



CSMC

*Charter School Management Corporation
Helping Charter Schools Succeed
Corporate Headquarters
40925 County Center Drive, Suite 110
Temecula, CA 92591*

June 26, 2012

Proposal for San Carlos Charter Learning Center (SCCLC)

Introduction

For nineteen years California has been at the forefront of the Charter School movement, and overall, the charter school model in California has been a solid success. Unfortunately, during that time period, many promising charter schools have run into financial management issues. Most charter school founders and operators are educators, not finance managers. Errors in required report filings or mismanagement of bookkeeping systems can lead to cash flow crises and unnecessary audit exceptions. This is where Charter School Management Corporation (CSMC) can help. By managing the financial and business side of your charter school, CSMC can free you to manage your core mission: education. CSMC is dedicated exclusively to assisting charter schools, and we are experts at what we do. CSMC can manage your raw data—such as daily attendance records, bills, and payroll information—and we will compile, track, analyze, and report this information for you and to you. A review of our References Section will confirm that our clients appreciate our flexibility, professionalism, and expertise. We are confident you will, too. Together, we can ensure that you remain financially viable and available to focus your energies on your primary program: delivering your kids the high-quality education they deserve.

Our proposal is predicated on our shared understanding of your support needs. For instance, the below pricing is based upon your estimate of 320-340 students for next fall. If your number of students is appreciably different from this number, we will adjust our fees accordingly. With that principle in mind, we remain open to modify elements of our program to accommodate your changing needs.

With acceptance of this proposal, CSMC will promptly assign an individual School Business Manager to San Carlos Charter Learning Center. The School Business Manager will be your primary contact for all CSMC services and support. Your personal School Business Manager will interface directly with your executive staff and will act as the principal conduit for information between SCCLC and CSMC.

In order to fully support SCCLC, CSMC proposes the following support services:

1) Fiscal

- a) **Complete Bookkeeping Support** – Utilizing an enterprise-quality bookkeeping system from Sage, one of the country’s largest bookkeeping software companies, CSMC will provide a complete bookkeeping solution to SCCLC. Specifically, CSMC will:
 - i) **Chart of Accounts** – Create a Standard Account Code Structure (SACS) and Generally Accepted Accounting Principles (GAAP) compliant and SCCLC tailored Chart of Accounts.
 - ii) **General Ledger** – Create and maintain SACS and GAAP compliant General Ledger. CSMC will modify, revise, and incorporate more or less detail in account code structure as requested by SCCLC.
 - iii) **Accounts Receivable** – Monitor receipt of revenues tied to budget and expected entitlements. Includes all collection activities necessary to obtain past due funding.
 - iv) **Accounts Payable** – Process all vendor invoices and payments. Includes utilizing GAAP system for verification, approval, and payment. System includes utilization of AP batch approvals, and check register reviews. Includes preparation of all 1099’s.
- b) **Fixed Assets and Inventory Control** – Create and maintain asset tracking and depreciation schedule system which is integrated into the General Ledger.
- c) **Associated Student Body (ASB) Bookkeeping** – If your school has such student-specific funds, CSMC will maintain separate ASB accounts and reconcile them into your larger bookkeeping structure.

2) Payroll

- a) **Payroll setup** – Based upon the payroll information from SCCLC, CSMC will enter each full- and part-time employee into an enterprise-class payroll service (e.g., Ceridian), and ensure each is paying appropriate withholdings, taxes and other deductions. SCCLC will be responsible for paying the payroll service’s fees directly.
- b) **Payroll processing** – Includes updating, maintenance, and regular, emergency and special payroll entry, as requested by SCCLC. Payroll processing includes all of the following:
 - i. Complete STRS and PERS reporting through the County Office of Education or state (whichever is applicable to client). Please note that some Counties or Districts charge a fee to charter schools to transmit STRS and PERS information to the STRS and PERS systems. If the county, district, or state charges such a fee, SCCLC will be responsible for paying this fee directly.
 - ii. Voluntary Deductions (e.g. 403(b))
 - iii. Distribution of pay warrants and direct deposit administration
 - iv. Distribution of W2's
 - v. Processing of Worker's Compensation
 - vi. Salary adjustments
 - vii. Verify Budget Numbers, Dates and Rates of Pay

- viii. Prepare and Maintain Annual Calendars
- ix. Process Exit Forms (resignations, terminations, etc.)
- x. Tracking of vacation time and/or personal time off (PTO)
- c) **Insurance services and coordination** – CSMC will act as the bookkeeping liaison for workers compensation and Health and Welfare policies. CSMC will assist in the selection of insurance service providers, emphasizing selecting a provider that will provide high value support to the charter school.

