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Business and Development
Specialists for Charter Schools

CCSA California Charter Schools Association

Bridging the Gap

Understanding Cash Flow Options in the Midst of Deferrals
(Updated Version after start of 2011-12 school year)

October 6, 2011

Please note the following caveats:

- The information in this resource is current as the formal budget agreement on 06/30/11.
- We'll keep this document up to date as best as possible, but please continue to consult CCSA's Capitol Update and Weekly Member Digest for more up-to-date information.

Topics

Bridging the Gap: Problems and Options to consider

Why the problem exists:

Overview of State Cash Flow Schedule and Deferrals

Review of typical expense timing and cash flow for charters

Cash deficits that occur because of revenue and expense timing

Potential alternatives to consider:

Negotiate with vendors

Deferral Exemptions

CDE and CDFI Loan Programs

RAN's

Bank Loans and Lines of Credit

Private Loans

Receivables Sales

The Cash Flow Problem

The problems with charter school cash flow exist because of the mismatch in timing between revenues and expenses

Why the problem exists:

Overview of State Cash Flow Schedule and Deferrals

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Why is the state deferring my payments?

The state of California is in a poor cash situation, and is pushing the burden on those that depend on it for funding

Unemployment is still12%

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Income and sales tax revenues decline

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The state does not have enough money on hand to pay its expenses and debt obligations on time

STATE CASH ON HAND

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STATE CASH OBLIGATIONS

Understanding the Deferrals

The evolution of state deferrals over time

- In 2003-04 the state started deferring the June payment into July
- In 2007-08 the February apportionment started also being deferred into July
- In 2009-10 the state started partially deferring portions of the April and May apportionment into August
- In 2010-11, the state has added multiple deferrals
  - July apportionment was deferred to September
  - September was deferred to December
  - March was deferred to April
  - Partial deferrals of the April and May apportionments into July
  - Deferred money due in July and August 2011 has been delayed even further, into September 2011
- In 2011-12, changes to existing deferrals and new deferrals
  - July, August and October 2011 apportionments delayed until January 2012
  - Partial deferral of the March apportionment into August 2012
  - Additional partial deferral of the April apportionment into August 2012

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Estimating the Deferrals for fiscal year 2011-12

Based on the 06/30/11 budget agreement

- Via 13 scheduled deferrals, ~64% of revenue will be deferred at some point in 2011-12
- No 2011-12 state ADA payments in July, August or October 2011
- Only ~12% of total revenue will be received before December 2011
- ~84% of February through June apportionments deferred into at least July and August of 2012
- ~35% deferred into 2012-2013

Further uncertainty – potential for mid year cuts

- Adding further uncertainty to school funding is an automatic "trigger" built into the budget plan that will cut funding if state revenues do not meet the optimistic $4 billion in additional revenue projections used to balance the budget
  - If revenues come in at $2 billion below the budget assumptions by January 2012, K-12 education will face an automatic mid-year cut of $1.9 billion.
  - Further, the law would allow a reduction in the school year if these cuts were imposed.
  - The spring apportionments would bear the brunt of these cuts.

It is essential to plan for both the deferrals and this possibility of mid-year cuts.

2011-12 Deferrals - 38% of state apportionments pushed to FY 2013

Caveat: Inter-year deferrals could increase to over 40% if there are mid-year cuts

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL	Jul	Aug	Sep??
Apportionment	5%	5%	9%	9%	9%	9%	9%	9%	9%	9%	9%	9%	100%			
Deferral	-3%	-5%	3%	-9%			2%	-8%	-6%	-3%	-3%	-9%		8%		
Deferral	-2%						5%		-3%	-2%	-4%			2%	3%	
Deferral							9%			6%				3%	5%	
Deferral										-2%				9%	4%	
										-3%					3%	
Actual %	0.0%	0.0%	12.2%	0.0%	8.7%	8.7%	25.8%	0.6%	0.0%	4.6%	1.4%	0.0%		22%	16%	

July Apportionment Deferred Until September	3.0%
July Apportionment Deferred Until January (New FY 11-12)	2.3%
August Apportinment Deferred Until January (New FY 11-12)	5.3%
October Apportionment Deferred Until January	9.2%
February Apportionment Deferred Until July	8.4%
March Apportionment Deferred Until April	5.8%
March Apportionment Deferred Until August (New FY 11-12)	3.1%
April Apportionment Deferred Until July	1.8%
April Apportionment Deferred Until August	2.8%
April Apportionment Deferred Until August (New FY 11-12)*	2.4%
April Apportionment Deferred Until August (New FY 11-12)	3.2%
May Apportionment Deferred Until July	3.3%
May Apportionment Deferred Until August	4.2%
June Apportionment Deferred Until August	8.9%

