Private School Choice Programs Fiscal Management Training

Schedules 7-1, 7-2, 8, 9 and 10: Net Assets, Cash Flows, Operating Balance and Reserve Balance

School Finance Auditors
Parental Education Options
2023-24 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 the net asset schedules, cash flows, operating balance, and reserve balance schedules. In the budget and cash flow report, these are Schedules 7-1, 7-2, 8-1, 8-2, 9, and 10.

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.

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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.

Schedule 7-Net Asset Schedule

This is similar to a Statement of Financial Position (balance sheet).

Once the school is in the Choice program, it will be required to annually complete a budget. Schools that use their own budget for the annual Choice budget requirement are required to have a schedule of anticipated beginning and ending net assets. This schedule is an example of this required schedule.

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First, we will go through how to complete the Net Asset Schedules, Schedule 7-1 and 7-2. Schedule 7-1, the Net Asset Schedule, is similar to a Statement of Financial Position or balance sheet.

Once the school is in the Choice program, it will be required to annually complete a budget. Schools that use their own budget for the annual Choice budget requirement must have a schedule of anticipated beginning and ending net assets. Schedule 7-1 is an example of this required schedule. The net asset schedule needs to include the expected beginning balance for the school's assets and liability accounts. The budget must include the expected accounts receivable and accounts payable balances. It must also include items such as the expected amount of payroll that will be owed but not paid and the expected debt balances.

Schedule 7-Net Asset Schedule (cont)

		ASSETS			
Line	A Item	B June 30, 2023	C Uncollectable Accounts	D Category Changes (A)	E June 30, 2024
1	Cash				-
2	Short-Term Investments (A)				-
3	Current Receivables				
4	Prepaid Expenses	-			-
5	**Total Current Assets**	-			-
6	Fixed Assets	-			-
7	Accumulated Depreciation	-			-
8	Operating/Finance Lease Right of Use Assets	-			-
9	Long Term Receivables	-			-
10	Long Term Investments (A)				-
11	Other Assets (A)				-
12	**TOTAL ASSETS**	-	-	-	-

		LIABILITIES			
Line	A Item	B June 30, 2023	C Forgiven Liabilities (A)	D Category Changes (A)	E June 30, 2024
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.

- The spaces that are white automatically fill in from other schedules.
- The school must fill in the cash, investments, other assets, and other liabilities
- The June 30, 2024 column is based on the activity included in the budget.

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The spaces that are white automatically fill in from other schedules. In other sections, we explained how receivables, debt, and bad debt expense are completed. The school must also fill in the cash, investments, other assets, and other liabilities, if the school has those balances. The June 30, 2024 column is based on the activity included in the budget.

Schedule 7-Net Asset Schedule (cont)

		ASSETS			
Line	A Item	B June 30, 2023	C Uncollectable Accounts	D Category Changes (A)	E June 30, 2024
1	Cash				-
2	Short-Term Investments (A)				-
3	Current Receivables				
4	Prepaid Expenses	-			-
5	**Total Current Assets**	-			-
6	Fixed Assets	-			-
7	Accumulated Depreciation	-			-
8	Operating/Finance Lease Right of Use Assets	-			-
9	Long Term Receivables	-			-
10	Long Term Investments (A)				-
11	Other Assets (A)				-
12	**TOTAL ASSETS**	-	-	-	-

		LIABILITIES			
Line	A Item	B June 30, 2023	C Forgiven Liabilities (A)	D Category Changes (A)	E June 30, 2024
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.

- All receivables must be on Schedule 4-1 through 4-4 in the correct category. They **cannot** be directly added to this schedule.
- Debt must be included on Schedule 6. It **cannot** be directly added to this schedule.
- If the school included anything in bad debt expense on Schedule 3-2, the uncollectable amount must be included in Column C in the respective category.

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As a reminder, all receivables must be on Schedule 4-1 through 4-4 in the correct category. They **cannot** be directly added to Line 3 of this schedule. Similarly, debt must be included on Schedule 6, rather than directly added to Line 22 of this schedule.

If the school included anything in bad debt expense on Schedule 3-2, the uncollectable amount must be included in Column C.

The previous trainings included inserting the current portion of the receivables, long term portion of debt, and uncollectible amount in Schedule 7-1. For information on how to complete these lines, please see the earlier trainings.

Schedule 7-1: Category Changes

		ASSETS			
Line	A Item	B June 30, 2023	C Uncollectable Accounts	D Category Changes (A)	E June 30, 2024
1	Cash				-
2	Short-Term Investments (A)				-
3	Current Receivables				
4	Prepaid Expenses	-			-
5	**Total Current Assets**	-			-
6	Fixed Assets	-			-
7	Accumulated Depreciation	-			-
8	Operating/Finance Lease Right of Use Assets	-			-
9	Long Term Receivables	-			-
10	Long Term Investments (A)				-
11	Other Assets (A)				-
12	**TOTAL ASSETS**	-	-	-	-

		LIABILITIES			
Line	A Item	B June 30, 2023	C Forgiven Liabilities (A)	D Category Changes (A)	E June 30, 2024
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.

- If any amounts need to be moved to a different category, include them in the category changes column.
- If anything is included in this column, an explanation of the change must be included in Schedule 7-2.
- The net of the column must be $0 or the school will receive an error.

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If any amounts need to be moved to a different category, include them in the category changes column. If anything is included in this column, an explanation of the change must be included in Schedule 7-2. The total of the changes included in this column must be 0 or the school will receive an error.

The most common example of an amount that will need to be moved between categories is if the principal portion of investments are used for general cash flow needs. In order to show this, the amount would have to be moved from long term investments to cash in Column D. We will go through an example of this shortly. This type of change may be needed if the school has an endowment fund that indicates a certain amount of the principal may be used for general expenses each year. The amount used for general expenses would be the amount that is moved from the investments line to the cash line. Any interest earned by the investments will automatically be included on the cash line. So, if the only amount used is the interest on the investment, no category change would be required.

Schedule 7-1: Net Asset Balance Schedule

		LIABILITIES			
	A	B	C	D	E
Line	Item	June 30, 2023	Forgiven Liabilities (A)	Category Changes (A)	June 30, 2024
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.

- If any amounts are inserted in the "Forgiven Liabilities" column, they must be explained in Schedule 7-2.

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If any amounts are inserted in the "Forgiven Liabilities" column, they must be explained in Schedule 7-2. The school must provide documentation showing that the amount will be forgiven with the budget.

Schedule 7-1: Net Current Obligations

		NET CURRENT OBLIGATIONS			
26	Net Current Obligation	-			-
	If the net current obligation is less than $15,000, summarize how the entity plans to fund operations for the months of July, August, and September until the September 2024 Choice/SNSP payment.				
27					REQUIRED

- The net current obligation is the current assets compared to the current liabilities. Line 26 should be positive.
- If the net current obligation amount as of June 30, 2024 is less than $15,000, the school must explain how it will provide funding for the summer months or the school will receive an error.

8

Line 26 calculates the net current obligation. The net current obligation is the current assets compared to the current liabilities. Current assets include amounts such as cash and receivables. Current liabilities include amounts such as accounts payable and debt due within one year. Line 26, the net current obligation line, should be positive.

If the net current obligation amount as of June 30, 2024 is less than $15,000, the school must explain how it will provide funding for the summer months or the school will receive an error. For example, if the school has a line of credit with available funds that it uses during the summer months, it could identify this on Line 27. If this is identified, the department will confirm the funds are available as part of our review.

Schedule 7-2: Investment Information

INVESTMENTS

Include a description of what is included in the Investment accounts in Schedule 7-1, Lines 2 and 10. The total for each year must equal the amount on Schedule 7-1, Lines 2 and 10. The description must be sufficient to explain what is included on each line.

Line	A Name of Fund/Banking Institute	B Endowment Fund	C Restricted?	D June 30, 2023	E June 30, 2024
1					
2					
3					
4					
5					
6					
7	TOTAL INVESTMENTS	-		-	-

- Investments are considered restricted if a donor who provides funds identifies a restriction or there is some other requirement to use the funds for certain purposes.
- Investments should not be identified as restricted if the restriction is only based on the school internally identifying it will use the money for a certain purpose.

- If any amounts are included in current or long term investments, include a list of the school's investments on the top of Schedule 7-2.
- Identify if each investment is an endowment fund.
- Identify if each investment is restricted, meaning it can only be used for certain purposes.
- The total must match Schedule 7-1 or the school will receive an error.

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If any amounts are included in current or long term investments, include a list of the investments on the top of Schedule 7-2. First, identify the name of the fund or banking institute, such as US Bank or Lutheran Church Extension Fund.

Then, indicate if the fund is an endowment fund. An endowment fund is one that has documents establishing the fund as an endowment fund that indicate the funds must be used for a particular purpose. The school will be required to provide these documents with the budget.

In Column C, the school must identify if the funds are restricted. Investments are considered restricted if a donor who provides the funds identifies a restriction or there is some other requirement to use the funds for certain purposes. For example, if the endowment funds document indicates that the endowment fund can only be used for certain purposes, they should be identified as restricted. Similarly, if the school has funds that were designated by the contributor to only be used for scholarships, it should be identified as restricted.

Investments should not be identified as restricted if the restriction is only based on the school internally identifying it will use the money for a certain purpose. For example, if the board indicates that a certain amount must be set aside to buy a new piano, that is not considered restricted because the school is not legally restricted from using those funds. Instead, the school is internally identifying what purpose it intends to use the funds for. As we previously discussed, if the school anticipates that any of the principal portion of an investment will be used for their intended purpose during the school year, the funds would need to be moved through a category change to cash on Schedule 7-1.

The total of all of the investments as of June 30, 2023 and June 30, 2024 in Columns D and E must match Schedule 7-1 or the school will receive an error.

