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For more information regarding the content of this material, please contact the Charter Schools Division by phone at 916-322-6029 or by email at [charters@cde.ca.gov](mailto:charters@cde.ca.gov).

## Nonclassroom-Based Funding Determination Form - Fiscal Year 2022-23

Information collected on this form is pursuant to *California Code of Regulations*, Title 5 (5 CCR). Instructions for completing this form can be found on the California Department of Education (CDE) website at <https://www.cde.ca.gov/sp/ch/nclrbifunddet.asp>.

**Users should download and save the PDF prior to entering data into the form. The recommended program for completing the form is Adobe Acrobat Reader DC. Completing the form using the web browser may result in errors.**

### Section I. Charter School Information (Complete fields 1-18) 5 CCR 11963.3(a)(1) to (4)

1. Charter School Name Heartwood Charter
2. Charter School Authorizer Libery Elementary
3. Charter School Number 2071      4. CDS Code 49707970139568
5. Street Address 170 Liberty School Road
6. City Petaluma      7. County Sonoma      8. Zip Code 94952
9. Contact Name Mark Puccinelli      10. Title Board President
11. Phone Number 415-936-9215      ext.      12. Email mark@heartwoodcharterschool.org
13. Grade Levels Served TK-12      14. Date Charter Expires (MM/DD/YYYY) 06/30/2026
15. Funding Level Requested (Select one)  100%  85%  70%
16. Years Requested (Select one)  2  3  4  5
17. Funding Determination Period Requested      FY 2023-24      to      2027-28
18. Charter School Deadline - Select one
  - Due Date: 12/1/22 To be heard at the March State Board of Education (SBE) meeting
  - Due Date: 2/1/23 To be heard at the May SBE meeting
  - Other Funding Determination (Specify in Section VI.3) Source Data FY

- For an existing charter school that does **not** have an active funding determination, please use current-year budget data as the source data to complete the form.
- For an existing charter school with a funding determination that expires at the end of FY 2022-23, use FY 2021-22 audited financial data.
- If an existing charter school with a funding determination misses the February 1 deadline, the governing board of the charter school's authorizing local educational agency will need to request a waiver to submit a late funding determination request. The SBE may approve such waivers under the general authority, under California *Education Code (EC)* sections 33050-33053. Additional information regarding the waiver process is located on the CDE Waivers web page at <https://www.cde.ca.gov/re/lr/wr>.

Determination of Funding Request for  
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**Section II. Financial Information (Complete sections A, B, D, and E)**

**A. Total Resources (Complete lines A.1.a to A.1.d)**

1. Revenues and Other Resources		5 CCR 11963.3(a)(5)(A) and (6)
a. Federal Revenues	\$99,246	
(i) Enter amount of Public Charter Schools Grant Program included under Federal Revenues (Line A.1.a)	\$0	
b. State Revenues	\$3,834,942	
c. Local Revenues	\$51,826	
d. Other Financing Sources	\$0	
e. Total Revenues (Sum of lines A.1.a to A.1.d)	\$3,986,014	

**B. Total Expenditures and Other Uses (Complete lines B.1 to B.4)**

1. Instruction and Related Services		5 CCR 11963.3(a)(5)(B) and (6)
a. Salaries and Benefits		
(i) Certificated	\$1,646,958	
(ii) Classified	\$240,211	
b. Books, Supplies, and Equipment	\$347,778	
c. Services and Other Operating Costs		
(i) Contracts for Instructional Services	\$190,510	
(ii) Contracts for Instructional Support	\$44,620	
(iii) All Other Instruction Related Operating Costs	\$68,353	
d. Total Instruction and Related Services	\$2,538,430	
2. Operations and Facilities		5 CCR 11963.3(a)(5)(C) and (6)
a. Salaries and Benefits		
(i) Certificated	\$0	
(ii) Classified	\$0	
b. Books, Supplies, and Equipment	\$0	
c. Services and Other Operating Costs	\$158,493	

