

# Sounding Board

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## ***The Role of a Charter School Finance Committee***

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The Finance Committee plays a critical role in supporting the fiscal health and long-term sustainability of the charter school. While the full board holds fiduciary responsibility, the Finance Committee ensures that the board has the information, context, and recommendations it needs to make sound financial decisions. (The phrase “fiduciary responsibility” does not include only financial oversight. This phrase merely means that each board member has the legal responsibility to act in the best interests of the school they serve.)

All charter school boards in Minnesota are required to establish a finance committee that meets regularly and includes at least one board member. This committee is responsible for reviewing and making recommendations to the board on financial matters, which may include budgeting, enrollment tracking, financial strategy, internal controls, audits, and compliance with financial terms in the charter contract. ([Minnesota Statutes 2025, section 124E.07, subdivision 6](#))

Additionally, for any school that is under corrective action for financial reasons, as determined by its authorizer, the law requires two specific actions:

- The authorizer must be included in monthly finance committee meetings (in person or virtually). This includes both Corrective Action Renewal and notices of intervention.
- At the authorizer’s request, the school must hire a financial expert.

### **What does the Finance Committee do?**

The committee works closely with the school leader and financial service provider to monitor the school’s financial performance, assess risks, and recommend actions to the full board. This includes:

- Reviewing monthly financial reports, which include budgeted and actual revenue and expenses by year-to-date percentages, disbursements and deposits, and student enrollment report with enrollment expressed in terms of funding mechanisms
- Reviewing quarterly financial reports, which include a balance sheet, income statement that includes revenues and expenses by UFARS programs, up-to-date cash flow projections, and fiscal year-end fund balance projections
- Identifying the cause of any variances of budget to actual, for both revenues and expenditures, and determining if additional action (such as a budget revision) is required
- Reviewing upcoming significant expenses and their potential impact on cash flow
- Reviewing actual enrollment compared to the enrollment reported to the Minnesota Department of Education (MDE) (i.e. the number of students the school actually has vs. the number of students MDE is paying the school to serve) and addressing any significant gaps (i.e. greater than 10%)
- Providing guidance on budget development and revisions, including analyzing performance against previous periods to identify trends and areas for improvement

- Discussing any unexpected or unplanned expenses
- Reviewing grants and donations
- Reviewing lease issues, such as the timing of the Lease Aid application and payments, reviewing management fees with the landlord, and recommending renegotiation
- Holding the school accountable to following its policies and procedures, as well as state statutes governing procurement and conflicts of interest
- Monitoring compliance with financial reporting requirements and state deadlines
- Reviewing audit results and corrective actions
- Ensuring financial elements of any authorizer notices (e.g. Corrective Action Renewal, Notices of Intervention, and Exhibit S) are addressed
- Supporting long-term financial planning and sustainability
- Aligning the school's strategic plan and financial goals

The Finance Committee also plays a key role in supporting strong internal controls, which help protect the school's assets, ensure the accuracy of financial reporting, and prevent fraud or misuse of funds. While day-to-day controls (like who can approve purchases or how checks are issued) are managed by school leadership in conjunction with the financial service provider, the Finance Committee ensures that these systems are in place and functioning effectively. This includes reviewing audit findings and management letters, asking questions about financial policies and procedures, and following up on any identified weaknesses. A strong Finance Committee helps reinforce a culture of accountability and transparency, which is essential for maintaining public trust and meeting the expectations of authorizers, funders, and the broader community.

### **What should members look for?**

Finance Committee members don't have to be accountants, but they should ask good questions, seek to understand key trends, and keep an eye out for warning signs. Some examples:

- Are revenues and expenses tracking close to budget?
- Is the cash flow stable and sufficient to meet obligations?
- Has enrollment (which drives funding) changed significantly? And if so, what additional action is required (e.g. a budget revision)?
- Are there material changes or risks flagged by the finance team?
- Are reporting deadlines to the authorizer or state being met?

For more information on this topic, see *Sounding Board* Issue 32: "[Financial Oversight: Five Key Questions for Minnesota Charter School Boards to Answer at Every Meeting](#)"

### **What is the committee's relationship to the board and school leadership?**

In most charter schools, the Finance Committee is not a decision-making body. It makes recommendations to the full board. It also does not manage the day-to-day finances; that is the role of school leadership and the financial services provider. However, by reviewing information ahead of time, committee members help the board avoid surprises and ensure thoughtful, well-informed discussion at board meetings.

### **What tools or resources are helpful?**

An annual calendar of recurring topics (see below) helps ensure that key responsibilities do not get overlooked. Understanding the charter contract and board financial policies is also essential. Committee members are encouraged to ask for clarification or training on financial topics if needed.

