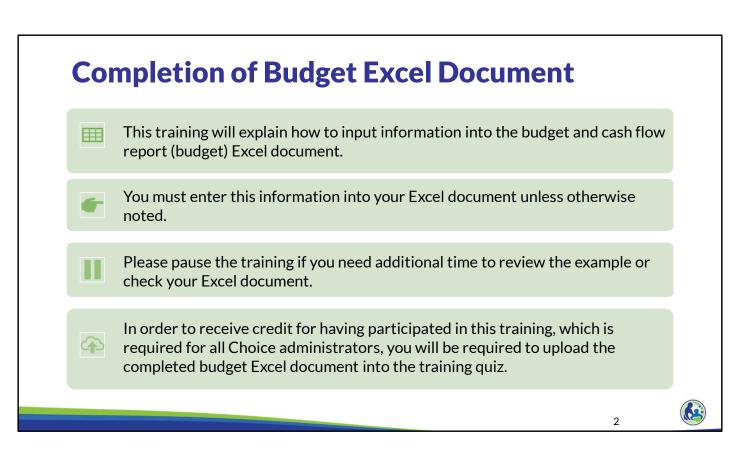


Welcome to the Wisconsin Department of Public Instruction's training module for the Private School Choice Programs. We will refer to the Private School Choice Programs as "Choice" or "Choice program" throughout this training.

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 fixed assets. In the budget and cash flow report, the fixed assets are included in Schedule 5-1, 5-2 and 5-3.



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 dpichoiceauditreports@dpi.wi.gov.

2

3

### **Fixed Assets General Requirements**

- •Create a capitalization policy that specifies:
  - •The useful life that will be applied to assets within each category.
  - •The monetary threshold that will be used to determine if an asset is capitalized.
  - •Information on what asset groups, if any, will be used for capitalization purposes.
- •See Appendix 1 in the PSCP Eligible Education Expense Bulletin for an example capitalization policy.

Each school must have a written capitalization policy related to fixed assets. The policy must define and describe the different asset categories the school will use. Each category must then be assigned a period of time that the assets in that category are expected to be used. This period of time is known as the useful life.

Each category must also be assigned a monetary threshold for which assets in that category will be considered fixed assets. For example, a school may consider purchases over \$5,000 to be capitalizable. The \$5,000 would be the monetary threshold. As an option, schools may group like kind assets when determining which assets are capitalized. If the school would like to use asset groups, which assets and how they will be grouped must be included in the capitalization policy. An example of an asset group is a school could specify in the capitalization policy that textbooks purchased on the same day will be included as one asset.

Appendix 1 of the PSCP Eligible Education Expense Bulletin includes an example capitalization policy. Schools may use this template to develop their own policy or reference this Appendix to ensure the school's current policy meets the requirements.

1

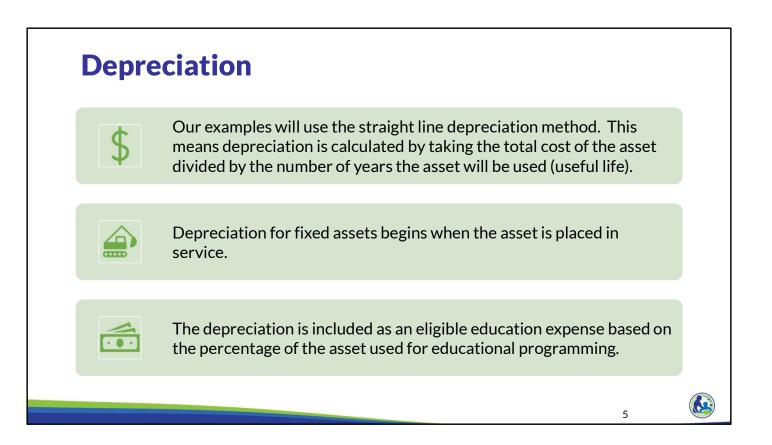
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## **Fixed Assets General Requirements**

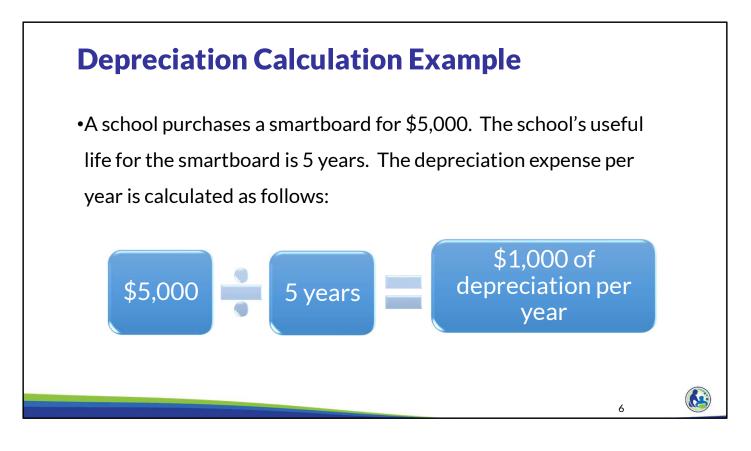
- •Only the cost for fixed assets may be included as an eligible expense. Do not include the fair value of the fixed asset. If an asset is donated, it is not an eligible cost.
- •In order to include a fixed asset as eligible, the school must be able to provide their external auditor with:
  - Support for the original purchase price.
  - Evidence that the school paid for the fixed asset purchase.
- •See the Financial Audit and PSCP/SNSP Reserve Balance Bulletin for additional information.

Only the cost for fixed assets may be included as an eligible education expense. As a result, the only fixed assets that should be identified as eligible education expenses are those for which the school has already incurred a cost for or assets that it anticipates incurring a cost for in the future. Donated assets should not be included on this schedule and would not be considered an eligible education expense. Please also keep in mind that it is the cost of the fixed assets that is recorded on the budget, not the fair market value.

For purchased fixed assets, the school must be able to provide documentation supporting the original purchase price and evidence that the school paid for the fixed asset purchase. Examples of evidence that the school paid for the purchase include a cancelled check, bank statements, or property records showing the amount paid for buildings or land owned by the school. Additional information on these requirements is available in the Financial Audit and PSCP/SNSP Reserve Balance Bulletin.



Depreciation is the accounting method where the cost of a fixed asset is included as an expense over the useful life of the asset. Depreciation of assets begins when the school starts using the asset. Depreciation is calculated based on the asset cost and useful life. The portion of the depreciation that is considered an eligible education expense is based on the percentage of the asset being used for educational programming. Accumulated depreciation is the total depreciation of the asset that has been expensed as of a point in time.



In order to illustrate how depreciation works we will go through an example. A school purchases a smartboard that costs \$5,000. The school's useful life for smartboards is 5 years. The depreciation expense would be calculated as \$5,000 divided by 5 years. So, each year the school would have \$1,000 of depreciation expense. If the smartboard was only used for educational programming, the \$1,000 of depreciation expense each year would be what is included as an eligible education expense. If it was used for other things in addition to educational programming, the \$1,000 would be multiplied by how much the smartboard is used for educational programming to determine the portion that is an eligible education expense.

62

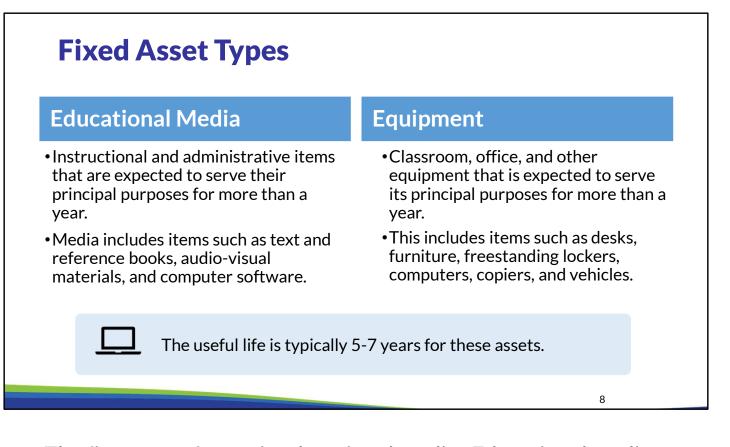
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### **Fixed Asset Categories**

- •The next slides show categories the school may use.
- •These categories are used in the DPI provided budget and cash flow report.
- •The school may choose the categories it will use for the financial audit based on what is most appropriate for the school. The only exception is that land must be included as a category if the school owns any land and will include it in the budget/financial audit.

The following slides will explain the standard fixed asset categories used in the DPI provided Budget and Cash Flow Report. If the school is completing the Budget and Cash Flow Report for submission to the department, the school must use these categories. The school can choose if it will use these same categories or different categories for its bookkeeping purposes. The school may choose the categories that it will use for the financial audit based on what is most appropriate for the school. The only exception is that land must be included as a category if the school owns any land and will include it in the budget and financial audit.

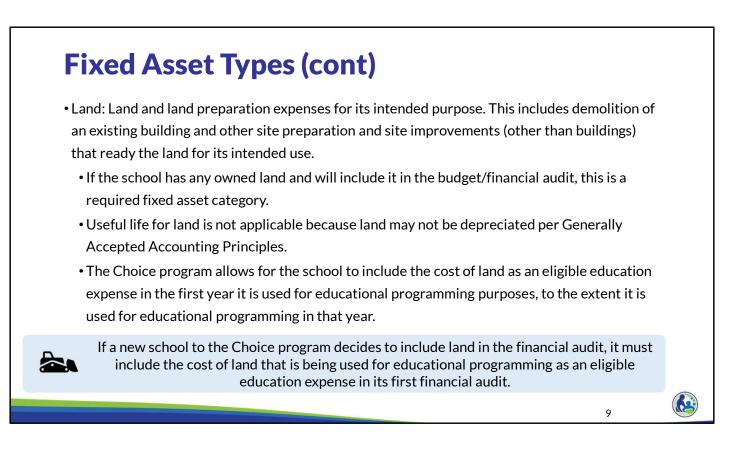
As a reminder, Appendix 1 of the Eligible Education Expenses Bulletin is an example template that may be used as a starting point for creating the written capitalization policy. This template includes these standard categories.