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B. Total Expenditures and Other Uses (Complete lines B.1. to B.4), continued
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d. Facility Acquisition and Construction	\$0
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e. Total Operation and Facilities	\$158,493
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f. Allowable Facility Costs	5 CCR 11963.3(b)(7)
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(i) Enter the total facility square footage occupied by the charter school	15,000	sqft.
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(ii) Enter the total Classroom-Based P-2 ADA reported in the prior FY. DO NOT INCLUDE NCB ADA	
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(iii) Enter the total Student Hours attended by the NCB pupils at the school site in the prior FY	100,998
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(iv) Calculated Facilities Costs Lesser of line B.2.e or [(B.2.fii+(B.2.fiii/868)]*1000	\$116,357.14
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Allowable (Lesser of line B.2.e or B.2.fiv)	\$116,357.14
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3. Administration and All Other Activities	5 CCR 11963.3(a)(5)(D) and (6)
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a. Salaries and Benefits

(i) Certificated	\$16,471
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(ii) Classified	\$34,310
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b. Books, Supplies, and Equipment	(\$176)
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c. Services and Other Operating Costs

(i) Contracts for Other Administrative Services	\$111,446
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(ii) Supervisorial Oversight Fee	\$102,948
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(iii) All Other Administration and Other Activities, Services and Operating Costs	\$101,345
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d. Total Administration and Other Activities	\$366,344
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4. Other Outgo and Other Financing Uses	5 CCR 11963.3(a)(5)(E) and (6)
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a. Debt Service	\$1,377
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b. Transfers to local educational agencies	
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c. All Other Transfers and Outgo <b>Note - This must not be a negative value.</b>	
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d. Total Other Outgoing and Other Financing Uses	\$1,377
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**B. Total Expenditures and Other Uses, continued**

5. Total Expenditures \$3,064,644  
(Sum of lines B.1.d, B.2.e, B.3.d, and B.4.d)

**C. Revenues Over Expenditures - Surplus or (Deficit)**

(Line A.1.e minus Line B.5) \$921,370

**D. Fund Balance (Complete line D.a)**

a. Enter Beginning Fund Balance (July 1) 5 CCR 11963.3(a)(5)(A) \$86,890  
b. Ending Fund Balance - June 30 (Line C plus Line D.a) \$1,008,260

**E. Reserves (Complete lines E.a. to E.e)**

If reserves in line E.a or E.b are more than \$50,000 or over 5% of total expenditures, provide an explanation in Section III.6, pursuant to 5 CCR 11963.3(a)(5)(F).

	% of Expenditures	
a. Designated for Economic Uncertainties	5%	\$155,918
b. Facilities Acquisition or Capitol Projects	0%	
c. Reserves Required by Charter Authorizer	0%	
d. Other Reserves (Explain in Section III.5)	0%	
e. Unassigned/Unappropriated Fund Balance	28%	\$852,342
f. Total (Sum of lines E.a to E.e)	33%	\$1,008,260

**Note - Line E.f must agree with Line D.b**

**Section III. Supplemental Information (Complete lines 1 through 8)**

**1. Pupil to Teacher Ratio (PTR), pursuant to EC Section 51745.6 and 5 CCR Section 11704**

a. Enter the charter school's PTR: 0.00:1 21.35  
b. If the charter school's PTR in line III.1.a exceeds 25:1, enter the name of the largest unified school district in the county or counties in which the charter school operates:  
  
c. Enter the PTR for the unified school district listed on line III.1.b: 0.00:1

2. Did any entity receive \$50,000 or more OR 10% or more of total expenditures (Line B.5) in the FY 2021-22 OR will receive in the FY 2022-23? (5 CCR 11963.3[b][3])  Yes  
 No

If yes to line III.2, list the name of each entity and the cumulative amount received by each entity in Box 2.a on Page 5. Are contract payments made by the charter school based on specific services rendered or upon an amount per unit of average daily attendance (ADA) or some other percentage of the charter school's revenues, enrollment, etc? If yes, identify on Page 5 Box 2.a.



