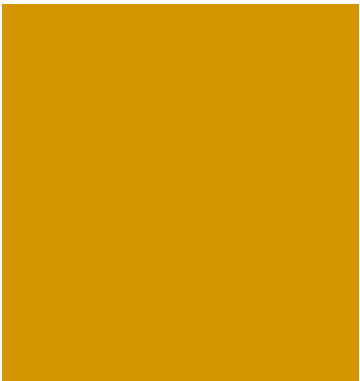




# NOBLE

## Financial Report 2018



## FROM THE CHIEF FINANCIAL OFFICER

In August of 2017, just after our students arrived for their first weeks at school, the state government of Illinois passed comprehensive education funding legislation that reforms and improves the way that public schools like ours receive resources.

We were particularly pleased because the new funding formula provided Noble the ability to implement our new salary schedule ahead of the original timeline. I can think of few better ways to budget those precious resources than to ensure that the educators that inspire and motivate Noble students every day are provided more predictability and transparency with a competitive salary schedule.

Does this new education funding formula mean that finances for public education, and for charters in particular, will always be smooth sailing? Unfortunately, no. Far from it. There are still too many variables and complexities to ensure that the resources each school needs will be readily available. Charters historically have not been provided equitable access to facilities nor funding for capital improvements, unfairly eating into operational dollars. We ultimately need to fix this through policy in Springfield and Chicago and will continue to fight to do so.

Funding for all public schools — traditional districts like CPS and charter networks like ours — remains uncertain because of our state's fiscal realities. And each year, legislation is introduced in Springfield, intended to target charter schools specifically, that threatens our funding and operating freedom. Still, as we review our year-end financials, the updated funding formula gives Noble the assurance that we will complete the year without extreme financial woes.

As in years past, we are assembling this year-end financial report as a helpful summary for understanding and navigating the web of funding and resources that constitutes public education. I hope you find this guide informative and reassuring.

**ALEJANDRO RAMIREZ**  
**CHIEF FINANCIAL OFFICER**

# **SUMMARY OF FISCAL YEAR**

2017-2018





## WHAT WE BELIEVE

This is how we approach the financial challenges of running our network:

We must operate excellent schools where student success is the focus, navigating a complex funding environment that is often disadvantageous to charters. Noble must:

- \* *Operate sustainably on public funding*
- \* *Maintain healthy finances even in difficult times*
- \* *Be cost-conscious, but invest in our people and our students*
- \* *Allow teachers to focus on teaching*
- \* *Provide leaders budget flexibility*

## KEY DEVELOPMENTS IN FISCAL YEAR 2018 (JULY 2017 - JUNE 2018)

- After extensive work by the education community — including Noble and its partners in Elevate Chicago and the Illinois Network of Charter Schools — state government passed legislation modifying the funding formula for public schools of all types, including charters. Based off a metric called the “per capita tuition charge,” it ensures Noble will be treated more fairly for funding purposes under CPS and ties our per pupil funding levels to number that is audited by the state.
- The funding unlocked by this legislation allowed us to responsibly implement the new teacher salary structure ahead of schedule. We were able to positively adjust teacher compensation in early 2018, providing clarity and predictability for the majority of our staff.
- Noble is on stable financial ground. Thanks to years of sustainable budgets, responsible spending, and careful attention to external funding realities, we have protected the basic operating funds needed to adequately run our schools and preserve staff positions.

## NOBLE'S NEW SALARY SCHEDULE

We believe that Noble should be the best place to work in education in the country. This year, we were able to make a substantial step towards delivering on that ideal.

Last February, after a lengthy and detailed review process to thoughtfully meet the needs of hundreds of staff members, we instituted a new, network-wide salary schedule for educators. As you may know, that move was informed by feedback from dozens of focus groups with Noble staff. We believe that this salary structure will provide the predictability and transparency that enables educators to build long, sustainable careers inside Noble classrooms. Combined with our Distinguished Teacher program that will launch in FY19, our compensation structure is also highly competitive with more traditional school districts both locally and nationally.

Nearly all of the funding made available by new state legislation went directly to funding this salary schedule, allowing us to implement it in advance of next school year, which has long been our planned timeline.

