

Private School Choice Programs Fiscal Management Training

Schedules 6: Debt

School Finance Auditors
Parental Education Options
2024-25 School Year



Welcome to the Wisconsin Department of Public Instruction's training module for the Private School Choice Programs. We will refer to the Private School Choice Programs as "Choice" or "Choice program" throughout this training.

The Choice program is governed by Wis. Stat. §§ 119.23 and 118.60, as well as Wis. Admin. Codes ch. PI 35 and 48. This training is based on the requirements in these statutes and rules. Provisions of this training module are subject to statutory and rule changes.

This section of the training will explain debt, which is Schedule 6 of the budget.

Completion of Budget Excel Document



This training will explain how to input information into the budget and cash flow report (budget) Excel document.



You must enter this information into your Excel document unless otherwise noted.



Please pause the training if you need additional time to review the example or check your Excel document.



In order to receive credit for having participated in this training, which is required for all Choice administrators, you will be required to upload the completed budget Excel document into the training quiz.



This training will explain how to input information into the budget and cash flow report Excel document. We will refer to the budget and cash flow report as the budget throughout this training. You must enter this information into your Excel document unless otherwise noted. Please pause the training if you need additional time to review the example or check your Excel document.

As a reminder, in order to receive credit for having participated in this training, you will be required to upload the completed budget Excel document in the quiz you complete after all the trainings are done. The budget that is uploaded into the quiz must include all of the examples for Holy Love that are provided in each of the trainings. **Completion of this training is required for all Choice administrators of new schools to the Choice program.**

If you have any questions as you complete this training, please note them. The department will be providing live virtual Q&A sessions. The webpage where this presentation was available has information on these sessions and a copy of the PowerPoint slides with the notes. You can ask questions on any of the trainings by emailing us at dpichoiceditreports@dpi.wi.gov.

Schedule 6: Borrowing

- Include any debt of the school. Debt must include:
 - Lines of credit
 - Mortgages and other debt agreements
 - Debt agreements with related parties
 - Paycheck Protection Program (PPP) loans
 - Credit card amounts owed
- Unpaid reimbursements due from related parties or employees are not considered debt.

3



The school needs to include any debt in the name of the school's legal entity on Schedule 6. This would include any lines of credit, even if the current balance is 0. It includes mortgages and other debt agreements, and debt agreements with related parties. If the school had a Paycheck Protection Program loan that is outstanding when the budget is submitted, this must also be included in the budget.

Additionally, if a school has an outstanding credit card balance that has not been paid off, it should be identified in this schedule. If the school generally pays off its credit card bills on a monthly basis, the credit card balances would not need to be included on this schedule.

Please note unpaid reimbursements owed to related parties or employees are not considered debt. Instead, these would be included in the applicable expense schedule, Schedule 3-1, 3-2 or 3-3. If they are not paid as of the end of a school year, they would need to be identified as an outstanding Accounts Payable. See the trainings that explain Schedule 3 for additional information on how to include Accounts Payable in the budget.

Schedule 6: General Information

Include all debt of the legal entity of the school. Indicate if the debt is with a related party. Related parties include those who have a proprietary interest in the legal entity of the school or their relatives and operating organizations of the legal entity of the school. Related parties can also include board members, administrators, teachers/staff, and others with a relationship with the school. If you have questions if a party is related, please contact a DPI Auditor. Complete the rollforwards below. Insert the percent of each debt agreement that was used for K4-12 educational programming in Lines 7-12, Column B.

Line	A Lender Name	B Date Incurred	C Maturity Date	D Related Party?	E Related Party Relationship	F Line of Credit
1						
2						
3						
4						
5						
6						

- Include general information on each debt.
- Identify if each lender is a related party. If so, you must explain the relationship in Column E.
- Identify if each debt is a line of credit in Column F.
- If the required information is not included, an error will show on the error report.



At the top of Schedule 6, you will include general information on any debt: the lender name, the date incurred, meaning the date the loan begins, and the maturity date of the loan.

You will also need to identify if the lender is a related party using a Yes/No drop down. If the lender is a related party, explain the relationship in Column E.

Finally, identify if the debt is a line of credit in Column F. A line of credit would be an agreement that says you can access cash on an as-needed basis over a period of time.

If the required information is not included, an error will show on the error report. You must complete Columns A-D and F for each debt agreement. Column E, the related party relationship column, is only required if the school indicates that the debt is with a related party in Column D.

Who is a Related Party: Individuals

- An owner, director, trustee, officer, or key employee of the school.
- An immediate family member of an owner, director, trustee, officer, or key employee of the school.
- An individual who has a material financial interest in the school.
- An individual that has significant influence over the school.
- Consider:
 - Teachers
 - Office staff
 - Administrators
 - Board of directors
 - Those closely related to these individuals



Related parties include those who have a proprietary interest in the legal entity of the school or their relatives. They can include:

An owner, director, trustee, officer, or key employee of the school;

An immediate family member of one of those individuals; or

An individual who has a material financial interest in the school or significant influence over the school.

When determining who may be a related party, schools should consider whether teachers, office staff, administrators, board members, and those closely related to these individuals are related parties. If you have questions on whether an individual is a related party, please email dpichoiceditreports@dpi.wi.gov.

