



PEAK TO PEAK
CHARTER SCHOOL
800 Merlin Drive • Lafayette, CO 80026

FINANCE AND BUDGET COMMITTEE (FBC)
JANUARY 25, 2021
MEETING SUMMARY AND RECOMMENDATIONS

Meeting Date and Time: Monday, January 25, 2021, 3:30 – 5:00 PM

Location: Remote via Google Meet

Participants: Present: Lynne Allen, external charter school member; Eric Duran, external banking member; Jonathan Fung, external philanthropy member; Kate Martin, accountability member; Louise Peng, accountant; Kelly Reeser, EDE; Sam Todd, EDO; Thomas Willetto, board treasurer. Not present: Derek Cole, board representative.

AGENDA ITEMS

1. Q2 2020-21 Financial Report

The financial results for the second quarter did not include any surprises, and showed positive results for all funds. Summarized results are provided below for each fund.

Charter General Fund 11

Revenues in Q2 totaled \$4.7 million, or 26% of budget; while expenses were \$4.25 million, or 24% of budget. A budget surplus of \$397K was generated in Q2. YTD, revenues were \$9 million, or 49%; and expenses were \$7.5 million, or 42%, which generated a surplus of \$1.4 million. Financial reserves are in good shape at nearly \$7 million. The ending fund balance for the year is projected to be \$5.4 million.

Food Services Fund 21

Total revenues in Q2 were \$26K, or 9% of budget; and total program expenses were \$88K, or 20%. YTD, revenues were \$30K, or 11% of budget; and expenses were \$141K, or 32%. At the end of Q2, the Fund 21 fund balance was -\$8K. The ending fund balance for the year is projected to be \$34K.

Operations & Technology Fund 65

Revenues in Q2 were \$342K, or 23% of budget; and total expenses were \$348K, or 20% of budget. YTD, revenues were \$684K, or 47% of budget; and expenses were \$708K, or 40%. At the end of the Q2, the Fund 65 fund balance was \$511K. This will be spent down throughout the year and expected to finish the year at \$229K.

FBC Discussion

FBC members were pleased with the consistent strong financial performance of the school.

2. Review of Peak to Peak’s 2020 Standard & Poor’s Credit Rating Report

Peak to Peak retained its “BBB+” credit rating, with a stable outlook. Eric Duran pointed out that P2P is among just a few charter schools in the nation to hold this high of a credit rating. Please see a few excerpts from the S&P report below:

We assessed P2P’s enterprise profile as strong, characterized by the school’s very stable enrollment, excellent student retention, a significant waitlist, top academic performance, sophisticated management team, and exceptional district authorizer support. In our opinion, the enterprise profile is constrained by the size of the organization with lower enrollment levels when compared to similarly rated peers. We assessed the school’s financial profile as adequate based on good and consistent financial performance metrics, additional support in the form of mill levy, good and growing liquidity, and a debt burden that continues to moderate. We also believe the school’s access to an endowment, valued at about \$1.4 million as of fiscal 2020 year-end, provides additional credit strength. We believe that combined, these credit factors lead to an indicative standalone credit profile of ‘bbb+’ and a final rating of ‘BBB+’. The rating reflects our view of:

- *Stable enrollment and healthy demand bolstered by the charter school’s national recognition and impressive academic performance;*
- *Significant support from mill levy overrides, which provides diversity to the organization’s revenue base;*
- *Positive relationship between the charter school and district authorizer; and*
- *Capable management team that is data focused and utilizes multiyear scenario budgeting.*

Management and governance have been stable during the past year and are among the best of all charter schools we rate. P2P has a finance committee of advisors that serves the board to aid with financial management. The management team is very sophisticated in its collection of data and monitoring of progress on strategic initiatives: academic and financial goals. In addition, P2P actively performs trend analysis and multiyear budgeting against benchmarks. We view these as best practices and believe there is a good track record of management successfully executing its plans, and we do not anticipate any changes in the next few years.

