



Progeny Academy Charter School
MN ISD #4263
Special Operating Plan

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I. Introduction and Explanation of Current SOD Position

1.1 Introduction

Progeny Academy (ISD #4263) opened in September 3, 2019 in Brooklyn Center. It currently serves about 72 students in grades 3-8. Progeny Academy is approved to serve students grade kindergarten through eighth grade and is authorized by Innovative Quality Schools (IQS). The mission of Progeny Academy is to support learners in achieving excellence through leadership with next generation innovative educational strategies in science and technology. Progeny Academy is dedicated to provide a safe, supportive learning community founded in high expectations, rigorous academics, and personal accountability that will enable our students to become productive, responsible, global citizens and well-prepared scholars for secondary education and beyond.

1.2 Explanation of SOD Position

In the late spring of 2020 Progeny Academy was working with its current financial business office, which was in the middle of its two-year contract. During this time the school administration began to note some challenges in working with its financial management service provider. This included but was not limited to lack of communication, not providing up to date reporting, payroll errors and other matters. In early 2021 the administration sought assistance in attempting to rectify errors that were being seen and a growing concern that the financial status of the school was not correct. After many discussions, research and the completion of an RFP (Request for Proposal) process, Progeny Academy acquired a new business office to take over the school's financial needs. After many months of meetings and reviews, it became very apparent that the relationship between Progeny Academy and the prior financial business office was not well functioning and yielded findings that put the school in a negative financial situation. Upon completion of the FY'21 Audit, Progeny Academy is at a fund balance of -\$107,927.

II. Budget Development and Financial Management Process

2.1 Student Enrollment Projections

Year of Operation	K	1	2	3	4	5	6	7	8	Total
21-22	N/A	N/A	N/A	8	4	14	15	13	19	73
22-23	N/A	N/A	N/A	10	15	10	18	17	15	85
23-24	N/A	N/A	7	7	15	17	15	18	15	94
24-25	N/A	N/A	10	10	10	15	20	18	17	100

Progeny Academy currently students in grades 3-8 (and plans to expand to serve Kindergarten-grade 4), who live in the Twin Cities metropolitan area. At full enrollment the school will serve 350 students distributed across kindergarten through grade 8 averaging 38 students per grade. Progeny Academy is open to all students and will focus its attention to serve students of all racial and ethnic backgrounds, diverse socioeconomic statuses who are underserved, struggle to learn, and/or who are in search of an innovative learning program. Within Progeny Academy's marketing and recruiting efforts, the school will plan and implement advertising strategies such as television, flyers, community gatherings, and word of mouth whereby the school will employ the support of community members and recruiters that will distribute school information in multiple languages and in many communities to reach a diverse (racial, socioeconomic) student population. Progeny Academy's current marketing activities have been located in communities where there are high percentages of racially diverse, low-income, and English is the second or even third language. With this in mind, Progeny Academy plans to be serving a greater percentage of these students with its rigorous and innovative programming.

2.2 Unrestricted Revenue Projections

In addressing unrestricted revenue projections, Progeny Academy has a clear understanding as to the expected restricted revenue that it will be receiving for this school year. As a result, The leadership team will work closely with the business office to make sure that these numbers remain accurate so that accurate expenditure decisions can be made. Moving into the upcoming school year, projections will be able to be made now that the school will have completed its first year of operation. As a result, Progeny will have a more accurate idea as to restricted revenue

projections and be able to plan accordingly as to what revenue will be available to be utilized in the restricted areas.

2.3 Restricted Revenue Projections

In addressing restricted revenue projections, Progeny Academy has a clear understanding as to the expected restricted revenue that it will be receiving for this school year. As a result, The leadership team will work closely with the business office to make sure that these numbers remain accurate so that accurate expenditure decisions can be made. Moving into the upcoming school year, projections will be able to be made now that the school will have completed its first year of operation. As a result, Progeny will have a more accurate idea as to restricted revenue projections and be able to plan accordingly as to what revenue will be available to be utilized in the restricted areas.