Who is a Related Party: Organizations

- A corporation, trust, or similar entity or organization:
 - in which an individual who is a related party holds a material or controlling interest or serves as an officer or director of the organization;
 - that has a financial interest in the school or in which the school has a financial interest;
 - involved in the day-to-day operations of the school; or
 - existing exclusively or primarily for the benefit of the school.



A related party organization includes a corporation, trust, or similar entity or organization in which an individual who is a related party holds a material or controlling interest or serves as an officer or director of the organization. A related party organization would also include an entity or organization that has a financial interest in the school or in which the school has a financial interest. It includes an entity or organization that is involved in the day-to-day operations of the school. Finally, it would include an entity or organization that exists exclusively or primarily for the benefit of the school. For example, if the school set up a foundation that's sole purpose was to raise funds for the school and provide those funds to the school, that foundation would be considered a related party.

Related party organizations include any church or school that is part of the same association of churches or schools. Related party organizations would not include any portion of the school that has the same Federal Tax ID number (FEIN) as the school. For example, if a church and school have the same FEIN number, the church should not be identified as a related party in the budget. Instead, the budget must be completed at the legal entity level and include all of the church's expenses, revenues, and balances, including any of the church's debt.

Schedule 6: Principal Rollforward

DEBT PRINCIPAL ROLLFORWARD							
Line	A Lender Name	B % School Related	C June 30, 2024 Balance	D Principal Incurred	E Principal Paid	F Amount Forgiven	G June 30, 2025 Balance
7							-
8							-
9							-
10							-
11							-
12							-
13	TOTAL		-	-	-	-	-

- Include the percent of the debt that was used for school related items. An error will show if this is not included.
- Include the anticipated beginning balance, principal incurred, principal paid, and amount forgiven. Principal incurred is any additional funds the school expects to receive during this period.



We will now go through the next section in Schedule 6. The lender name will automatically appear in Column A based on what you inserted in the first section.

For each loan, you will enter the percent of the debt that was used for school related items in Column B. An error will show if this is not included. The anticipated beginning balance, principal incurred, principal paid, and amount forgiven should be then be entered in Columns C through F. The anticipated beginning balance is what you expect the balance will be as of June 30, 2024. Principal incurred is any additional funds the school expects to receive during the school year. Principal paid is any amount that you expect to pay back during the school year. This must, at a minimum, include the payments required per the debt agreement.

Schedule 6: Amount Forgiven

DEBT PRINCIPAL ROLLFORWARD							
Line	A Lender Name	B % School Related	C June 30, 2024 Balance	D Principal Incurred	E Principal Paid	F Amount Forgiven	G June 30, 2025 Balance
7							-
8							-
9							-
10							-
11							-
12							-
13	TOTAL		-	-	-	-	-

- If the school has a Paycheck Protection Program loan that is outstanding when the budget is submitted, the school should provide the signed loan documentation for the loan with the budget.
- If the school has submitted documentation requesting forgiveness of the loan, also provide the documentation submitted for the forgiveness.

8



Column F in the Debt Principal Rollforward section is the amount forgiven. If the school will have any amount forgiven, the amount that will be forgiven must be identified here. The school must then provide documentation with the budget showing that the amount will be forgiven. If the school received a Paycheck Protection Program loan and the loan is still outstanding at the time the budget is completed, the Paycheck Protection Program loan should be included in the budget. If the school expects to receive forgiveness of the loan by June 30, 2025, it should identify the amount it expects will be forgiven in Column F.

If the school included a Paycheck Protection Program loan in the budget, the school should provide the signed loan documentation for the loan with the budget. If the school has submitted documentation requesting forgiveness of the loan, also provide that documentation.

Schedule 6: Interest Rollforward

INTEREST ROLLFORWARD							
Line	A Lender Name	B Interest Rate	C June 30, 2024 Balance	D Interest Owed	E Interest Paid	F Forgiven Interest	G June 30, 2025 Balance
14							-
15							-
16							-
17							-
18							-
19							-
20	TOTAL		-	-	-	-	-

- The June 30, 2024 balance is the amount of interest owed as of June 30, 2024 that has not yet been paid (accrued interest).
- Include any interest owed based on the debt agreement for the 2024-25 school year in Column D.
- Include the amount of interest the school anticipates paying in Column E for the school year. This must, at a minimum, be the amount required by the debt agreement.
- The ending balance must equal the amount owed as of the end of the year that has not yet been paid.



The next section of Schedule 6 is the interest rollforward. Again, the lender's name will automatically be included from the top of the schedule. You must enter the interest rate based on the debt agreement. This can be a percentage or, if a certain dollar amount is due, it could say something such as "\$100 quarterly". The June 30, 2024 balance is the amount of interest owed as of June 30, 2024 that has not yet been paid. This is known as accrued interest.

Column D must include any interest owed based on the debt agreement for the 2024-25 school year. In Column E, include the amount of interest the school anticipates paying during the school year. This must, at a minimum, be the amount required by the debt agreement. The ending balance must equal the amount owed as of the end of the year that has not yet been paid.