FBC Discussion

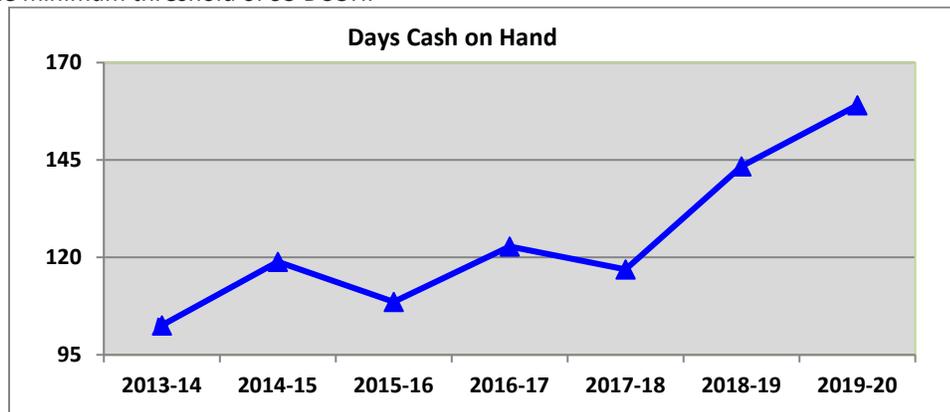
FBC members applauded the high credit rating, especially amidst the challenges of a global pandemic.

3. Review of Financial KPIs with 2019-10 Audited Financial Data

Peak to Peak’s financial KPIs have been updated with 2019-20 audited financial data. Please see an analysis of the financial KPIs below:

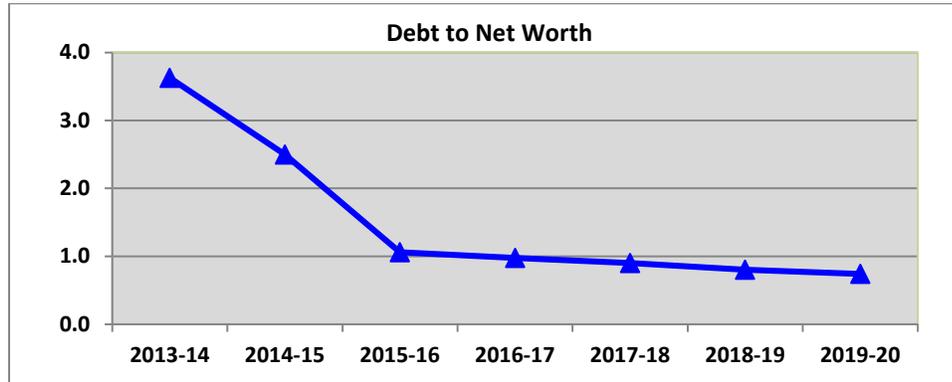
Days Cash on Hand

The 2019-20 fiscal year saw strong budget performance with the general fund posting a surplus of \$429,063. Unrestricted cash increased by \$870,278 from the prior year at \$7,623,554, which increased DCOH from 143.4 to 159. The trend line for DCOH indicates an increasing amount of financial reserves over the last several years, far exceeding the minimum threshold of 95 DCOH.



