

STATE PUBLIC CHARTER SCHOOL AUTHORITY



2017 CHARTER SCHOOL LOAN REQUEST

**Nevada State Public Charter School Authority 2017 Application for a Charter School
Revolving Loan**

New Charter School Track

Respectfully submitted on behalf of Futuro Academy Board of Directors

3/15/2017

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Section 1

Exhibit 1. Complete the Revolving Loan Application Cover Page.

Cover page completed and is attached as Appendix 1.

Exhibit 2. If the charter school is sponsored by a local school district, college or university within the Nevada System of Higher Education or the Achievement School District, provide a letter of endorsement from the sponsor of the charter school. For a school that is already in operation this letter shall include a summary of the school's academic performance for up to the preceding three years and a statement describing any findings based on the annual performance audit pursuant to NRS 386.5515 and any findings under the performance framework for the charter school pursuant to NRS 386.527.

Sponsorship letter from the Nevada Achievement School District is attached as Appendix 2.

Exhibit 3. Provide a resolution and copy of the minutes, draft or final, of the governing body authorizing submission of the loan application.

Resolution is attached as Appendix 3.

Draft minutes are attached as Appendix 4.

Exhibit 4. Provide the signatures of each member of the governing body on a statement acknowledging that the school is responsible for repayment of the loan even in the event of the closure of the charter school.

Signature and statement affixed on the resolution attached as Appendix 3, which contains a WHEREAS clause affirming the obligation.

Exhibit 5. If the charter school is an operational charter school:

- a) Provide a statement of the financial history of the applicant by completing and attaching the most recent three years of audited financial statements, and
- b) Three credit references for the applicant.
- c) DUNS Number/EIN Number

OR If the charter school is not yet operational:

- a) Provide a letter from a certified public accountant demonstrating the School has established and documented adequate internal financial controls and procedure controls relating to¹:
 - i. Preparation and maintenance of financial statements and records in accordance with generally accepted accounting procedures (GAAP)
 - ii. Payroll procedures
 - iii. Accounting for contributions and grants
 - iv. Procedures for the creation and review of interim and annual financial statements (should specify, the individual(s) that will be responsible for preparing and reviewing such financial statements and ensuring that they contain valid and reliable data)
 - v. Existence of appropriate internal financial controls and procedures
 - vi. Safeguarding of assets including cash and equipment
 - vii. Compliance with applicable laws and regulation
 - viii. Ensuring that the purchasing process results in the acquisition of necessary goods and services at the best price
 - ix. In demonstrating status of aforementioned controls the school should include:
 - 1.A description of the control
 - 2.If the control is currently operational
 - 3.Who at the Charter School is responsible for the control

Futuro Academy was fully chartered on February 6, 2017 and as such is in the process of review and approval of policies and procedures in collaboration with contracted back-office and accounting provider EdTec, a highly reputable back-office support firm with over 300 clients nationally.

The controls will be established and submitted to the Achievement School District by 3/31/2017 for review.

¹ If a school received charter approval less than 60 days prior to the due date of this loan application, it may provide an assurance that the controls will be established and documented prior to the issuance of the loan.

Exhibit 6. Using the standard state budget format (http://www.doe.nv.gov/Charter_Schools/
http://www.doe.nv.gov/Charter_Schools/Information/), provide a statement of the monthly cash flow for the operation of the charter school for each year of the proposed loan term, including, without limitation, an identification of the amount and timing of receipt of revenue relating to the amount and timing of expenditures. In excel, provide a budget for the charter school for the fiscal year in which the loan is received and for each fiscal year of the proposed period for repayment of the loan. The budget must:

- b) Include an identification of all sources of revenue and expenses;
- c) Include the cost for repayment of the loan; and
- d) Be accompanied by a written narrative explaining each of the assumptions made in developing the budget.

Futuro Academy 3-year projected budget is attached as Appendix 5, including 3 years of cash flows covering the term of the loan. Futuro Academy 5-year projected budget narrative is attached as Appendix 6, which details assumptions and projections.

Loan repayment is calculated as Line 36 in the Cashflow Tab. The plan is to pay the loan back over 3 years, beginning in Y2 with a schedule of 24 equal installments. Interest payment is expensed annually, found on Object Code 830 (Debt Related Expenses) on Line 200 of the Budget Tab.

Section 2

Exhibit 1. Describe the proposal of the charter school to repay the loan, consistent with NAC 386.445.

