

Transcript

Webinar for School Administrators:

Financial Review

August 3, 2:00 pm - 2:30 pm

0:04

Good afternoon, everyone.

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This is Kathryn Marker, and we have another session for you this afternoon. I spoke with many of you this morning for the ESA webinar and this afternoon we are talking about the financial review.

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So I'll do the introductions.

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But I'm very glad that we have Monica Reid from our Financial Services Division here at SEAA, because Monica is the expert, and she will do the presentation today. Before we get started, we've had an issue with the handouts.

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We had trouble with the handouts this morning, so I apologize for that. We're going to get some links for you that some of the information we were going to give you is readily available online. So, we'll put that in the chat.

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And then, after this session, I will email the slides, because the slides are helpful. The speaker notes are a thorough explanation of the various financial review aspects. And so, you'll want them, and I will email them to you, the PowerPoint slides.

1:14

So, apologize for that. There should be handouts and there aren't, but we will email the slides, which is the only thing you can't get right now online.

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So, good afternoon again. Today's session is the financial review, which is a requirement of larger schools.

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We've got an important change to mention to you, and I will describe that to you.

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So, in the past, we established a threshold of \$250,000 a school which received more than that amount from any one of the K 12 programs in one school year, was required to be trained for a large school requirement. Now, obviously, a school that receives \$250,000 or more, in a year, is a large school.

2:00

The training that we're doing today is designed for schools which met the program threshold for the financial review, as well as for schools which might meet that threshold in the upcoming school year.

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So you are here because you are a large school, or you're on the cusp of being a large school.

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It's important that the schools who meet this definition or who are on track to do so, are trained adequately.

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So, here's the important change that I want you to hear. The statutory threshold has recently changed, effective for the upcoming school year, 22, 23.

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A financial review will be required from a school which has received funds on behalf of 70 or more students in either program.

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So, the threshold is changing from a dollar amount to an enrollment count. 70 or more students receiving either Opportunity Scholarship or ESA Plus, calculated separately, 70 or more students.

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That means that the school will be responsible following this coming school year for submitting a financial review. So, that's important.

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We'll get that explained to you. Again, there's a slide about it.

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Before we get started with the financial review, I did want to address another requirement that large schools have had to deal with, that is about testing.

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So, the testing requirement will not be discussed in detail in this session, but while I have you here, I wanted to tell you that all schools who received funds on behalf of students in third grade or higher are required to submit standardized test scores to SEAA. This requirement is not changed. And that's true of all schools, regardless of their size.

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We will provide direction separately to you about submitting standardized test scores through the year.

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What I wanted to mention to you is the large school requirement about the aggregate test score report.

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So, recent North Carolina law passed this summer says that a large school's inability to furnish an aggregate test score report, which would otherwise be due now, for the 21, 22 school year, will not result in negative consequences for the school.

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So, if you didn't, or weren't able to obtain an aggregate test score report from last year, if you had problems obtaining that, which it can be difficult, it is not easily satisfied, but if you are not able to furnish that aggregate test score report per the statute, there will not be negative consequences for your school.

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What's more, the aggregate test score report requirement doesn't apply next year, so that aggregate, there is work in process to make that a more feasible requirement.

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I just wanted to say again that it does not change the fact that all schools, regardless of size, have to submit scores to SEAA, individual test scores for all students who receive funds, third grade and higher. All right, but that's about testing, and we're not here for that today.

5:11

We're here for the financial review, so let me put myself on pause and I will turn it over to Monica Reid. Monica? (Monica) OK. Good afternoon, everyone, I'm Monica Reid, and I'm part of the Financial Services Division here at SEAA and I'm going to discuss the requirements of the financial review.

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As Kathryn mentioned, as of the school year, 21, 22, which was, would have ended for most people in May or June of 2022, schools that received \$300,000 or more from one single K 12 program qualify for submission of a financial review.

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This financial review should be prepared by a CPA, a certified public accountant, licensed in North Carolina. And it is due within 150 days which is about five months from the end of the school's fiscal year and we'll talk a little bit about fiscal years in a minute.

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And the format of these is electronic. We ask that the report be submitted through task pad, through the portal.

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It's an easy way for us to receive and for you to transmit everything that we'll need.

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OK, so now let's talk a little about school year versus fiscal year. I think everyone, of course, understands what the school year is.