If you have more than 6 investments, prepare a supplemental schedule that includes Columns A-E for any investments that do not fit at the top of Schedule 7-2. Then, insert "See attached" as the description on the last line and put the total from the supplemental schedule in Columns D and E. Complete Columns B and C based on the investments included in that line. Any investments included on the same line together must have the same response for Columns B and C. As a result, the school may need to have more than one "See attached" line if it needs to include a supplemental schedule for investments that have a different response in Columns B and/or C.

Schedule 7-2: Other Assets & Liabilities

OTHER ASSETS

Include a description of what is included in Other Assets in Schedule 7-1, Line 11. The total for each year must equal the amount on Schedule 7-1, Line 11. The description must be sufficient to explain what is included on each line.

Line	A Description	B June 30, 2023	C June 30, 2024
8			
9			
10			
11			
12	TOTAL OTHER ASSETS	-	-

OTHER LIABILITIES

Include a description of what is included in Other Liabilities in Schedule 7-1, Line 23. The total for each year must equal the amount on Schedule 7-1, Line 23. The description must be sufficient to explain what is included on each line.

Line	A Description	B June 30, 2023	C June 30, 2024
13			
14			
15			
16			
17	TOTAL OTHER LIABILITIES	-	-

- The description of any Other Assets or Liabilities must be added to Schedule 7-2.
- The total must match Schedule 7-1 or the school will receive an error.

10

If the school has anything included in other assets or liabilities, it must include a list of what is included on Schedule 7-2. The description must be sufficient for the department to understand what is included in the fund. Again, the total of these funds must match the total on Schedule 7-1.

Asset Example-Cash

- The beginning cash balance is $50,000.

		ASSETS			
Line	A Item	B June 30, 2023	C Uncollectable Accounts	D Category Changes (A)	E June 30, 2024
1	Cash				(3,714)

11

Let's enter some example information into Schedule 7-1. The school has a beginning cash balance of $50,000. This $50,000 is entered into Line 1, Column B.

You will notice once we do this, the ending balance in Column E will automatically be updated. Column E is calculating the ending balance based on the beginning cash balance plus all of the cash receipts we identified in previous schedules less the cash payments we identified in previous schedules.

Asset Example-Investments

Description	School's Investment?
The school has the Holy Love Future Scholars endowment fund owned by the legal entity of the school with a balance of $500,000 as of June 30, 2023 and $500,000 as of June 30, 2024. The principal on the endowment fund is restricted for emergency use only.	
The school is a beneficiary of the Cornerstone endowment fund, which is operated by The Great Cornerstone Inc. The fund has a balance of $1 million as of June 30, 2023 and June 30, 2024.	
The school has a money market account with US Bank that has a balance of $25,000 as of June 30, 2023 and $20,000 as of June 30, 2024. The $5,000 decrease was money that was used for general cash flows during the school year.	

Next, we need to include the investments in our budget. In order to determine which investments to include in Schedule 7-1 and 7-2, let's review the investments the school receives income from to determine which of them are the school's investments. Please pause the training, read through each one, and determine whether you think each one should be included as an investment in Schedule 7-1. Once you are ready to go through the answers, continue the training.

The Holy Love Future Scholars Endowment fund would be included in the budget because it is owned by the legal entity of the school.

The Cornerstone Endowment fund would not be included because the legal entity of the school does not own the fund. Instead, the school is only a beneficiary of the fund.

Finally, the money market account is owned by the school and should therefore be included.

Asset Example-Investments Answer

Description	Permitted Fund Use/Use of Funds During Year	6/30/23 Balance	6/30/24 Balance
Holy Love Future Scholars endowment fund	The principal on the endowment fund is restricted for emergency use only.	$500,000	$500,000
US Bank money market account	The $5,000 decrease was money used for general cash flows during the school year.	$25,000	$20,000

		ASSETS			
Line	A Item	B June 30, 2023	C Uncollectable Accounts	D Category Changes (A)	E June 30, 2024
1	Cash	50,000			46,286
2	Short-Term Investments (A)				-
3	Current Receivables	15,000			20,712
4	Prepaid Expenses	18,350			18,350
5	**Total Current Assets**	83,350			85,348
6	Fixed Assets	1,750,000			1,764,000
7	Accumulated Depreciation	(632,000)			(893,000)
8	Operating/Finance Lease Right of Use Assets	240,000			180,000
9	Long Term Receivables	35,000	2,000		18,000
10	Long Term Investments (A)				-
11	Other Assets (A)				-
12	**TOTAL ASSETS**	1,476,350	2,000	-	1,154,348

13

There are two different investment lines in the net asset schedule, short term investments and long term investments. Short term investments are those that are readily available and convertible into cash. A money market account would generally be considered readily convertible to cash and a short term investment.

Endowment funds will generally be considered long term investments because the fund balance is generally restricted and can only be used for certain purposes. So, the endowment fund balance will go on Line 10.

As a result, type in 25,000 on Line 2, Column B and 500,000 on Line 10, Column B.

Asset Example-Investments Answer (cont)

Description	Permitted Fund Use/Use of Funds During Year	6/30/23 Balance	6/30/24 Balance
Holy Love Future Scholars endowment fund	The principal on the endowment fund is restricted for emergency use only.	$500,000	$500,000
US Bank money market account	The $5,000 decrease was money used for general cash flows during the school year.	$25,000	$20,000

		ASSETS			
Line	A Item	B June 30, 2023	C Uncollectable Accounts	D Category Changes (A)	E June 30, 2024
1	Cash	50,000			46,286
2	Short-Term Investments (A)	25,000			25,000
3	Current Receivables	15,000			20,712
4	Prepaid Expenses	18,350			18,350
5	**Total Current Assets**	108,350			110,348
6	Fixed Assets	1,750,000			1,764,000
7	Accumulated Depreciation	(632,000)			(893,000)
8	Operating/Finance Lease Right of Use Assets	240,000			180,000
9	Long Term Receivables	35,000	2,000		18,000
10	Long Term Investments (A)	500,000			500,000
11	Other Assets (A)				-
12	**TOTAL ASSETS**	2,001,350	2,000	-	1,679,348

14

The information indicates that $5,000 of the money market balance is used for general cash flows during the year. Therefore, we have to move the $5,000 from short term investments to cash. This is done by typing negative 5,000 on Line 2, Column D and a positive 5,000 in Line 1, Column D.

When you do this, you will notice that the cash balance increased by $5,000 and the investment balance decreased to our ending balance of 20,000.

Asset Example-Investments Answer (cont)

INVESTMENTS

Include a description of what is included in the Investment accounts in Schedule 7-1, Lines 2 and 10. The total for each year must equal the amount on Schedule 7-1, Lines 2 and 10. The description must be sufficient to explain what is included on each line.

Line	A Name of Fund/Banking Institute	B Endowment Fund	C Restricted?	D June 30, 2023	E June 30, 2024
1					
2					
3					
4					
5					
6					
7	TOTAL INVESTMENTS	-		-	-

Detail Matches Sch 7-1

June 30, 2023	June 30, 2024
ERROR	ERROR

15

Before we enter any information in Schedule 7-2, you will notice we have 2 error messages to the right because the amount of investments we have in Schedule 7-1 as of June 30, 2023 and 2024 is more than the amount on Schedule 7-2. These must be resolved or you will receive an error in the Error Report.

Asset Example-Investments Answer (cont)

Description	Permitted Fund Use/Use of Funds During Year	6/30/23 Balance	6/30/24 Balance
Holy Love Future Scholars endowment fund	The principal on the endowment fund is restricted for emergency use only.	$500,000	$500,000
US Bank money market account	The $5,000 decrease was money used for general cash flows during the school year.	$25,000	$20,000

INVESTMENTS

Include a description of what is included in the Investment accounts in Schedule 7-1, Lines 2 and 10. The total for each year must equal the amount on Schedule 7-1, Lines 2 and 10. The description must be sufficient to explain what is included on each line.

Line	A Name of Fund/Banking Institute	B Endowment Fund	C Restricted?	D June 30, 2023	E June 30, 2024
1	Holy Love Future Scholars Endowment Fund	Yes	Yes	500,000	500,000
2	US Bank Money Market Account	No	No	25,000	20,000
3					
4					
5					
6					
7	TOTAL INVESTMENTS	1		525,000	520,000

Detail Matches Sch 7-1

June 30, 2023	June 30, 2024
OK	OK

16

On Line 1, we insert the Holy Love Future Scholars Endowment Fund and indicate it is an endowment. Since the principal is restricted for emergency use only, we insert Yes in Column C. We then put the 500,000 balance in Columns D and E.

Next, include the money market funds on Line 2. We identify US Bank money market account in Column A and that it is not an endowment fund or restricted in Columns B and C. Finally, type in the money market balances in Columns D and E based on our example.

Once these are entered in, you will notice that it will indicate OK to the left of the columns since the total investments on Schedule 7-2 now equal the total short and long term investments on Schedule 7-1.

Asset Example-Investments Answer (cont)

Description	Permitted Fund Use/Use of Funds During Year	6/30/23 Balance	6/30/24 Balance
Holy Love Future Scholars endowment fund	The principal on the endowment fund is restricted for emergency use only.	$500,000	$500,000
US Bank money market account	The $5,000 decrease was money used for general cash flows during the school year.	$25,000	$20,000

CATEGORY CHANGES & FORGIVEN LIABILITIES

Include a description of any entries in Schedule 7-1, the Category Changes Column (Column D) or the Forgiven Liabilities Column (Column C). The description must be sufficient to explain what is included on each line. The amount in Column C must match the forgiven liabilities. Any category changes must net to zero.

