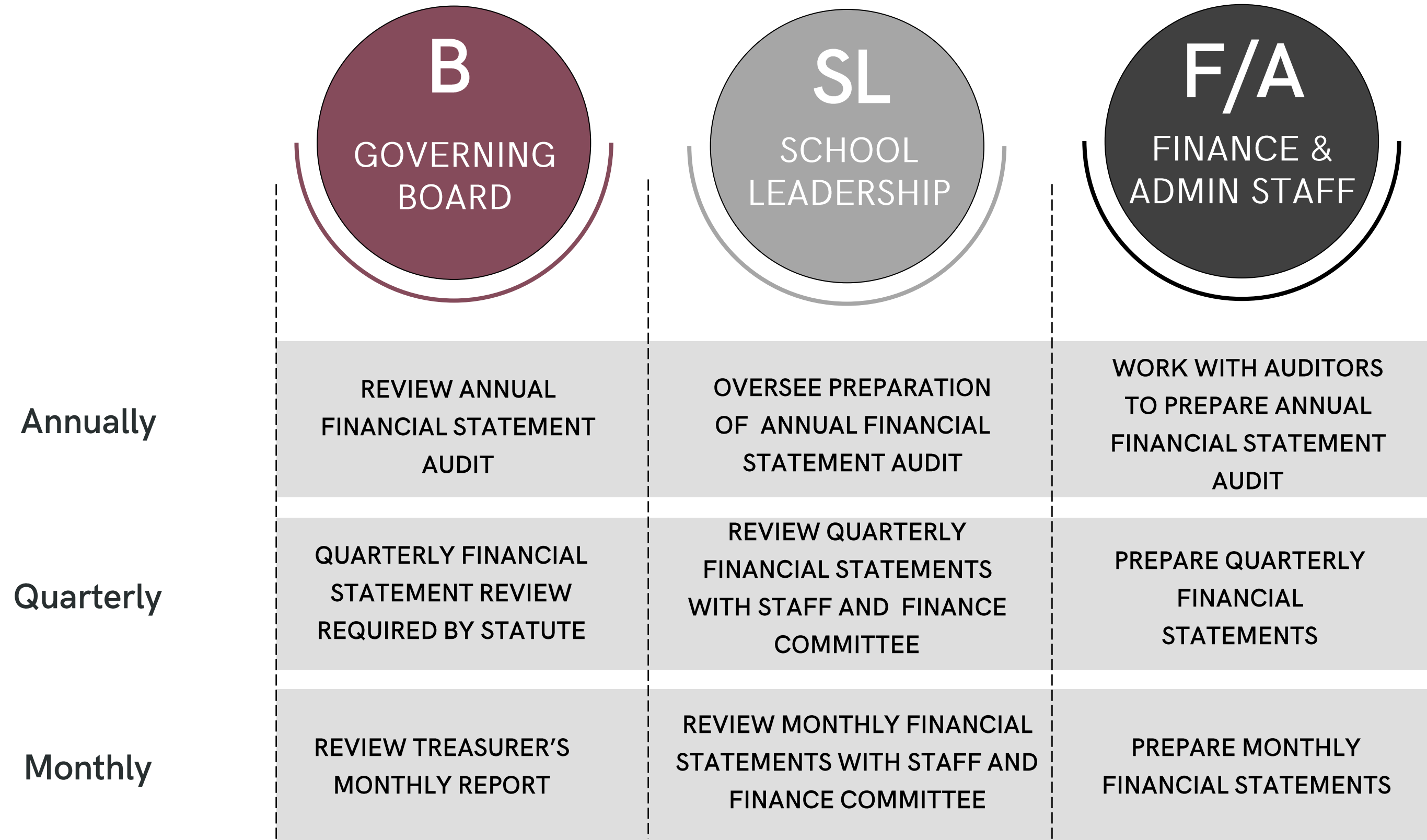
Comprised of board treasurer, school leader, financial staff/services provider, community members with financial expertise



## REVIEW AND ASK QUESTIONS

Read your reports. Question, question, question.

# Financial Oversight: Financial Reporting





# Financial Oversight: Financial Reporting

## Monthly Financial Reports:

**01**

### **BANK STATEMENTS (& PCARD STATEMENTS IF APPLICABLE)**

Review bank statements for each bank account and pcard statements if applicable

**02**

### **INCOME STATEMENT/P&L/STATEMENT OF REVENUES & EXPENDITURES**

Beginning Fund Balance, Revenue, Expenditure, Ending Fund Balance  
For: Prior Year: Budget and YTD, Current Year: YTD, Budget, Forecast