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3. List the charter school's CURRENT governing board pursuant to 5 CCR Section 11963.3(b)(4).				
Name and Title of Board Member	Board Member Type (Parent, teacher, etc)	How was this member selected?	Is the member affiliated in any way with any entity listed in Section III.2?	Board Member Term (From MM/YY to MM/YY)
Mark Puccinelli	Parent	Nominated	No	07/22 to 06/24
Tracy Lapera	Parent	Nominated	No	07/21 to 06/24
Greg Browman	Parent	Nominated	No	07/21 to 06/24

Has the governing board adopted and implemented conflict of interest policies and procedures?  Yes  
 No

For any governing board member identified as affiliated with any entity reported above in Section III.2, explain the nature of the affiliation below. Attach an extra sheet if necessary.

NA

4. If transfers are reported on lines B.4.b or B.4.c, describe the nature of the transactions and identify the accounts or entities involved in the transfers pursuant to 5 CCR Section 11963.3(b)(5).

B.4.b  NA

B.4.c

5. If "Other Reserves" are reported on line E.d, explain the purpose for these reserves.

Reserves in Line E.d      NA

E.d

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6. If reserves reported on line E.a (designated for economic uncertainties) OR E.b (facilities acquisition or capital projects) exceed the greater of \$50,000 or 5% of total expenditures, explain the need for such excess reserves.

E.a

Percentage

E.b

Percentage

7. Enter the average daily attendance (ADA).

FY 2021-22 P-2 ADA (0.0)	369.26	FY 2022-23 P-2 ADA (0.0)	494.44
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8. Enter the full-time equivalent (FTE) employees working at the charter school that possess a valid teaching certificate, permit, or other document equivalent to that which a teacher in other public schools would be required to hold issued by the Commission on Teacher Credentialing and who work in the charter school in a position required to provide direct instruction or direct instructional support to students, pursuant to 5 CCR Section 11963.3(b)(8).

FY 2021-22 FTE (0.0)	21.1	FY 2022-23 FTE (0.0)	26.1
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**Section IV. Nonclassroom-Based Virtual or On-line Charter Schools (Complete lines 1 and 2)**

1. Is this charter school a virtual or on-line charter school as defined in 5 CCR Section 11963.5? (A virtual or on-line charter school is one in which at least 80% of teaching and student interaction occurs via the Internet.)  Yes  No

2. If yes to line IV.1, can the charter school demonstrate compliance with 5 CCR sections 11963.5(b)(2) to (8)?  Yes  No  N/A

**Section V. Calculated Funding Determination Percentage**

1. Percent spent on Certificated Employee Salaries and Benefits to Total Public Revenues 5 CCR 11963.3(c)(1)

Certificated Salaries and Benefits costs Line B.1.a(i)/Federal Revenues Lines A.1.a - PCSGP A.1.a(i) + State Revenues A.1.b

2. Percent spent on Instruction and Related Services to Total Revenues 5 CCR 11963.3(c)(2)

Instructional and Related Services costs Line B.1.d + Allowable Facilities costs 2.f.(iv)/Total Revenues Line A.1.e



Funding Determination Criteria	
If the percentages from lines V.1 or V.2 do not meet the spending criteria of the funding level requested as shown below, complete Section VI to provide mitigating circumstances for consideration by the Advisory Commission on Charter Schools (ACCS) for making a recommendation other than one that results from the criteria specified in regulations.	
100%	1) Line V.1 must equal or exceed 40 percent, 2) Line V.2 must equal or exceed 80 percent, AND 3) Line III.1.a. PTR cannot exceed 25:1 OR the PTR on line III.1.c, the ACCS shall recommend approval at 100%, unless there is a reasonable basis to recommend otherwise (5 CCR 11963.4[a][3]).
85%	1) Line V.1 must equal or exceed 40 percent, AND 2) Line V.2 must equal or exceed 70 percent but less than 80 percent, the ACCS shall recommend approval at 85%, unless there is a reasonable basis to recommend otherwise (5 CCR 11963.4[a][2]).
70%	1) Line V.1 must equal or exceed 35 percent, AND 2) Line V.2 must equal or exceed 60 percent but less than 70 percent, the ACCS shall recommend approval at 70%, unless there is a reasonable basis to recommend otherwise (5 CCR 11963.4[a][1]).
Denied	1) Line V.1 is less than 35 percent, OR 2) Line V.2 is less than 60 percent, the ACCS shall recommend that the SBE deny the request, unless there is a reasonable basis to recommend otherwise (5 CCR 11963.4[a][4]).