Futuro Academy intends to borrow \$58,000 on a 3-year repayment term to assist with initial cash flow entering the first year of operation in 2017-18. Futuro intends to utilize the first year of operations to establish a solid financial position and build a healthy cash reserve for operational purposes. Subsequently, in Year 2 and 3 (fiscal years 2018-19 and 2019-20 respectively), Futuro Academy will make 24 equal monthly installment payments to repay the principal plus interest of the Revolving Loan Fund loan. For detailed figures, please see the 3-Year Budget and Cashflow projections found in Appendix 5 and Appendix 6.

The acceptance of the loan and repayment are capture in:

Line 36 of Cashflow Tab

Line 200 (Object Code 830) of the Budget Tab

Exhibit 2. Detail the financial needs of the charter school including a detailed enumeration and explanation of the costs to be covered by this loan.

Futuro Academy has a solid financial plan to operate on a surplus in every year of the 6-year charter it was granted. The need this loan fundamentally fulfills is to provide a cash reserve for reimbursement of previously granted Nevada Charter Schools Program Sub-Grant (CSP) approved costs.

The CSP grant is intended for start-up expenses and is fulfilled through monthly reimbursement of expenses at the Nevada Department of Education level. The challenge and the financial need Futuro Academy has as a brand new, fresh start, single site non-profit school is the need for operating cash above and beyond per-pupil funding to maximize CSP reimbursements, in particular during Quarter 1 and Quarter 2 of the 2017-18 school year due to payment of initial investments in curriculum, technology, furniture and other fixed, immediate start up expenses in the July to December timeline.

Although \$58,000 will not fully cover all CSP eligible reimbursements, the cash reserve will ensure that we maintain a healthy financial position while still making investments on a regular basis and between reimbursements when combined with per pupil revenue.

A specific summary of CSP expenses approved for reimbursement is attached as Appendix 7 and 8, representing the 2016-17 Planning Phase expenses and 2017-18 Implementation Year 1 expenses awarded and deemed allowable by the Nevada Department of Education.

Exhibit 3. Provide a list of the anticipated expenses for which the funds obtained from the loan will be used.

The specific expenses for which the funds will be used are summarized in Appendix 7 and 8 and represent allowable expenses found within the approved Nevada Charter Schools Program Sub-Grant award issued to Futuro Academy as start-up expenses.

Major expenditures include:

- Contracts for start-up assistance, professional development, and consulting services related to the start-up and establishment of Futuro Academy

These expenses are crucial to create systems and procedures to both ensure strong operations, but also a high-quality academic program. For example, Futuro Academy will be utilizing UChicago Impact's STEP Reading assessment and professional development as an early warning literacy assessment to ensure strong results in K-2, which has both a license and professional development cost.

- Investments in items with multi-year useful life including curriculum, furniture, and technology, including 1:1 Chromebook technology and initial IT and Internet infrastructure

These items are crucial for operations, and integral to our mission. Futuro Academy believes digital citizenship and skills are an integral part of a 21st century education, and as such is investing in strong broadband infrastructure and 1:1 technology.

- Rent subsidy for initial 3 months of operation

CSP dollars allow for some expenses that cannot be met by state funds alone, and in the founding months of the school, CSP funding will allow Futuro to maintain a stable financial position by covering facility cost.

Exhibit 4. Explain the effect that receipt of the loan will have on the operation of the charter school. Specially, in the event that the school is unable to obtain this loan, which of the costs detailed above will be modified or eliminated

First and foremost, Futuro Academy will be able to leverage Nevada Charter Schools Program Sub-Grant (CSP) award by utilizing the Revolving Loan as a source of cash above and beyond the per-pupil funding earmarked for essential operations.

The effect of the receipt of this loan is that Futuro Academy will then have access to over \$616,000 of funds to be used as start-up enhancements throughout the 2016-17 and 2017-18 fiscal years via reimbursement. The \$58,000 loan will be maximized by submitting monthly reimbursements and continuing to expend CSP eligible funds once the cash is available. Although the Revolving Loan funds will not fully cover all CSP expenditures, it will allow Futuro Academy to maintain a healthy financial position through Quarter 1 and Quarter 2 of 2017-18 by providing cash on hand prior to DSA funds being deposited, and by providing access to seed capital prior of to regular DSA deposits.

If not received, Futuro Academy would have to eliminate several non-operation critical CSP expenditures, severely limiting the quality of instruction and development for teachers supporting our state's neediest students.