Line	A Line Effecting (# and Name)	B Source/Description	C Amount
18	Line 1	Moving cash from investments to cash	5,000
19	Line 2	Moving cash from investments to cash	(5,000)
20			
21			
22			
23			
24	TOTAL NON CASH CHANGE OR FORGIVEN LIABILITIES TOTALS		-

17

Since we included amounts in the category changes column, we need to identify those in the Category Changes & Forgiven Liabilities section of Schedule 7-2. We identify that we moved the money market funds from investments to cash and the decrease and increase of $5,000. The net of these changes must be zero.

Asset Example-Other Assets

		ASSETS			
Line	A Item	B June 30, 2023	C Uncollectable Accounts	D Category Changes (A)	E June 30, 2024
1	Cash	50,000		5,000	51,286
2	Short-Term Investments (A)	25,000		(5,000)	20,000
3	Current Receivables	15,000			20,712
4	Prepaid Expenses	18,350			18,350
5	**Total Current Assets**	108,350			110,348
6	Fixed Assets	1,750,000			1,764,000
7	Accumulated Depreciation	(632,000)			(893,000)
8	Operating/Finance Lease Right of Use Assets	240,000			180,000
9	Long Term Receivables	35,000	2,000		18,000
10	Long Term Investments (A)	500,000			500,000
11	Other Assets (A)				-
12	**TOTAL ASSETS**	2,001,350	2,000	-	1,679,348

The school has a rental deposit of $5,000 outstanding as of June 30, 2023 and June 30, 2024.

18

The school has a rental deposit of $5,000 outstanding as of June 30, 2023 and June 30, 2024. Rental deposits should generally be included in other assets. Insert the 5,000 in Line 11, Column B. The June 30, 2024 balance will automatically update to be 5,000 as well. Since the balance was the same at the end of both years, no further changes are necessary.

This is the final asset related example we have so take a moment to confirm that what is on this schedule matches your budget Excel document. If it does not, review the information earlier in this section. However, if the amounts that do not match are white, please be aware that the amounts not equaling may be based on the information entered in a previous training. If you are having difficulty identifying the error, please email your budget to dpichoiceauditreports@dpi.wi.gov and we will review it to help you identify the difference.

Asset Example-Other Assets (cont)

- The school has a rental deposit of $5,000 outstanding as of June 30, 2023 and June 30, 2024.

OTHER ASSETS

Include a description of what is included in Other Assets in Schedule 7-1, Line 11. The total for each year must equal the amount on Schedule 7-1, Line 11. The description must be sufficient to explain what is included on each line.

Line	A Description	B June 30, 2023	C June 30, 2024
8	Rental Deposit	5,000	5,000
9			
10			
11			
12	TOTAL OTHER ASSETS	5,000	5,000

OK OK

19

We also need to describe what is in other assets on Schedule 7-2. So, on Schedule 7-2, Line 8 we indicate Rental Deposits and identify the 5,000 as of the end of each year.

Liabilities

- The liability section is already filled in based on the previous procedures.

		LIABILITIES			
	A	B	C	D	E
Line	Item	June 30, 2023	Forgiven Liabilities (A)	Category Changes (A)	June 30, 2024
13	Payroll and Related Benefits	19,400			19,400
14	Tax Withholdings and FICA-Medicare	-			-
15	Vendor and Other Accounts Payable	4,325			23,990
16	Deferred Revenue	42,000			35,000
17	Accrued Interest Expense	2,000			2,000
18	Current Portion of Lease Liability	60,000			60,000
19	Current Portion of Debt	200,000			202,000
20	**Total Current Liabilities**	327,725			342,390
21	Long Term Portion of Lease Liability	180,000			120,000
22	Long Term Portion of Debt	750,000			552,000
23	Other Liabilities (A)				-
24	**TOTAL LIABILITIES**	1,257,725	-	-	1,014,390

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The liability section is already filled in based on the information entered in previous trainings. Take a moment to confirm that what is on this schedule matches your budget Excel document. If it does not, refer to the previous trainings to determine what was entered incorrectly. If you are having difficulty identifying the error, please email your budget to dpichoiceauditreports@dpi.wi.gov and we will review it to help you identify the difference.

Knowledge Check

		ASSETS			
Line	A Item	B June 30, 2023	C Uncollectable Accounts	D Category Changes (A)	E June 30, 2024
1	Cash				159,781
2	Short-Term Investments (A)				-
3	Current Receivables				
4	Prepaid Expenses	400			400
5	**Total Current Assets**	400			160,181
6	Fixed Assets	250,000			225,000
7	Accumulated Depreciation	(15,000)			(40,000)
8	Operating/Finance Lease Right of Use Assets	-			-
9	Long Term Receivables	15,000			23,000
10	Long Term Investments (A)				-
11	Other Assets (A)				-
12	**TOTAL ASSETS**	250,400	-	-	368,181

How can the school increase the receivable balance in Schedule 7-1 shown above?

a. Include the additional receivable amount on Line 3 of Schedule 7-1.

b. Include the additional receivable in Schedule 4-1 through 4-4, depending on the type of receivable.

c. Include the additional receivable on Line 9 of Schedule 7-1.

d. The school cannot add a receivable balance to the budget.

21

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

The correct answer is b. The revenue must be included in the applicable Schedule 4. It cannot be directly included in Schedule 7-1. If it is directly included in Schedule 7-1, it will create a negative receivable balance. This will result in an error on the error report that the school will need to resolve prior to submitting the budget.

Schedule 8-1 & 8-2: Cash Flows

Schedule 8-1 & 8-2: Anticipated Cash Flows July 2023-June 2024

This is what your 'check book' will look like. It shows how much is coming in and going out.

This schedule shows the results of the cash payments and receipts throughout the budget. This will automatically feed from the other schedules.

22

Schedules 8-1 and 8-2 are the cash flow schedules. This is what your 'check book' will look like. It shows how much is coming in and going out. The information in this schedule shows the results of the cash payments and receipts entered throughout the budget. It will automatically feed from the other schedules.

The great part about this schedule is that there is nothing for you to directly enter on it. The not so great part is that all the cash receipts and cash payments you enter into the other schedules will update this schedule. So, after you make any changes to other schedules you need to check this schedule and ensure you do not have any negative cash balances. As a result, this is one of the schedules that you should review right before you submit your budget to DPI to ensure it is okay.

Schedule 8-1 & 8-2: Cash Flows

SCHEDULE 8-1: ANTICIPATED CASH FLOWS JULY - DECEMBER

LN		Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Sub Total
1	**Beginning Cash And Investment Balance**	-	-	-	-	-	-	
				CASH RECEIPTS				
2	Choice State Aid				-		-	-
3	Special Needs Scholarship Program				-		-	-
4	Tuition and Fees *Sch 4-1*	-	-	-	-	-	-	-
5	Government Assistance *Sch 4-1*	-	-	-	-	-	-	-
6	Ext Contributions, Grants & Fundraising *Sch 4-2*	-	-	-	-	-	-	-
7	Church Offerings *Sch 4-2*	-	-	-	-	-	-	-
8	Related Party Organization Contributions *Sch 4-3*	-	-	-	-	-	-	-
9	Endowment Fund Income *Sch 4-3*	-	-	-	-	-	-	-
10	Other Investment Income *Sch 4-3*	-	-	-	-	-	-	-
11	Other Revenues *Sch 4-4*	-	-	-	-	-	-	-
12	Borrowing *Sch 6*	-	-	-	-	-	-	-
13	**TOTAL CASH RECEIPTS**	-	-	-	-	-	-	-
14	**CASH BALANCE BEFORE PAYMENTS**	-	-	-	-	-	-	
				CASH PAYMENTS				
15	Total Payroll Costs *Sch 3-1*	-	-	-	-	-	-	-
16	Utilities *Sch 3-2*	-	-	-	-	-	-	-
17	Supplies *Sch 3-2*	-	-	-	-	-	-	-
18	Non-Eligible Expenses *Sch 3-2*	-	-	-	-	-	-	-
19	Insurance *Sch 3-2*	-	-	-	-	-	-	-
20	Services *Sch 3-3*	-	-	-	-	-	-	-
21	Contractor *Sch 3-3*	-	-	-	-	-	-	-
22	Other Expenses *Sch 3-3*	-	-	-	-	-	-	-
23	Fixed Asset Payments *Sch 5-1*	-	-	-	-	-	-	-
24	Rent Payments *Sch 5-3*	-	-	-	-	-	-	-
25	Non-Rent Lease Payments 5-3	-	-	-	-	-	-	-
26	Debt Principal & Interest Payments *Sch 6*	-	-	-	-	-	-	-
27	**TOTAL CASH PAYMENTS**	-	-	-	-	-	-	-
				ENDING CASH BALANCE				
28	**ENDING CASH BALANCE WITH RESTRICTED FUNDS**	-	-	-	-	-	-	
29	**ENDING CASH BALANCE EXCLUDING RESTRICTED FUNDS**	-	-	-	-	-	-	

23

This is what the cash flow schedule looks like. Each line corresponds to the cash receipts or cash payments on one of the earlier schedules. The schedule each amount is coming from is identified in italics.

Schedule 8-1 includes the cash receipts and payments for the first half of the year. Schedule 8-2 includes them for the second half of the year.