The first type of asset is educational media. Educational media is instructional and administrative items that are expected to serve their principal purposes for more than a year. This category includes items such as text and reference books, AV materials, and computer software. Anything that will be used for less than a year, such as consumable workbooks, would not be included in this category.

The second category is equipment. This includes classroom, office and other equipment that is expected to serve its principal purposes for more than a year. This category includes items such as desks, furniture, freestanding lockers, computers, copiers, and vehicles.

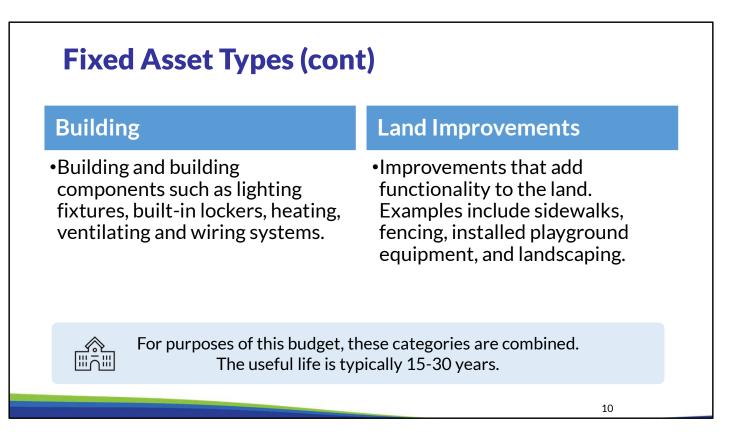
The useful life for both of these categories is typically 5-7 years.



Land includes the land and any expenses to prepare the land for it's intended use. This includes demolition of an existing building and other site preparation and site improvements that ready the land for its intended use. Any activities that add to the land, such as constructing a building on it, would be considered in a separate asset category, such as buildings.

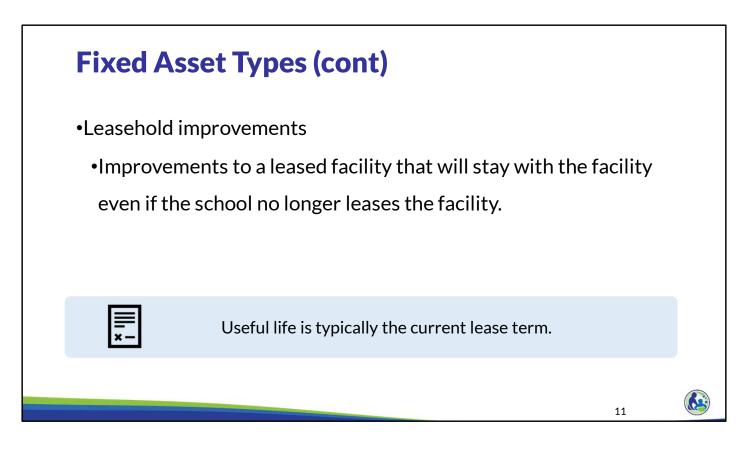
Useful life for land is not applicable because land may not be depreciated per Generally Accepted Accounting Principles. Schools are allowed to include the cost of land as an eligible education expense in the first year the land is used for educational programming purposes. The amount that is included as an eligible education expense is the cost of the land multiplied by the percentage of the land that is used for educational programming in that year. For example, if a school operates a school and a church on the same land, the amount of land that is considered an eligible educational expense would be the percentage used by the school only.

For new schools to the Choice Programs, the cost of land must be included as an eligible education expense in the school's first financial audit, if the land is already being used for educational programming in that year. If the school has purchased any land, but the land is not yet being used for educational programming purposes, the land will not be included as an eligible education expense until the year it is used for educational programming purposes.



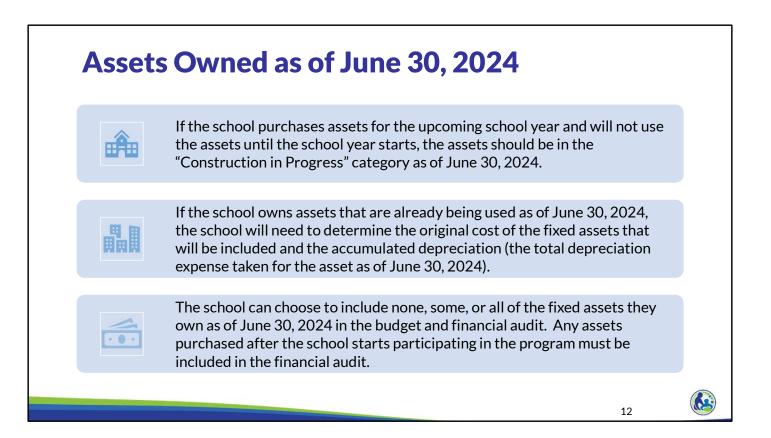
Buildings and land improvements are one category in the budget. Buildings would include building and building components such as lighting fixtures, built-in lockers, heating, ventilating and wiring systems. When determining whether something should be included in the building category or in the equipment category, the school should consider if the asset would or could be taken with the school if the school were to move. If the school would take the assets with them when the school moved, it is equipment. Otherwise, it should be in the building category. For example, if the school has lockers that are bolted to the wall and wouldn't be moved if the building was sold, they should be included in the building category. If a school has lockers that are freestanding and could be picked up and moved if the school was to change locations, the lockers should be included in the equipment category.

Land improvements are improvements that add functionality to the land. Examples include sidewalks, fencing, installed playground equipment, and landscaping. The useful life for buildings and land improvements is typically 15-30 years.



The final asset category is leasehold improvements. Leasehold improvements are improvements made to a location that is rented. Similar to buildings, these are improvements that are made to the location that will stay at that location even if the school no longer uses the facility.

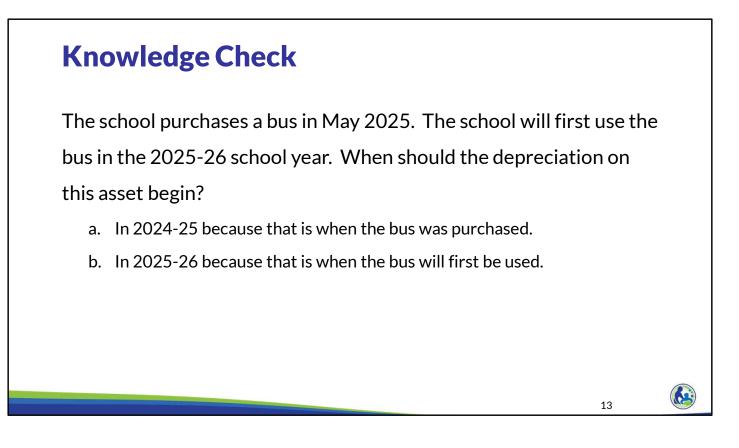
The useful life for a leasehold improvement is typically the current lease term since it is expected that the school will receive the benefit of the improvement over the remaining term of the lease.



A school joining the Choice Programs must be able to provide documentation to support the purchase and cost of the fixed assets that the schools owns when it first joins the program. A provision exists in the law which allows schools to depart from Generally Accepted Accounting Principles and not include some or all of the school's fixed assets in the financial audit when it first joins the program. The school may make this election voluntarily or may be required to if the school has fixed assets but does not have the supporting documentation to support the cost of some or all of the school's fixed assets.

The school will need to determine the original cost and associated accumulated depreciation for each fixed asset it includes in the financial audit.

Please note that the determination of which fixed assets are included is not an all or nothing deal. Schools can choose which fixed assets they want to include based on what documentation they have and the remaining depreciation for a fixed asset. For example, a building purchased 100 years ago is probably fully depreciated and the school may have no records on the purchase at this time. So, the school might choose not to include that building. On the other hand, the school may have just replaced the roof on the building that cost \$15,000. The school could capitalize the \$15,000 and depreciate that over the useful life of the building.

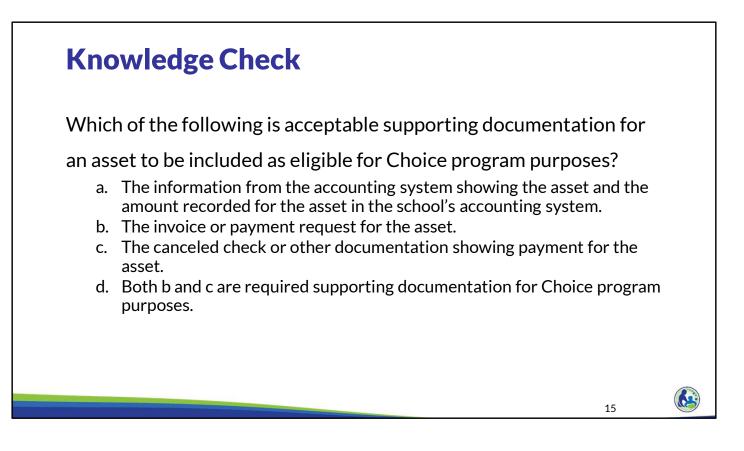


The school purchases a bus in May 2025. The school will first use the bus in the 2025-26 school year. When should the depreciation on this asset begin?

The correct answer is b. The depreciation on assets begins the first year the bus will be used, rather than the year it is purchased.

True or False-If a church member donates a vehicle, the school may include the fair market value of the vehicle as an eligible cost.

The answer to the question is False. Only the actual cost of an asset can be included as an eligible education expense. If an asset is donated, the fair market value of the asset would not be an eligible education expense.



I will give you a minute to read through this question and determine what you think the answer is.

The correct answer is d. The school must have supporting documentation for the original cost of the asset. This might include an invoice or payment request for an asset. The school would also need documentation, such as a cancelled check, showing that they actually paid for the asset to include it as an eligible education expense. Having information in the accounting system alone would not be sufficient to support an asset being included as eligible for the Choice program.