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It is more or less dependent on the legislature, which gives us basically a range in which the school year is expected to take place.

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The fiscal year is different. The fiscal year is a choice of the entity, in this case, the school. The fiscal year may coincide fairly closely with the school year.

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But not necessarily. Some schools choose to have a calendar year as their fiscal year.

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Some schools choose to have their fiscal year end on June 30th, which is a very common date for state agencies.

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They are somewhat different, but the reporting requirements are based on gross receipts during the school year.

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So, for example, you're looking at your total receipts for the 2020 school year.

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The amounts that are going to be reported in the financial statements are based on your fiscal year. So they may be slightly different numbers depending on when the fiscal year ends.

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I know that this can be a little bit confusing, but the main thing to remember is that your reporting requirement is based on the gross receipts during the school year, and your reporting in your financial statements are going to be based on the fiscal year.

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The CPA who conducts the financial review must be qualified and licensed in the state of North Carolina.

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If you are searching for a CPA, there is a website, the North Carolina State Board of CPA Examiners.

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There is a lookup tool there that will allow you to search. It gives you several different ways to search, but one of them is by location. So that's one way to find CPAs who might be close to your school.

10:02

We recommend that schools request a copy of their latest peer review for any CPA that they are planning to, or thinking of hiring.

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The peer review is a requirement of the CPA board, and it is a method to ensure that the CPA is following good practices and is qualified within the state.

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Any CPA who is in public practice should be able to provide a peer review.

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And it's also a recommendation to make sure that the CPA has a copy of the statute that establishes the programs, as well as the financial review policies of SEAA that gives them the background, and lets them know exactly what needs to be included.

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A financial review is very similar to an audit, but it is not quite as in-depth as an audit, but it still should follow generally accepted accounting principles, which is the basis of an audit, as well.

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As such, there's a specific structure. The statements that would be included are: Statement of Assets, Liabilities and Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

12:09

The basis of accounting can be either accrual or cash. However, if you are using a cash basis of accounting, the Statement of Cash Flows is going to be required.

12:27

Typically, it is not required for a cash basis report, but this is a requirement of the statute, and so it's a required part for this purpose.

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And there are notes to the financial statements, which explain some of the details, they discuss the methods that are used in some of the calculations, and they are considered a very important part of the report.

13:07

Again, the financial review is due 150 days from the school's fiscal year end. It feels like a long time from the end of the year but the accountant who is performing the review needs a certain amount of time to ensure that they have everything that they need, and that all their procedures are followed and then producing the report and returning it to you for your approval, as well.

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It can take time.

13:53

So we're attempting to give a generous amount of time to make sure that you're able to fit within the CPA's schedule and get everything wrapped up.

14:18

Additional information, such as the requirements, listing and other information about both the financial review and other details about the programs are available at our website, which is www.ncseaa.edu.

14:46

NPS@ncseaa.edu is for schools only.

14:51

And no doubt has additional information that the schools can access.

15:03

The phone number is also for the schools, only in the event that you need additional assistance or have questions.

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I know that this is a lot of information to put forth at one time.

15:23

One thing that I do want to emphasize about the report is that it's expected as it's required by the statute that the school disclose the amounts that they've received for programs that they have participated in separately.

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That means that if you are receiving funds from the Opportunity Scholarships and from the disabilities grants, those amounts need to be shown separately.

16:05

It can be done either on the face of the statement as just a separate line in your revenues, or it can be done just as a separate note that will give that information.

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It's up to you and your CPA how you would like to present it, but they are required to be reported, and to be reported each program separately.

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That's the sort of broad overview.

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If there's any questions, then please do share those.

17:01

(Kathryn) Hey, Monica, thank you. So this webinar is an opportunity for you to ask some questions if you want to put a question related to the financial review in the chat, we'll address it.

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There have been a couple of questions about the threshold, and I want to emphasize again, that the threshold going forward is 70 students.

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If you have 70 students who received the Opportunity Scholarship, you're required to submit a Financial Review.

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This begins with the 22, 23 school year. So, in the past, it was a dollar amount.

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In the future, it does not matter about the dollar amount. You could have more or less than the previous threshold. What matters is the 70 students, so what will trigger the requirement is if you enroll 70 students who are receiving funds from Opportunity Scholarship.

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So, we will be reaching out to schools midway through the year, as we see how many students you have enrolled and will be notifying you about the financial review specific to your school.