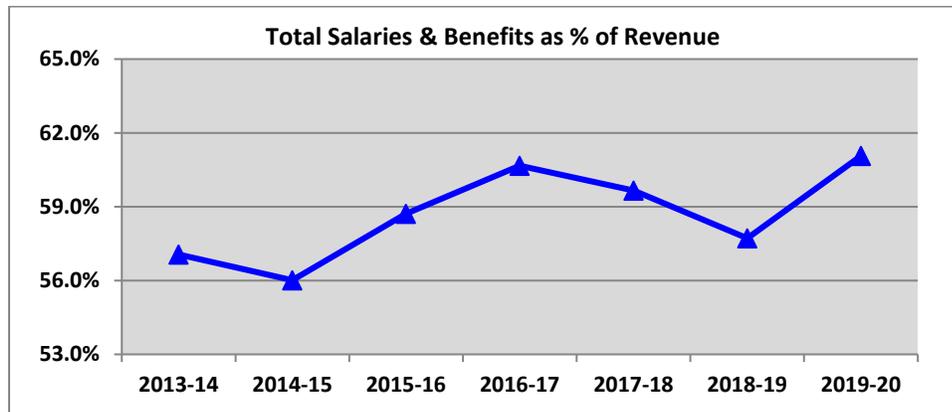
Debt to Net Worth

Net assets of \$23.6M once again exceeded total liabilities of \$17.5M, dropping the ratio from 0.8 to 0.7, the lowest ever. This is far below the threshold of 4.5, indicating strong financial health.



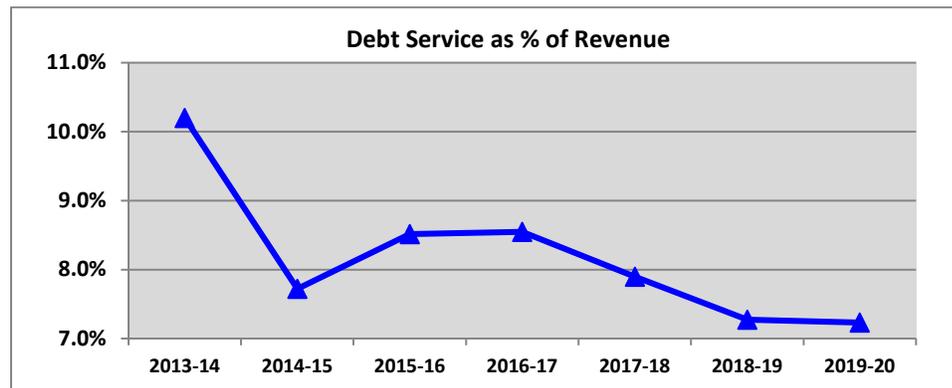
Total Salaries & Benefits as % of Revenue

\$739K was added to employee salaries and benefits in 2019-20, which increased the salaries & benefits as a % of total revenues from 59.7% to 61.1%. This is far above the minimum threshold of 50%, but still less than the maximum threshold of 65%. The school still has room to grow in this KPI.



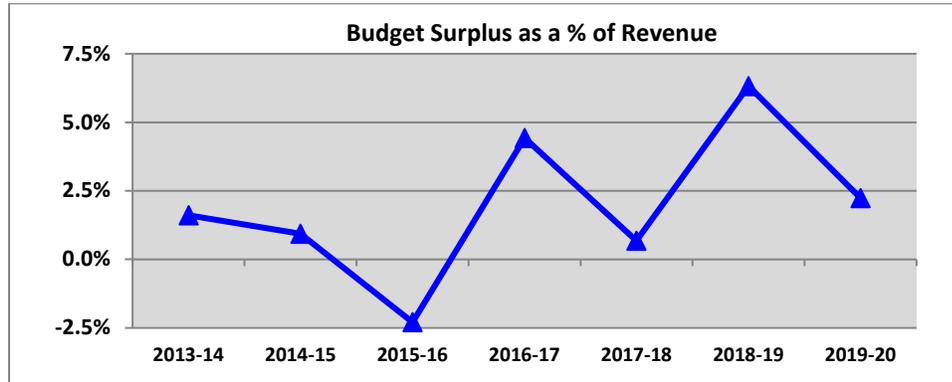
Total Debt Service as % of Revenue

Since bond payments are nearly flat year-over-year, and total revenues continue to increase, this KPI continues on a positive trajectory. Total debt service as a % of total revenues dropped slightly this year from 7.3% to 7.2%, which is the lowest ever. This is well below the maximum threshold of 12% and shows a steady downward trend.



