

LCCA Finance Town Hall Meeting

4/27/2022



Agenda

- ▶ Kick-off and introductions.
- ▶ LCCA PPT
 - Talking Points
 - Financial Highlights
 - Overview of 21-22 and 22-23 Expenditures / Sources of Funds
- ▶ Written Q&A discussion
- ▶ Q&A from the audience.

- ▶ Presentation and Q&A will be posted to the LCCA Website



Talking Points

- ▶ LCCA is in its start-up year 1 (21-22). Many of these costs will greatly reduce in future years.
- ▶ SPED expenses are reimbursed separately and in the rearview mirror. We won't see significant additional revenue until year 2 (22-23).
- ▶ Operating out of 2 facilities is inherently more expensive than one campus.
- ▶ Fundraising efforts have been successful. This has allowed us to plug the operating deficit for 21-22 and will do so again in 22-23.
- ▶ However, we need to reduce our reliance on Fundraising to support an operating deficit. We need to begin re-allocating these proceeds to a campus capital campaign, expanding other enrichment opportunities, and strengthening our balance sheet.
- ▶ It was for this reason that we asked families for a voluntary donation of \$500/student, which is about half of our operating deficit this year and next excluding fundraising proceeds.

- ▶ Additional Resources, refer to <https://www.lakecountryclassical.org/board> for meeting minutes.
 - ❑ Overview of 22-23 Prelim Budget (3/2/2022 Board Meeting)
 - ❑ Clarification of Operating Deficit excluding Fundraising Efforts (4/6/22 Board Mtg)



Financial Highlights

- ▶ Start-up costs, total, per pupil? Year 1 start up \$804,662 / 404 students = \$1,991/student
- ▶ How were these costs funded? ~\$300,000 startup charter grant (still working through reimbursements), the balance from Private Loans / Fundraising
- ▶ Operating costs, total, per pupil? 21-22: \$12,056/student, 22-23 budget: \$10,306/student
- ▶ Major variances (if any) to budget/expectations? Wages/Benefits came in ~\$150,000 higher and Non Compensation Expenses ~\$100,000, much of this being non reimbursable from the Charter grant
- ▶ What is scale (i.e., break-even) enrollment? Excluding Fundraising revenue, somewhere around 675-700 students. A lot of assumptions on cost of “one campus” at this point though.
- ▶ How will a new school campus be financed? Likely a tax-exempt bond. We are targeting facilities cost per student of ~\$1,200-1,500/student.



FY21-22 Expenditures

FY21-22 Expenditures	State Aid, \$8,853/pupil*	Federal Grant, Special Ed	Start Up Charter Grant	Student Fees**	Fundraising Needs	Total
Operating	3,545,527	26,342		66,000	428,225	4,066,094
Start Up, Curriculum			300,000		44,320	344,320
Start Up, Facilities					460,342	460,342
	3,545,527	26,342	300,000	66,000	932,887	4,870,756
Fundraising Sources						
Foundation Matching Grant					50,000	
Gala / Ambassador Ball					130,000	
Private Donations					110,000	
					290,000	
Foundation Forgiven Loan					500,000	
FY21-22 Deficit					-142,887	
Deficit less Fundraising					-432,887	
Per Student [404] Deficit less Fundraising					-1,072	

- Start Up expenses combined to a little over \$800,000. Curriculum related start up expenses are partially reimbursable through a startup charter grant. However, facilities cost are not.
- Majority of special-ed expenses not reimbursable in Year 1, 21-22 expenses will be partially reimbursed (~30%) in 22-23.
- Fundraising efforts ~\$290,000. Additionally, a one time loan from a Foundation was forgiven to help offset the start up facilities expenses.
- Operating deficit (with fundraising included) was -\$142,887. Excluding fundraising was -\$432,887 or \$1,072/student.
- **Student fees consisted of initial \$65/student for supplies [~\$27k], balance from Co-Curriculars and Aftercare.