3) External Reporting

- a) **Preparation and data submittal of required budget reports in SACS format** - includes 1st Interim, 2nd Interim, next year proposed, and unaudited actual to district, county and state entities.
- b) **Attendance** – includes preparation and data submittal of Period 1 (P1), Period 2 (P2), and annual (P Final) attendance reports to district, county and state entities.
- c) **Audit** – CSMC will act as the lead point of contact with SCCLC’s auditor and will work with the auditor through finalization of the audit report. Based on completion of consolidated financial statement audit, CSMC will coordinate the preparation and submission of Federal Form 990 and California Form 199 by applicable deadlines.
- d) **Categorical program budgeting and oversight** – separate fund tracking for all restricted or categorically relevant programs.
- e) **Consolidated Application** – If SCCLC wishes to apply, CSMC will complete Parts 1 and 2 of the No Child Left Behind Consolidated Application, which is used to apply for federal Title funds (e.g. Title I).
- f) **National School Lunch Program (NSLP)** – If the SCCLC wishes to avail themselves of this service - bookkeeping and submission of monthly food program reimbursement forms. Completion of required annual verification reports.
- g) **CBEDS** – Assist schools in the completion of their School Information Form for Independently Reporting Charter Schools CBEDS annual survey.
- h) **General Reporting** – includes any necessary grant, award, program, state, county, district report related to Financial, or operating activity. This section does not apply to CALPADS data reporting.
- i) **CALPADS** - CSMC will manage your CALPADS process through certification. This includes FALL 01, FALL 02, SPRING 01.
- j) **CSR K-3 Reporting** - CSMC will assist with CSR K-3 reporting

4) Internal Reporting and Budgeting

- a) **Budgeting/Cash Flow** – CSMC collaboratively with SCCLC shall develop and modify both current and future year budgets and pro forma cash flow models. All state mandated development and adoption timelines shall be incorporated into the planning process. At least one budget revision shall occur each year upon certification of the P1 report. Other modifications are to be performed as necessary or requested by SCCLC. Cash flow timing and Budget to Actual reporting on a monthly basis shall be reported to SCCLC.
- b) **Internal Monthly Reporting** – CSMC will create and send to SCCLC *monthly*

reports including:

- i) Budget to actual income statement
- ii) Balance sheet
- iii) Statement of cash flows
- iv) Fiscal analysis and commentary as applicable

5) Student Information System (SIS)

- a) **PowerSchool Premier** – PowerSchool is a Pearson SIS product and one of the most popular and powerful student information systems on the market. CSMC will assist SCCLC in setting up your system for 2012-2013 and provide technical assistance as needed via our help desk during the contract period.

6) Charter Vision®

- a) Charter Vision is CSMC's online, client-specific business information portal. Charter Vision has your school's latest and detailed financial metrics and reports, upcoming deadlines, shared document templates, latest announcements, and upcoming deadlines. Access this portal anywhere, anytime. CSMC believes this is a great tool for increasing access and transparency to internal constituents like the school's board members.

7) Policies

- a) **Fiscal/Operating Procedures** – With the collaboration of SCCLC, CSMC will assist in the development and maintenance of fiscal and operating procedures and control policies.
- b) **Safety Manual** – With the collaboration of SCCLC, CSMC will develop and maintain complete and compliant Safety Manual.

8) Client Support

- a) **Client Support** – At SCCLC request, CSMC will provide unlimited assistance with funding, budgeting, strategy, fiscal control, or other operational/financial questions or issues.

Proposed Fees

One-Time Setup Fee – \$0. This fee includes all of the activities necessary to get your information into the CSMC system to enable the above services. This includes such information as:

1. Exporting information from your current bookkeeping system (if you are an operating charter school) or gathering initial bookkeeping information (if you are a new school) into our enterprise-quality software system
2. Working with you to input all of your employees' personal- and compensation-related information into our payroll system
3. Identifying all of the revenue programs your school is possibly eligible for, assisting you to make strategic decisions about which ones to pursue, and helping you to apply to any you might have missed to ensure your school receives as much revenue as possible
4. Projecting your cash flow needs for the upcoming contract period and helping you start identifying possible ways of surviving any gaps

5. Identifying which financial reports you would like to see on an ongoing basis to help you make the best strategic decisions and keep other stakeholders informed
6. Assessing your current operational and financial policies, comparing them to current best practices, and improving those that need to be updated
7. Ensure that you are comfortable with how CSMC will support you and answer any of your initial questions

Ongoing Fee for Services – \$45,600 for the 2012/13 school year, to be paid in 12 monthly installments of \$3,800 beginning in July 2012. This fee covers all of the ongoing services listed in this contract after the initial setup period. If SCCLC renews the contract with CSMC for 2013-2014, the monthly pricing (\$3,800) will not change unless SCCLC’s ADA increases or decreases by at least 25%. Upon execution of this agreement, July 2012 ongoing service fees shall be waived. If San Carlos renews its contract for 2013-2014, July 2013 ongoing service fees shall also be waived.

Proposed Contract Period

Ongoing services will begin on July 1st, 2012 and will end on June 30th, 2013, unless San Carlos Charter Learning Center renews its contract with CSMC.