2.4 Staffing Projections

STAFF POSITION	FY 22	FY 23	FY 24	FY 25
Director	1.0	1.0	1.0	1.0
Assistant Director	0.0	0.0	0.0	1.0
Office Support	1.0	1.0	1.0	1.0
Classroom Teachers	4.0	5.0	6.0	6.0
EL Teacher	1.0	1.0	1.0	1.0
World Language Teacher	0.0	0.0	1.0	1.0
Physical Education	0.0	1.0	1.0	1.0
SPED Teachers	1.0	2.0	2.0	2.0
SPED Para-Professional	2.0	2.0	2.0	3.0
Food Service	1.0	1.0	1.0	1.0
Elective Teacher (Art/Music)	0.0	0.0	1.0	1.0
Total FTE	11	14	17	19

2.5 Expenditure Projections for Unrestricted Expenditures

In addressing unrestricted expenditures, Progeny Academy is continuing to reduce and/or eliminate expenditures as much as possible. This includes salary reductions to leadership team, renegotiating vendor contracts and eliminating any expenditures that are not considered immediate needs. The leadership team, business office, and Board of Directors will closely monitor expenditures to ensure that expenditures do not exceed revenue. Moving into the upcoming school year, projections will be able to be made now that the school will have completed its first year of operation. As a result, Progeny will have a more accurate idea as to its program and operation needs and be able to plan accordingly as to what expenditures will be required to successfully operate in the upcoming school year.

2.6 Expenditure Projections for Restricted Expenditures

In addressing restricted expenditures, Progeny Academy plans to utilize its remaining restricted revenue as outlined per grant and reserve requirements. The leadership team, business office, and Board of Directors will closely monitor financials to ensure that expenditures do not exceed revenue. Moving into the upcoming school year, projections will be able to be made now that the school will have completed its first year of operation. As a result, Progeny will have a more accurate idea as to its program and operation needs and be able to plan accordingly as to what expenditures will be required to successfully operate in the upcoming school year.

2.7 Contingency Budgeting

In the instance that there are unexpected costs or revenue shortfalls the business office and leadership team will take the following actions:

1. Budget conservatively so as to ensure that shortfalls do not immediately impact operational and program costs
2. Have multiple (3) budget scenarios in place to utilize if needed
3. Continue to apply for funding (grants, etc.) to assist with additional financial needs
4. Decrease expenditures with contracted vendors, operational purchases, etc.
5. Decrease staffing (last resort) in the instance of enrollment decline

2.8 The School Board's role and Administration's role in Budget Processing

The Progeny Academy School Board uses the following process, adapted from practices recommended by The High Bar (see Section III, Part A (2),

to develop and approve the preliminary operational budget by May 2021 for the 2021-2022 school year. For many of the steps, staff and the Board will seek assistance from the school's contracted financial manager/services provider:

1. Project enrollment, discuss new programs/initiatives, revisit the staff structure, and outline the next year's fundraising plan (best-, likely-, and worst-case scenarios).
2. Affirm the projected enrollment number, estimate a conservative fundraising amount, discuss general guidelines and budget objectives (operating surplus, fixed versus variable costs), and evaluate any programs which may need to be subsidized.
3. Project revenue (excluding fundraising), estimate deficit amount to be covered from fundraising, determine total allowable expenses, determine operating surplus, estimate mandatory expenses (reserves, capital expenditures, debt repayment), and calculate an operating expense number.
4. Develop the expense budget, provide detailed information for each program, and submit a report to Finance committee.
5. Perform five-year projections using conservative assumptions and integrate information about likely new revenues or expenses, perform sensitivity analysis, and present to staff and the Board.

The Board will monitor the financial condition of the school in the following ways:

- Approve a budget that reflects the school's goals and board policies;
- Approve the format and frequency of financial and programmatic reports from senior staff and financial managers, including developing a "data dashboard" with key indicators;
- Review monthly financial statements;
- Ensure adequate financial controls are in place and that financial reports are in accordance with accounting practices and applicable provisions of the charter contract;
- Review the audited financial statements, management letter, and senior staff's response;
- Approve the school's investment policies and review them annually.

The Board's Finance Team will support the Board's work, coordinate Board training on financial matters and act as a liaison and advisor between the full Board and Administrative Leadership Team.

2.9 Making Mid-Year revisions to the Budget approval process for such revisions

The school finance team will review the current financial standing. The finance team will share data related to current expenditures trends, enrollment, and revenue streaming. From there the team will put together recommendations for budget revisions. These revisions will be presented

to the Board of Directors at the mid-point of the year along with recommendations. The information will be sent to the board one week prior for review. Once reviewed at a board meeting the Directors will vote to approve the recommended budget revisions. Additional revisions to the budget may be made in order to ensure that the most accurate information pertaining to revenue and expenditures are up to date.