Schools will not need to provide these documents with the budget. Instead, in the budget the school should include the fixed assets that they anticipate having the required information for by the end of the school year. The school's external auditor will review this information in conjunction with completing the first financial audit for the school. This first financial audit would be due by October 15<sup>th</sup> following the first school year the school participates in the program.

### Example

• The church and the school are the same legal entity. The entity owns the following fixed assets prior to joining the Choice program. The school's policy indicates buildings are depreciated over 40 years. All other fixed assets are depreciated over 5 years.

Fixed Asset Description	Use	Original Value	Supporting Information Available?	Years Owned
Church building	Used for all church activities and school has chapel there once a week (5% of use).	\$1,000,000	No	50
School building	Used for all school activities & programs.	\$2,500,000	Yes	10
School bus	Used to transport pupils to and from school.	\$35,000	Yes	2
Van	Used by church for church events.	\$25,000	Yes	1
Desks	Used by pupils in K-12 educational programming.	\$2,500	Yes	6
Land church and school building are on.	Has church and school building on it. Land also has playground and sport fields used by school.	\$50,000	Yes	50
Lockers	Pupils use during school day.	\$5,000	No	3
			16	

We are now going to complete an activity. In this activity, the church and the school are the same legal entity. The entity owns the fixed assets identified on the slide prior to joining the Choice program. The school's policy indicates buildings are depreciated over 40 years. All other fixed assets are depreciated over 5 years.

Please pause the training and determine which of these fixed assets you think could be included as eligible. When you are ready to go through the answers, proceed to the next slide.

# Example-Will the school be able to include the following as eligible education expenses for the Choice program?

The church and the school are the same legal entity. The entity owns the following fixed assets prior to joining the Choice program. The school's policy indicates buildings are depreciated over 40 years. All other fixed assets are depreciated over 5 years.

Fixed Asset Description	Can the school include the fixed asset as an eligible expense?
Church building	No-No supporting documentation and fully depreciated.
School building	Yes-School does not need to include the full \$2,500,000 if the school cannot find documentation for some of the expenses.
School bus	Yes
Van	No-van is not used for educational programming.
Desks	No-Amount is already fully depreciated. Desks are depreciated over 5 years and the school has owned the desks for 6 years.
Land church and school building are on.	Yes-Land is included in the school's first financial audit if it is being used for educational programming. The school would need to use an allocation to determine the school portion since it is used by the church and school.
Lockers	No-No supporting documentation.
	17

The church building could not be included because there is no supporting documentation and the asset has been fully depreciated.

The school building can be included. Please note that if the school only had the required documentation for part of the \$2.5 million building, it could include some of the assets. Inclusion of a fixed asset is not an all or nothing deal. If the school only has the required support for part of the \$2.5 million building and wants to include the portion of the fixed asset that it has the required documentation for, it could do so.

The school bus could be included.

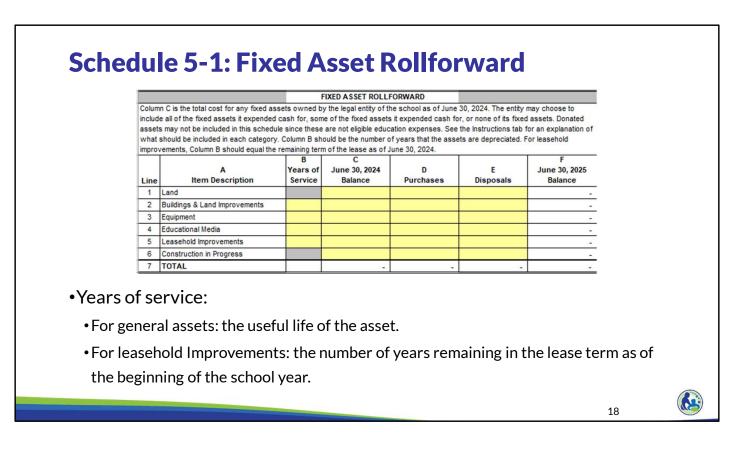
The van would not be included as an eligible education expense because it is not used for educational programming.

The desks would not be included as eligible because they are already fully depreciated. The useful life for desks is 5 years and the school has owned them for 6 years. The school could still include these in its annual financial audit but none of the cost for the fixed assets would be included as an eligible education expense since the desks are already fully depreciated.

The land would be included the first year the school is in the Choice programs. The school would need to determine the portion of the land

used for educational programming. The cost of the land would be multiplied by this percentage to determine the amount that was eligible in the first year.

Finally, the lockers could not be included because the school does not have any supporting documentation for the lockers.



We will now walkthrough Schedule 5-1. The top of the schedule is the fixed asset rollforward.

Column B in the top section is for the years of service. For all assets except for leasehold improvements, this would be the useful life for the asset category. So if the useful life for equipment is 5 years and equipment is included in this category that already has been used for 3 years, 5 years would be included in this column.

The number of years included in this column for leasehold improvements is the number of years remaining in the lease term.

		ould be the number o	f years that the asse		for an explanation of For leasehold	
A Item Description	B Years of Service	C June 30, 2024 Balance	D Purchases	E Disposals	F June 30, 2025 Balance	
and				•	-	
Buildings & Land Improvements					20	
quipment					-	
ducational Media					-	
easehold Improvements					-	
Construction in Progress					-	
OTAL		-	-	-	-	
	A Item Description and Juildings & Land Improvements quipment ducational Media easehold Improvements construction in Progress OTAL	A Years of Service and buildings & Land Improvements quipment ducational Media easehold Improvements Construction in Progress OTAL	A Years of June 30, 2024 Item Description Service Balance and uildings & Land Improvements quipment ducational Media easehold Improvements construction in Progress COTAL -	A Item Description     Years of Service     June 30, 2024 Balance     D Purchases       and         suidings & Land Improvements         iquipment         iducational Media         easehold Improvements         construction in Progress         OTAL     -     -	A     B     C       Item Description     Service     June 30, 2024     D     E       Balance     Purchases     Disposals       Auildings & Land Improvements     Improvements     Improvements       Quipment     Improvements     Improvements       Construction in Progress     Improvements     Improvements	B     C       A     Years of Service     June 30, 2024 Balance     D     E     June 30, 2025 Balance       and     -     -     -       uildings & Land Improvements     -     -     -       quipment     -     -     -       ducational Media     -     -     -       construction in Progress     -     -     -

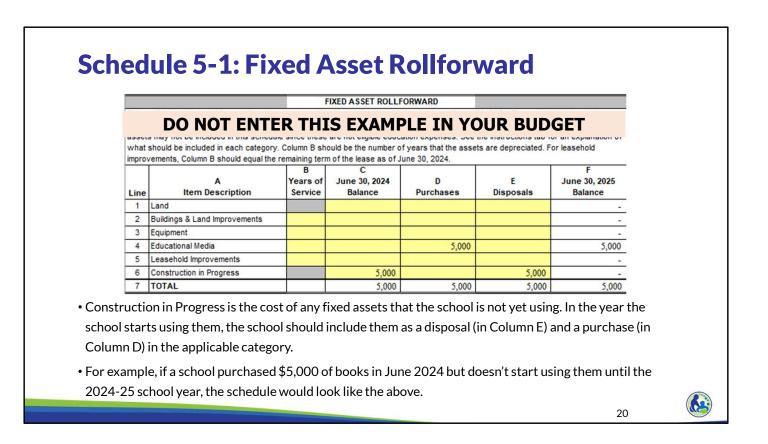
Column C is the total cost for all assets as of the beginning of the school year. This amount is not adjusted for any depreciation. It is the original cost of the assets.

Column D should include the cost of any purchases the school expects to make during the school year.

Finally, if the school expects to sell or dispose of any assets during the year, the original cost for those assets, which was included in Column C or D, should also be included in Column E.

When this information is entered in, the ending expected balance will automatically be calculated in Column F.

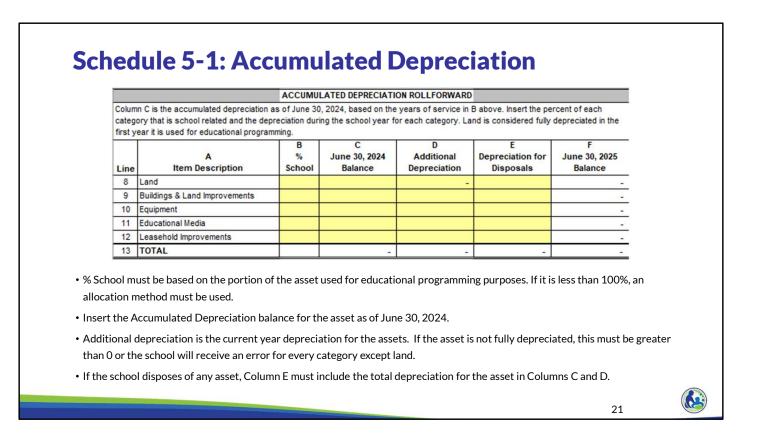
If you consider the smartboard we discussed earlier, the amount that would be included in this section would be the \$5,000 original cost. The \$5,000 would be included in Column C if we bought the smartboard before the beginning of the school year. If we anticipate buying it during the 24-25 school year, it would be included as a purchase in Column D.



We will go through an example on how to include construction in progress in the budget. You do not need to enter this example in your budget.

Construction in Progress is the cost of any fixed assets that the school is not yet using. In the year the school starts using them, the school should include them as a disposal (in Column E) and a purchase (in Column D) in the applicable category.

In this example, a school purchased \$5,000 of books in June 2024 but doesn't start using them until the 24-25 school year. The \$5,000 is included on Line 6, Column C at the beginning of the school year. Then, to show it being added to educational media, it is included as a purchase on Line 4, Column D. To remove it from the Construction in Progress line, the \$5,000 is included on Line 6, Column E.