References

We know that choosing a business back office provider like CSMC is an important decision for you and your school. If we were in your place, we would want to talk with some actual, current CSMC clients to see how well CSMC supports its clients. In case you would like to talk with such references, below are the contact name, school, school summary information and phone number of several CSMC client schools which are similar to your school:

| | | |
|-------------------------|--------------------------|--------------|
| Temecula Valley Charter | Joann Burnett, Principal | 951-926-9037 |
| Ivy Bound Academy | Kiumars Arzani, CEO | 818-808-0158 |
| Urban Discovery Charter | Cindy Moser, Principal | 619-788-4668 |

Parties

This contract for charter school business support services is between the Charter School Management Corporation (hereinafter referred to as “CSMC”) and San Carlos Charter Learning Center (hereinafter referred to as “SCCLC”). It is understood that this is an agreement whereby SCCLC desires to retain CSMC, because of CSMC’s expertise, prior experience and comprehensive service offerings, as they relate to SCCLC’s operation of a charter school, and that CSMC desires to provide expertise for the benefit of SCCLC using its knowledge, skills, experience and abilities. This contract is not intended to, and shall not be construed to create the relationship of agent, employee, partnership, or joint venture, or any other relationship other than independent contractor between CSMC and SCCLC. CSMC shall be free to provide similar services for other clients.

Timing of Services

The parties shall agree upon a mutually acceptable time schedule for submission, review and return of the above documents and services.

Communication Between the Parties

Client will direct all communication to the CSMC Account Manager and CSMC will direct all communication to SCCLC's designated primary contact, unless either party designates another representative and provides written notification of the change to the other party. CSMC agrees to keep all communication and work product with SCCLC confidential within the full allowable extent of State and Federal Law.

Sole Entity

This contract is entered into by the SCCLC for itself alone and not on behalf of, or as an agent for, any other entity, agency, school, or school district. Any obligation of the SCCLC arising from this contract is and shall remain the sole responsibility of the SCCLC.

Guarantee

CSMC cannot guarantee that the services it provides under this contract will yield the results sought by Client. CSMC promises a good faith effort to secure all reasonable objectives sought by SCCLC in this consulting agreement.

Assignment

This Agreement is not assignable without written consent of the parties hereto.

Indemnification

To the fullest extent allowable by law CSMC shall hold SCCLC harmless and shall defend and indemnify SCCLC, its officers, Board Members, employees and volunteers, from all claims, causes of action, demands and liability arising out of or related to the performance of CSMC's duties and obligations under this agreement, or arising from CSMC's actual or alleged negligence, and for any alleged or actual negligence or willful acts or omissions of CSMC, or CSMC's agents, employees and/or subcontractors.

CSMC's obligation to defend and indemnify SCCLC its officers, Board Members, employees and volunteers, is not diminished or negated in any way due to the passive negligence of SCCLC, its officers, Board Members, employees and/or volunteers. Said indemnity and defense obligations do not apply to claims, causes of action, demands and liability arising out SCCLC's sole negligence or willful misconduct.

To the fullest extent allowable by law SCCLC shall hold CSMC harmless and shall defend and indemnify CSMC, its officers, Board Members, employees and volunteers, from all claims, causes of action, demands and liability arising out of or related to the performance of SCCLC's duties and obligations under this agreement, or arising from SCCLC's actual or alleged negligence, and for any alleged or actual negligence or willful acts or omissions of SCCLC, or SCCLC's agents, employees and/or subcontractors. SCCLC's obligation to defend and indemnify CSMC, its officers, Board Members, employees and volunteers, is not diminished or negated in any way due to the passive negligence of CSMC its officers, Board Members, employees and/or volunteers. Said indemnity and defense obligations not apply to claims, causes of action, demands and liability arising out CSMC's sole negligence or willful misconduct, nor does it apply to

any claims, causes of action, demands and liability arising out of or related to acts or omissions of SCCLC which are based upon advice, recommendations or judgments rendered by CSMC.

Payment for Services

SCCLC will pay to CSMC the amount outlined in the Proposed Fees section. CSMC will submit a written billing statement to Client on a monthly basis. SCCLC will make payments to CSMC promptly upon receipt of the monthly billing statements.

Termination of Contract

This contract shall continue in full force for the period stated in the section Proposed Contract Period, unless terminated earlier as provided below.

SCCLC may cancel the contract at any time without cause by providing written notice of the cancellation, provided, however, that SCCLC shall pay CSMC for all fees incurred up until the date of notice of cancellation based on the rates noted in CSMC’s proposal to SCCLC.

CSMC may cancel the contract at any time without cause; however, CSMC will provide a minimum of 90 days of notice before termination.

Sole and Entire Agreement

This contract sets forth the full and complete agreement between the parties and fully supersedes any and all prior agreements or understandings between the parties hereto, whether oral or written, pertaining to the subject matter hereof. No verbal modifications, additions, or deletions from this contract shall be permitted. All changes to this document must be made in writing and agreed to by both parties.

Severability

The provisions of this contract are severable, and if any part of it is found unenforceable, the other paragraphs shall remain fully valid and enforceable.

Governing Law

This contract is made and entered into in the State of California and all of its provisions shall be governed and interpreted under California law.

Notice

Notice to the parties under this agreement shall be delivered to the following addresses:

CSMC HEADQUARTERS
40925 County Center Drive
Temecula, CA 92590

San Carlos Charter Learning Center
750 Dartmouth Ave.
San Carlos, CA 94070

Signatures

Sandro Lanni
CSMC

Christopher Mahoney
Director

Date: _____

Date: _____