Total % Deferred at some point the school year	63.7%
Total % Deferred intra-year (within year)	25.7%
Total Deferred inter-year (to the next fiscal year)	38.0%

*** The months listed for funding purposes are the months that the state releases the apportionment. Since apportionments are made at the end of the month and because there is typically a 7 to 21 day lag time for counties to process the payments and send to the school, funds will likely be received in the month after the actual listed apportionment month. The most important implication in all of this is that you can't count on a monthly apportionment to meet that month's payroll needs.**

* $1.3 billion scheduled to be deferred from March to August. Because of intra-year deferral, March does not have sufficient apportioment amount. Prediciting the balance will come from April apportionment.

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Understanding the Deferrals in 2011-12

A look at the dollar impact of the deferrals using a school with at total of $1,000,000 in state revenues - $380,000 delayed

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL	Jul	Aug	Sep??
Apportionment	$53,408	$53,438	$92,064	$92,034	$86,909	$86,909	$88,959	$89,256	$89,256	$89,256	$89,256	$89,256	$1,000,000			
Deferral	-$29,908	-$53,438	$29,908	-$92,034			$23,499	-$83,524	-$58,467	-$28,340	-$33,410	-$89,256		$83,524		
Deferral	-$23,499						$53,438		-$30,789	-$17,540	-$41,762			$17,540	$28,340	
Deferral							$92,034			$58,467				$33,410	$54,291	
Deferral										-$23,502				$89,256	$41,762	
										-$31,864					$31,864	
Actual %	$0	$0	$121,973	$0	$86,909	$86,909	$257,931	$5,731	$0	$46,476	$14,084	$0		$223,730	$156,257	

July Apportionment Deferred Until September	$29,908
July Apportionment Deferred Until January (New FY 11-12)	$23,499
August Apportinment Deferred Until January (New FY 11-12)	$53,438
October Apportionment Deferred Until January	$92,034
February Apportionment Deferred Until July	$83,524
March Apportionment Deferred Until April	$58,467
March Apportionment Deferred Until August (New FY 11-12)	$30,789
April Apportionment Deferred Until July	$28,340
April Apportionment Deferred Until August	$17,540
April Apportionment Deferred Until August (New FY 11-12)*	$23,502
April Apportionment Deferred Until August (New FY 11-12)	$31,864
May Apportionment Deferred Until July	$33,410
May Apportionment Deferred Until August	$41,762
June Apportionment Deferred Until August	$89,256
Total $ Deferred at some point the school year	$637,334
Total $ Deferred intra-year (within year)	$257,347
Total $ Deferred inter-year (to the next fiscal year)	$379,987

*** The months listed for funding purposes are the months that the state releases the apportionment. Since apportionments are made at the end of the month and because there is typically a 7 to 21 day lag time for counties to process the payments and send to the school, funds will likely be received in the month after the actual listed apportionment month. The most important implication in all of this is that you can't count on a monthly apportionment to meet that month's payroll needs.**

* $1.3 billion scheduled to be deferred from March to August. Because of intra-year deferral, March does not have sufficient apportioment amount. Prediciting the balance will come from April apportionment.

Typical Charter School Expenses

Typical expense patterns for charter schools are fairly evenly distributed over the entire year

	July	August	September	October	November	December
1000's - Certificated Salaries	2%	7%	9%	10%	9%	9%
2000's - Classified Salaries	6%	7%	9%	9%	9%	9%
3000's - Employee Benefits	8%	6%	10%	9%	9%	8%
4000's - Books & Supplies	4%	10%	14%	13%	7%	7%
5000's - Services & Other Operating Expenses	4%	6%	9%	8%	8%	7%
Total - Expense	4%	7%	9%	9%	9%	8%
Cumualative Expense	**4%**	**11%**	**20%**	**29%**	**38%**	**46%**
	January	**February**	**March**	**April**	**May**	**June**
1000's - Certificated Salaries	9%	9%	9%	9%	9%	9%
2000's - Classified Salaries	8%	9%	9%	9%	9%	10%
3000's - Employee Benefits	11%	8%	9%	9%	8%	5%
4000's - Books & Supplies	6%	6%	7%	5%	7%	13%
5000's - Services & Other Operating Expenses	7%	8%	8%	7%	8%	21%
Total - Expense	8%	8%	8%	8%	9%	13%
Cumualative Expense	**54%**	**62%**	**71%**	**79%**	**87%**	**100%**