Eligible Education Expense for Debt

DEBT PRINCIPAL ROLLFORWARD							
Line	A Lender Name	B % School Related	C June 30, 2024 Balance	D Principal Incurred	E Principal Paid	F Amount Forgiven	G June 30, 2025 Balance
7							-
8							-
9							-
10							-
11							-
12							-
13	TOTAL		-	-	-	-	-
INTEREST ROLLFORWARD							
Line	A Lender Name	B Interest Rate	C June 30, 2024 Balance	D Interest Owed	E Interest Paid	F Forgiven Interest	G June 30, 2025 Balance
14							-
15							-
16							-
17							-
18							-
19							-

- The amount that is included as an eligible education expense for debt is the interest owed times the percent of the debt used for the school.



The amount that is included as an eligible education expense for debt is the interest owed in Lines 14-19, Column D times the percent of the debt used for the school. The percent of the debt used for the school is identified for each loan on Lines 7-12, Column B.

Schedule 6: Cash Flow

CASH FLOW					
The total cash receipts and payments that must be included in the cash flow are included in Line 21. Line 21 must equal line 34. If the amounts do not match an error message will show at the bottom of the schedule.					
Line	A Line Description	B Principal Incurred	C Principal Paid	D Interest Paid	E Total Principal & Interest Paid
21	TOTAL AMOUNT TO BE RECEIVED OR PAID	-	-	-	-
22	July 2024 Cash Receipts & Payments				-
23	August 2024 Cash Receipts & Payments				-
24	September 2024 Cash Receipts & Payments				-
25	October 2024 Cash Receipts & Payments				-
26	November 2024 Cash Receipts & Payments				-
27	December 2024 Cash Receipts & Payments				-
28	January 2025 Cash Receipts & Payments				-
29	February 2025 Cash Receipts & Payments				-
30	March 2025 Cash Receipts & Payments				-
31	April 2025 Cash Receipts & Payments				-
32	May 2025 Cash Receipts & Payments				-
33	June 2025 Cash Receipts & Payments				-
34	TOTAL CASH RECEIPTS & PAYMENTS	-	-	-	-

Cash payments equal rollforward?	OK	OK	OK
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- Include when new principal will be received by the school and when principal and interest will be paid.
- These amounts must equal the amount per the rollforwards. If they do not, the line on the bottom will show “Balances do not equal” and errors will show on the error report.



At the bottom of the schedule you will enter when you anticipate receiving cash from a loan in the principal incurred column. The school’s principal payments need to be inserted in Column C and the interest paid is inserted in Column D. This schedule is different than other schedules because you identified these exact amounts earlier in this schedule. So, the amounts that you put for cash receipts and payments in each column must equal the amounts you entered above. The amounts you previously entered in this schedule are automatically included in Line 21. If the amounts do not match, you will see the red “BALANCES DO NOT EQUAL” message at the bottom until they match. If there are any of these messages, you will receive an error in your error report.

Debt Attachments

- If the school currently has the debt, a current statement from the lender showing the principal balance. This includes a statement for lines of credit that currently have \$0 taken out.
- A current debt agreement or evidence the school is obtaining the debt. If the school does not yet have the agreement, the evidence must include:
 - The lender's name,
 - The estimated amount to be provided, and
 - A statement that the lender will provide the funds to the school.
- If there isn't a debt agreement in place by May 1st, evidence is required by May 1st and the final agreement must be provided for the DPI to make its final determination, which must be made no later than August 1st.



For all debt included on Schedule 6, the school will be required to provide certain attachments with the submitted budget. If the school currently has the debt, it must provide a current statement from the lender showing the principal balance. This includes a statement for lines of credit that currently have \$0 taken out. Providing a current statement from the lender for a line of credit with a zero balance is required so the department can confirm the full line of credit is available to the school.

The next attachment that must be provided is a current debt agreement or evidence the school is obtaining the debt. If the school does not yet have the agreement, the evidence must include the lender's name, the estimated amount to be provided, and a statement that the lender will provide the funds to the school.

If there isn't a debt agreement in place by May 1st, evidence is required by May 1st and the final agreement must be provided as soon as possible so that DPI can complete its financial viability determination. The law requires that DPI determine whether the school meets the financial requirements no later than August 1st. Schools should try to ensure that any final agreements have been provided to DPI by the beginning of July.

Debt Attachments (cont)

- Related parties that are providing debt must also provide:
 - Current bank statement showing the funding is available.
 - Income statement and balance sheet if it is a related party organization.



In addition to the attachments that must be provided for all debt, if the debt is with a related party, the school must also provide a current bank statement showing the funding is available. If the lender is a related party organization, the school must also provide the related party organization's income statement and balance sheet. These documents should be dated within two months of the due date of the budget.

Schedule 11-1 Explanations

- If you have any new debt principal during the school year, you will be required to explain:
 - Where the school is at in the process
 - Who the school plans on obtaining the loan from
 - When the school anticipates receiving the loan
 - The amount that will be provided
 - When it will be provided
 - The expected interest rate
 - If an agreement is already in place



If you have any new debt principal during the school year, on Schedule 11-1 you will be required to explain where the school is at in the process of obtaining the debt, who the school plans on obtaining the loan from, when the school anticipates receiving the loan, the amount that will be provided, when it will be provided, the expected interest rate, and if an agreement is already in place.