Schedule 8-1 & 8-2: Cash Flows

SCHEDULE 8-1: ANTICIPATED CASH FLOWS JULY - DECEMBER

LN		Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Sub Total
1	**Beginning Cash And Investment Balance**	-	-	-	-	-	-	
			CASH RECEIPTS					
2	Choice State Aid				-		-	-
3	Special Needs Scholarship Program				-		-	-
4	Tuition and Fees *Sch 4-1*	-	-	-	-	-	-	-
5	Government Assistance *Sch 4-1*	-	-	-	-	-	-	-
6	Ext Contributions, Grants & Fundraising *Sch 4-2*	-	-	-	-	-	-	-
7	Church Offerings *Sch 4-2*	-	-	-	-	-	-	-
8	Related Party Organization Contributions *Sch 4-3*	-	-	-	-	-	-	-
9	Endowment Fund Income *Sch 4-3*	-	-	-	-	-	-	-
10	Other Investment Income *Sch 4-3*	-	-	-	-	-	-	-
11	Other Revenues *Sch 4-4*	-	-	-	-	-	-	-
12	Borrowing *Sch 6*	-	-	-	-	-	-	-
13	**TOTAL CASH RECEIPTS**	-	-	-	-	-	-	-
14	**CASH BALANCE BEFORE PAYMENTS**	-	-	-	-	-	-	
			CASH PAYMENTS					
15	Total Payroll Costs *Sch 3-1*	-	-	-	-	-	-	-
16	Utilities *Sch 3-2*	-	-	-	-	-	-	-
17	Supplies *Sch 3-2*	-	-	-	-	-	-	-
18	Non-Eligible Expenses *Sch 3-2*	-	-	-	-	-	-	-
19	Insurance *Sch 3-2*	-	-	-	-	-	-	-
20	Services *Sch 3-3*	-	-	-	-	-	-	-
21	Contractor *Sch 3-3*	-	-	-	-	-	-	-
22	Other Expenses *Sch 3-3*	-	-	-	-	-	-	-
23	Fixed Asset Payments *Sch 5-1*	-	-	-	-	-	-	-
24	Rent Payments *Sch 5-3*	-	-	-	-	-	-	-
25	Non-Rent Lease Payments 5-3	-	-	-	-	-	-	-
26	Debt Principal & Interest Payments *Sch 6*	-	-	-	-	-	-	-
27	**TOTAL CASH PAYMENTS**	-	-	-	-	-	-	-
			ENDING CASH BALANCE					
28	**ENDING CASH BALANCE WITH RESTRICTED FUNDS**	-	-	-	-	-	-	
29	**ENDING CASH BALANCE EXCLUDING RESTRICTED FUNDS**	-	-	-	-	-	-	

24

As we discussed earlier, the Choice and SNSP revenues are automatically included in this schedule based on the counts entered in Schedules 2-1 and 2-2. You will notice that these payments are identified as coming in the month following the payment. This is because the department makes the payments at the end of the month so the school should budget on the basis that these funds will be available in the following month.

Schedule 8-1 & 8-2: Cash Flows

SCHEDULE 8-1: ANTICIPATED CASH FLOWS JULY - DECEMBER

LN		Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Sub Total
1	**Beginning Cash And Investment Balance**	-	-	-	-	-	-	
			CASH RECEIPTS					
2	Choice State Aid				-		-	-
3	Special Needs Scholarship Program				-		-	-
4	Tuition and Fees *Sch 4-1*	-	-	-	-	-	-	-
5	Government Assistance *Sch 4-1*	-	-	-	-	-	-	-
6	Ext Contributions, Grants & Fundraising *Sch 4-2*	-	-	-	-	-	-	-
7	Church Offerings *Sch 4-2*	-	-	-	-	-	-	-
8	Related Party Organization Contributions *Sch 4-3*	-	-	-	-	-	-	-
9	Endowment Fund Income *Sch 4-3*	-	-	-	-	-	-	-
10	Other Investment Income *Sch 4-3*	-	-	-	-	-	-	-
11	Other Revenues *Sch 4-4*	-	-	-	-	-	-	-
12	Borrowing *Sch 6*	-	-	-	-	-	-	-
13	**TOTAL CASH RECEIPTS**	-	-	-	-	-	-	-
14	**CASH BALANCE BEFORE PAYMENTS**	-	-	-	-	-	-	
			CASH PAYMENTS					
15	Total Payroll Costs *Sch 3-1*	-	-	-	-	-	-	-
16	Utilities *Sch 3-2*	-	-	-	-	-	-	-
17	Supplies *Sch 3-2*	-	-	-	-	-	-	-
18	Non-Eligible Expenses *Sch 3-2*	-	-	-	-	-	-	-
19	Insurance *Sch 3-2*	-	-	-	-	-	-	-
20	Services *Sch 3-3*	-	-	-	-	-	-	-
21	Contractor *Sch 3-3*	-	-	-	-	-	-	-
22	Other Expenses *Sch 3-3*	-	-	-	-	-	-	-
23	Fixed Asset Payments *Sch 5-1*	-	-	-	-	-	-	-
24	Rent Payments *Sch 5-3*	-	-	-	-	-	-	-
25	Non-Rent Lease Payments 5-3	-	-	-	-	-	-	-
26	Debt Principal & Interest Payments *Sch 6*	-	-	-	-	-	-	-
27	~~**TOTAL CASH PAYMENTS**~~							
			ENDING CASH BALANCE					
28	**ENDING CASH BALANCE WITH RESTRICTED FUNDS**	-	-	-	-	-	-	
29	**ENDING CASH BALANCE EXCLUDING RESTRICTED FUNDS**	-	-	-	-	-	-	
			ENDING CASH BALANCE WITHOUT SNSP					
30	**ENDING CASH BALANCE WITHOUT SNSP REVENUE**	-	-	-	-	-	-	
			AVAILABLE CASH					
31	**AVAILABLE CASH***	-	-	-	-	-	-	

- The Ending Cash Balance on line 28 and 29 for each month MUST BE POSITIVE.

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You will need to ensure that Lines 28 and 29 are positive in every month. If line 28 is negative, that essentially means you have overdrawn on your bank account. If line 29 is negative, that means that you have spent amounts that you have identified as being restricted.

Later we will talk about contingency funding. If you identify that you will use available cash as contingency funding, the amount on Schedule 8-1 and 8-2, Line 31 must have at least the amount identified as available cash in every month. A budget is acceptable with negatives on Line 31 as long as available cash is not identified as contingency funding in Schedule 12-1. See the training on Schedules 11 and 12 for further information.

Schedule 8-1 & 8-2: Cash Flows

- Can you support the amount of revenues?
- Are the expenses reflected appropriately?
- Are the salaries reflected in the appropriate months of payment?
- Is there a loan that will be needed in that month and will it be available?
- Will the school be forced to back up the payment date of certain bills with a vendor agreement?
- Will certain purchases need to wait until a later month?
- How will you be able to pay your bills each month? Where will the money come from?

See Fiscal & Internal Control Practices Trainings 6-4, 6-6 and 6-11 for information related to payment requirements.

26

If Line 28 or 29 is not positive, you must modify the budget to remove the negative. Some things to consider in how to remove the negative are if you can add or change the timing of revenue or remove or change the timing of expenses. As you complete these changes, some things to consider are:

Can you support the amount of revenues?
Are the expenses reflected appropriately?
Are the salaries reflected in the appropriate months of payment? DWD generally requires that employees be paid the full amount owed at least every 31 days. Further, employees must be paid as required by the written agreement and payment dates provided to the employee.
If there is a loan that will be needed in that month, will it be available?
Will the school be forced to back up the payment date of certain bills with a vendor agreement? As a reminder, schools must pay vendors as per written agreement or, if there is no written agreement, within 90 days of receiving the invoice or payment request.
Will certain purchases need to wait until a later month?
How will you be able to pay your bills each month? Where will the money come from?

As schools consider what changes to make to its budget, schools can refer to Fiscal & Internal Control Practices Trainings 6-4, 6-6 and 6-11 for information related to payments.

Cash Flow Review Activity

SCHEDULE 8-1: ANTICIPATED CASH FLOWS JULY - DECEMBER

LN		Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Sub Total
1	**Beginning Cash And Investment Balance**	575,000	565,050	552,964	480,678	651,075	564,969	
			CASH RECEIPTS					
2	Choice State Aid				166,203		166,203	332,406
3	Special Needs Scholarship Program				-		-	-
4	Tuition and Fees *Sch 4-1*	3,500	43,500	3,500	4,550	4,550	4,550	64,150
5	Government Assistance *Sch 4-1*	-	-	-	4,658	4,658	4,658	13,974
6	Ext Contributions, Grants & Fundraising *Sch 4-2*	-	-	500	10,000	-	15,500	26,000
7	Church Offerings *Sch 4-2*	5,000	5,000	5,000	5,000	5,000	5,000	30,000
8	Related Party Organization Contributions *Sch 4-3*	5,000	-	-	5,000	-	-	10,000
9	Endowment Fund Income *Sch 4-3*	-	-	-	-	-	-	-
10	Other Investment Income *Sch 4-3*	300	-	-	300	-	-	600
11	Other Revenues *Sch 4-4*	1,200	-	-	-	-	-	1,200
12	Borrowing *Sch 6*	-	-	6,000	50,000	-	-	56,000
13	**TOTAL CASH RECEIPTS**	15,000	48,500	15,000	245,711	14,208	195,911	534,330
14	**CASH BALANCE BEFORE PAYMENTS**	590,000	613,550	567,964	726,389	665,283	760,880	
			CASH PAYMENTS					
15	Total Payroll Costs *Sch 3-1*	19,400	19,400	49,100	49,100	49,100	49,100	235,200
16	Utilities *Sch 3-2*	1,700	1,700	1,700	1,700	1,700	1,700	10,200
17	Supplies *Sch 3-2*	1,125	1,125	1,125	1,125	1,125	1,125	6,750
18	Non-Eligible Expenses *Sch 3-2*	1,500	1,500	1,500	1,500	1,500	1,500	9,000
19	Insurance *Sch 3-2*	-	-	3,000	-	-	3,000	6,000
20	Services *Sch 3-3*	500	500	500	500	500	5,500	8,000
21	Contractor *Sch 3-3*	-	4,636	4,636	20,664	14,664	14,664	59,264
22	Other Expenses *Sch 3-3*	725	725	725	725	725	725	4,350
23	Fixed Asset Payments *Sch 5-1*	-	-	10,000	-	-	-	10,000
24	Rent Payments *Sch 5-3*	-	-	15,000	-	-	15,000	30,000
25	Non-Rent Lease Payments 5-3	-	-	-	-	-	-	-
26	Debt Principal & Interest Payments *Sch 6*	-	31,000	-	-	31,000	50,500	112,500
27	**TOTAL CASH PAYMENTS**	24,950	60,586	87,286	75,314	100,314	142,814	491,264
			ENDING CASH BALANCE					
28	**ENDING CASH BALANCE WITH RESTRICTED FUNDS**	565,050	552,964	480,678	651,075	564,969	618,066	
29	**ENDING CASH BALANCE EXCLUDING RESTRICTED FUNDS**	65,050	52,964	(19,322)	151,075	64,969	118,066	
			ENDING CASH BALANCE WITHOUT SNSP					
30	**ENDING CASH BALANCE WITHOUT SNSP REVENUE**	565,050	552,964	480,678	651,075	564,969	618,066	

27

We will now do an activity to consider how we might change our budget to remove a negative cash balance. This is the cash flow based on the information we have entered throughout the training. Take a few minutes to consider what changes could be made in the revenues or expenses to remove the negative amount for September. Pause the training until you are ready to proceed.