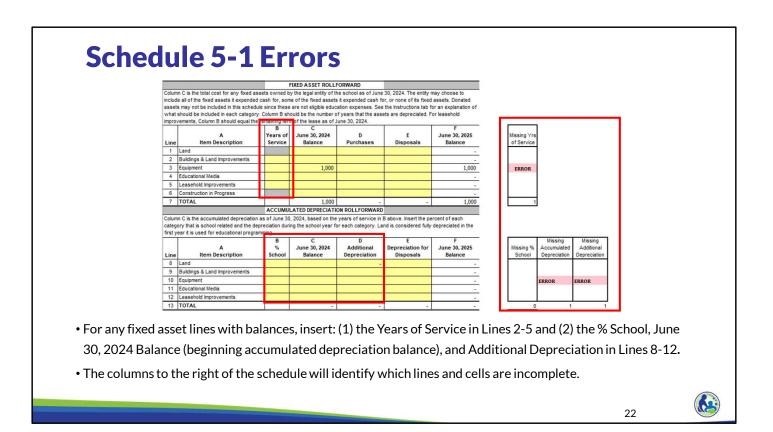
The next section is the Accumulated Depreciation Rollforward section. This is the section where we will record the depreciation that has been included so far for an asset and the additional amount for the current school year.

First, in Column B, the school must insert the percentage of the assets in the category that are being used for educational programming.

Then, the total depreciation expense that has been taken for the asset category as of June 30, 2024 must be inserted in Column C. The additional amount of depreciation the school expects to take during the school year should be inserted in Column D. Finally, if a school disposed of any assets, the amount of depreciation for that asset that is included in Column C or D must be included in Column E. When these amounts are included, the ending Accumulated Depreciation will be calculated in Column F.

Going back to our smartboard example, remember the smartboard had \$1,000 of depreciation each year. If we had 2 years of

depreciation prior to the start of the school year, we would insert the \$2,000 in Column C. We would then input the additional year of depreciation expense of \$1,000 in Column D.



For any fixed asset lines with balances, the school will get an error if it does not complete the years of service in Column B, Lines 2-5. The school will also receive an error if it does not enter the percent school in Column B, the June 30, 2024 beginning accumulated depreciation balance in Column C, or the Additional Depreciation in Column D, Lines 8-12.

The columns to the right of the schedule will identify which lines and cells are incomplete with a red error message.

		CASH FLOW	
scho	r the Accounts Payable balance at the beginnin ool year. Enter in the cash payments in lines 17- rmine if it is correct.		
Line	A Line Description	B Payments for Assets	
14	Total 2024-25 Payments	-	<ul> <li>If any assets are</li> </ul>
15	June 30, 2024 Accounts Payable		any assets are
16	TOTAL AMOUNT TO BE PAID	-	
17	July 2024 Cash Payments		purchased, include
18			par chasea, merade
19			
20			the payments in
<u> </u>	November 2024 Cash Payments		
22			
_			Column B of the
26	April 2025 Cash Payments		Cash Flow section.
_			Cash FIOW Section.
29	TOTAL CASH PAYMENTS	-	
20	JUNE 30, 2025 ACCOUNTS PAYABLE		

On the bottom of Schedule 5-1, you will include any cash payments for fixed assets in the applicable month. If a fixed asset was purchased and received during the year but the amount was not paid by the end of the school year, the school will also need to include an Accounts Payable for the amount owed but not paid. The beginning of the year Accounts Payable must be inserted in Line 15. The end of the year Accounts Payable will automatically be calculated based on the other inputs in the schedule.

#### Leasehold Improvements Example **Assets Purchased in Assets Purchased During** 2024-25 School Year **July 2023** Cost Years of Depreciation **Depreciation Expense Per Year** Accumulated Depreciation as of June 30, 2024 • The school leases a building that is used by the school and daycare. • The lease is from 7/1/23 to 6/30/28 (5 year lease). In July 2023 the school completed renovations that cost \$10,000 and began using the building. • The school plans on adding lockers in the 2024-25 school year that will be permanently affixed to the walls. The anticipated cost is \$4,000. The school anticipates paying for this in May 2025. 2 24

We will now go through the first example that you must include in your budget Excel document. The school leases a building that is used by the school and daycare. The lease is from July 1, 2023 to June 30, 2028, so it is a 5 year lease.

In July 2023 the school completed renovations that cost \$10,000 and began using the building. As of July 2023, the school will have completed \$10,000 of renovations.

We need to determine how many years of depreciation are remaining in the lease. July 2023 is the beginning of the lease, so it would be the full 5 years. The depreciation per year would be calculated as the \$10,000 total cost divided by the number of years of depreciation, or 5 years. So, we have depreciation expense per year of \$2,000.

Finally, our accumulated depreciation as of June 30, 2024 for the assets purchased in July 2023 would be \$2,000 because we would have taken one year of depreciation as of June 30, 2024.

The school anticipates adding lockers during the 24-25 school year that will cost \$4,000. In the Assets Purchased During 2024-25 School Year column we will need to include the cost of \$4,000. How many years of depreciation would we have for these assets and what would be the depreciation expense per year? Take a moment to determine what you think the answer is.

Remember, for a leasehold improvement, the number of years of depreciation is the number of years remaining in the lease term. So, for an asset that was purchased during the 24-25 school year, the school will have 4 years of depreciation because that is the remaining number of years of the lease. The depreciation expense per year is calculated as the \$4,000 divided by the 4 years of depreciation to get \$1,000.

The final line is the accumulated depreciation as of June 30, 2024. Since the school did not own these assets as of June 30, 2024 and the school hadn't taken any depreciation for them yet as of that date, this would not be applicable.

#### Leasehold Improvements Example-Allocation Calculation

The school leases a building that is used by the school and daycare. The school occupies 10,000 square feet for 10 months of the year and the daycare occupies 5,000 square feet for 12 months of the year.

	Square Feet	Months	Total
Daycare			
School			
	Total		

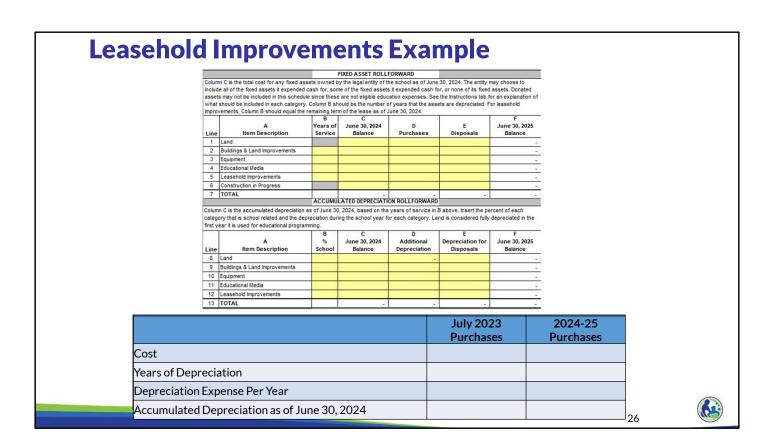
Since this location is used by the daycare and school, we will need to determine the school use percentage for these assets. We will use the amount of time the school and daycare are in the space. The chart on this screen will help us with this calculation.

In our example, the school leases a building that is used by the school and daycare. The school occupies 10,000 square feet for 10 months of the year and the daycare occupies 5,000 square feet for 12 months of the year. So, we will need to insert this information into our chart. For the daycare, 5,000 square feet times 12 months equals 60,000.

For the school, 10,000 square feet times 10 months gets us a total of 100,000.

The sum of 60,000 and 100,000 is 160,000.

The school use percentage is then calculated by taking 100,000 and dividing it by 160,000, for a school use percentage of 63%.



We now have all of the information we need to complete Schedule 5-1. Since this example is a leasehold improvement we will be putting the cost information in Line 5. First, we need to insert the years of service. For a lease, this is the remaining term of the lease as of the beginning of the school year. As of July 1, 2024, there will be 4 years remaining, so we insert 4 in Line 5, Column B.

Next, we need to insert the beginning cost balance. The assets we owned as of June 30, 2024 were the July 2023 purchases. Those had a cost of \$10,000. So, we insert \$10,000 in Column C. We anticipate purchasing \$4,000 of leasehold improvements during the school year, so input \$4,000 in Column D.

Now, we move on to the Accumulated Depreciation Rollforward section. We previously calculated that our school use percentage was 63%, so insert 63% in Line 12, Column B. Next, we need to insert our Accumulated Depreciation as of June 30, 2024 of \$2,000 from the July 2023 purchase.

What would be our additional depreciation in Column D?

Since we will have both of the assets during the year, the total additional depreciation will be the depreciation expense per year

from the July 2023 purchase and the 2024-25 purchases, for a total of \$3,000. So, input \$3,000 in Line 12, Column D.

# Leasehold Improvements Example (cont)

•The school plans on adding lockers in the 2024-25 school year that will be permanently affixed to the walls. The anticipated cost is \$4,000. The school anticipates paying for this in May 2025.

ine	A Line Description	B Payments for Assets
14	Total 2024-25 Payments	4,000
15	June 30, 2024 Accounts Payable	.,
16	TOTAL AMOUNT TO BE PAID	4,000
17	July 2024 Cash Payments	
18	August 2024 Cash Payments	
19	September 2024 Cash Payments	
20	October 2024 Cash Payments	
21	November 2024 Cash Payments	
22	December 2024 Cash Payments	
23	January 2025 Cash Payments	
24	February 2025 Cash Payments	
25	March 2025 Cash Payments	
26	April 2025 Cash Payments	
27	May 2025 Cash Payments	
28	June 2025 Cash Payments	
29	TOTAL CASH PAYMENTS	-
30	JUNE 30, 2025 ACCOUNTS PAYABLE	4,000

Finally, we need to show the expected cash payment for the lockers. Notice that the \$4,000 is automatically included in Line 14, Column B, because we indicated we had \$4,000 of purchases in the top part of the schedule.