**Section VI. Mitigating Circumstances (Complete lines 1-3 and attach any supporting documentation)**

1. Explain why the charter school did not meet the criteria for the funding level requested. Include specific measures or actions taken by the charter school to comply.

Heartwood did not meet the threshold for Instruction and Related Service spending as a percentage of revenue because the school needed to improve its financial position to ensure sustainability. Although the school easily meets the target as percentage of expenses, because the formula is based on revenues, it makes it very challenging for a school to have any operating income and still meet the 80% of revenue threshold.

Heartwood had significant financial challenges in their first two years related to the limitations on ADA that they were able to claim for funding purposes. In Heartwood's first year of operation (2019-20,) their ADA was limited when the attendance year was cut short on February 28th due to the COVID-19 pandemic. (see attachment 1 for additional information)

2. List and explain the mitigating circumstance(s) to be considered by the CDE and ACCS.

- 1) Heartwood received reduced ADA funding in both of their first two years of operation due to changes in ADA calculations. First, a shortened year in 2019-20 and then a growth cap in 2020-21.
- 2) Because of the reduced funding the school had an operating loss in year one and only a very small fund balance in year two and had to build up reserves in year three to be financially sustainable.
- 3) Because of the schools limited reserves and the delays in cash flow payments, the school didn't have the money necessary to fully staff up in the fall of 2021 and had to incur significant financing fees in order to meet expenses obligations.
- 4) For the positions that the school was trying to hire, there were limited applications or applicants that weren't qualified for the positions.

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3. Provide any other pertinent information that may assist the CDE and ACCS in conducting a detailed review or develop a reasonable basis for a recommendation.

Heartwood has included a letter of support from their auditor agreeing that their operating income was necessary for their long-term financial health.

**Section VII. Certification (Review, sign, and date) 5 CCR 11963.3(b)(1)**

I certify that:

1. The information provided is true and correct to the best of my ability and knowledge.
2. This charter school's nonclassroom-based instruction is conducted for and substantially dedicated to the instructional benefit of the school's students.
3. This charter school's governing board has adopted and implemented conflict of interest policies.
4. All of the charter school's transactions, contracts, and agreements are in the best interest of the school and reflect a reasonable market rate for all goods, services, and considerations rendered for or supplied to the school.

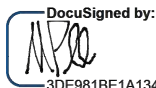
Mark Puccinelli

Enter Name of Charter School's Director, Principal, or Governing Board Chairperson

Board President

Title of Authorized Individual

**Before certifying with electronic/digital signature below, please be sure to check all numerical entries and information provided, and save a copy of this form. Modifications to the information reported on this form cannot be made after the signature field below has been completed. If providing a wet signature instead of an electronic one, please date the signature.**



1/30/2023

Mark Puccinelli President, Governing Board

Signature of Charter School's Director, Principal, or Governing Board Chairperson

Submit completed and electronically signed forms via email to [FundingDeterminations@cde.ca.gov](mailto:FundingDeterminations@cde.ca.gov).

The CDE no longer requires the following documents:

- Hard copy of the FDF
- Hard or soft copy of the Conflict of Interest Policy

Therefore, please do not submit these documents to the CDE.

### **Heartwood Charter Funding Determination Mitigating Circumstances – Section VI.1 Additional Info**

Heartwood did not meet the threshold for Instruction and Related Service spending as a percentage of revenue because the school needed to improve its financial position to ensure sustainability. Although the school easily meets the target as percentage of expenses, because the formula is based on revenues, it makes it very challenging for a school to have any operating income and still meet the 80% of revenue threshold.