The Deficit

Because expenses are relatively evenly distributed throughout the year and revenues are deferred it can create a massive cash deficit for schools

	Jul	Aug	Sep	Oct	Nov	Dec
Cumulative Expense	3.99%	10.71%	20.05%	29.18%	37.72%	45.68%
Cumulative State Revenue	0.00%	0.00%	0.00%	12.20%	12.20%	20.89%
Cumlative Deficit	-3.99%	-10.71%	-20.05%	-16.98%	-25.52%	-24.79%
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**
Cumulative Expense	54.03%	62.30%	70.73%	78.89%	87.41%	100%
Cumulative State Revenue	29.58%	55.37%	55.95%	55.95%	60.59%	62.00%
Cumlative Deficit	-24.45%	-6.93%	-14.78%	-22.94%	-26.82%	-38.00%

Deficits are reflective of 2011-12 apportionment schedule, by June the deficit grows to 38% (can be higher if there are mid-year cuts)

Assumes that school is not growing; if school is growing the cash deficit will be even more dramatic, because of the catch up in ADA payments after P-1

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The Deficit

Because expenses are relatively evenly distributed throughout the year and revenues are deferred it can create a massive cash deficit for schools

Let's look at the example of the school with a $1M budget:

	Jul	Aug	Sep	Oct	Nov	Dec
Monthly Expense	$39,862	$67,234	$93,387	$91,312	$85,432	$79,559
Monthly State Revenue	$0	$0	$0	$121,973	$0	$86,909
Monthly Deficit	-$39,862	-$67,234	-$93,387	$30,661	-$85,432	$7,350
Cumulative Deficit	-$39,862	-$107,096	-$200,483	-$169,822	-$255,254	-$247,904

	Jan	Feb	Mar	Apr	May	Jun
Monthly Expense	$83,475	$82,699	$84,339	$81,550	$85,299	$125,851
Monthly State Revenue	$86,909	$257,931	$5,731	$0	$46,476	$14,084
Monthly Deficit	$3,434	$175,232	-$78,608	-$81,550	-$38,823	-$111,767
Cumulative Deficit	-$244,470	-$69,238	-$147,846	-$229,396	-$268,219	-$379,986

In this example, the school would have a six figure cash deficit in 10 of the 12 months and would end the year with a deficit of $380K

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Other Funding Sources

Other funding sources can help with cash flow, but many have cash flow structures with funding coming late in the year

- Property Tax – Property Tax follows a more even schedule, but with sinking property values many schools have seen property tax percentage shrink dramatically
- Title Funding – First payment (40%) isn't received until January, second payment (40%) is received in April and final 20% is deferred until August/September
- SB 740 Facilities Grant – In 2010-11, some schools didn't receive their first apportionments (75%) until January and final payments (25%) wasn't received until May.
- Class Size Reduction – First apportionment of CSR (25%) was not received until December and 37.5% of the apportionment will not be received until August/September
- State Lottery Funding – First apportionment (25%) received in January, second apportionment (25%) received in April and the remaining funding is deferred into the next fiscal year with a large portion not being received until the following January. This is only $130 per ADA.

Potential Cash Flow Options

There is no one magic solution, but schools should consider all of these alternatives in looking at managing cash deficit

Why the problem exists:

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Deferral Exemptions

The state has offered deferral exemptions from some of the deferrals

- Deferral exemptions provide schools an exemption from specified deferrals throughout the year
- Exemptions can be from multiple deferrals or just a single deferral
- While very helpful from a cash flow standpoint, political implications must be considered
    - School must certify that without an exemption they would be insolvent
    - Authorizer must review and sign off on the exemptions
        - Might not want to pursue if school has a tenuous relation with district or if coming up on charter renewal
- For 2011-12, charter schools were able to apply for exemptions from the intra-year deferrals (July/August/October 2011 and March 2012). Applications were due on June 15. There will be another application period for the March 2012 deferral only.