Debt Example 1

- The school has a line of credit with Associated Bank. The date of the agreement is 6/15/24 and the loan matures 6/15/25. The school anticipates that it will not have used any of the line of credit as of June 30, 2024.
- The interest rate is 3%.
- During the 2024-25 school year the school plans on:
 - Taking out \$100,000 (\$50,000 in October and February);
 - Repaying \$100,000 (\$50,000 in December and June); and
 - Owning and paying interest of \$1,000 (\$500 in December and June).
- \$80,000 of the line of credit is used for payroll for educational programming. The remaining \$20,000 is used for the church and daycare payroll.



We will now go through our first debt example that you should input in your budget Excel document.

The school has a line of credit with Associated Bank. The date of the agreement is 6/15/24 and the loan matures 6/15/25. The school anticipates that it will not have used any of the line of credit as of June 30, 2024. The interest rate is 3%. During the 2024-25 school year, the school plans on taking out \$100,000, repaying \$100,000 and owing and paying interest of \$1,000.

The school anticipates that \$80,000 of the line of credit will be used for payroll for educational programming. The remaining \$20,000 will be used for the church and daycare payroll.

Debt Example 1 Answer

Line	A Lender Name	B Date Incurred	C Maturity Date	D Related Party?	E Related Party Relationship	F Line of Credit	
1							
2							
3							
4							
5							
6							
DEBT PRINCIPAL ROLLFORWARD							
Line	A Lender Name	B % School Related	C June 30, 2024 Balance	D Principal Incurred	E Principal Paid	F Amount Forgiven	G June 30, 2025 Balance
7							-
8							-
9							-
10							-
11							-
12							-
13	TOTAL		-	-	-	-	-
INTEREST ROLLFORWARD							
Line	A Lender Name	B Interest Rate	C June 30, 2024 Balance	D Interest Owed	E Interest Paid	F Forgiven Interest	G June 30, 2025 Balance
14							-
15							-
16							-
17							-
18							-
19							-
20	TOTAL		-	-	-	-	-

- The school has a line of credit with Associated Bank. The date of the agreement is 6/15/24 and the loan matures 6/15/25.
- The school anticipates that it will not have used any of the line of credit as of June 30, 2024.
- The interest rate is 3%. \$1,000 of interest is owed during the year based on the debt agreement.
- During the school year the school plans on taking out \$100,000, repaying \$100,000, and owing and paying interest of \$1,000.
- \$80,000 of the line of credit is used for payroll for educational programming. The remaining \$20,000 is used for the church and daycare payroll.



We will go through how to enter this in the budget Excel document together. The lender name in Column A is Associated Bank. The school incurred the loan on 6/15/24 and it matures 6/15/25, so that is what we put in Columns B and C. Associated Bank is not a related party, so No should be selected from the drop down in Column D. Column E does not need to be completed since the loan is not with a related party. The loan is a line of credit, so select Yes from the drop down in Column F.

Next, we go to the Debt Principal Rollforward section. First, we need to calculate the percent school related based on our example. The school expects to use \$80,000 out of \$100,000 of the loan on educational programming, so the percent school related is 80%. We will insert that 80% in Column B.

The school does not anticipate taking out any funds before the 22-23 school year, so Column C can remain blank or you can insert 0. The principal incurred is how much the school anticipates taking out. In our example, the school anticipates taking out a total of \$100,000 so we insert 100,000 in Column D. The school anticipate repaying this full amount, so we insert 100,000 in Column E. Note that even though the school anticipates the beginning and ending balance will be 0 for the line of credit, the amount the school expects to take out and repay during the school year still needs to be included in this schedule.

Next, we move on to the Interest Rollforward section. The interest rate on this loan is 3%, so we insert this in Column B. The school does not have a beginning interest balance because no interest is owed that the school hasn't paid at the beginning of the year. The school expects to owe and pay \$1,000 of interest, so that is inserted in Columns D and E.

We will now move on to the bottom of the schedule. If you need some time to review this information or enter it into your budget Excel document, please pause the training until you are ready to proceed.

Debt Example 1 Answer (cont)

CASH FLOW					
The total cash receipts and payments that must be included in the cash flow are included in Line 21. Line 21 must equal line 34. If the amounts do not match an error message will show at the bottom of the schedule.					
Line	A Line Description	B Principal Incurred	C Principal Paid	D Interest Paid	E Total Principal & Interest Paid
21	TOTAL AMOUNT TO BE RECEIVED OR PAID	100,000	100,000	1,000	101,000
22	July 2024 Cash Receipts & Payments				-
23	August 2024 Cash Receipts & Payments				-
24	September 2024 Cash Receipts & Payments				-
25	October 2024 Cash Receipts & Payments				-
26	November 2024 Cash Receipts & Payments				-
27	December 2024 Cash Receipts & Payments				-
28	January 2025 Cash Receipts & Payments				-
29	February 2025 Cash Receipts & Payments				-
30	March 2025 Cash Receipts & Payments				-
31	April 2025 Cash Receipts & Payments				-
32	May 2025 Cash Receipts & Payments				-
33	June 2025 Cash Receipts & Payments				-
34	TOTAL CASH RECEIPTS & PAYMENTS	-	-	-	-

Cash payments equal rollforward?