Cash Flow Review Activity

SCHEDULE 8-1: ANTICIPATED CASH FLOWS JULY - DECEMBER

LN		Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Sub Total
1	**Beginning Cash And Investment Balance**	575,000	565,050	552,964	480,678	651,075	564,969	
			CASH RECEIPTS					
2	Choice State Aid				166,203		166,203	332,406
3	Special Needs Scholarship Program				-		-	-
4	Tuition and Fees *Sch 4-1*	3,500	43,500	3,500	4,550	4,550	4,550	64,150
5	Government Assistance *Sch 4-1*	-	-	-	4,658	4,658	4,658	13,974
6	Ext Contributions, Grants & Fundraising *Sch 4-2*	-	-	500	10,000	-	15,500	26,000
7	Church Offerings *Sch 4-2*	5,000	5,000	5,000	5,000	5,000	5,000	30,000
8	Related Party Organization Contributions *Sch 4-3*	5,000	-	-	5,000	-	-	10,000
9	Endowment Fund Income *Sch 4-3*	-	-	-	-	-	-	-
10	Other Investment Income *Sch 4-3*	300	-	-	300	-	-	600
11	Other Revenues *Sch 4-4*	1,200	-	-	-	-	-	1,200
12	Borrowing *Sch 6*	-	-	6,000	50,000	-	-	56,000
13	**TOTAL CASH RECEIPTS**	15,000	48,500	15,000	245,711	14,208	195,911	534,330

28

First, let's consider what changes we can make to the cash receipts. One thing we could do is take money out from the line of credit earlier. We took out $50,000 on the line of credit in October. By simply taking the line of credit out earlier, we can resolve our negative cash balance.

However, let's continue looking at other items to consider what else schools could do to remove a negative cash balance.

In our example, we did a fundraiser in October. Could we complete that in August or September instead so the funds are available earlier?

Can the school obtain the endowment fund income in August or September instead of January? If you would like to use this option, you would need to get something in writing that you could provide the department so we could confirm the endowment fund is willing and able to provide the funds earlier.

Cash Flow Review Activity

LN		Jul-2023	Aug-2023	Sep-2023	Oct-2023	Nov-2023	Dec-2023	Sub Total
			CASH PAYMENTS					
15	Total Payroll Costs *Sch 3-1*	19,400	19,400	49,100	49,100	49,100	49,100	235,200
16	Utilities *Sch 3-2*	1,700	1,700	1,700	1,700	1,700	1,700	10,200
17	Supplies *Sch 3-2*	1,125	1,125	1,125	1,125	1,125	1,125	6,750
18	Non-Eligible Expenses *Sch 3-2*	1,500	1,500	1,500	1,500	1,500	1,500	9,000
19	Insurance *Sch 3-2*	-	-	3,000	-	-	3,000	6,000
20	Services *Sch 3-3*	500	500	500	500	500	5,500	8,000
21	Contractor *Sch 3-3*	-	4,636	4,636	20,664	14,664	14,664	59,264
22	Other Expenses *Sch 3-3*	725	725	725	725	725	725	4,350
23	Fixed Asset Payments *Sch 5-1*	-	-	10,000	-	-	-	10,000
24	Rent Payments *Sch 5-3*	-	-	15,000	-	-	15,000	30,000
25	Non-Rent Lease Payments 5-3	-	-	-	-	-	-	-
26	Debt Principal & Interest Payments *Sch 6*	-	31,000	-	-	31,000	50,500	112,500
27	**TOTAL CASH PAYMENTS**	24,950	60,586	87,286	75,314	100,314	142,814	491,264
			ENDING CASH BALANCE					
28	**ENDING CASH BALANCE WITH RESTRICTED FUNDS**	565,050	552,964	480,678	651,075	564,969	618,066	
29	**ENDING CASH BALANCE EXCLUDING RESTRICTED FUNDS**	65,050	52,964	(19,322)	151,075	64,969	118,066	

29

Next we will look at the expense side. We purchased fixed assets resulting in amounts owed in September. Could we purchase them later so the amounts are due later? If the fixed assets are required for the next school year, this may not be possible, especially if the 23-24 school year is the first year the organization is operating a school. If the 23-24 school year is the first year the school is operating, the department will review the budget to ensure the school has equipment and educational media available at the beginning of the year. In order for this to occur, the school will generally have to purchase the fixed asset by August. Since the Choice vendor payment requirements indicate the latest a vendor would generally be paid is 3 months after invoice or payment receipt, any fixed asset purchases for a new organization generally need to be paid by November.

Can the school negotiate the rental agreement to owe the rent in a future month? As a reminder, the amounts must be paid as required by the written rental agreement. So, if this option is used, the school must be able to provide a revised rental agreement showing the landlord has agreed to the revised terms.

One last thing to consider is if the payments for other non-payroll expenses can be made later. Again, the school must pay all amounts as required by a written agreement or, within 90 days of the invoice if there is no written agreement.

Schedule 9: Net Operating Balances & Net Income/Loss Schedule

This schedule is similar to the Statement of Activities (income statement).

This schedule compares the school's revenues to the school's expenses, asset purchases, and debt related payments and receipts.

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The next schedule we will look at is Schedule 9, which is the net operating balances and net income/loss schedule.

This schedule is similar to the Statement of Activities or income statement. This schedule compares the school's revenues to the school's expenses, asset purchases, and debt related payments and receipts.

SCHEDULE 9: NET OPERATING BALANCES & NET INCOME/LOSS
Budget for the period from July 1, 2023 to June 30, 2024

NET OPERATING BALANCE

There may not be a negative balance (deficit) on line 21 or net loss on line 29. Participants in the SNSP also may not have a negative balance (deficit) on line 22 or net loss on line 30. If one of these lines is negative, the budget must be adjusted to remove the negative balance.

Line	A Item	B Amount
1	Choice Revenue	-
2	SNSP Revenue	-
3	**TOTAL CHOICE & SNSP REVENUE**	-
4	Tuition & Fees *Sch 4-1*	-
5	Government Assistance *Sch 4-1*	-
6	Contributions, Non-Gvmt Grants, Fundraising, & Church Offerings *Sch 4-2*	-
7	Related Party Organization Contributions & Investment Income *Sch 4-3*	-
8	Other Revenues *Sch 4-4*	-
9	**TOTAL NON-CHOICE REVENUE**	-
10	**TOTAL REVENUE**	-
11	Payroll Related Costs *Sch 3-1*	-
12	Utilities & Supplies *Sch 3-2*	-
13	Non Eligible Expenses *Sch 3-2*	-
14	Insurance *Sch 3-2*	-
15	Services, Contractor & Other Expenses *Sch 3-3*	-
16	**TOTAL OPERATING EXPENSES**	-
17	Less: Fixed Asset Purchases & Lease Payments *Sch 5-1 & 5-3*	-
18	Less: Debt Principal & Interest Payments Owed *Sch 6*	-
19	Plus: Principal Incurred *Sch 6*	-
20	**TOTAL FIXED ASSET & DEBT USES**	-
21	**TOTAL BUDGET BALANCE (DEFICIT)**	-

- Ensure there is no budget balance deficit on Line 21.
- If there is, the budget must be adjusted to remove it or the school will not meet the Choice requirements.

31

The school must ensure there is no budget balance deficit on Line 21. If there is, the budget must be adjusted to remove it or the school will not meet the Choice requirements. The adjustments that would be made to correct this schedule are similar to the adjustments we talked about earlier for the cash flow schedule. Similar to the cash flow schedule, it is important that the school review this schedule just before submitting the budget to ensure there is no budget deficit since any adjustments in other schedules could create a budget deficit on this schedule.

Budget Balance (Deficit)

SCHEDULE 9: NET OPERATING BALANCES & NET INCOME/LOSS
Budget for the period from July 1, 2023 to June 30, 2024

NET OPERATING BALANCE

There may not be a negative balance (deficit) on line 21 or net loss on line 29. Participants in the SNSP also may not have a negative balance (deficit) on line 22 or net loss on line 30. If one of these lines is negative, the budget must be adjusted to remove the negative balance.