We expect to pay the \$4,000 for the lockers in May 2025. So, \$4,000 should be input in Line 27.

1

28

# **Building Example**

Total Building Cost Useful Life (Years of Service) Depreciation Expense Per Year

Years of Depreciation as of 6/30/24 Accumulated Depreciation as of 6/30/24

•The school has a building that they purchased in July 2018 that cost \$1,500,000. The useful life (years of service) is 15 years. It is only used by the school.

This is an example of a school who is a first time participant in the Choice programs in the 24-25 school year. The school purchased a building in July 2018 for \$1.5 million. The school's capitalization policy indicates the useful life for buildings is 15 years.

Based on this information, take a moment to complete the chart. Pause the training until you are ready to continue.

In this case, depreciation would be calculated by dividing the building cost by the useful life. \$1.5 million divided by 15 years is \$100,000 per year. Since the building is not used for any non-school activities, 100% of the annual depreciation on the building is considered an eligible education expense. For the financial audit, the building will be recorded as an asset at the full cost of \$1.5 million.

The building has been depreciating at a cost of \$100,000 per year since it was purchased. The school has had 6 years of

depreciation between when the building was purchased in July 2018 and June 30, 2024. 6 years times \$100,000 per year means the accumulated depreciation as of June 30, 2024 is \$600,000.

		_			Tota	al Building Co	ost		1,500,000
١g	Example	<b>A-</b>	nswe	er [	Use	ful Life (Year	s of Service)		15
-0					Dep	preciation Exp	oense Per Year		100,000
			FIXED ASSET ROLL	ORWARD	Acci	umulated De	preciation as of 6	/30/24	600,000
inclue asse what	nn C is the total cost for any fixed ass de all of the fixed assets it expended of ts may not be included in this schedulu t should be included in each category. yvements, Column B should equal the r	cash for, som e since these Column B sh	are not eligible educ ould be the number of	a it expended ation expense of years that t	cash fo es. See he asse	r, or none of its fixed the Instructions tab fi	assets. Donated or an explanation of		000,000
		B	С			100	F		
Line	A Item Description	Years of Service	June 30, 2024 Balance	D		E Disposals	June 30, 2025 Balance		
1	Land	Jervice	Dalarice	rurchus	00	Diaposuis	Dalarice		
2	Buildings & Land Improvements								
3	Equipment		1		-		-		
4	Educational Media						-		
5	Leasehold Improvements								
6	Construction in Progress						-		
7	TOTAL		-		-		-		
		ACCUMU	LATED DEPRECIATI	ON ROLLFOR	WARD				
cate	mn C is the accumulated depreciation a gory that is school related and the dep year it is used for educational program	reciation duri							
		В	C	D	100	E	F		
	A Item Description	% School	June 30, 2024 Balance	Addition Deprecia		Depreciation for Disposals	June 30, 2025 Balance		
Line									
Line 8	Land								
					-		-		
8	Land Buildings & Land Improvements						-		
8	Land Buildings & Land Improvements				-		-		
8 9 10	Land Buildings & Land Improvements Equipment						- - - -		

Now, take a moment and try to enter the information into your budget Excel document. Pause the training until you are ready to proceed.

Buildings are included on Line 2. On Line 2, Column B we will insert the total years of service for buildings, which is 15 years. As a reminder, this amount will not change from year to year. It is the total years of service for the category overall. Only the leasehold improvements years of service change annually. Next, insert the total building cost as of June 30, 2024. This is the total cost, prior to any depreciation, so \$1.5 million is inserted in Line 2, Column C.

We then move on to the Accumulated Depreciation Rollforward section. The school use percentage is 100% because the building is only used for school purposes. We calculated that the June 30, 2024 Accumulated Depreciation balance was \$600,000, so that is what we insert in Line 9, Column C. Next, we insert the additional depreciation during the year in Column D, of \$100,000.

_			FIXED ASSET ROLL	ORWARD		
incluc asset what	nn C is the total cost for any fixed as de all of the fixed assets it expended ts may not be included in this schedu should be included in each category vements, Column B should equal the	cash for, son le since these . Column B sh	ne of the fixed assets are not eligible educ could be the number of	ation expended cash for ation expenses. See if years that the asso	or, or none of its fixed the Instructions tab f	assets. Donated or an explanation of
Line	A	B Years of Service	C June 30, 2024 Balance	D Purchases	E Disposals	F June 30, 2025 Balance
1	Land					-
2	Buildings & Land Improvements	15	1,500,000		1	1,500,000
3	Equipment				1	-
4	Educational Media					25
5	Leasehold Improvements	4	10,000	4,000		14,000
6	Construction in Progress					-
7	TOTAL		1,510,000	4,000	-	1,514,000
		ACCUMU	LATED DEPRECIATI	ON ROLLFORWARD		
categ	nn C is the accumulated depreciation ory that is school related and the deprear it is used for educational program	preciation dur mming.		or each category. La		
Line	A Item Description	B % School	June 30, 2024 Balance	D Additional Depreciation	Depreciation for Disposals	June 30, 2025 Balance
8	Land					
9	Buildings & Land Improvements	100%	600,000	100,000		700,000
-	Equipment	10070		100,000		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	Educational Media					
	Leasehold Improvements	63%	2,000	3,000		5,000
	TOTAL	0370	602,000	103,000		705,000

- e building is on for \$150,000.
- chased land in 00. The school ng an ol at this future.
- t yet being tional remove the eciation from

Our next example is a land example.

The site that the building is on was purchased for \$150,000. Additionally, the school purchased land in 2018 for \$50,000. The school plans on building an additional school at this location in the future. Since the land was owned at the beginning of the school year, the \$200,000 is inserted in Line 1, Column C.

The additional depreciation on Line 8, Column D will update to equal the total land balance on Line 1, Column C. If any portion of the land is not being used for land during the 24-25 school year, it must be removed from Line 8, Column D.

Since the additional site is not yet being used for educational programming, the cost for that site of \$50,000 is not included in Line 8. Column D. The cost for the additional site will be included as an eligible education expense the first year it is used for educational programming. Since \$150,000 of the land is being used for educational programming as of June 30, 2024, update the amount on Line 8, Column D to be \$150,000 and insert the school use

percentage in Line 8, Column B of 100%. The Excel document will then calculate the eligible expense for the land as the total cost in Column D times the percent in Column B.

#### **Equipment Example**

- As of June 30, 2024, the school has \$40,000 of equipment that has \$30,000 of Accumulated Depreciation. The equipment includes a van used only by the church that was purchased for \$12,000. The remaining equipment is for the school. Depreciation for this equipment per year is \$6,000.
- In the 2024-25 school year the school will purchase \$10,000 of equipment that includes \$2,000 of school equipment and \$8,000 of daycare equipment. The school will pay for the equipment in September 2024.
- The useful life (years of service) for equipment is 5 years.

	Total Amount	School related	Non School Related
Owned as of June 30, 2024	40,000		
Purchased in 2024-25	10,000		
Total	50,000		
School Use Percentage			

Our last example is an equipment example. This example is different then our previous allocation examples because instead of determining an allocation for items that are being used for school and non school use, we have a category that includes assets that are specifically for school purposes and assets that are specifically not for school purposes. Take a few minutes to read the example and try to calculate the school use percentage using the chart on the screen.

Pause the training until you are ready to continue with this example.

Let's now complete the chart based on the information in our example. Of the \$40,000 of equipment, \$12,000 was used for the church. So, we insert \$12,000 on the first line in the non school related column. The difference, or \$28,000, is entered in the school related column. Notice we are not putting the remaining depreciation in here. We are putting the total amount originally spent.

Similarly, for the assets purchased in the 24-25 school year, we insert \$2,000 in the school column and \$8,000 in the non school

related column.

We then total each column and divide the school related amount of \$30,000 by the total of \$50,000. This results in a school use percentage of 60%.

			-		swer			
			FIXED ASSET ROLLF				•	As of June 30, 2024, the
	In C is the total cost for any fixed ass le all of the fixed assets it expended of						•	As of Julie 30, 2024, the
asset what	s may not be included in this schedul should be included in each category.	e since these Column B sh	are not eligible educ ould be the number o	ation expenses. See	the Instructions tab f	or an explanation of		school has \$40,000 of
impro	vements, Column B should equal the r		m of the lease as of J	une 30, 2024.				equipment that has \$30,0
Line	A Item Description	B Years of Service	June 30, 2024 Balance	D Purchases	E Disposals	F June 30, 2025 Balance		of Accumulated Deprecia
	Land		200,000			200,000		
2	Buildings & Land Improvements	15	1,500,000			1,500,000	•	Depreciation for this
3	Equipment			1				
4	Educational Media					-		equipment per year is \$6,
5	Leasehold Improvements	4	10,000	4,000		14,000		
6	Construction in Progress					-	•	In the 2024-25 school yea
7	TOTAL		1,710,000	4,000		1,714,000		
		ACCUMU	LATED DEPRECIATI	ON ROLLFORWARD				the school will purchase
categ	nn C is the accumulated depreciation a ory that is school related and the dep year it is used for educational program	reciation dur						\$10,000 of equipment.
Line	A Item Description	B % School	C June 30, 2024 Balance	D Additional Depreciation	E Depreciation for Disposals	F June 30, 2025 Balance	•	The useful life (years of service) for equipment is
8	Land	100%		150,000		150,000		service/for equipment is
9	Buildings & Land Improvements	100%	600,000	100,000		700,000		years.
10	Equipment					-		,
11	Educational Media					2		
12	Leasehold Improvements	63%	2,000	3,000		5,000		
13	TOTAL		602,000	253,000		855,000		

Now, take a few minutes to enter the information into Schedule 5-1 in your Excel document. Please pause the training until you are ready to go through the answer.

Since we are inserting equipment, we will need to include the years of service and cost information on Line 3. We insert the years of service of 5 years in Column B. We then insert the beginning total cost (before accumulated depreciation) of \$40,000 in Column C. Notice we are not just putting the school portion. Remember, this budget is for the entire legal entity, so the fixed assets should include any fixed assets that will be included for the full legal entity.