Heartwood had significant financial challenges in their first two years related to the limitations on ADA that they were able to claim for funding purposes. In Heartwood's first year of operation (2019-20,) their ADA was limited when the attendance year was cut short on February 28<sup>th</sup> due to the COVID-19 pandemic. Heartwood had been increasing enrollment throughout the year, even adding 30 students in the attendance period prior to P2 being cut short. Because Heartwood couldn't claim their last two months, the school incurred an operating loss and ended their first year with a negative fund balance, which resulted in an audit finding from their auditor.

Year two (2020-21), brought another significant challenge for Heartwood, as non-classroom-based schools were limited to their prior year ADA. This severely limited Heartwood's ability to increase their enrollment to a sustainable level and resulted in the school serving 180 students while only being funded on their 2019-20 ADA of 117. This caused the school to achieve only a minimal operating income and provided a very small fund balance (roughly 2.8% of expenses) for their third year of operation.

Last year (2020-21) was the first year that Heartwood received full funding for the students that the school was serving. The first two years of operation had forced the school to operate an efficient budget and the school didn't have the available funds to hire the full staffing ahead of their third year of operation. Still, the program thrived, and the school was serving 350 students by 20-21 CALPADS day. While the school met the requirements for the PTR ratio and certificated staff, the school had challenges hiring for instruction related administrators, instructional aides and enrichment support during the year. Heartwood had jobs for these positions posted throughout the year, but due to the nationwide employment shortage, and the competitive compensation environment of being in the Bay Area, several of these jobs went unfilled.

Heartwood's other challenge was that even though the budget gradually started to look better in 2021-22, as the school continued to increase enrollment, it wasn't until March of 2022 that the cash payments from the state started to reflect the number of students that the school was serving. And, because of the growth cap in 2020-21, Heartwood was two years behind in terms of cash flow payments reflecting students served. From August through February of last school year, Heartwood was being funded on their year one ADA of 117, while serving 350 students. In order to meet basic operational costs the school had to rely on financing, which came at a total cost last year of \$45,098.

In order to create a path to financial sustainability and to avoid spending a significant percentage of school revenue on financing fees, Heartwood achieved an operating income last year that was large enough that it made it virtually impossible to meet the 80% spending target. That challenge was compounded by the fact that Heartwood spent money on financing fees and pays 3% district oversight fees, both costs that the school is reporting under "Administrative and All Other". Heartwood's 2021-22 operating income leaves them with a fund balance of \$1,008,445 or about 16.6% of 2022-23 operating expenses.

With more certainty around cash flow this year Heartwood has significantly increased spending. The biggest area of increase is in staffing, where the school has been able to increase the number of teachers, instruction related administrators, instructional aides, and enrichment teachers. To retain staff and increase competitiveness in hiring, Heartwood has increased all salaries by 15% this year. Without the significant cash flow and sustainability concerns that persisted for their first three years of operation, Heartwood can now operate at much closer to a breakeven budget. This is shown in the school's 2022-23 first interim budget, which projects an operating income of \$199,972 for this year and \$58,474 in 2023-24, which results in a total fund balance of 18% by the end of the 2023-24. This leaves the school with enough reserves to avoid significant cash flow challenges, but far less reserves that most charter schools typically build by the end of their fifth year.



California Department of Education  
1430 N Street  
Sacramento, CA 95814-5901

January 20, 2023

To Whom It May Concern:

This letter is to assist Heartwood Charter School in their request to file a nonclassroom-based funding determination with mitigating circumstances.

We have been Heartwood's auditors since their first year of operation in 2019-20. Heartwood's first year of operation was financially challenging, which resulted in an audit finding for having a negative fund balance. Since then, Heartwood has had to take out various costly finance sources to keep the school in operation. We agree Heartwood's operating income in the prior year was needed and would have been difficult for them to meet spending targets and have the operating income necessary to be financially sustainable in the long term.

Sincerely,



Susan Taylor  
Audit Senior II

Cc: Mark Puccinelli  
Bryce Fleming  
Jeff Nigro