Negotiating with Vendors

Strong credit relationships are critical in times of slow cash flow!

- Immediately establish credit relationships with major vendors (i.e. Staples, Office Max, Dell, textbook publishers).
- Seek out vendors who are willing to accept purchase orders; negotiate payment terms to coincide with cash flow.
- As much as is practicable, limit vendor relationships to those who work exclusively with and/or understand the unique financial needs of public schools.
- Engage in honest negotiations with your authorizer regarding payment delays for items such as encroachment or oversight fees.
- When making promises to pay, be realistic about the timing of funds. Once a promise to pay is made, work hard to meet that deadline.

Charter-focused Group Purchasing Programs

- Free next-day shipping on office and classroom supplies
- Up to 50% savings off list price for the entire catalog
- One click ordering at www.staplesadvantage.com/californiacharter or call (866) 671-5935 x278

- 15 to 20% off thousands of hardware, software, and services
- Visit the handy micro-site at http://www.cdwg.com/CCSA
- Call Ashley Zorilla at (877) 554-5519

Since 2009, participating CCSA member schools have cumulatively saved over $1 million off list pricing through these programs.

CDE Revolving Loan

Cheapest source of capital and the one that schools should look to first in most cases is the CDE revolving loan fund

- Schools that are still in their first charter term can apply for up to $250K
  - Can apply multiple times if a full $250K is not received the first time around
- Payback occurs over multiple (up to five) years so the loan will provide a cushion for several years
- Current interest rate of ~1% is far superior to other forms of financing
- Repayments are taken directly from monthly apportionments, which reduces administrative hassle for the school
  - If state payments are delayed, loan repayments are also delayed

Be sure to apply as soon as possible for 2011-12 revolving loan when it is available. This program is oversubscribed and severely underfunded. Schools can only expect a fraction of the allowable maximum level of support, and it takes approximately 9 months to process the application.

Bank Loans and Lines of Credit

Loans from your bank (or other banks) are worth exploring

- Lines of credit can provide a great source of capital because of the flexibility in withdrawals and repayments
  - Interest payments can be minimized by only using line when needed
  - Plan ahead to figure out when to draw down line and when to repay
- Difficulty with LOCs is that in the current market they can be tough to obtain
  - Lenders are not familiar with charter school finance and do not know how to underwrite the risk
    - Make sure that you get help from someone who is familiar with LOCs to help put together the loan package and present your case to the bank.
  - Charter schools have few hard assets to collateralize debt
  - Many schools do not have a sufficient operating history and track record to give lenders comfort
- Resources to find:
  - A credit union near you: http://www.creditunion.coop/
  - A list of credit unions in CA that have school-focused products: click here

What are TRANs?

Tax and Revenue Anticipation Notes

- Tax and Revenue Anticipation Notes (TRANs) - short-term, interest bearing notes issued by a district in anticipation of future taxes and other revenues to cover delays for general purpose and categorical funding
  - Interest rates - .5% to 2% annual interest
- Districts advantages over charter schools
  - Districts are government entities, cannot “go out of business”
  - Precedence – TRANs have been available for over 20 years
  - Districts already structured to share cost over multiple schools
- Examples
  - LAUSD: $500 million TRAN issuance in July 2010 at .67% interest
  - CSBA cash reserve program for smaller districts: $200+ million TRAN issuance that crossed fiscal years, 2009-10 to 2010-11

TRAN access for charter schools

An attempt to have charters access district or county low-cost working capital alternative

- Example - Gates Compact approved by LAUSD board in December 2010 included the following commitment to work together towards:
  - "… ensuring that all public schools, including charter schools, are able to meet short term working capital needs by receiving equitable access to tax and revenue anticipation notes (TRANS) in a manner that is cost neutral to the district, provided that all schools, including charter schools, give the necessary assurance and protection to the district that any borrowed funds will repaid using guaranteed intercept repayment mechanisms for the district."
- CCSA is participating in a working group including LAUSD in an attempt to have charters access the low-cost capital available to LAUSD district schools via the TRAN mechanism. Significant hurdles exist, and there is no guarantee this will be available in 2011-12.