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So, 70 students, regardless of the funds, regardless of the amount of funds that you receive.

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Monica, there were also a couple of questions about how to contact you. I don't know if you have a way, if you would like them to email the NPS line, or how would you prefer that financial review questions get directed?

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(Monica) You're welcome to send something to my email, which is mreid@ncseaa.edu.

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(Kathryn) I appreciate that, that's helpful.

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So the direction to take to your CPA, you would want to take the information which you can find online. You can point your CPA to the website that we posted earlier. All of the information on the financial review is online. And there is a link, I'll repost it in case you weren't here at the very beginning, because we posted this just so you have access to the online information.

19:26

You might also take this presentation.

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Take these slides, which, again, we had expected to have those as handouts, and they'll be emailed to you this afternoon and everyone who registered.

19:36

So taking the slides may be helpful your CPA. Let me see, Monica, the question is, do we need to show the dollar amount in the student's account, or just the larger amount, in a broader report?

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(Monica) You're going to be showing, in the financial review, the total that you've received. So, no, it's not reported by student.

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It's the total that you received on behalf of those students.

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(Kathryn) So they would report an Opportunity Scholarship total and an ESA Plus total.

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(Monica) Yes. (Kathryn) OK, so by program, but not individually by student?

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(Monica) Correct.

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(Kathryn) Someone has asked if you need to submit the financial review every year. And the answer is, yes, any year where you meet the threshold, 70 students or more, you submit a financial review.

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As Monica said, we are now in the process of collecting financial reviews from last year. That threshold was different.

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So the threshold in the past was \$300,000.

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So last year, it doesn't matter how many students you enrolled.

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What mattered is, how much money you received. If you received \$300,000 or more last year, you are required now to submit a financial review. Going forward, for the upcoming year it doesn't matter about the dollar amount, it matters how many students in each year in the future where you receive funds for 70 students or more. 70 being the triggering number, then you are required to submit a financial review.

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So obviously some of our larger schools are submitting a financial review every year, so that has already started happening as the program has grown.

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(Monica) Yes. And I apologize if I confused anyone.

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Sort of looking at this as both a reminder for the school year that we're going to be soon receiving and for the upcoming one.

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And having the change in the requirement is gonna be I think maybe a little confusing but we're all going to soldier through it. (Kathryn) Yes. yes, we will and we will reach out to schools. I mean, we do let you know you have your obligations and so, someone has asked how will you know how many students? You know, if you're a new school, you may not be quite clear, but when we refer to recipients, were referring to students for whom you received funding.

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It doesn't matter how many students thought about coming to your school, or said they were coming to your school, but what matters is how many students actually attended, and you receive money on behalf of them.

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So, there's no way to know that until the school year starts, and you receive funding.

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So by October, we will know which of you schools has enrolled 70 or more scholarship recipients, and we can begin notifying you late this fall so that you are confident and you know for sure whether or not you have the obligation.

23:08

So Monica, someone has asked if there's a standard form for the CPA to complete, or what exactly they upload.

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(Monica) The financial statements are basically set forth by the governing body for CPAs.

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And a CPA will be very familiar with what those look like, so the report will typically be the statements that we talked about and some number of notes. The notes are not so much prescribed as to an extent it's a judgement from both the school and the CPA as to anything that they feel needs additional attention.

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There are a few things that are required, such as talking about what your financial accounting basis is, whether it's accrual or cash.

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Or there's something that's sort of in-between, but those are the two most common ones.

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So there's a couple there that are expected to be part of the report.

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The others are, again, sort of a judgement, as to where the reader might need a little more information about something on the statements.

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But, no, there's not, like, a specific form that they would fill out. It's an accepted statement that pretty much any CPA will be familiar with.

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(Kathryn) Related to that, Monica, what if a school has an audit routinely. What do they need to do? (Monica) If you are already receiving and having an audit prepared, then that is absolutely acceptable. An audit is actually the highest form of assurance that a CPA can provide and are always welcome. So if you're participating in an audit already, we would just ask for a copy of that report.

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However, if you are not currently having an audit done, the review process is a little less strenuous.

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It's not quite as in-depth, but yes, if you are having an audit done, then by all means send that.

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(Kathryn) There are also a couple of questions I see about, how do you count your 70 students and I wanted to clarify that it's per program.

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So if you have 40 Opportunity students, and 40 ESA Plus students, you have more than 70, but you don't have more than 70 in a program.