Line	A Item	B Amount
1	Choice Revenue	664,812
2	SNSP Revenue	-
3	**TOTAL CHOICE & SNSP REVENUE**	664,812
4	Tuition & Fees *Sch 4-1*	134,500
5	Government Assistance *Sch 4-1*	46,584
6	Contributions, Non-Gvmt Grants, Fundraising, & Church Offerings *Sch 4-2*	84,000
7	Related Party Organization Contributions & Investment Income *Sch 4-3*	30,200
8	Other Revenues *Sch 4-4*	1,200
9	**TOTAL NON-CHOICE REVENUE**	296,484
10	**TOTAL REVENUE**	961,296
11	Payroll Related Costs *Sch 3-1*	529,800
12	Utilities & Supplies *Sch 3-2*	33,900
13	Non Eligible Expenses *Sch 3-2*	20,000
14	Insurance *Sch 3-2*	12,000
15	Services, Contractor & Other Expenses *Sch 3-3*	197,963
16	**TOTAL OPERATING EXPENSES**	(793,663)
17	Less: Fixed Asset Purchases & Lease Payments *Sch 5-1 & 5-3*	74,000
18	Less: Debt Principal & Interest Payments Owed *Sch 6*	227,300
19	Plus: Principal Incurred *Sch 6*	106,000
20	**TOTAL FIXED ASSET & DEBT USES**	(195,300)
21	**TOTAL BUDGET BALANCE (DEFICIT)**	(27,667)

Choice & SNSP revenue and other revenue in Schedule 4

−

Expenses in Schedule 3, fixed asset purchases and lease payments in Schedule 5, and debt in Schedule 6.

=

Budget Balance or Deficit

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Line 21 calculates the budget balance or deficit. First, the total revenue is determined by adding the Choice & SNSP revenue and other revenue in Schedule 4. Then, we subtract the expenses in Schedule 3, fixed asset purchases and lease payments in Schedule 5, and debt in Schedule 6.

The example on the screen shows a budget deficit of $27,667. In this case, the school would need to increase the revenue or decrease the expense related items so the budget balanced.

Net Income/Loss

	NET INCOME/LOSS	
23	**TOTAL REVENUE *Line 10***	961,296
24	Total Operating Expenses *Line 16*	793,663
25	Depreciation Expense *Sch 5-1*	111,000
26	Lease Payments *Sch 5-3*	60,000
27	Interest Expense *Sch 6*	25,300
28	**TOTAL EXPENSES**	989,963
29	**NET INCOME/LOSS**	(28,667)
30	**NET INCOME/LOSS WITHOUT SNSP REVENUE**	(28,667)

Choice & SNSP revenue and other revenue in Schedule 4. − Expenses in Schedule 3, depreciation expense and lease payments in Schedule 5, and interest expense in Schedule 6. = Net Income/Loss

33

The school must also ensure that it does not have a net loss. The net loss amount compares the same revenue we previously discussed to the expenses in Schedule 3, depreciation expense and lease payments in Schedule 5, and interest expense in Schedule 6. If there is a net loss on this line, the school must ensure it adjusts the budget to remove the loss.

Could the Board Designate the Following as Eligible Costs?

	Eligible Cost (Yes or No)
Cost for paying a teacher to watch school age pupils in an after school program.	
Cost of providing lunch for the teachers.	
Purchase of a school refrigerator that is paid using USDA food program funds.	
A lawn care service performs work at the school in June 2023. The school receives the bill and pays the bill in July 2023. Is the expense an eligible education expense in the 2023-24 school year?	

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We will now do any activity where we review different types of expenses and determine if the school could identify the expenses as eligible in the school's eligible education expense policy. As a reminder, we went through the eligible education expense policy requirements in the training on Schedule 3. Schools can also refer to the PSCP Eligible Education Expense Bulletin for information on the eligible education expense requirements.

Please take a few minutes to read through each of the examples on the screen. Determine if the school could identify the expense as an eligible education expense in the eligible education expense policy. Pause the training until you are ready to go through the answers.

Our first example is paying a teacher to watch pupils in an after school childcare program. The cost for before and after school care for K-12th grade pupils enrolled in educational programming can be an eligible education expense. If the teacher was watching daycare pupils as well, the school would need to use an allocation to determine what portion of his or her time was an eligible education expense.

The next example is the cost to provide lunch for teachers. The school could designate this as a benefit for the teachers or provide lunch during a meeting, for example. Therefore, this could be an eligible education expense.

In our third example, the school purchases a school refrigerator with funds from the USDA food program. If the school purchases a refrigerator that is paid for using USDA food program funds, the cost could be included as an eligible education expense. As we discussed in the offsetting revenue section, however, the eligible education expense would be decreased by the amount of revenue received from the USDA food program. So, if the school had $5,000 of USDA food program funds remaining after paying for all other food related costs and the school purchased a refrigerator for $7,000, the $7,000 would be included in the eligible education expenses and the $5,000 (related to this purchase) would be included in offsetting revenue. The school would be able to include the net amount of $2,000 in net eligible education expenses.

In our final example, a lawn care service performs work at the school in June 2023. The school receives and pays the bill in July 2023. Is the expense an eligible education expense in the 2023-24 school year? This cost would **not** be an eligible education expense for the 2023-24 school year. Under the accrual basis of accounting, the expense would be included in the first year, when the expense was incurred, not in the second year when the school paid for the expense. So, in the first year, the expense could have been included as an eligible education expense if it otherwise met the requirements.

Could the Board Designate the Following as Eligible Costs?

	Eligible Cost (Yes or No)
Computer for administrative staff person who works 25% on the school and 75% on the church.	
Legal pro-bono work.	
Cost for extra-curricular football supplies.	
Cost for classroom supplies for a grade that does not have Choice or SNSP pupils in it.	
Salary costs for a pastor that teaches religious education at the school.	

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Please take a few minutes to read through each of the examples on the screen. Pause the training until you are ready to go through the answers.

For the first example, the school would use an allocation percentage and include the cost for the computer for an administrative person based on the portion of time that the administrative person works for the school.

Legal pro-bono work is a lawyer donating their time to assist the school with legal matters. In this case, the school has not expended cash for the services provided, so the cost is not an eligible education expense.

Next is the cost for extra-curricular football supplies. Costs for extra-curricular activities can be identified as educational programming expenses in the school's educational expense policy.

The next example is a cost for classroom supplies for a grade that does not have Choice or Special Needs Scholarship Program (SNSP) pupils in it. This would be an eligible cost. We are trying to determine the total educational programming costs for ALL pupils at the school, even if they are not in the Choice Program or SNSP. Once we determine this total cost, we will multiple it by the percent of pupils participating in the Choice Program or SNSP. Therefore, even if a class does not have any Choice or SNSP pupils in it, the classroom supplies for the grade should still be included in eligible education expenses.

The next example is the salary for a pastor that teaches religious education at the school. While Choice pupils can opt out of religious education, the cost for a pastor that teaches religious education at the school is still an eligible education expense for the school. If the pastor was also the pastor for a church, the school would need to use an allocation method to determine what portion of their salary is an eligible education expense.

Could the Board Designate the Following as Eligible Costs?

	Eligible Cost (Yes or No)
Fair market value of supplies that are donated by the administrator.	
Cost for stage materials for a drama club.	
Scholarship awarded to a pupil.	
The school and the church are the same legal entity. The church owns the building. The church charges the school rent.	

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Again, please take a few minutes to read through each of the examples on the screen. Pause the training until you are ready to go through the answers.

For the first example, the fair market value of supplies that are donated by the administrator would not be an eligible education expense because the school did not spend any money for the supplies. As a reminder, the school must pay cash, either now or projected in the future, for an expense to be included as an eligible education expense.

Similar to the extracurricular football supplies, the cost for stage materials for a drama club could be an eligible education expense.

A scholarship awarded to a pupil is not an eligible education expense. Scholarship awards and financial support are not considered eligible education expenses because we are trying to determine what is the cost to educate the pupils. Scholarship awards or financial support is essentially the “tuition” used to pay for the educational programming for a particular child. Therefore, including this cost would essentially include the cost to educate that child twice.

In our final example, the rent would not be an eligible education expense. The school is not paying any amount to an external organization so it is not eligible. Instead, the school could include any cost related to the building as eligible such as rent paid to a third party who owns the building, depreciation expense on the building if the legal entity of the school owns the building, utilities, or maintenance of the building. If the building was partly used for educational programming and partly used for other purposes, an allocation would need to be used to determine the eligible portion. When completing the budget, the school should not include the rent charged by the church in the budget.

Schedule 10: Reserve Balance

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Schedule 10 calculates the reserve balance for the school. The reserve balance for the Choice programs is calculated as the Choice program revenue less the net eligible education expenses for Choice program pupils.

The program revenue included in the reserve balance calculation is the Choice program revenue related to the school year and the revenue received from the Choice program for summer school. If the school offers summer school, it is considered to be revenue for the following fiscal school year. For example, revenue from the summer school held in 2023, would be considered revenue for the 2023-24 fiscal school year.

Choice Program Reserve Balance

- Schools are strongly encouraged to determine their expected reserve balance throughout the year.
- Once the school is in the Choice program, it will be required to annually complete a budget. If a school uses its own budget template, the budget must include the expected beginning and ending reserve balance and the estimated offsetting revenue and eligible education expenses.

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Schools are strongly encouraged to determine their expected reserve balance throughout the year to ensure that the school will have a sufficient cash and investment balance at the end of the year.

Once the school is in the Choice program, it will be required to annually complete a budget. If a school uses its own budget template, the budget must include the expected beginning and ending reserve balance and the estimated offsetting revenue and eligible education expenses.

Program Revenue Received

SCHEDULE 10: RESERVE BALANCES
Budget for the period from July 1, 2023 to June 30, 2024

RESERVE BALANCE CALCULATION

Line	A Line Description	B Choice	C SNSP
1	Prior Year Reserve Balance		
2	Current Year Program Revenue Received	664,812	-
3	Summer School Program Revenue Received	-	-
4	**Total Program Revenue Available**	664,812	-
5	Eligible Education Expenses	910,389	910,389
6	Less: Government Assistance Received for Eligible Education Expenses	46,584	46,584
7	Less: Fundraising Revenue up to Non-Administrative Fundraising Expenses in Line 5	2,500	2,500
8	Less: Insurance Proceeds Received for Eligible Education Expenses		-
9	Less: Primarily SNSP Expenses	-	-
10	**Net Eligible Education Expenses for All Pupils**	861,305	861,305
11	Percentage of Pupils in Program	68%	0%
12	**Net Eligible Education Expenses for Program Participants**	589,314	-

- The Choice and SNSP revenue is included on Lines 2 and 3. The total program revenue is on Line 4.