TRAN access for charter schools

Progress in Sacramento

Like many charter schools, St. Hope Public Schools has been examining several alternatives to help maintain cash flow in 2011-12. St. Hope worked with Sacramento City Unified and the Sacramento County Office of Education on the program. As a result, St. Hope's two charter schools, PS7 and Sacramento Charter High School, joined Aspire Capitol Heights Academy, Language Academy of Sacramento, Yav Pem Suab and SAC Preparatory in accessing the TRAN funds to help meet their working capital needs through June 2012.

It may be worthwhile to approach your district or county on options available for charters.

Revenue Anticipation Notes

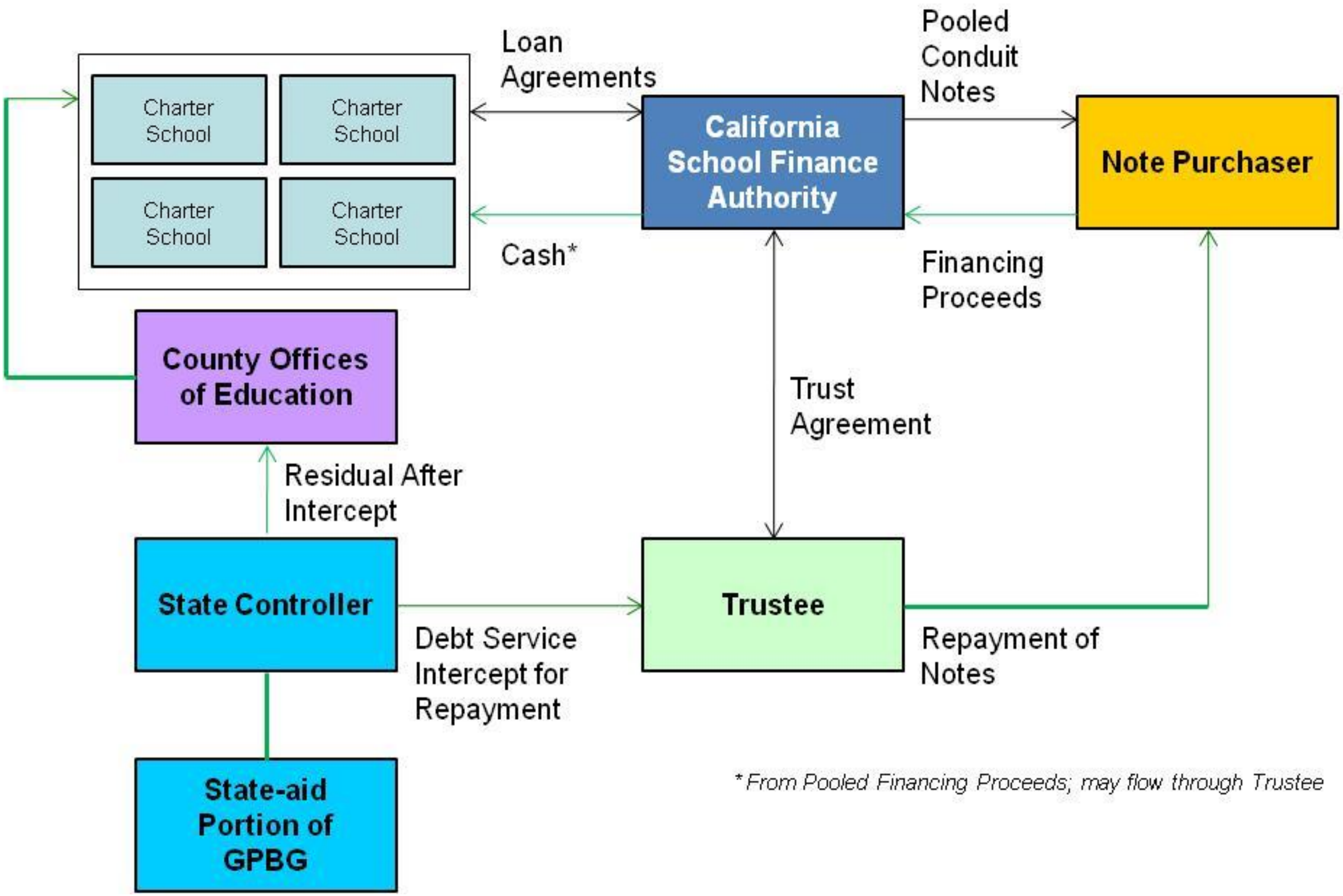
Essentially TRANs exclusively for charter schools

- CSFA/CCSA/First Southwest first explored developing a financing structure comparable to district TRANs for charter schools in Spring 2009