**03**

### **BALANCE SHEET**

YTD Picture of what assets, liabilities, and equity

**04**

### **CASH FLOW**

Statement reflecting the movement of cash into and out of the organization

**Exercise:**

# **Financial Reporting Self Assessment**



**Take 5 minutes to review  
the Financial Reporting  
self assessment**

# Financial Oversight: Audit



## Internal Audit

- ✓ Used to evaluate school's internal controls. Occurs continuously.
- ✓ Maintain accurate & timely financial reporting
- ✓ Identifying & correcting lapses before they are detected in an external audit



## Financial Statement Audit

- ✓ Used to verify accuracy of annual financial statements.
- ✓ Occurs once per year after year-end
- ✓ Legally mandated, can impact charter contract and school's accreditation



## Forensic Audit

- ✓ Used to identify and quantify fraud
- ✓ Occurs infrequently when there is evidence of fraud
- ✓ Could yield results that require further action such as involving law enforcement and insurance claims

# Financial Oversight: FS Audit Best Practices

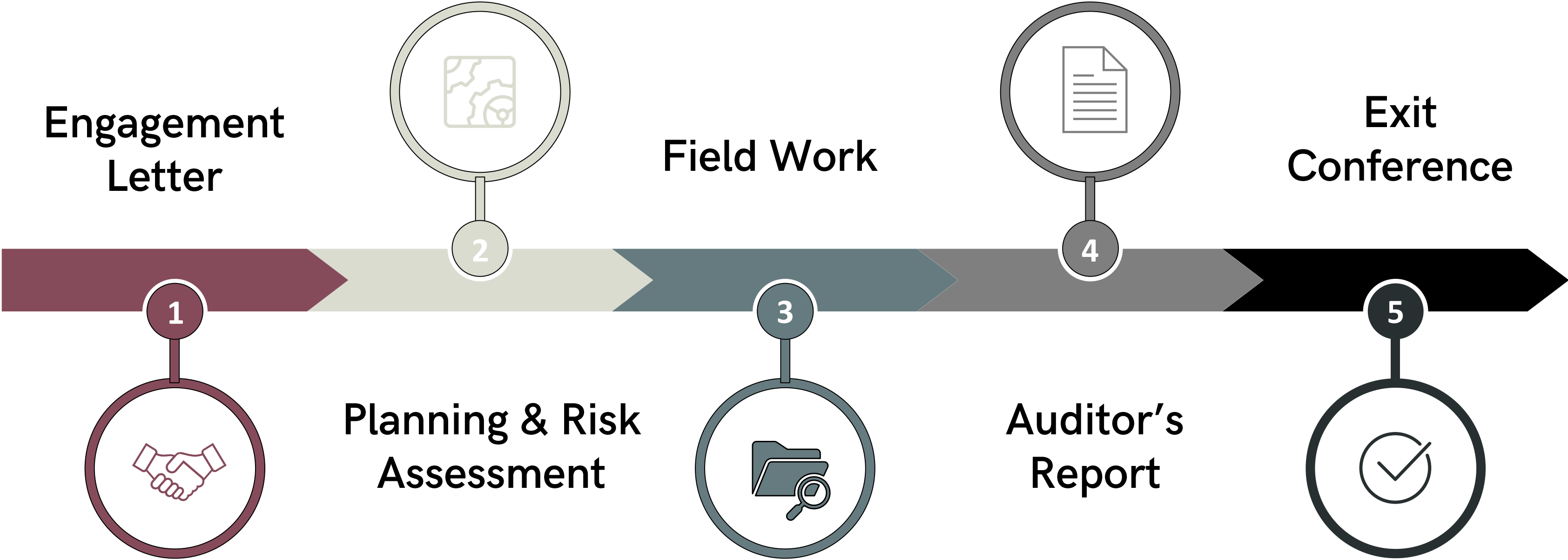
IMPLEMENT  
SOUND  
PRACTICES  
YEAR-ROUND

REVIEW  
FINANCIALS  
EACH MONTH

ORGANIZE  
DOCUMENTATION

PERIODICALLY  
REVIEW AUDITOR  
RELATIONSHIP

# Financial Oversight: FS Audit Process



# Financial Statement Audit Contents

## Auditor's Report

Auditor discusses their scope and opinion

01

## MD&A

The school presents their financial information including contextual and economic information

02

## Basic Financial Statements

Fund statements

03

## Notes to the Financial Statements

Notes to support statements such as notes regarding long term debt

04

## Required Supplementary Information

General Fund Budgetary Comparison, Pension related activity tables

05

**Exercise:**

**Financial Statement**

**Audit:**

**Scavenger Hunt**



**Take 5 minutes to  
complete the FY 2020-21  
audit scavenger hunt**

# Thank you!

Feel free to reach out if you have any questions.



**PARAGON**  
FINANCIAL SERVICES

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## Phone Number

303-618-1267

## Email Address

[amandakarger@paragonk12.com](mailto:amandakarger@paragonk12.com)

## Website

[www.paragonk12.com](http://www.paragonk12.com)