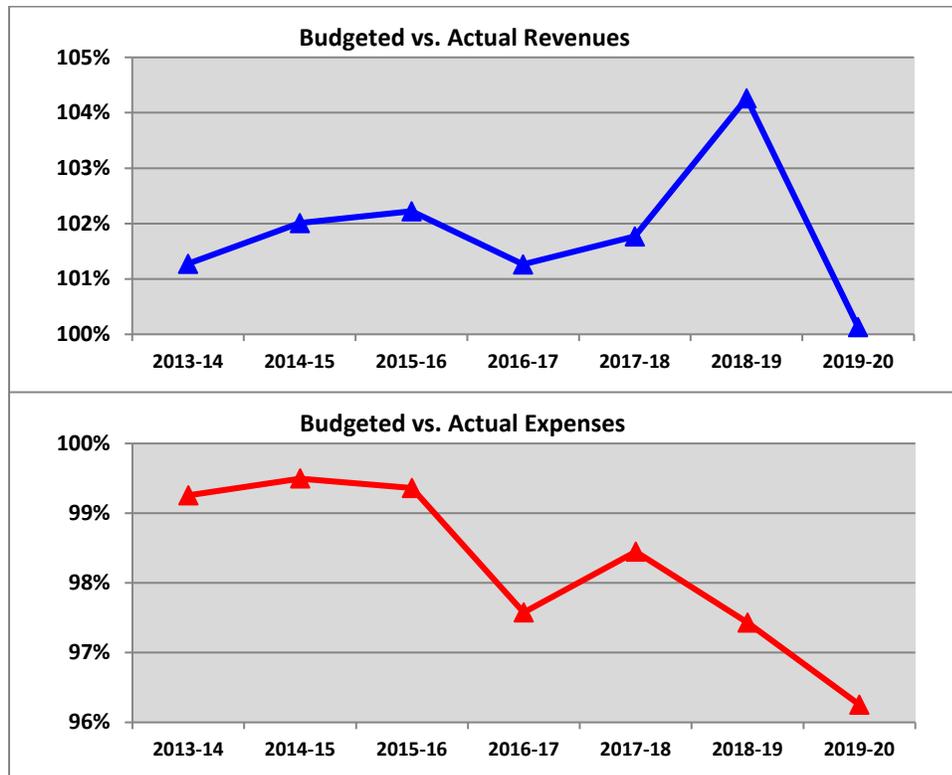
Budget Surplus as % of Revenue

The budget surplus of \$395K was well above the minimum threshold of 0%. This healthy surplus helped grow financial reserves, despite the negative financial impact of the COVID-19 pandemic.