- Process for issuing a RAN (see visual aid on next slide)
  - CSFA issues short-term debt in the form of receivable anticipation notes (RANs) to private investors
  - As security for the Notes, each borrower executes a loan agreement with CSFA and pledges all legally available revenues toward repayment
  - Borrowers will be required to pledge intercepts (by way of the State Controller's Intercept Mechanism) of their delayed revenue limit funds

- Successful RAN offerings in 2010
  - Birmingham Charter School ($3 million)
  - Aspire Public Schools ($8 million)

RANs (Revenue Anticipation Notes)



Revenue Anticipation Notes

Benefits and Challenges

- Benefits
  - Competitive cost of capital – all-in costs on the two 2010 deals between 7% and 11%, inclusive of program and interest costs
  - Potential amount of capital – ability to fund 85% of anticipated deferrals thanks to presence of a state intercept mechanism
- Challenges
  - Cost and accessibility – current structure of RANs (which require each borrower to have legal counsel) makes it more affordable for larger schools (with needs in excess of $2 million)
  - Private investor requirements – total amount of capital, repayment terms and additional security dependent on expectations of the private investor
  - Time consuming process – bond/note programs require several rounds of documentation and legal opinion

CDFIs

- CCSA has long worked with Community Development Finance Institution (CDFI) partners on loan programs to assist charter schools with cash flow, enrollment growth and facility financing needs. CDFIs may be a good option to explore, particularly if you plan on acquiring, constructing or renovating your school facility in the future.

- Here is a list of CDFIs that CCSA has worked with:
  - Nonprofit Finance Fund (NFF)
  - NCB Capital Impact (NCBCI)
  - Enterprise Community Partners
  - Low Income Investment Fund (LIIF)
  - Local Initiative Support Corporation (LISC)
  - Clearinghouse CDFI

NFF – Working Capital Lines of Credit

- As the lead lender for the CCSA's 2010-11 Growth Loan and Emergency Loan programs, NFF is an expert in charter school funding in California.
- NFF is offering working capital lines of credit (up to $2 million) for eligible charter schools to bridge state apportionment deferrals and/or delays in funding for enrollment growth.
- Eligibility Guidelines
  - Charter school with current membership with the California Charter Schools Association
  - Two full years of operations at the time of application (doors open September 2009 or prior).
  - Acceptable academic performance trends
  - Fund Balance to Annual Budgeted Expenditures ratio – minimum of 5%
  - Projected net operating margin (net operating income/total revenues) must be at least 1%.
- The above Eligibility Guidelines represent minimum eligibility requirements and do not constitute automatic qualification or approval for a Working Capital Line of Credit
- **To Apply**: Please fill out this survey and a representative from NFF will contact you.

Private Party Loans

Loans from a private party might not be available, but are worth exploring

- A private party lender could come from a variety of sources including authorizer, landlord, vendor or any other partner of the school
  - These people or organizations might be open to providing a cash flow loan to the school because they understand the school better than a bank would
  - Terms can be negotiated so it is beneficial for both parties
    - Example: An 8% simple interest rate with no up front fees would be a cheaper source of capital than most currently available loan programs and would still provide an acceptable return to many lenders
- Several difficulties in setting up a private loan
  - Lenders are likely not financial institutions and probably don’t have the ability to run the school through a complex underwriting process
  - Some political risk with approaching certain parties about a loan
    - Could be an issue with authorizers or vendors
  - Potential, complicated legal issues can exist with private party loans; consult counsel before going down this path.

Sale of Receivables

Issues for schools

- The sale or receivables has provided needed cash flow financing for schools that cannot avail themselves of less expensive options
  - Schools that do not account for the financing costs of selling receivables in their budgets by making corresponding spending cuts will end up with a negative budget variance
  - Schools also need to maintain budget discipline with regard to spending after a receivables sale, i.e., don’t spend tomorrow’s money today
  - Schools that do not adjust their budgets to reflect financing costs and/or do not maintain expense discipline often end up on a receivable selling treadmill
- Schools sometimes believe it is better to sell more receivables than are immediately needed in exchange for lower percentage program fees under the presumption that additional receivables will need to be sold in the future.
  - The additional receivables aren’t necessarily needed, but the origination costs are paid upfront (or at least committed) which creates an additional financial hurdle and may necessitate future receivable sales.
  - Schools receive more money than they need, which diverts their attention away from making the necessary budget cuts to avoid structural deficits.
    - Schools spend the funds unwisely and don’t preserve capital for future needs, then need to sell more receivables to finance future expenditures.