We expect to purchase \$10,000 of fixed assets during the school year, so the \$10,000 needs to be inserted in Column D.

Next, we go to the Accumulated Depreciation rollforward section. The first thing we need to input is the percent school related that we calculated, which is 60%. Then, we need to input the beginning Accumulated Depreciation balance of \$30,000.

Determining the additional depreciation is a little tricky. The additional depreciation has 2 components, the fixed asset we previously owned and the new asset. Our example indicates the previously owned fixed assets have annual depreciation of \$6,000. We then need to calculate the

additional depreciation for the newly purchased fixed assets. This is calculated as \$10,000 divided by the number of years we expect to use the fixed assets, which is 5 years. So, the depreciation expense for the newly purchased fixed assets is \$2,000 per year.

Based on this, additional depreciation for the school year in Column D is \$8,000. This consists of the \$6,000 of depreciation from the previously owned fixed assets plus the depreciation for the newly purchased fixed assets of \$2,000.

	le 5-1						
		1	FIXED ASSET ROLL	FORWARD			
Col	umn C is the total cost for any fixed as	sets owned b	y the legal entity of the	ne school as of June	30, 2024. The entity r	hay choose to	
	ude all of the fixed assets it expended						
	ets may not be included in this schedu						
	at should be included in each category rovements, Column B should equal the				ets are depreciated. F	or leasehold	
in the	ovements, column b should equal the	B	C	une 30, 2024.		F	
	A	Years of	June 30, 2024	D	E	June 30, 2025	
Li	ltem Description	Service	Balance	Purchases	Disposals	Balance	
1	Land		200,000			200,000	
2	Buildings & Land Improvements	15	1,500,000			1,500,000	
	Equipment	5	40,000	10,000		50,000	
4	Educational Media						
5	Leasehold Improvements	4	10,000	4,000		14,000	
e	Construction in Progress					-	
7	TOTAL		1,750,000	14,000	2	1,764,000	
			LATED DEPRECIATI				
	umn C is the accumulated depreciation						
	egory that is school related and the dep t year it is used for educational program		ing the school year to	or each category. La	na is considered fully	depreciated in the	
	Fyeur a lo used for educational progra	B	С	D	E	F	
	A	%	June 30, 2024	Additional	Depreciation for	June 30, 2025	
Lit	ltem Description	School	Balance	Depreciation	Disposals	Balance	
8	Land	100%		150,000		150,000	
9	Buildings & Land Improvements	100%	600,000	100,000		700,000	
1	0 Equipment	60%	30,000	8,000		38,000	
1	1 Educational Media					-	
	2 Leasehold Improvements	63%	2,000	3,000		5,000	
1							

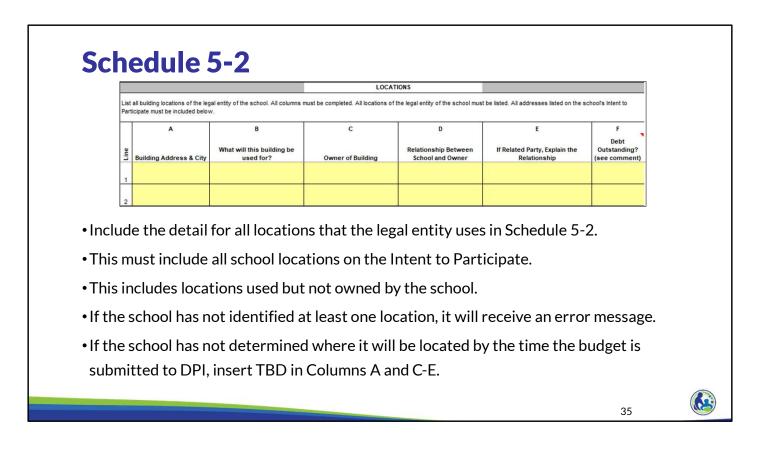
At this time, please take some time to compare the information in your budget Excel document to the information on the screen and ensure they match. Pause the training until you are ready to proceed.

# **Equipment Example-Answer**

 In the 2024-25 school year the school will purchase \$10,000 of equipment that includes \$9,000 of school equipment and \$1,000 of daycare equipment. The school will pay for the equipment in September 2024.

Line	A Line Description	B Payments for Assets	
14	Total 2024-25 Payments	14,000	
15	June 30, 2024 Accounts Payable		
16	TOTAL AMOUNT TO BE PAID	14,000	
17	July 2024 Cash Payments		
18	August 2024 Cash Payments		
19	September 2024 Cash Payments		
20	October 2024 Cash Payments		
21	November 2024 Cash Payments		
22	December 2024 Cash Payments		
23	January 2025 Cash Payments		
24	February 2025 Cash Payments		
25	March 2025 Cash Payments		
26	April 2025 Cash Payments		
27	May 2025 Cash Payments		
28	June 2025 Cash Payments		
29	TOTAL CASH PAYMENTS	-	
30	JUNE 30, 2025 ACCOUNTS PAYABLE	14,000	

Lastly, we need to put the cash payment for the newly purchased fixed assets at the bottom of the schedule. We expect to pay for the 10,000 of fixed assets in September, so \$10,000 is inserted on Line 19. Again, notice we are not just putting in the cash payments for the school portion of the fixed assets. Instead, we are putting in the total cash payments for the full legal entity.

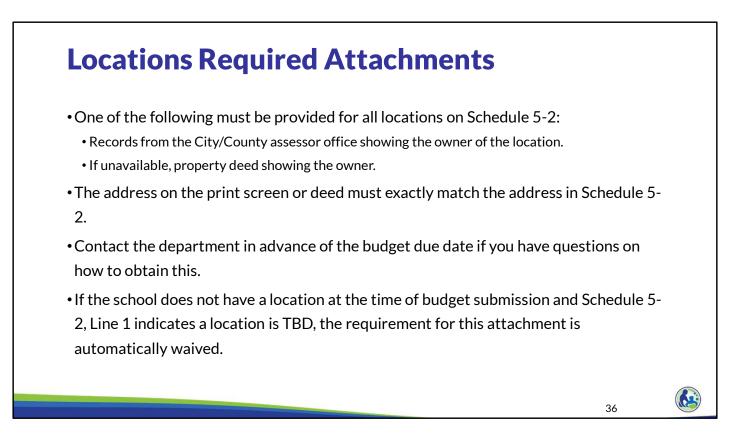


The school must include the detail for all locations that the legal entity uses in Schedule 5-2. This must include all school locations on the Intent to Participate. This schedule would also include any location used by the school, whether the school owns the building, rents it, or uses the building rent free.

If the school has not identified at least one location, it will receive an error message.

If the school has not determined where it will be located by the time the budget is submitted to DPI, insert TBD in Columns A and C-E.

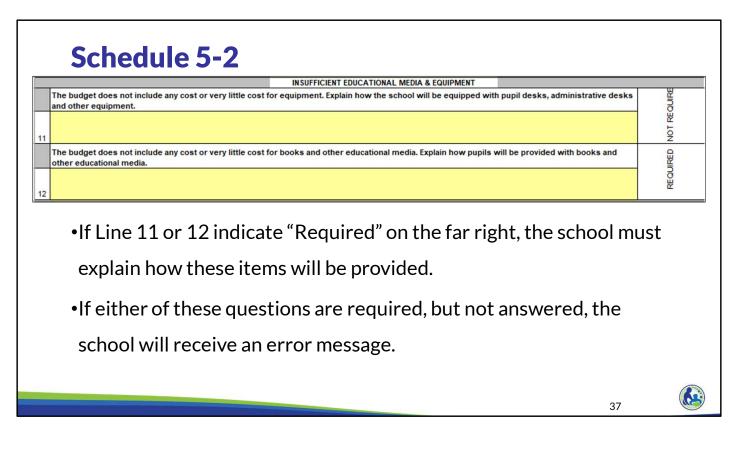
Finally, the school should indicate whether they have any debt outstanding for purchasing the building or improvements to the building in Column F.



For each location on Schedule 5-2, the school must provide records from the City/County assessor office showing the owner of the location or, if unavailable, a property deed showing the owner.

The address on the assessor records or deed must exactly match the address in Schedule 5-2. If the school is having difficulty obtaining one of these items, the school must contact the department in advance of the budget due date.

If the school does not have a location at the time of budget submission and Schedule 5-2, Line 1 indicates a location is TBD, the requirement for this attachment is automatically waived.



If Line 11 or 12 indicate "Required" on the far right, the school must explain how these items will be provided. If either of these questions are required, but not answered, the school will receive an error message.

If the school is an existing school that has been in operation for several years but has decided not to include fixed assets because they are already fully depreciated, the school can indicate that in these cells.

2

38

# **Knowledge Check**

Which of the following locations must be included on Schedule 5-2?

- a. Church building owned by the legal entity of the school.
- b. School building owned by the legal entity of the school.
- c. Building the legal entity of the school rents for their daycare operations.
- d. All of the above.

I will give you a minute to read through this question and determine what you think the answer is.

The correct answer is d. Any building owned by the legal entity of the school or used by the legal entity of the school must be identified in the budget because the department's review to determine if a school's budget meets the requirements includes ensuring that all buildings have been properly included in the budget.

	tify any leases that the legal entity of		xpects to have			
be r	or in Columns A and B. Then, identii nade based on the lease in Columns ing a location and any other leases get	D-F. The amount in these colur	nns should b	e the cash payment	nts required. A cop	py of all leases for
Line	A Name of Organization Leasing to School	B Description of Item Being Leased If lease is for a location, identify address of location being rented	C Is the lease for renting a location?	D Total 2024-25 Payments Per Lease	E Total 2025-26 Payments Per Lease	F Total Payments Per Lease After 2025-26
1						
2						
	ases of the scho non leases are b				schedule	e. The m

The final schedule we will review in this training is Schedule 5-3. This schedule must include all of the school's leases. Some examples of leases that may be included are a lease for a building or copier.