BALANCES DO NOT EQUAL BALANCES DO NOT EQUAL BALANCES DO NOT EQUAL

- Taking out \$100,000 (\$50,000 in October and February);
- Repaying \$100,000 (\$50,000 in December and June); and
- Paying interest of \$1,000 (\$500 in December and June).



Next, we will complete the bottom of the schedule for our first debt example. As I explained previously, the cash flow section for debt is different than the other schedules we have looked at earlier because the full amount we have identified earlier in the schedule must be included as a cash receipt or cash payment. On the slide, you can see the total amount to be received or paid in Line 21 equals the information we previously input in the schedule.

The school anticipates taking out \$50,000 in October and \$50,000 in February, so we insert \$50,000 in Line 25 and 29, Column B.

The school anticipates paying \$50,000 of principal and \$500 of interest in December and June. So, we insert those amounts in Columns C and D for the applicable months.

Once these amounts are inserted you will notice that the red messages indicating the balances do not equal will go away and the line will instead indicate OK for each column.

Debt Example 2

- The school plans on obtaining a \$6,000 loan on 9/1/24 from Lisa Smith, who is a member of the board.
- The debt agreement requires that the school repay \$2,000 of principal and \$300 of interest each year in June.
- The maturity date is June 15, 2027.
- The school plans on using the loan proceeds only for educational programming.



Please take a few minutes to try to enter our second debt example into Schedule 6 based on the information on this screen. Pause the training until you are ready to go through the answers.

Debt Example 2 Answer

DEBT PRINCIPAL SUMMARY						
Line	A Lender Name	B Date Incurred	C Maturity Date	D Related Party?	E Related Party Relationship	F Line of Credit
1						
2						
3						
4						
5						
6						

DEBT PRINCIPAL ROLLFORWARD							
Line	A Lender Name	B % School Related	C June 30, 2024 Balance	D Principal Incurred	E Principal Paid	F Amount Forgiven	G June 30, 2025 Balance
7							-
8							-
9							-
10							-
11							-
12							-
13	TOTAL		-	-	-	-	-

INTEREST ROLLFORWARD							
Line	A Lender Name	B Interest Rate	C June 30, 2024 Balance	D Interest Owed	E Interest Paid	F Forgiven Interest	G June 30, 2025 Balance
14							-
15							-
16							-
17							-
18							-
19							-
20	TOTAL		-	-	-	-	-

- The school plans on obtaining a \$6,000 loan on 9/1/24 from Lisa Smith, who is a member of the board.
- The debt agreement requires that the school repay \$2,000 of principal and \$300 of interest each year in June.
- The maturity date is 6/15/27.
- The school plans on using the loan proceeds only for educational programming.



We again enter the basic information of the loan in the Debt Principal Summary section. Since Lisa Smith is a board member, we indicate in Column D that she is a related party with a Yes. We then identify the related party relationship of “Member of the board” in Column E. Since this is not a line of credit, indicate No in Column F.

For the Debt Principal Rollforward section, the school use percentage is 100% because the school plans on using the loan proceeds only for educational programming. The loan begins on September 1st, so there is no outstanding loan balance as of June 30, 2024. The principal incurred in Column D will be the \$6,000. The principal paid will be the \$2,000 that is required to be repaid in June 2025.

Finally, in the Interest Rollforward section, we first complete the interest rate column. For this example, we do not have a specific interest rate. Instead, the debt agreement requires that the school pay \$300 of interest each year in June. As I indicated earlier, you do not have to insert a percentage in here. Instead, you can insert \$300 per year.

Then, insert the \$300 of interest that is owed based on the debt agreement and the \$300 that is expected to be paid in Columns D and E.

Debt Example 2 Answer (cont)

CASH FLOW					
The total cash receipts and payments that must be included in the cash flow are included in Line 21. Line 21 must equal line 34. If the amounts do not match an error message will show at the bottom of the schedule.					
Line	A Line Description	B Principal Incurred	C Principal Paid	D Interest Paid	E Total Principal & Interest Paid
21	TOTAL AMOUNT TO BE RECEIVED OR PAID	106,000	102,000	1,300	103,300
22	July 2024 Cash Receipts & Payments				-
23	August 2024 Cash Receipts & Payments				-
24	September 2024 Cash Receipts & Payments				-
25	October 2024 Cash Receipts & Payments	50,000			-
26	November 2024 Cash Receipts & Payments				-
27	December 2024 Cash Receipts & Payments		50,000	500	50,500
28	January 2025 Cash Receipts & Payments				-
29	February 2025 Cash Receipts & Payments	50,000			-
30	March 2025 Cash Receipts & Payments				-
31	April 2025 Cash Receipts & Payments				-
32	May 2025 Cash Receipts & Payments				-
33	June 2025 Cash Receipts & Payments		50,000	500	50,500
34	TOTAL CASH RECEIPTS & PAYMENTS	100,000	100,000	1,000	101,000

Cash payments equal rollforward?