Receivables Sales as they have existed

Example school

- New school needs cash flow financing of ~$250K because advance apportionment is delayed; no banks will talk to them.
- School takes advantage of scaled program fee pricing by selling $1.5MM of receivables at 3% ($45K program fee); must sell full receivable, so sells $400K of Special Advance Appt.
- Financing carries them through a couple months, but the school fails to reduce spending by the $45K program fee and the discount from the receivable sale ($16K).
- School then sells additional receivable to cover additional months in part because $61K in revenue is lost.
  - Additional $15K of financing costs
- Total cost of the program is now 6% of annual revenues and has wiped out the 5% reserve originally budgeted.
  - Without meaningful cuts, the school will continue to dig themselves into a hole.

Sale of Receivables

Low Risk Financing Vehicle for Lenders to Charter Schools

- Selling receivables does not necessarily imply high financing costs for schools
  - These programs involve the purchase by an investor of a receivable payable to a school, at a discount to face value, in advance of the payment date
    - The right to receive funds is sold to the 'lender'
    - Pricing reflects time value of money and credit/collection risk
  - Selling receivables in other industries can be expensive, since timing of payment and collection risk on receivables from commercial payors is often difficult to predict
  - Charter school receivables are less unpredictable
    - Single payor -- the State of California
    - Earned receivables -- collection risk is low on earned receivables; timing of payment is the greater, but more manageable risk
  - Nevertheless, cost of capital for receivables purchasing programs remains high, as investors are not well-versed in charter school funding and associated risks – so receivable sales are not inexpensive

Identifying Which Receivables to Sell

Think strategically about which receivables to sell; goal in any financing situation should be minimizing total cost while meeting cash need

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Beginning Cash	$ 100,000	$ 110,000	$ 38,484	$ (41,516)	$ 13,706	$ (49,659)		
Apportionment	$ 90,000	$ 90,000	$ 90,000	$ 90,000	$ 90,000	$ 90,000		
Deferral Net		$ (81,516)	$ (90,000)	$ 45,223	$ (73,365)	$ (90,000)	$ 221,241	$ 68,417
Total Revenue	*$ 90,000*	*$ 8,484*	*$ -*	*$ 135,223*	*$ 16,635*	*$ -*	$ 221,241	$ 68,417
Total Expense	*$ 80,000*	*$ 80,000*	*$ 80,000*	*$ 80,000*	*$ 80,000*	*$ 80,000*		
Ending Cash Balance	**$ 110,000**	**$ 38,484**	**$ (41,516)**	**$ 13,706**	**$ (49,659)**	**$(129,659)**		

- In this example the school would have several options to finance their March cash deficit:
  - Option 1: Sell April receivables to fund March – This would be the least expensive way to finance March since the discount rate on the receivables sale would only reflect one month, but the school would still face cash deficits later in the year
  - Option 2: Sell all remaining receivables (Apr-Aug) – This option provides the most funding and would solve the cash flow deficit, but school would incur unnecessarily high fees by selling more receivables than needed
  - Option 3: Sell enough July receivables ($130-150K) to cover June deficit– This option give the school enough funding to cover all months, while keeping origination and discount fees low

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Sales of Receivables

Available Options

If interested in receivable sales to meet your cash flow needs, please contact Charter School Capital or Advanced Placement Capital.

- Advanced Placement Capital - www.advancedplacementcapital.com
- Charter School Capital – www.charterschoolcapital.org

Summary

Because of large revenue deferrals from the state, schools need to start planning early to manage cash flow

- Cash flow projections should be long range (at least 6-8 months) and should be updated on a monthly basis
  - Also important to have at least a rough idea of multi year cash projections as the deferrals are likely not a short term problem
- If a need is identified, begin considering financing options early as underwriting processes can be lengthy
  - Start negotiating with vendors
  - Identify which cash flow options your school qualifies for
  - Begin the process evaluating available financing opportunities
- Evaluate pricing and timing of all options and carefully consider before making final decision
  - Goal should be minimizing financing costs in terms of absolute dollars while securing enough financing to meet cash needs

Please visit the Financial Management section at calcharters.org for a one-pager of potential resources