		LEASE INF	ORMATION					
	ntify any leases that the legal entity of							
100.00	lessor in Columns A and B. Then, identify whether the lease is for renting a location in C. Finally, identify the required lease payments to be made based on the lease in Columns D-F. The amount in these columns should be the cash payments required. A copy of all leases for renting a location and any other leases that have total remaining payments of \$10,000 or more in Columns D-F must be provided with the							
ren								
bud	lget.	В	с			F		
		Description of Item Being	Is the	D	E	Total		
	A	Leased If lease is for a	lease for	Total 2024-25	Total 2025-26	Payments Per		
Line	Name of Organization Leasing to School	location, identify address of location being rented	renting a location?	Payments Per Lease	Payments Per Lease	Lease After 2025-26		
1								
2				T				
2								
				. 1	•			
ert t	he name of the lesso	or in Column A. I	f this is	not know	n, insert I	BD.		
corit	e the item being lea	cod in Column B	Form	vamplo a k	uilding o	conior If		
SCIT	e the item being lea	ised in Column D.		cample, a i	Junuing O	copier. II		
Iding	g, indicate the addre	ess of the building	5.					
			-					

In column A, indicate the name of who the school is leasing from. For Column B explain what is being leased, such as a building or copier. If it is a building, identify the address of the building. In Column C, you should indicate whether the lease is for renting a location. Column C is a drop down where you will need to select Yes or No.

2

41

### **Rental Requirements**

- •Rent may only be included if the organization is a separate legal entity from the landlord. The organizations are <u>not</u> different legal entities if:
  - The organizations have the same tax id number and use it for all activities including payroll.
  - The organizations are NOT separately set up with the Department of Financial Institutions.
- •A complete signed copy of the rental agreement must be submitted with the budget or the expected date that the school will have a rental agreement must be identified, if not already signed.

Rent may only be included if the organization is a separate legal entity from the landlord. The organizations are <u>**not**</u> different legal entities if:

The organizations have the same tax id number and use it for all activities including payroll; or

The organizations are NOT separately set up with the Department of Financial Institutions.

For example, if your church and school have the same Federal tax id number, they are the same legal entity and you cannot include rent in the budget. Instead, you would include any cost of the building in the budget such as depreciation expense, rent, utility costs, or maintenance costs.

If the school includes rent in the budget, a complete signed copy of the rental agreement must be submitted with the budget or the expected date that the school will have a rental agreement must be identified.

If you do not have a lease agreement by the time you submit the

budget, you will be required to provide the lease to the department as soon as possible. Schools should try to ensure that they will be able to provide the final, signed lease to the department by the beginning of July.

		LEASE INF	ORMATION			
les be rer	ntify any leases that the legal entity or sor in Columns A and B. Then, identif made based on the lease in Columns tting a location and any other leases dget.	y whether the lease is for renti D-F. The amount in these colur	ing a location	in C. Finally, identi e the cash paymer	ify the required leants required. A cop	ise payments to by of all leases for
Line	A	B Description of Item Being Leased If lease is for a location, identify address of location being rented	C Is the lease for renting a location?	D Total 2024-25 Payments Per Lease	E Total 2025-26 Payments Per Lease	F Total Payments Per Lease After 2025-26
1						
2						
ed o se sl	nns D-F insert the a n the lease. hould be entered ba ınting.				·	

In the remaining columns, you will need to enter the lease payments that are to be made based on the lease. Column D is the 2024-25 payments per the lease, Column E is the 2025-26 payments per the lease, and Column F is the total payments per the lease for any school years after the 2025-26 school year. These columns should be completed based on the actual cash payments required per the lease. So, if an amount is due during the 2024-25 school year, for renting the location during the 2025-26 school year, you would put that payment in Column D because the payment must be made during the 2024-25 school year.

Line	A Line Description	B	C Leases Other Than Rent	•The bottom of the
10	Total Eligible Education Expenses			• The bottom of the
11	Total 2024-25 Payments Per Lease			lease schedule is the
12	Lease Payments Due Prior to June 30, 2024 Not Paid as of June 30, 2024			lease schedule is the
13	June 30, 2024 Prepaid Expenses			cash flow section.
14	TOTAL AMOUNT TO BE PAID			cash now section.
15	July 2024 Cash Payments			
16	August 2024 Cash Payments			<ul> <li>This requires that</li> </ul>
17	September 2024 Cash Payments			
18	October 2024 Cash Payments			the school identify
_	November 2024 Cash Payments			
_	December 2024 Cash Payments			the cash flow related
_	January 2025 Cash Payments			the cash now related
-	February 2025 Cash Payments			items for rent and
23	March 2025 Cash Payments			Items for rent and
24	April 2025 Cash Payments			other leases
25	May 2025 Cash Payments			other leases
26	June 2025 Cash Payments			a a way at a b i
27	TOTAL CASH PAYMENTS	_		separately.
28	JUNE 30, 2025 Prepaid Expenses			

The bottom of the lease schedule is the cash flow portion of the schedule. The school must separately identify the rental payments made for building locations, which are referred to as rent in Column B, and leases other than rent. Any rental payment, meaning any lease payments for a building, would go in Column B. Payments for any leases other than rent should go in Column C.

	Schedu	ule 5-3:	Le	ases	5 (co	nt)		
		B Description of Item Being Leased If lease is for a	C Is the lease for	D Total 2024-25	E Total 2025-26	F Total Payments Per	•The 2024-25 lease	
Lin	Name of Organization Leasing to School			Payments Per Lease	Payments Per Lease		payments based on the	
compl the Pr the so the er	the eligible education expenses or teted on Line 11. Insert the total lea epaid Expenses balance at the bej chool year. Include the amount that id of the year, insert it in Line 28.	se payments that were require ginning of the school year in Lin	d to be paid p ie 13. Line 14	er the lease but n will then indicate	ot yet paid on Lin the amount that n	e 12. Then, insert nust be paid during	lease will automatically be included on Line 11.	
_	Line Total Eligible Education Expenses	Description		Rent	Than Rent		<ul> <li>Identify the eligible</li> </ul>	
<u></u>			ļ			_	education expenses in	
							Line 10.	
							44	

The total lease payments per the lease for the school year will automatically be inserted in Line 11 based on the information entered in the top of the schedule.

You will need to identify the portion of those leases that are educational programming related in Line 10. If the location is only used for educational programming, these amounts will equal. If it is used for other purposes, you will need to use an allocation method to determine what portion is not an eligible education expense.

# Schedule 5-3: Leases (cont)

Line	A Line Description	B Rent	C Leases Other Than Rent	• If there are any lease payments that				
10	Total Eligible Education Expenses			were due based on the lease but not				
11	Total 2024-25 Payments Per Lease	-	-	made, insert them in Line 12.				
12	Lease Payments Due Prior to June 30, 2024 Not Paid as of June 30, 2024			made, moert them in Line 12.				
13	June 30, 2024 Prepaid Expenses			<ul> <li>Insert any prepaid expenses as of the</li> </ul>				
14	TOTAL AMOUNT TO BE PAID	-	-	insert any prepara expenses as of the				
	July 2024 Cash Payments	1		beginning of the year and the end of				
_	August 2024 Cash Payments	1						
-	September 2024 Cash Payments			the year in Line 13 and Line 28. These				
	October 2024 Cash Payments			are amounts that were paid in				
	November 2024 Cash Payments			•				
	December 2024 Cash Payments			advance of the period the payments				
	January 2025 Cash Payments							
-	February 2025 Cash Payments			were for.				
-	March 2025 Cash Payments			1				
24	April 2025 Cash Payments			<ul> <li>Insert the cash payments in Lines 15-</li> </ul>				
25	May 2025 Cash Payments			26. These must, at a minimum, be				
26	June 2025 Cash Payments			20. These mast, at a minimum, se				
27	TOTAL CASH PAYMENTS	-		based on the required payments in				
28	JUNE 30, 2025 Prepaid Expenses			44-21-2-2				
_				the lease.				
				45				

If there are any lease payments that were due based on the lease but not made, insert them in Line 12. So, if the school had a rental payment that was owed at the end of the year that was missed, it would be included on Line 12. Since schools providing this budget are providing it show they meet the financial requirements, the initial budget submitted by new schools should not show that the school plans on making payments later than when they are due. As a result, this amount should be \$0.

Insert any prepaid expenses as of the beginning of the year and the end of the year on Lines 13 and 28. These are amounts that were paid in advance of the period the payments were for. An example of prepaid rent would be a school paying rent in June 2025 for renting the location in July 2025. Since we are paying the rent for the 2025-26 school year during the 2024-25 school year, the rent paid would be a prepaid expense as of June 30, 2025 so it would be included on Line 28.

Finally, you will need to insert the cash payments in Lines 15-26. These must, at a minimum, be based on the required payments in the lease. As a reminder, the cash payments are for any payments made during the school year, no matter what school year they relate to. So the prepaid we just discussed would be included as a cash payment

on Line 26, the June 2025 cash payments line, because that is when we are required to make it based on the lease.

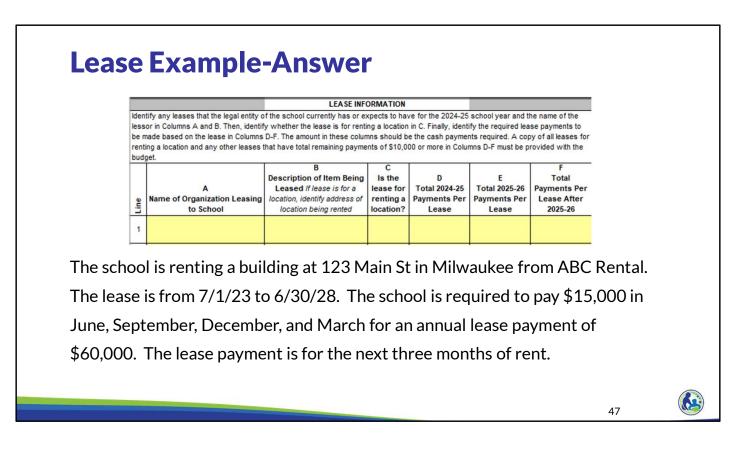
62

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#### Lease Example

- •The school is renting a building at 123 Main St in Milwaukee from ABC Rental. The lease is from 7/1/23 to 6/30/28. The school is required to pay \$15,000 in June, September, December, and March for an annual lease payment of \$60,000. The lease payment is for the next three months of rent.
- •The school plans on paying \$15,000 in June 2024 and then paying the quarterly payments during 2024-25 as required by the lease agreement.
- •The eligible education expense is 63% of the rent as we determined earlier.