BALANCES DO NOT EQUAL BALANCES DO NOT EQUAL BALANCES DO NOT EQUAL

- The school plans on obtaining a \$6,000 loan on 9/1/24 from Lisa Smith, who is a member of the board.
- The debt agreement requires that the school repay \$2,000 of principal and \$300 of interest each year in June.



We will now enter in the information for the loan with Lisa in the cash flow section. Notice that since we have added more amounts to the top of the schedule that require cash payments and receipts, we again have the red BALANCES DO NOT EQUAL message.

We add the \$6,000 the school will receive to Line 24, Column B. We then add the payments of principal and interest to Line 33 in Columns C and D. Note that since our previous loan payments are already on this line, we need to add the payments to Lisa to the payments from our previous loan. So, we insert 52,000 in Column C and 800 in Column D.

When you are done, the bottom should again say OK.

Debt Example 3

- The school obtained a new loan from US bank for \$1,000,000 on 8/15/22. \$250,000 of the proceeds from the US Bank loan were used for expenses for the church and the other \$750,000 of the proceeds were used for expenses for K-12 educational programming. The debt's maturity date is 8/15/31. The interest rate is 4%.
- The school anticipates the balance on the loan as of June 30, 2024 will be \$850,000 with \$2,000 of interest that was owed but not paid.
- During each year, the debt agreement requires that the school make quarterly payments of \$25,000 principal and \$6,000 interest in August, November, February, and May (for a total of \$100,000 principal repaid and \$24,000 interest paid per year). The amount of interest owed during the year was \$24,000.



In our third debt example, the school obtained a new loan from US bank for \$1,000,000 on 8/15/22. \$250,000 of the proceeds from the US Bank loan were used for expenses for the church and the other \$750,000 of the proceeds were used for expenses for K-12th grade educational programming. The debt's maturity date is 8/15/31. The interest rate is 4%.

The school anticipates the balance on the loan as of June 30, 2024 will be \$850,000 with \$2,000 of interest that was owed but not paid.

During each year, the debt agreement requires that the school make quarterly payments of \$25,000 of principal and \$6,000 of interest in August, November, February, and May. The amount of interest owed during the year was \$24,000.

Debt Example 3 Answer

DEBT PRINCIPAL SUMMARY						
Line	A Lender Name	B Date Incurred	C Maturity Date	D Related Party?	E Related Party Relationship	F Line of Credit
1						
2						
3						
4						
5						
6						

DEBT PRINCIPAL ROLLFORWARD							
Line	A Lender Name	B % School Related	C June 30, 2024 Balance	D Principal Incurred	E Principal Paid	F Amount Forgiven	G June 30, 2025 Balance
7							-
8							-
9							-
10							-
11							-
12							-
13	TOTAL						-

INTEREST ROLLFORWARD							
Line	A Lender Name	B Interest Rate	C June 30, 2024 Balance	D Interest Owed	E Interest Paid	F Forgiven Interest	G June 30, 2025 Balance
14							-
15							-
16							-
17							-
18							-
19							-
20	TOTAL						-

- The school obtained a new loan from US bank for \$1,000,000 on 8/15/22. \$250,000 of the proceeds from the US Bank loan were used for expenses for the church and the other \$750,000 of the proceeds were used for expenses for K-12 educational programming. The debt's maturity date is 8/15/31. The interest rate is 4%.
- The school anticipates the balance on the loan as of June 30, 2024 will be \$850,000 with \$2,000 of interest that was owed but not paid.
- During each year, the debt agreement requires that the school make quarterly payments of \$25,000 principal and \$6,000 interest in August, November, February, and May (for a total of \$100,000 principal repaid and \$24,000 interest paid per year). The amount of interest owed during the year was \$24,000.



Pause the training and take a few minutes to try to enter this information into your Excel budget. When you ready to proceed, resume the training.

The first section is filled out similar to how we put the information in for the line of credit with Associated Bank, except we indicate in Column F that the debt is not a line of credit by inserting No. In the debt principal balance section, we calculate the school related percentage based on how much of the loan was used for educational programming compared to not used for educational programming. This is calculated as the \$750,000 that was used for educational programming divided by the total loan of \$1,000,000, or 75%. This 75% is inserted in Line 9, Column B.

Next, the school has a beginning balance for this loan. When you have an outstanding loan, you will need to project what you expect the beginning balance will be. Generally, lenders will provide an amortization schedule that will identify the balance you will have if you make the payments required by the debt agreement. If you did not receive this, Microsoft Excel has some standard templates you can use to project the anticipated balance. You could also calculate the balance as your current debt balance less the principal portion of the payments you expect to make between the date you complete the budget and June 30, 2024. In our example, the school expects that the beginning balance will be \$850,000, so this is inserted in Column C. The school expects that it will make total principal payments of \$100,000 during the year, so that is inserted in Column E.

The last section is our interest rollforward section. The interest rate for this loan is 4%. This is our first example where the school has accrued interest. In this example, the accrued interest at the beginning of the year is \$2,000. The school makes quarterly payments on the loan. The last payment was made in May 2024. This \$2,000 represents the interest that the school owes as of June 2024 that we will not pay until August 2024. This \$2,000 is inserted in Column C. The total interest owed and paid during the year of \$24,000 should be input in Columns D and E.