Budget Performance

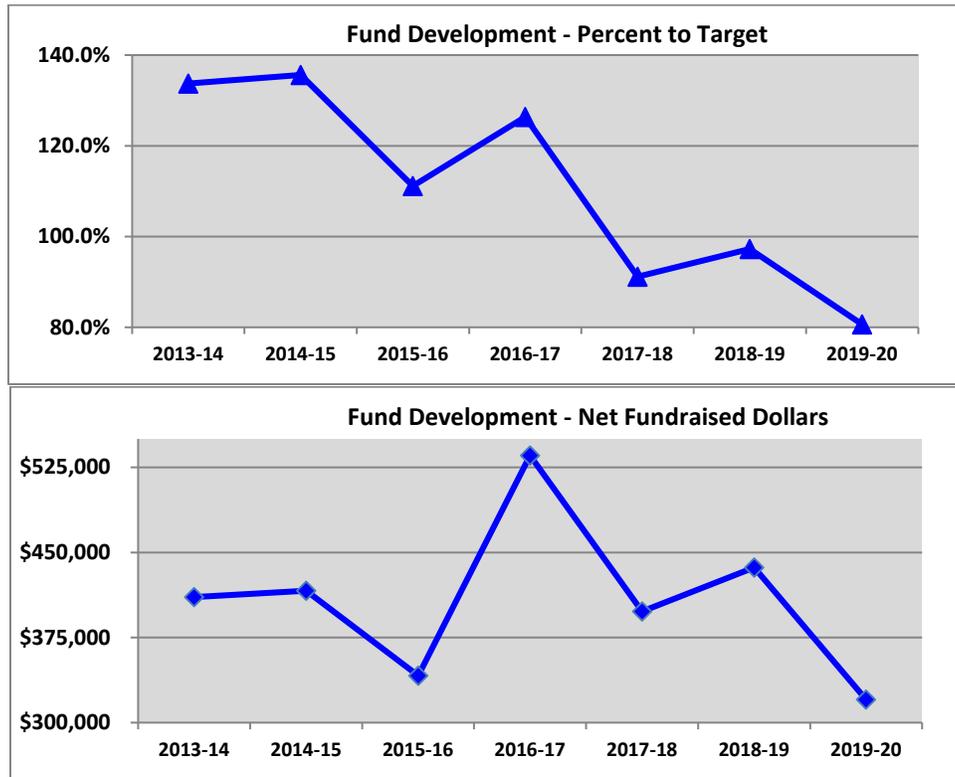
The school finished 2019-20 with better than expected budget performance, considering the impact of the COVID-19 pandemic. Revenues came in at 100.1%, despite lost revenues in food services, BAASC and athletics. Expenses came in at 96.3%, resulting in a combined budget surplus of \$427K.



Fund Development

The COVID-19 pandemic forced the cancellation of the two largest fundraising events of the year and fundraising efforts fell short of exceeding the budgeted net fundraised dollars of \$397K by \$77K, which resulted in 81% of actual vs. budget. In the second graph, net fundraised dollars are shown over time. As you can see, the previous three years had generated more net fundraised dollars than in past years, but 2019-20 was an unusual year with

the pandemic and the cancellation of major fundraising events, which dipped net fundraised dollars to its lowest point in seven years.



FBC Discussion

FBC members were encouraged by the overall positive trends in the financial KPIs for the school, while acknowledging that fundraising was hampered by the loss of two major events due to the pandemic.

4. 2020-21 Revised Supplemental Budget

BVSD revised its 2020-21 budget after the Peak to Peak approved its budget in November. As a result, the P2P board approved a revised supplemental budget in January to reflect the changes. Here is a summary of the changes:

- BVSD purchased services costs increased \$27K
- BVSD mill levy override revenue increased \$71K
- SPED categorical funding increased \$2.5K
- CDE charter capital construction funding increased \$35K
- P2P was awarded a grant from CDE for needlepoint bipolar ionization for \$118K
- The net results of these items was a total increase in revenue of \$227K and a total increase in expenses of \$145K, which improved the overall budget by \$82K.

FBC Discussion

Sam Todd indicated that more changes are coming for this year’s budget, including an anticipated increase in PPR of \$118K, and more than \$200K in ESSER II funding. Once these items are finalized, the budget will come back to the board for approval in the spring. The FBC was pleased with the positive changes for this year’s budget, in light of the 5.5% cut in PPR at the start of the year.

5. 2021-22 Preliminary Budget and State Funding Outlook

The preliminary 2021-22 budget currently includes a 10.3% increase in PPR, as proposed in the governor's budget request. The ELT will begin work this week on the budget, which will continue through the spring, with the board expected to approve the preliminary budget in May. The FBC will review the 2021-22 preliminary budget at their next meeting in April, and make a recommendation for approval to the board.

6. The next FBC meeting date will be Monday, April 26th at 3:30 PM.

The preliminary agenda for this meeting will include:

- Review of Q3 financial results
- Discussion of projected Q4/year-end financial results
- Review of fundraising results and strategy
- Review of 2021-22 preliminary budget and recommendation for board approval