Please pause the training and take a few minutes to read our example. When you ready to proceed, continue the training.



We will now input the information in the budget Excel document. The name of the organization we are renting from is ABC Rental, so that is what we put in Column A. The description is "Building at 123 Main St in Milwaukee." This line includes rent for a location, so we answer "Yes" for Column C.

Finally, we insert the anticipated payments in Columns D-F. The annual lease payment is \$60,000. Column D is for rental payments that must be paid during the 24-25 school year and Column E is for rental payments that must be paid during the 25-26 school year. So, \$60,000 is entered in these 2 columns. The last column is for any rental payments after the 25-26 school year. There will be 2 school years remaining in the lease after the 25-26 school year, so insert \$120,000 here, which was calculated as \$60,000 times 2.

If you need a few minutes to enter this information into your

budget Excel document, please pause the training at this time until you are ready to proceed.

#### Lease Example-Answer (cont) С В Leases Other Line A Line Description Rent Than Rent 10 Total Eligible Education Expenses 60,000 11 Total 2024-25 Payments Per Lease 12 Lease Payments Due Prior to June 30, 2024 Not Paid as of June 30, 2024 13 June 30, 2024 Prepaid Expenses 14 TOTAL AMOUNT TO BE PAID 60,000 •The eligible education expense is 63% of the rent as we determined earlier. 48

The first line we need to complete in the bottom of the schedule is Line 10. This is the portion of the lease that is an eligible education expense. Our example indicated 63% of the building is used for educational programming so the eligible education expense is calculated as \$60,000 times 63%, which is \$37,800.

	Lease Example-Ans	wer	(cont	•The school plans on paying
Line	A Line Description	B Rent	C Leases Other Than Rent	\$15,000 in June 2024 and then paying the required
11 12 13	Total Eligible Education Expenses Total 2024-25 Payments Per Lease Lease Payments Due Prior to June 30, 2024 Not Paid as of June 30, 2024 June 30, 2024 Prepaid Expenses TOTAL AMOUNT TO BE PAID	37,800 60,000 60,000	-	quarterly payments in September 2024, December 2024, March 2025, and
				June 2025. • The lease payment is for the
				next three months of rent.

Next, we need to determine if there are any amounts that will be paid by June 30, 2024 for the 2024-25 school year. Based on our example, do we have any prepaid expenses?

Yes, we do. The school plans on paying \$15,000 in June 2024 for the next quarter. So, the \$15,000 is entered on Line 13.

	Lease Example-Answer (cont)									
Line	- A	в	C Leases Other	•The school plans on paying						
1.000	Line Description	Rent	Than Rent							
10	Total Eligible Education Expenses	37,800		\$15,000 in June 2024 and						
11	Total 2024-25 Payments Per Lease	60,000	-	\$13,000 III June 2024 and						
	Lease Payments Due Prior to June 30, 2024 Not Paid as of June 30, 2024			then noving the required						
_	June 30, 2024 Prepaid Expenses	15,000		then paying the required						
_	TOTAL AMOUNT TO BE PAID	60,000	-							
	July 2024 Cash Payments			quarterly payments in						
	August 2024 Cash Payments									
	September 2024 Cash Payments			September 2024, December						
_	October 2024 Cash Payments									
1000	November 2024 Cash Payments			2024 March 2025 and						
20	December 2024 Cash Payments			2024, March 2025, and						
	January 2025 Cash Payments			1 0005						
22	February 2025 Cash Payments			June 2025.						
23	March 2025 Cash Payments									
24	April 2025 Cash Payments			• The lease payment is for the						
25	May 2025 Cash Payments			- The lease payment is for the						
26	June 2025 Cash Payments									
27	TOTAL CASH PAYMENTS	-	-	next three months of rent.						
28	JUNE 30, 2025 Prepaid Expenses		T							
				50						

Next, input the cash payments on Lines 15 through 26. We plan on paying \$15,000 in September 2024, December 2024, March 2025, and June 2025.

# Lease Example-Answer (cont)

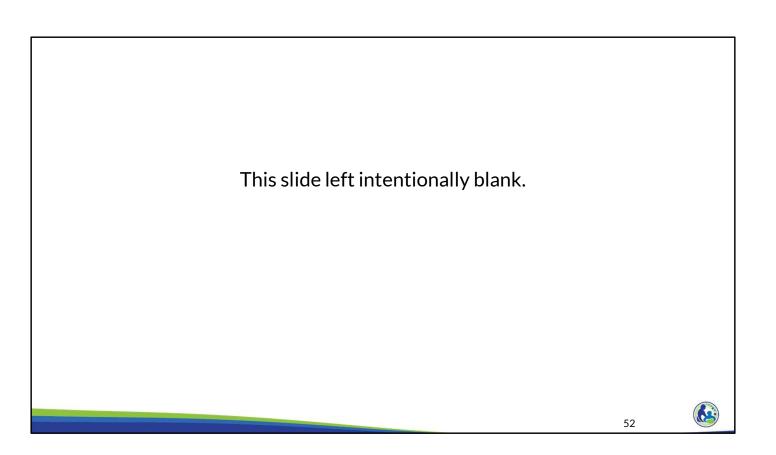
Line	A Line Description	B Rent	C Leases Other Than Rent
10	Total Eligible Education Expenses	37,800	
11	Total 2024-25 Payments Per Lease	60,000	
12	Lease Payments Due Prior to June 30, 2024 Not Paid as of June 30, 2024		
13	June 30, 2024 Prepaid Expenses	15,000	
14	TOTAL AMOUNT TO BE PAID	60,000	
15	July 2024 Cash Payments		
16	August 2024 Cash Payments		
17	September 2024 Cash Payments	15,000	
18	October 2024 Cash Payments		
19	November 2024 Cash Payments		
20	December 2024 Cash Payments	15,000	
21	January 2025 Cash Payments		
22	February 2025 Cash Payments		
23	March 2025 Cash Payments	15,000	
24	April 2025 Cash Payments		
25	May 2025 Cash Payments		
26	June 2025 Cash Payments	15,000	
27	TOTAL CASH PAYMENTS	60,000	
28	JUNE 30, 2025 Prepaid Expenses		

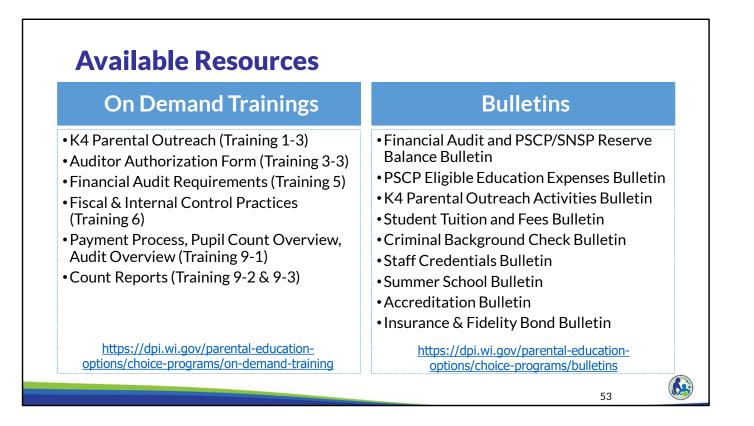
- •The school plans on paying \$15,000 in June 2024 and then paying the required quarterly payments in September 2024, December 2024, March 2025, and June 2025.
- The lease payment is for the next three months of rent.

51

Finally, we need to determine if we have a prepaid expense at the end of the school year. We will have paid \$15,000 in June 2025 for the rent for the first quarter of 2025-26. So, similar to the beginning of the school year, we should input \$15,000 of prepaid rent expense on Line 28, Column B.

If you need a few minutes to enter this information into your budget Excel document, please pause the training until you are ready to proceed.

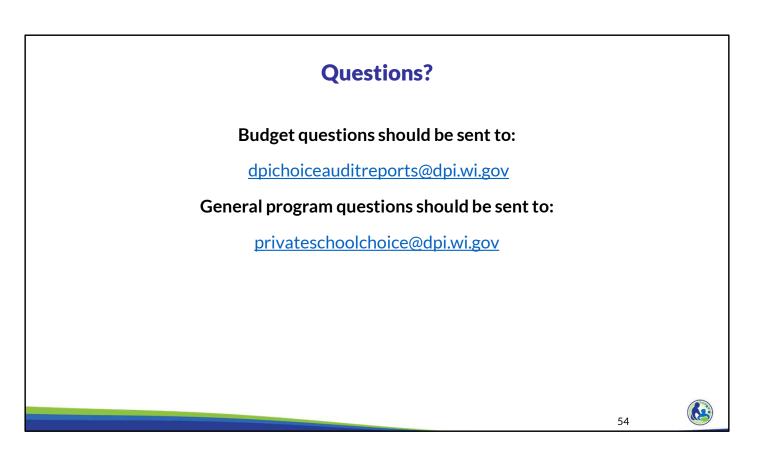




The department has on demand trainings and bulletins available to help schools understand programmatic requirements. Schools are encouraged to review these trainings and bulletins throughout the year when you have questions on the Choice requirements.

The trainings and bulletins that relate to the section we just discussed include the financial audit requirements training, which includes information on the fixed asset requirements.

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



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.