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So it's per program.

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So if you have 75 Opportunity students and some of those also get ESA, and then you also have a handful of kids who only get ESA.

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Well, because of the Opportunity, you're going to need to do the financial review. So count up.

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What we will do is, look at your students by program.

27:11

So another question, Monica.

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Is there a submitted or accepted review, like a sample from a school whose information is redacted and available to see?

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What would you recommend to a school asking them?

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We don't currently have anything like a redacted copy. I expect that's something that we'd have to discuss with our legal department first, but that's something that we could certainly consider going forward, especially since we're early in the process.

28:01

(Kathryn) And I believe, to the schools who might have questions.

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I think that CPAs are more familiar with the financial review than the lay person might realize, so I don't know that the CPA would need a sample, but again, we can consider it.

28:22

But it might be that you would want to speak to your CPA, and they may immediately know, because this is an accepted standard. Is that a fair statement, Monica?

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(Monica) Yes. A CPA should definitely be familiar with what a financial review is and what is involved in doing one.

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(Kathryn) So, some of you on the call are not going to be the school official who is in charge of seeing this happen. So I would urge you, if you're not the business officer or not the connection to the CPA that your school will have,

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then, by all means, you need to have that particular person view the webinar, read the slides, be very familiar, because sometimes we find that one school official has attended the webinar. But another is in charge of hiring the CPA and making this happen.

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I don't see any new questions that we would need to answer. Is there anything other?

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We have a couple of team members on the line. Do any of you see anything we should address?

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Someone did ask, what the average, that person has left the webinar. Why don't we not worry about that particular question.

29:57

Well, if I don't have any new questions here in the next minute or two.

30:03

A couple of you did ask about other presentations. So today there were two presentations for schools. One was this morning at 10 o'clock. It was about administering the ESA Plus program.

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There will be a recording available for that soon.

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Everyone needs to attend next Wednesday at 10 o'clock for certification and endorsement, one of the most important steps for schools to complete. And it's key to payment processing.

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So, please, 10 o'clock next Wednesday for that. And then there are two more coming up on Wednesdays at 10 o'clock as well. So that's online, on your school page.

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If you go to the school administrator events, you can register for them, you can also see the recordings. The ones from today will be a few minutes there.

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So a couple people have asked questions using the word audit.

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And I wanted to re-iterate that it's a financial review, which again, a lay person may not recognize this, but they're very distinct. A review is not an audit. So just to be careful that you would use with your CPA the words financial review.

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Some of you have asked here at the last bit, can my CPA contact you?

31:27

And we did put Monica's email in the chat, mreid@ncseaa.edu. You could connect your CPA with Monica or your business officers could call her. There was one last question about the CPA, Monica, and it says, does the CPA need to be independent?

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(Monica) Of the school? (Kathryn) I'm not sure. (Monica) I'm going to assume that that means of the school, and, yes, the person who conducts the review is required, again, by accounting standards that are part of what we agree to when we become licensed.

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They're required to be independent of the entity, school, whatever it is that they're reviewing, in order for the review to meet the standards.

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So, the short answer is yes, they do need to be independent.

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(Kathryn) There continue to be kind of some questions about what triggers the requirement, what's the actual threshold?

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And once again, in the past, including this past year just ended, it was a dollar amount.

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If you received \$300,000 or more in either the Opportunity or either of the other two programs, then you are required to submit a financial review for this past year.

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And you should be aware of that. We have been reaching out to you.

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If you are uncertain, please do send an email to the NPS email, because this is an important requirement, and it's not something to take lightly.

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And it takes a while, so you don't want to be asking a CPA at the last minute to try to complete this financial review.

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So, a couple of people have asked about the other events. I'm putting in the chat right now, the registration for the other events, And, for the last few years, we've had summer school for schools in the month of August. Today was the first day. We had a session at 10 o'clock, we had this one at 2.

33:42

In the next three Wednesdays at 10 o'clock, there'll be a webinar, and they're important.

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Payment processing is key. Nobody likes delayed payments.

33:51

Nobody likes problems with correcting errors. So please come next week.

33:58

I think that is everything, and we're ready to close. That was about 35 minutes and well spent. Thank you very much, Monica.

34:06

(Monica) Thank you. You're welcome.

34:07

(Kathryn) OK, I'm going to end the webinar. Thank you all for attending.