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We will now walk through Schedule 10, which calculates the Choice program reserve balance.

Any remaining reserve balance from the prior year rolls forward to the next school year. So, a continuing Choice or SNSP school should insert the anticipated ending prior year reserve balance in Line 1. If the school is new to the programs, this line can remain blank or the school can insert zero.

Next, the Choice and SNSP revenue is included on Lines 2 and 3. The total program revenue is calculated on Line 4.

Net Eligible Education Expenses for All Pupils

SCHEDULE 10: RESERVE BALANCES
Budget for the period from July 1, 2023 to June 30, 2024

RESERVE BALANCE CALCULATION

Line	A Line Description	B Choice	C SNSP
1	Prior Year Reserve Balance		
2	Current Year Program Revenue Received	664,812	-
3	Summer School Program Revenue Received	-	-
4	**Total Program Revenue Available**	664,812	-
5	Eligible Education Expenses	910,389	910,389
6	Less: Government Assistance Received for Eligible Education Expenses	46,584	46,584
7	Less: Fundraising Revenue up to Non-Administrative Fundraising Expenses in Line 5	2,500	2,500
8	Less: Insurance Proceeds Received for Eligible Education Expenses		-
9	Less: Primarily SNSP Expenses	-	-
10	**Net Eligible Education Expenses for All Pupils**	861,305	861,305
11	Percentage of Pupils in Program	68%	0%
12	**Net Eligible Education Expenses for Program Participants**	589,314	-

Eligible education expenses based on the educational programming expenses in Schedules 3, 5, and 6.

−

Offsetting revenues in Schedule 4.

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Net eligible education expenses for all pupils at the school.

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This schedule calculates the net eligible education expenses. Net eligible education expenses for all pupils at the school are the school's eligible education expenses less any offsetting revenue.

The eligible education expenses are based on the educational programming expenses identified in Schedules 3, 5, and 6. The eligible education expenses are decreased by the offsetting revenues in Schedule 4. As a reminder, there are 3 types of offsetting revenue, government assistance revenue, which is on Line 6, fundraising revenue up to the non-administrative fundraising expenses, which is on Line 7, and insurance proceeds received for eligible education expenses, which is on Line 8. We discussed what government assistance revenue and fundraising revenue is offsetting in the training on Schedule 4. Both of these amounts will automatically fill in based on information entered in other parts of the budget.

If the school receives any insurance proceeds for eligible education expenses, the amount must be inserted in Line 8, Column B. For example, if the school's basement is flooded and the school receives money for repairs to the basement, that money would need to be inserted on Line 8 if the basement repairs were for a building used for educational programming while the school was a participant in the program. Generally, schools do not budget for insurance proceeds because they are usually received for unbudgeted or unplanned for expenses. However, if the school anticipates receiving insurance proceeds for an expense that was or will be included as an eligible education expense, the insurance proceeds should be identified on this line.

Net Eligible Education Expenses for Program Participants

SCHEDULE 10: RESERVE BALANCES
Budget for the period from July 1, 2023 to June 30, 2024

RESERVE BALANCE CALCULATION

Line	A Line Description	B Choice	C SNSP
1	Prior Year Reserve Balance		
2	Current Year Program Revenue Received	664,812	-
3	Summer School Program Revenue Received	-	-
4	**Total Program Revenue Available**	664,812	-
5	Eligible Education Expenses	910,389	910,389
6	Less: Government Assistance Received for Eligible Education Expenses	46,584	46,584
7	Less: Fundraising Revenue up to Non-Administrative Fundraising Expenses in Line 5	2,500	2,500
8	Less: Insurance Proceeds Received for Eligible Education Expenses		-
9	Less: Primarily SNSP Expenses	-	-
10	**Net Eligible Education Expenses for All Pupils**	861,305	861,305
11	Percentage of Pupils in Program	68%	0%
12	**Net Eligible Education Expenses for Program Participants**	589,314	-

- The net eligible education expenses for all pupils are multiplied by the percent of the pupils participating in the program.
- The percent of the pupils participating in the program is based on the FTEs for the pupils entered in Schedule 2.

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The net eligible education expenses for all pupils are multiplied by the percent of the pupils participating in the program.

The percent of the pupils participating in the program is based on the full time equivalent, or FTE, for the pupils entered in Schedule 2. The percentage in the budget and in the financial audit is based on the average full-time equivalent of pupils that met the attendance requirements for the count dates, the 3rd Friday in September and the 2nd Friday in January. Please note that the FTE is different than the headcount. For example, half time 5-year old kindergarten pupils are 1 headcount but are 0.5 FTE. Additional information on how the FTE is determined and reported to DPI is available in the training on Schedule 1 and the Payment Process Overview On Demand training module.

For our example budget, the net eligible education expenses for all pupils are $861,305. The net eligible education expenses are multiplied by the percent of the school participating in the program, which is 68% in our example. The net eligible education expenses for the program participants are $589,314.

Primarily SNSP Expenses

- Lines 13-16 represent the costs and related offsetting revenues that are designated as primarily for SNSP pupils. See the SNSP Eligible Education Expenses Bulletin on the SNSP Bulletins webpage for additional information.

Line	A Line Description	B Choice	C SNSP
12	**Net Eligible Education Expenses for Program Participants**	-	-
13	Plus: Primarily SNSP Expenses		
14	Less: Government Assistance Received for Primarily SNSP Expenses		
15	Less: Fundraising Revenue up to Non-Administrative Fundraising Expenses in Line 13		
16	Less: Insurance Proceeds Received for Primarily SNSP Expenses		
17	**Total Net Eligible Education Expenses for Program Participants**	-	-

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Lines 13-16 represent the costs and related offsetting revenues that are designated as primarily for SNSP pupils. This is only applicable for schools participating in the SNSP that have primarily SNSP expenses. See the SNSP Eligible Education Expenses Bulletin on the SNSP Bulletins webpage for additional information.

Reserve Balance

SCHEDULE 10: RESERVE BALANCES
Budget for the period from July 1, 2023 to June 30, 2024

RESERVE BALANCE CALCULATION

Line	A Line Description	B Choice	C SNSP
1	Prior Year Reserve Balance		
2	Current Year Program Revenue Received	664,812	-
3	Summer School Program Revenue Received	-	-
4	**Total Program Revenue Available**	664,812	-
5	Eligible Education Expenses	910,389	910,389
6	Less: Government Assistance Received for Eligible Education Expenses	46,584	46,584
7	Less: Fundraising Revenue up to Non-Administrative Fundraising Expenses in Line 5	2,500	2,500
8	Less: Insurance Proceeds Received for Eligible Education Expenses		-
9	Less: Primarily SNSP Expenses	-	-
10	**Net Eligible Education Expenses for All Pupils**	861,305	861,305
11	Percentage of Pupils in Program	68%	0%
12	**Net Eligible Education Expenses for Program Participants**	589,314	-
13	Plus: Primarily SNSP Expenses		
14	Less: Government Assistance Received for Primarily SNSP Expenses		
15	Less: Fundraising Revenue up to Non-Administrative Fundraising Expenses in Line 13		
16	Less: Insurance Proceeds Received for Primarily SNSP Expenses		
17	**Total Net Eligible Education Expenses for Program Participants**	589,314	-
18	**June 30, 2024 Reserve Balance**	75,498	-

Choice Program Revenue

=

Net Eligible Education Expenses for Program Participants

=

Choice Reserve Balance

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The total Choice revenue received on Line 4 is compared to the net eligible education expenses for program participants on Line 12. In our example, this results in a reserve balance of approximately $75,000, which is identified on Line 18. In this case, we received more funds then we spent on eligible education expenses so the school must retain those funds for future eligible education expenses.

Required Minimum Cash and Investment Balance

- Determine if the total of the Choice program reserve balance and SNSP reserve balance, if any, is positive. If so, the school may be required to have a minimum cash and investment balance.
- The following adjustments are made to the total of the reserve balances to determine the required cash and investment balance:
  - The cost of any remaining deprecation on fixed assets.
  - The cost of any land purchases that are not yet being used for educational programming.

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The Reserve Balance Schedule includes a calculation of the required cash and investment balance. If a school is participating in the Choice Programs and the SNSP, the school must first calculate the total of the two reserve balances to determine if the total is positive or negative. If the school is participating in the Choice programs or the SNSP, but not both, the respective reserve balance is used to determine the required minimum cash and investment balance.

If the reserve balance for the Choice programs and/or the SNSP is positive, the school may be required to have a minimum cash and investment balance. This determination is made by taking the total of any reserve balances and making two adjustments. The first adjustment decreases the reserve balances by the remaining depreciation for any fixed assets used for educational programming. The second adjustment decreases the reserve balances by the purchase price for any land that hasn't been used for educational programming. If any portion of a land purchase was included as an eligible education expense in a previous school year, none of the land purchase would be included as an adjustment.

In order to include these adjustments in the year end financial audit, the fixed assets or land must be included in the Statement of Financial Position in the financial audit. Further, only the actual cost to the school is included in the adjustment. So, if the school had fixed assets that were donated to the school, the remaining depreciation on those fixed assets would not be included in this adjustment.