VII. Ongoing Financial Monitoring Processes and Procedures

3.1 Budgeting to Ensure that Each Year Restricted and Unrestricted Expenditures do not Exceed the Available Unrestricted and Restricted Revenues, while Building a Positive Fund Balance

For the remainder of this year and for planning for the upcoming school year Progeny will conduct a needs assessment pertaining to operations and programming. Additionally Progeny will create projections as to revenues and expenditures for the remainder of the school year and anticipated revenues and expenditures based on projected enrollment. The budget will be planned conservatively (based on a lower than actual ADM) to ensure that expenditures do not exceed revenue and that there is funding remaining to ensure that a positive fund balance is being built.

3.2 Providing the School Board with ongoing Financial Information and Comparing Actual Data with Budgeted Data for Revenues and Expenditures

The Board of Directors is provided a monthly Year to date Report that includes a line by line breakdown of revenues and expenditures. The categories are organized by UFARS object codes. Check registers are also included along with the projected fund balance at the end of the fiscal year. The information is organized on a spreadsheet that shows the actual data and the budgeted data, which includes the percentage of revenue received and actual amounts that were expended.

3.3 Administrative Approval of Expenditures

The administration approves expenditures by following all procedures and policies outlined in the school's "Fiscal Policies and Procedures" Handbook.

EXCERPT:

- 1. All original invoices are received by the Administration for review and submission.*
- 2. The Administration will carefully review each invoice, attach all supporting documentation, and verify that the specified services and/or goods were received. When receiving tangible goods from a vendor, the person designated to receive deliveries should trace the merchandise to the packing list and note any items that were not in the shipment. The packing list should be submitted to Designs for Learning with the invoice. Designs for Learning will adjust the invoice for any missing items noted on the packing list before*

- processing for payment.*
3. *Once approved by the Administration, they will stamp a check authorization on the invoice and complete the required information, including noting the specific budget line item that is to be charged for the specified expenditures. The invoice and supporting documentation will be sent to Designs for Learning on at least a weekly basis (Administration should be aware of invoice due dates to avoid late payments). Designs for Learning reviews the invoices and sends a report (semi-monthly) to Administration for a final review. Designs for Learning will then process the invoices with sufficient supporting documentation.*
 4. *The Administration may authorize Designs for Learning to pay recurring expenses (e.g., utilities) without the Administration's formal approval (signature) on the invoice when dollar amounts fall within a predetermined range. A list of the vendors and the dollar range for each vendor must be provided to Designs for Learning. in writing and updated on an annual basis.*

3.4 School Board Approval of Expenditures

At each monthly regularly school board meeting “Designs for Learning” and the school leadership team present a Year-to-Date Report. The report consists of the revenue and expenditures along with the tracking percentage and the Average Daily Membership (ADM) number that the budget is based upon. The report lists the revenue and expenditures by UFARS code. The amounts are numerical as well as by percentage for further analysis. Projected end of year balance is also included. The check register is provided for review. The Board has an opportunity to review the report and ask questions. Upon completion the Board will vote to approve the monthly report and check register.

VIII. Action Plan to Remove SOD Status

1. Hire and retain a business office that can provide hands-on guidance on creating and maintaining a strong financial foundation for the school.
2. Review the budget for Fiscal Year 2022 and reduce any expenditures to reflect the current state of the school (this has already begun). Actions to date include negotiating with vendors (i.e. transportation) to decrease costs, reducing expenditures in operational supplies and restricting the addition of staffing positions.
3. Ensure transparency by posting monthly reports on the school website to share with all stakeholders
4. Begin enrollment projection and planning in late winter. Obtaining enrollment data and working with the business office making projections as to what our operational and program needs will be. Then designing a conservative preliminary budget along with contingencies to present to the board in the spring of 2022.
5. Cross reference expenditures and revenues at a minimum of once a month and then propose potential budget revisions in early Spring to ensure that revenues and expenditures are accurate and reflect the school's financial status.

IX. Special Financial Operating Plan (Attached in Excel Spreadsheet format)

X. Board Resolution (Attached in PDF Format)