Since this is the last debt example, please take a moment to compare the information on the screen to your Excel document and ensure they match. If they do not, review the earlier slides for information on the applicable example.

Debt Example 3 Answer (cont)

CASH FLOW					
The total cash receipts and payments that must be included in the cash flow are included in Line 21. Line 21 must equal line 34. If the amounts do not match an error message will show at the bottom of the schedule.					
Line	A Line Description	B Principal Incurred	C Principal Paid	D Interest Paid	E Total Principal & Interest Paid
21	TOTAL AMOUNT TO BE RECEIVED OR PAID	106,000	202,000	25,300	227,300
22	July 2024 Cash Receipts & Payments				-
23	August 2024 Cash Receipts & Payments				-
24	September 2024 Cash Receipts & Payments	6,000			-
25	October 2024 Cash Receipts & Payments	50,000			-
26	November 2024 Cash Receipts & Payments				-
27	December 2024 Cash Receipts & Payments		50,000	500	50,500
28	January 2025 Cash Receipts & Payments				-
29	February 2025 Cash Receipts & Payments	50,000			-
30	March 2025 Cash Receipts & Payments				-
31	April 2025 Cash Receipts & Payments				-
32	May 2025 Cash Receipts & Payments				-
33	June 2025 Cash Receipts & Payments		52,000	800	52,800
34	TOTAL CASH RECEIPTS & PAYMENTS	106,000	102,000	1,300	103,300

Cash payments equal rollover?

OK

BALANCES DO NOT EQUAL BALANCES DO NOT EQUAL

- During each year, the debt agreement requires that the school make quarterly payments of \$25,000 principal and \$6,000 interest in August, November, February, and May (for a total of \$100,000 principal repaid and \$24,000 interest paid per year).



Since the school didn't receive any funds from the debt in the current year, Column B does not need anything added to it. You will see that it states OK before we even start entering information into this part of the schedule.

We will need to add the \$25,000 of principal and \$6,000 of interest payments for the US Bank debt in August, November, February, and May.

Since this is the last debt example, please take a moment to compare the information on the screen to your Excel budget and ensure they match. If they do not, review the earlier slides for information on the applicable example.

Schedule 7-1: Net Asset Schedule

Line	A Item	LIABILITIES			
		B June 30, 2024	C Forgiven Liabilities (A)	D Category Changes (A)	E June 30, 2025
13	Payroll and Related Benefits	-			-
14	Tax Withholdings and FICA-Medicare	-			-
15	Vendor and Other Accounts Payable	-			-
16	Deferred Revenue	-			-
17	Accrued Interest Expense	-			-
18	Current Portion of Lease Liability	-			-
19	Current Portion of Debt	-			-
20	Total Current Liabilities	-			-
21	Long Term Portion of Lease Liability	-			-
22	Long Term Portion of Debt	-			-
23	Other Liabilities (A)	-			-
24	TOTAL LIABILITIES	-	-	-	-
25	NET ASSETS	-			-

(A) Include a description of what is included in Schedule 7-2.

- Debt automatically defaults to short term (Line 19). If any is due after a year based on the debt agreement, it should be included as long term (Line 22). If all of the principal for the debt is due within a year, insert 0 in Line 22.
- Debt must be included on Schedule 6 in the correct category. It **cannot** be directly added to this schedule. If Line 19 is negative, the school will receive an error.



We will now look at how to included debt on Schedule 7-1. As a reminder, Schedule 7-1 is the net asset schedule. This is similar to a balance sheet.

The debt balance is automatically included on Line 19 of Schedule 7-1. This line is for the current portion of debt, which is debt that is due within one year based on the debt agreement. If any is due after a year based on the debt agreement, it should be included as long term on Line 22. If all of the principal for the debt is due within a year based on the debt agreement, insert 0 in Line 22.

Debt must be included on Schedule 6. It **cannot** be directly added to this schedule. If the debt is directly included on Line 22, Line 19 will be a negative amount. If Line 19 is negative, the school will receive an error.

Schedule 7-1: Net Asset Schedule

DEBT PRINCIPAL ROLLFORWARD							
Line	A Lender Name	B % School Related	C June 30, 2024 Balance	D Principal Incurred	E Principal Paid	F Amount Forgiven	G June 30, 2025 Balance
7	Associated Bank	80%		100,000	100,000		-
8	Lisa Smith	100%		6,000	2,000		4,000
9	US Bank	75%	850,000		100,000		750,000

Lender	Date Incurred	Balance Owed as of June 30, 2024	Balance Owed During 2024-25 Based on Agreement	Balance Owed as of June 30, 2025	Balance Owed During 2025-26 Based on Agreement
Associated Bank	6/15/24	0		0	
Lisa Smith	9/1/24	0		4,000	
US Bank	8/15/22	850,000		750,000	
Total		850,000		754,000	



We need to review the debt on Schedule 6 to determine how much is current, meaning due within the next year. The balance as of June 30, 2024 is from the US Bank debt. This debt includes \$100,000 that is due during the 2024-25 school year, so \$100,000 is considered current for that debt agreement.