## **Conclusion**

In short, an engaged and informed Finance Committee is essential to the school's financial health and long-term success. By providing oversight, asking thoughtful questions, and supporting transparency, the committee helps the board fulfill its fiduciary responsibilities and ensures that public funds are used responsibly. Whether reviewing monthly reports, guiding the budget process, or monitoring internal controls, the Finance Committee's work helps build a strong foundation for the school's mission to thrive.

# ***Sample 12-month Finance Committee Agenda Cycle***

## **Recurring Agenda Items**

- Review monthly financial reports and budgeted to actual enrollment
  - In accordance with Section 6.9(a) of the charter contract, ensure that monthly reports include budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report with enrollment expressed in terms of funding mechanisms (e.g. Pupil Units).
- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- The month following quarters ending 9/30, 12/31, 3/31, and 6/30, review quarterly financials
  - In accordance with Section 6.9(a) of the charter contract, ensure that quarterly reports include a balance sheet, income statement that includes revenues and expenses by UFARS programs, up-to-date cash flow projections, and fiscal year-end fund balance projections.

## **July**

- Review financial reports from the prior month: budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report
- Review Q4 financials (ending 6/30): balance sheet, income statement that includes revenues and expenses by UFARS programs, up-to-date cash flow projections, and fiscal year-end fund balance projections
- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- Review preliminary year-end financials (pre-audit)
- Discuss finance-related audit preparation steps

## **August**

- Review financial reports from the prior month: budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report
- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- Review unaudited actuals from prior fiscal year
- Monitor implementation of current year budget (FY started July 1)
- Confirm submission of year-end financial reports to MDE
- Update on audit fieldwork and timelines
- Check status of finance-related items in any CAAPs, NOIs, or renewal conditions

## **September**

- Review financial reports from the prior month: budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report
- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- Discuss early trends and potential areas of concern
- Follow up on audit progress and deadlines
- Begin identifying areas that may need adjustment in October revision

## **October**

- Review financial reports from the prior month: budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report
- Review Q1 financials (ending 9/30): balance sheet, income statement that includes revenues and expenses by UFARS programs, up-to-date cash flow projections, and fiscal year-end fund balance projections
- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- Budget Revision #1: Revise budget to reflect October 1 student count and other changes; review and recommend budget revision for board approval
- Review any MDE/MARSS reporting issues impacting finance
- Continue tracking audit progress

## **November**

- Review financial reports from the prior month: budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report
- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- Prepare for audit presentation (schedule, board review)
- Evaluate staffing or enrollment shifts with budget implications
- Confirm audit submission timelines

## **December**

- Review financial reports from the prior month: budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report
- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- Present and review annual audit, accept for submission to MDE and OW
- Mid-year check-in on CAAP/NOI finance-related goals
- Preliminary discussion of budget priorities for next year

## **January**

- Review financial reports from the prior month: budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report
- Review Q2 financials (ending 12/31): balance sheet, income statement that includes revenues and expenses by UFARS programs, up-to-date cash flow projections, and fiscal year-end fund balance projections
- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- Budget Revision #2: Revise budget to reflect mid-year student transfers and other changes; review and recommend second budget revision for board approval
- Begin detailed planning calendar for next year's budget development

## **February**

- Review financial reports from the prior month: budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report

- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- Review finance-related risks, forecasts, or major spending trends
- Begin modeling high-level scenarios for next year's budget (based on projected enrollment, staffing needs, known changes)

### **March**

- Review financial reports from the prior month: budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report
- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- Budget Planning Launch: Develop timeline, responsibilities, and assumptions
- Review enrollment trends, staffing needs, and potential changes to programming
- Review current financial health and its implications for next year's planning

### **April**

- Review financial reports from the prior month: budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report
- Review Q3 financials (ending 3/31): balance sheet, income statement that includes revenues and expenses by UFARS programs, up-to-date cash flow projections, and fiscal year-end fund balance projections
- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- Review first draft of next year's budget
- Consider updates to financial policies, if needed

### **May**

- Review financial reports from the prior month: budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report
- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- Review second draft of next year's budget (refined with updated enrollment/staffing inputs)
- Confirm alignment with fund balance policy and contractual requirements
- Finalize any recommendations for budget adoption

### **June**

- Review financial reports from the prior month: budgeted and actual revenue and expenses by year-to date percentages, disbursements and deposits, and student enrollment report
- Monitor progress toward resolving finance-related items from a Corrective Action Renewal or Notice of Intervention
- Budget Approval: Final review and recommendation for full board adoption by June 30
- Review Q4 preliminary closeout estimates
- Evaluate year-end projections vs. fund balance goals
- Confirm summer deadlines (e.g., audit kickoff, year-end reporting)