FY22-23 Preliminary Budget Expenditures

FY22-23 Expenditures	State Aid, \$8,853/pupil*	Federal Grant, Special Ed	Start Up Charter Grant	Student Fees**	Fundraising Needs	Total
Operating	4,104,782	150,000		49,750	481,550	4,786,082
Start Up, Curriculum			90,000		0	90,000
Start Up, Facilities					50,000	50,000
	4,104,782	150,000	90,000	49,750	531,550	4,926,082
Fundraising Sources						
Foundation Matching Grant					200,000	
Gala / Ambassador Ball					200,000	
Private Donations					125,000	
					525,000	
Foundation Forgiven Loan						
FY21-22 Deficit					-6,550	
Deficit less Fundraising					-531,550	
Per Student [478] Deficit less Fundraising					-1,112	

- Start Up Expenses associated to curriculum will reduce to \$90,000 from \$344,320.
- Additionally, we expect a \$141,624 reduction in other “Non Compensating” expenses in 22-23.
- The other increases to Operating Expenses tie mostly to additional staff to support the expansion of enrollment, and slight increase in facilities rent.
- Operating deficit (with fundraising included) is expected to be -\$6,550. Excluding fundraising will be -\$531,550 or \$1,112/student.



Written Q&A

- ▶ How much LCCA is saving by having its students buy their own supplies next year. Were the supplies much more expensive than what was budgeted for them? **We received \$27,300 in school supply fees (420 students x \$65). We spent \$50-\$60k on school supplies, so we underestimated the cost for school supplies this year**
- ▶ Could you please detail the primary categories (and costs) of unforeseen spend or significant overages as compared to the operating budget and plan? **Wages/Benefits came in ~\$150,000 higher and Non Compensation Expenses ~\$100,000, ~\$400,000 for the renovation of East**
- ▶ Understanding the intensity of investment and recognizing that there are one-time costs simply because this is a start-up year, was it expected or would you consider it 'normal' that we would see such a large deficit at this point in our journey? I'd appreciate having a better understanding of your degree of concern over the current situation.... without visibility to lines of credit or cash flow, is there a point where the future of the school is in jeopardy? **Start-up costs are mostly in line with projections. Operating costs are mostly in-line with projections. Costs are in-line with other BCSI member schools (see following answer.) The school is not in jeopardy. We have funding from WSKF and DPI which goes a long way toward funding the startup costs.**
- ▶ With the Governor's approval earlier this month of Assembly Bill 420 (eliminating the different per pupil amount paid to independent charter schools authorized by a tribal college), what does that mean for LCCA in the face of the current deficit? **\$380/pupil means over \$150,000 additional funding per year, etc. etc.**



Written Q&A

- ▶ Has the school benchmarked other BCSI schools (or other charter schools in WI) relative to finances? There are 8 BCSI schools across the country that have started recently (within the last 3 years); I'm curious if we have taken the opportunity to network with them in an effort to discuss financial benchmarks & what to expect in the start-up years. **Yes board members speak with Hillsdale K-12 leadership and with peer board members in person annually at board governance events, and monthly with Hillsdale by phone. Funding differs significantly state by state so it is difficult to make direct comparisons. Wisconsin is roughly middle of the pack in terms of state reimbursement economics. We opened with K-9 which is a bigger initial challenge than most new BCSI schools which open with K-6 or K-8 but they will take years longer to reach scale and breakeven which is typically considered to be approx. 650-700 students.**
- ▶ It is my understanding that the LCCA board has had at least two different people assume responsibility of treasurer since school started this year. Is there any reason to be concerned about this role as it relates to the stability of fiduciary obligation or financial direction for the school? **The former Treasurer was an accounting professional who did not have enough time. Brian Hastings has filled the role. He is a CFO, a parent, and very well qualified.**



Audience Q&A

- ▶ With the Charter School Program (CSP) grant that was awarded to LCCA, where does this money come from and how does this work? LCCA applied for and received this reimbursement grant which is used to help pay for start up costs associated with the school. Examples of qualifying expenses include curriculum materials, desks, operating systems. Ongoing operational expenses and facility construction/maintenance costs do not qualify. The grant is administered over a 5 year period. Each year, a new detailed budgeted must be submitted for approval for expected expenditures within that year. For the current fiscal year, are expecting ~\$300,000 of reimbursement.
- ▶ Does Hillsdale support LCCA financially? No, we only receive the Hillsdale K-12 curriculum, teacher/school leader/board training, and ongoing guidance and support.