For the balance as of June 30, 2025, we have the debt with Lisa and US Bank. The school will owe \$2,000 to Lisa and \$100,000 to US Bank during the 2025-26 school year based on the debt agreements. So, the total of those 2 amounts will be the current portion of the debt as of June 30, 2025.

Schedule 7-1: Net Asset Schedule

LIABILITIES					
Line	A Item	B June 30, 2024	C Forgiven Liabilities (A)	D Category Changes (A)	E June 30, 2025
13	Payroll and Related Benefits	-			-
14	Tax Withholdings and FICA-Medicare	-			-
15	Vendor and Other Accounts Payable	-			-
16	Deferred Revenue	-			-
17	Accrued Interest Expense	-			-
18	Current Portion of Lease Liability	-			-
19	Current Portion of Debt	-			-
20	Total Current Liabilities	-			-
21	Long Term Portion of Lease Liability	-			-
22	Long Term Portion of Debt				
23	Other Liabilities (A)				
24	TOTAL LIABILITIES	-	-	-	-

	Balance Owed as of June 30, 2024	Balance Owed During 2024-25 Based on Agreement	Balance Owed as of June 30, 2025	Balance Owed During 2025-26 Based on Agreement
Total	850,000	100,000	754,000	102,000



You will need to enter the long term portion of the debt in Line 22. First, calculate the long term portion as of June 30, 2024 as the total outstanding balance of \$850,000 less the current portion of \$100,000. Then insert the calculated amount of \$750,000 into Line 22, Column B. Similarly, calculate the long term portion as of June 30, 2025 as the balance of \$754,000 less the current portion of \$102,000. Then insert the difference of \$652,000 in Line 22, Column E.

After you do these updates, compare the current portion on Line 19 of Schedule 7-1 to the amount you identified as due within the next year. In our case, the amounts on Line 19 match what we calculated as the current portion of the balance as of June 30, 2024 and June 30, 2025.

What are the required attachments?

Required Attachment	Example 1- Line of Credit with Unrelated Bank	Example 2- Debt with Board Member	Example 3- Loan with Unrelated Bank
Debt agreement or evidence of obtaining debt	Yes-required for all debt		
Statement from lender showing current balance	Yes	No	Yes
Bank statement showing availability of lender debt	No	Yes	No
Financial statements from lender	No		
Documents Showing Forgiveness	No	No	No

27



You will be required to provide attachments to support the debt included in the budget. Let's review what the school would be required to provide for our examples.

The school must provide the debt agreement or evidence of obtaining debt for all of the school's debt, so the first attachment listed is required for all of our examples. The statement from the lender showing the current balance is required for any debt that has an outstanding balance or any of lines of credit outstanding at the beginning of the year. This is required for all of our examples except the debt with the board member, since the loan with the board member has a date incurred of September 2024.

Bank statements showing the lender has the funds available is required for any debt from a related party. Example 2 included debt from a related party, so a bank statement would be required showing Lisa had those funds available.

Financial statements from the lender are required if the debt is from a related party organization. Since this school is not getting any funds from a related party organization, this is not required for any of our examples.

Lastly, if the school identifies any debt will be forgiven, the school must provide documentation showing the loan will be forgiven.

Available Resources

On Demand Trainings

- K4 Parental Outreach (Training 1-3)
- Auditor Authorization Form (Training 3-3)
- Financial Audit Requirements (Training 5)
- Fiscal & Internal Control Practices (Training 6)
- Payment Process, Pupil Count Overview, Audit Overview (Training 9-1)
- Count Reports (Training 9-2 & 9-3)

<https://dpi.wi.gov/parental-education-options/choice-programs/on-demand-training>

Bulletins

- Financial Audit and PSCP/SNSP Reserve Balance Bulletin
- PSCP Eligible Education Expenses Bulletin
- K4 Parental Outreach Activities Bulletin
- Student Tuition and Fees Bulletin
- Criminal Background Check Bulletin
- Staff Credentials Bulletin
- Summer School Bulletin
- Accreditation Bulletin
- Insurance & Fidelity Bond Bulletin

<https://dpi.wi.gov/parental-education-options/choice-programs/bulletins>

28

The department has on demand trainings and bulletins available to help schools understand programmatic requirements. Schools are encouraged to review these trainings and bulletins throughout the year when you have questions on the Choice program requirements.

The trainings and bulletins that relate to the section we just discussed include the financial audit requirements training.

The Financial Audit and PSCP/SNSP Reserve Balance Bulletin describes the financial audit requirements. The PSCP Eligible Education Expenses Bulletin explains how expenses are determined for Choice program purposes.

Questions?

Budget questions should be sent to:

dpichoiceauditreports@dpi.wi.gov

General program questions should be sent to:

privateschoolchoice@dpi.wi.gov



Questions on this training, including questions on the budget and cash flow report, should be directed to dpichoiceauditreports@dpi.wi.gov, rather than a specific auditor. This mailbox is monitored by all of the Choice program auditors.

If you have general Choice program questions, they should be directed to the Choice program consultants at privateschoolchoice@dpi.wi.gov.