

SHERWOOD MONTESSORI

Chair's Report

October 5th

Like many of you all, I waited until the last moment to write my check for Annie B's. I was torn by how much we should donate. On one hand, I know we are a public school and I feel the state should take care of the bills (ha!). On the other, I am very proud of the school and wish to show my support. With four kids at the school, I feel an obligation to give more than others. But how much? I appreciated Michelle's letter, asking everyone to give to the best of his or her own ability. In the end, Heather and I decided to give more than we could because we know what is at stake. I wish to use this month's soapbox to clarify the basics of the budget and why we, as a public school, need to fundraise.

Our money comes from the state in a simple formula based on attendance. A portion of that total is paid by local property taxes. Starting this year, we will see some revenue from the state lottery as well. But these monies are not enough to run the school as you see it. Additional monies come from grants and fundraising.

The organization of these funds, incoming and outgoing, comes in two different models. First is the *budget*. In the same way that you say, "Here is how much money I will make this month, so here are the ways I will spend it," we have to provide Chico Unified School District a budget for each year prior to the start of the school year. However—and this is very important to understand—a budget is different from Cash Flow. *Cash Flow* is how money is actually spent each month and this is where the issues for a public school exist. To go back to the example, let's say you have the kind of job where you know how much you will make each month so you can plan for a year of spending. But what happens if your boss tells you that he will have to delay your paychecks for several months—or even a year? In the end, you can make do by borrowing money because you know you will eventually get paid. This is the nature of school funding. For instance, last month, we finally received our money that we were scheduled to receive in February and April. In order for Sherwood to pay the bills, we may have to borrow money from time to time.

With me so far? The question comes up, why do we fundraise? First, as much as we cut corners, we must provide an excellent education at a safe school for your children. This costs more than receive from the state. Second, when we borrow money, we have to pay interest and that interest cannot be paid with tax dollars. Better yet, if we have money on hand, we won't need to borrow and pay interest. Thirdly, fundraising allows the school to buy 'extras.' Extras can include material things like sports equipment and books but can also mean extra aides and opportunities like field trips. This is why it is important to be involved with SMPO so you can voice your opinion on what extras are important to your children.

How are we Doing? Last Year's "Unaudited Actuals"

Recently, I submitted our “Unaudited Actuals” for the 2010-2011 fiscal year to the Chico Unified School District. This report reflects the reality of our revenue and spending and compares to the Budget we provided over a year ago. (This report and most documents for the school are public information and may be requested from the school office or Board secretary.) In summary, we did very well financially, which means the staff worked extra hard with less resources to make sure we did not overspend our resources. We ended the year (Budget, not Cash Flow!) about \$88,000 ahead of our spending. This may seem like a large figure, but in truth, it is barely enough to sustain us for the months where our funding is delayed. Already this year, we have had to borrow money, though we have been able to pay back our loans. How much should we have in reserves? No one knows and there have been some interesting debates about this value. As a public school, we shouldn’t be squirreling away public monies. But at the same time, as the state funding is so volatile and uncertain, it would be prudent to make sure we had reserves in case of emergency.

Getting back to the report, it is interesting to compare to the budget. That budget was written before we had a school location, hired any staff, and even decided on the number of students and configuration of the classrooms! So, I propose that instead, we tease apart our Unaudited Actuals to see how much it costs to run a school. Last year, our revenues totaled about \$516K. Of this amount, \$39K was in various fundraising. In addition, we received about \$246K in grant funds. Our spending totaled \$873K. So how did we end up \$88K ahead? The reason was that we carried over \$193K in unspent grant monies from our planning year. As you can see, last year’s Unaudited Actuals are not normal because so much of the cost was tied into a start-up grant.

What are the lessons? To cut this letter short, the state will not cover the costs to run Sherwood Montessori. If you like what you see, and certainly if you want more, it will require getting additional grants and fundraising.

Russell Shapiro

Chair, Board of Directors