Exhibit 5. Describe the effect, if any that receipt of the loan will have on the ability of the governing body or the charter school to obtain other financial assistance from public and private sources. If there are any other loans or grants which are contingent upon obtaining this loan. If so, please describe those in detail and provide supporting documentation.

Currently, the main grant contingent on receipt of this loan is the Nevada Charter Schools Program Sub-Grant (CSP). If awarded, Futuro Academy will be able to fully reimburse all expenses while maintaining enough cash on hand to be in a fiscally healthy position.

Should this loan not be awarded, Futuro Academy would have to only claim part of the grant award due to inability to have enough cash to sustain during periods between Nevada Department of Education reimbursements for CSP expenditures, especially in Quarter 1 and Quarter 2 of Year 1 of operations (2017-18) as many start-up expenses would be billable on net 30-90 days and be invoiced near the start of the school year.

Additionally, when seeking treasury management solutions from lending institutions, Futuro Academy will be in a healthier financial position. The positive effect on cash management is highlighted by Line 42 of the Cashflow Tab in the budget attached as Appendix 5, noting that several months are below \$58,000 in 2017/18 and would indicate cash negative months for Futuro Academy if we do not receive this Revolving Loan.

Exhibit 6. Provide a detailed plan for the use of the funds obtained from the loan. Describe how this loan will enhance the credit of the charter school.

Futuro Academy will use the funds to maximize Nevada Charter Schools Program Sub-Grant fund reimbursements, as articulated above. This loan will enhance not only the credit but the overall financial position of Futuro Academy. This will help establish a set of current financials that Futuro Academy can leverage when dealing with potential donors, financial institutions and other stakeholders to negotiate better financial terms.

In particular, Futuro Academy is looking to solidify a beneficial banking relationship with a local bank to provide not just banking services but treasury management and cashflow management through an operational line of credit, and would benefit tremendously from the enhanced financial position in 2017-18 provided by this low interest loan with a repayment schedule beginning in fiscal year 2018-19, as is evident from the Line 42 in the Cashflow tab. We will seek to secure these additional cashflow management resources if approved for the Revolving Loan to further enhance the financial position of Futuro Academy.

Section 3

Exhibit 1. If a member of the governing body or a member of the school's leadership team with day-to-day responsibility in academics or business operations and finance has, or had, an association or affiliation with another charter school in this State or another state²:

- a) Provide a statement as to whether the school is still in operation. If the school is not in operation, please report the date and reason for the closure of the school. Please note whether the member of the governing body was a board member or staff member of the school at the time of the closure or in the three year period leading up to the closure. Provide current contact information for the most recent charter school authorizer and any past authorizer of the charter school.
- b) Provide a statement of the financial history of the charter school with which the member has or had such an association or affiliation.
- c) The most recent three years of audited financial statements for the period when the individual was associated with the charter school. If the audited financials were included as part of a charter application filed on or after July 1, 2015 that information may be incorporated by reference.

This exhibit is not applicable.

²The provisions of this paragraph apply regardless of whether the member has terminated the association or affiliation.

Exhibit 2. Provide detailed enrollment projections and a comprehensive marketing, and recruitment plan that demonstrate the school has sufficient capacity to exceed the enrollment projections and maintain a sufficient wait list to ensure repayment in the event some students withdraw from school. Please use the marketing plan template attached to this document and submit as **Attachment 1**. Applicants may wish to enhance the marketing plan with additional school-specific strategies including, but not limited to, social media and advertising in addition to the grassroots strategies identified for all applicants.

As of 3/15/2017, Futuro Academy has 99 applicants, 45 interest forms, and will begin enrollment on the week of 3/27/17. Futuro Academy expects to be fully enrolled in the 2017The detailed enrollment projections and enrollment plan is attached as **Attachment 1**

Exhibit 3. Attach the business plan for the charter school.

- a) For schools that are seeking to expand their enrollment, within the new or existing facility, please attach the expansion business plan documentation as **Attachment 2**. Applicants are welcome to use this business plan as the format for any amendment request to a sponsor which has not adopted a standard amendment request template.
- b) For schools that have already supplied the information in this business plan as part of their expansion amendment with the State Public Charter School Authority (November 2015 and after) the amendment application may be incorporated by reference.
- c) For New Charter Schools and Achievement Charter Schools, please provide a copy of your charter application. Schools that were approved by the State Public Charter School Authority may incorporate their charter application by reference.

The copy of the previously submitted and approved charter for Futuro Academy is attached as **Attachment 2**.