Required Minimum Cash and Investment Balance Calculation Examples

	Example 1	Example 2
PSCP Reserve Balance	(25,000)	70,000
SNSP Reserve Balance	5,000	(10,000)
Total of the Reserve Balances	(20,000)	60,000
Less: Remaining Depreciation on Fixed Assets	N/A	(4,000)
Less: Land that Has Not Been Used for Educational Programming	N/A	(50,000)
Required Cash and Investment Balance	**0**	**6,000**

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This slide shows two different examples of how to determine if the school is required to maintain a cash and investment balance and, if so, how to calculate the required cash and investment balance.

In Example 1, the total of the PSCP reserve balance and the SNSP reserve balance is a negative $20,000. Since the school does not have a positive net reserve balance, the school does not have a required cash and investment balance for PSCP or SNSP purposes.

In Example 2, the school has a PSCP reserve balance of $70,000 and a SNSP reserve balance of negative $10,000. Since the total of the two reserve balances is still a positive $60,000, the school could still be required to have a cash and investment balance. As we discussed previously, the two adjustments that are made to the reserve balance to determine the required cash and investment balance are: (1) the remaining depreciation on fixed assets and (2) the cost for any land that has not been used for educational programming.

In our example, we have $4,000 of remaining depreciation on fixed assets. This was based on a fixed asset that was purchased for $5,000 with a useful life of 5 years. Based on this, annual depreciation of $1,000 would be recorded. The asset has been in use for one year, so the school has $4,000 of remaining depreciation, which is calculated as the total cost of $5,000 less the $1,000 of depreciation that has been taken for the asset so far.

Additionally, the school has purchased land where they plan on building a school in a future year. The cost of this land was $50,000. Since the land has not yet been used for educational programming, this amount is also an adjustment to the reserve balance amount. The required cash and investment balance, with the adjustments, is $6,000. This means that the school must have $6,000 of cash or investments in a bank account based on the financial audit at the end of the fiscal year.

Required Cash & Investment Balance

18	**June 30, 2024 Reserve Balance**	75,498	-
	REQUIRED CASH & INVESTMENT BALANCE		
19	Remaining Depreciation on Fixed Assets	871,000	
20	**TOTAL REQUIRED CASH AND INVESTMENT BALANCE**	-	
21	**Cash & Investment Balance**	571,286	
22			

- The reserve is decreased by the remaining depreciation on fixed assets to determine the amount of cash and investments that must be maintained.
- If your cash and investment balance is not at least as much as the amount on line 20, you will be required to increase your cash and investment balance or decrease the reserve. An error will show on the error page until this is resolved.

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Schedule 10 includes the calculation of the required cash and investment balance for the school. The reserve is decreased by the remaining depreciation on fixed assets to determine the amount of cash and investments that must be maintained. Line 19 includes any land that hasn't yet been included as eligible.

If your cash and investment balance is not at least as much as the amount on line 20, you will be required to increase your cash and investment balance or decrease the reserve. An error will show on the error page until this is resolved.

Ending Reserve Balance

Negative Reserve Balance

- The school has spent more for K-12 educational programming for program pupils than the amount received from the program.
- The school will need to have funding sources other than program funds to pay for the additional costs.

Positive Reserve Balance

- The school has spent less on K-12 educational programming for program pupils than the amount received from the program.
- The school has not fully spent the money the department will provide for educational programming for program pupils.
- The school must have an audited year-end cash and investment balance(s) as reported on the statement of financial position that is at least as much as the required cash and investment balance. If not, it will be required to repay the Choice reserve to the department.

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If the school has a negative reserve balance, it means the school has spent more for K-12 educational programming for program pupils than the amount received from the program. In this case, the school will need to have funding sources other than program funds to pay for the additional costs.

Conversely, if the school has a positive reserve balance, the school has spent less on K-12 educational programming for program pupils than the amount received from the program. In this case the school has not fully spent the money the department will provide for educational programming for program pupils.

The school must have an audited year-end cash and investment balance(s) as reported on the statement of financial position that is at least as much as the required cash and investment balance. If the school does not, the school must repay the Choice reserve balance to the department.

Reserve Requirements

- The school must maintain the reserve balance, if positive, for future eligible education expenses.
- The school carries forward the reserve balance, whether positive or negative, to the next year.
- If the school ceases to participate or is barred from all Choice Programs or the SNSP, the school will be required to repay the reserve balance, if positive, to the DPI.

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The payments made to the school by the Choice program are required to be spent on eligible education expenses. Therefore, if the school has a positive Reserve Balance, the school is required to maintain the Reserve Balance for future eligible education expenses. The school carries forward the reserve balance, whether positive or negative, to the next year.

If the school ceases to participate or is barred from all Choice Programs or the Special Needs Scholarship Program, the school will be required to repay the Reserve Balance to the DPI.

Reserve Spending Plan Requirement

- If the reserve balance is greater than 50% of the total Choice revenue received by the school in the prior year, the governing body of the private school must approve a plan for how it will use the amount of the reserve balance that exceeds the 50% threshold.

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For schools in the Choice Program, if the PSCP Reserve Balance is greater than 50% of the total Choice revenue received by the school in the prior year, the governing body of the private school must approve a plan for how it will use the amount of the reserve balance that exceeds the 50% threshold. If this is required, it will be indicated on the Reserve Balance Schedule. The school's auditor will then ensure the school has a board approved plan, if required, as part of the Fiscal & Internal Control Practice Report.

Knowledge Check #1

A school has total eligible education expenses of $1,050,000. The school receives $50,000 from the USDA food program, $500,000 in tuition from non-Choice pupils, and $10,000 in fees. 10% of the school participates in the Choice programs. What are the school's net eligible education expenses?

Description	Amount
Eligible Education Expenses	
Less: Offsetting Revenue	
Net Eligible Education Expenses	

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I will give you a minute to read through this question and determine what you think the answer is. Pause the training until you are ready to proceed.

First, we need to calculate the net eligible education expenses for the K-12th grade pupils, whether the pupils are in the Choice program or not. In this example, the school has $1,050,000 of eligible education expenses. The USDA food program revenue of $50,000 would be included in offsetting revenue. So, the net eligible education expenses are $1 million.

Tuition and fees are not offsetting revenue. Only government assistance received for educational programming, insurance proceeds for educational programming and the lesser of fundraising revenue or non-administrative fundraising expenses are offsetting revenue.

Tuition is the amount received from non-Choice pupils to cover their portion of the educational programming expenses. In the next step, we are going to multiply the net eligible education expenses times the percent of the school participating in the program. If we reduced the eligible education expenses by the tuition we received we would be incorrectly excluding expenses that the school had for educational programming.

Knowledge Check #2

A school has $1,000,000 of net eligible education expenses. 10% of the school's K-12 FTE is participating in the Choice program. What is the school's net eligible education expenses for the Choice program?

Description	Amount
Net Eligible Education Expenses	
Times: Percent of School in Program	
Net Eligible Education Expenses for Choice Pupils	

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Next, we need to determine what portion of the net eligible education expenses are for the Choice program pupils. In order to do this, we need to multiply the $1 million times 10%, since 10% is the percentage of the school participating in the program. Based on this calculation, we determine that $100,000 of the net eligible education expenses are for Choice program pupils.

Knowledge Check #3

A school in its first year of participation in the Choice program has $100,000 of net eligible education expenses for Choice pupils. The school received $115,000 of Choice program revenue during the year. What is the school's Choice reserve balance at the end of the year?

Description	Amount
Choice Program Revenue	
Less: Net Eligible Education Expenses for Choice Pupils	
Choice Reserve Balance	

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The last step of determining the reserve balance is to compare the Choice program revenue received of $115,000 to the net eligible education expenses for Choice program pupils of $100,000. In this example, our Choice program reserve balance is $15,000, which is calculated as the $115,000 less the $100,000.

Knowledge Check #4

The school has a reserve balance of $15,000. The school has $10,000 of remaining depreciation on its fixed assets. What is the required cash and investment balance?

a. $25,000
b. $10,000
c. $15,000
d. $5,000

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I will give you a minute to read through this question and determine what you think the answer is. Please pause the training until you are ready to proceed.

The correct answer to this question is $5,000. The required cash and investment balance is the reserve balance less any remaining depreciation on fixed assets that meet Choice program requirements and any land that has not already been included as an eligible education expense. In this example, we must reduce the $15,000 by the $10,000 of remaining depreciation on the fixed assets.

Knowledge Check #5

A school has a reserve balance of $20,000. It decides to replace its roof at a cost of $20,000. 25% of the K-12 FTE at the school participates in the Choice program. Based on the school's capitalization policy, building improvements have a useful life of 10 years. Which of the following is true?

a) The school can include the full $20,000 as an eligible education expense for Choice pupils because the school is reducing the reserve balance.

b) The school can only include $5,000 as an eligible education expense for Choice pupils because the $20,000 must be multiplied by the percent of the school participating in the program. The amount will be included as eligible each year as the cost to replace the roof is depreciated.

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I will give you a minute to read through this question and determine what you think the answer is. Please pause the training until you are ready to proceed.

The correct answer is b. Even if the school is trying to use its remaining reserve balance, it must still multiply the eligible education expense by the percent of the school participating in the Choice programs. Since the $20,000 was spent on a fixed asset, the expense will be included as eligible as it is depreciated each year. As a reminder, however, the required cash and investment balance will be reduced by the remaining depreciation on the fixed assets.

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

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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 and the fiscal and internal control practices training. The last two trainings describe the payment process and how Choice payments are made.

The Financial Audit and PSCP/SNSP Reserve Balance Bulletin and PSCP Eligible Education Expense Bulletin explain how the reserve balance calculation is completed and what is an eligible education expense.

Questions?

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Budget questions should be sent to:
dpichoiceauditreports@dpi.wi.gov

General program questions should be sent to:
privateschoolchoice@dpi.wi.gov

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The contact information for each of the Choice program auditors is listed on the screen. 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.