### Noble's comprehensive compensation program now includes:

- Campus bonuses, most commonly based on student performance and contributions to school culture and which is not reflected in the base salary displayed here.
- Industry-leading health benefits through Blue Cross Blue Shield of Illinois.
- Acknowledging up to ten years of prior teaching experience prior to working at Noble. We are proud to say that this exceeds the years of experience acknowledged at Chicago Public Schools.
- In addition to the salary schedule, Noble currently contributes 7% of a teacher's expected 9% Chicago Teachers' Pension Fund contribution (this is in addition to another 11% that Noble provides on behalf of each employee).
- Stipends for voluntary time spent coaching sports teams, sponsoring clubs, and running other after-school positions.
- Other benefits include discounted bike share and gym memberships, reimbursing teacher-licensure testing and application fees, and Relay Graduate School tuition programs.

Completed Teaching Experience	Annualized Salary
0 years	\$50,000
1 year	\$52,000
2 years	\$54,080
3 years	\$56,243
4 years	\$58,212
5 years	\$60,249
6 years	\$62,358
7 years	\$64,540
8 years	\$66,799
9 years	\$69,137
10 years	\$71,211
11 years	\$73,348
12 years	\$ 75,181
13 years	\$77,061
14 years	\$78,987
15 years	\$80,962
16+ years	\$82,581+

## CASH ON HAND

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Total Unrestricted Cash and Investments, net of \$37.4MM in outstanding bond debt: \$39MM (91 days)

**The most visible impact of our strong financial management is that in our 19 years of operations, Noble has continually prioritized and protected staff positions.** This makes us unique in the public educational space, particularly in Chicago. Noble's most valuable resource is our people. Our finance team is designed to value our people by prioritizing strong management that stabilizes our financial position despite any outside influence to the contrary, allowing schools, staff, and teachers to remain focused on what matters most: teaching and learning. Maintaining a strong but reasonable reserve operating fund is one of the most important ways we foster such stability.

The number above is our cash snapshot as of June 30th, 2018, representing liquid assets Noble's ability to entirely self-fund 91 days of operations. Having a healthy cash reserve protects the organization in times of volatility, particularly if CPS is late on funding payments to Noble or decides to implement funding reductions (which has happened as recently as SY16-17 and SY15-16). Not all of these reserves are held in cash despite the name; Noble instead keeps most of its reserves in money market accounts and other investments, a financial management strategy which generates small but still meaningful amounts of interest on our savings, 100% of which is returned to our daily operating fund.

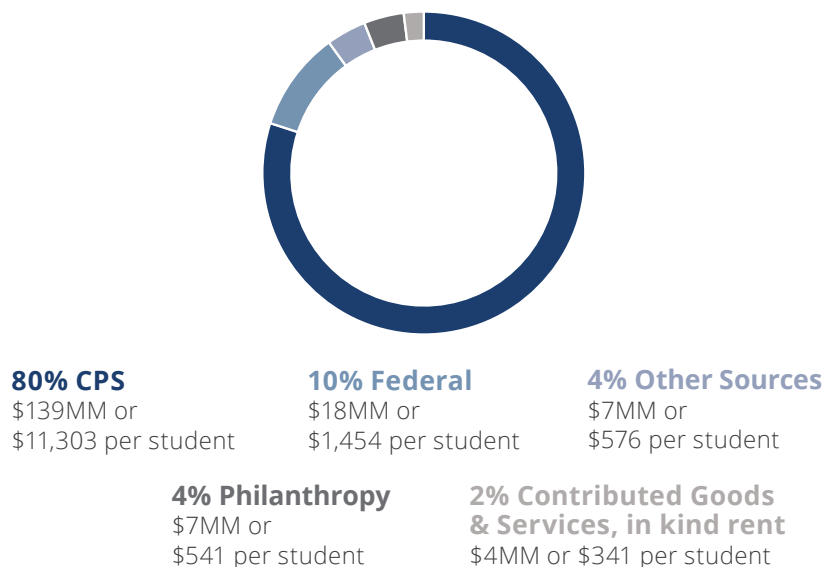
Maintaining solid cash reserves also helps keep Noble's bond rating (similar to a person's credit score) in good shape, keeping interest rates on any future borrowing needs low. School districts across the city, state, and country often suffer from high-interest rate borrowing. Noble does everything it can to avoid that scenario.

To that end, Noble is currently making payments on its bond debt which currently stands at \$37.4 million. Because the state and CPS will not adequately fund facilities and startup costs for charter schools, Noble took out loans in the form of bonds to fund construction, improvements and growth at our Rauner, Rowe-Clark, Golder, Noble Street, Pritzker and Hansberry, campuses. Fortunately, Noble maintains excellent credit (particularly compared to traditional school districts like CPS) and is able to responsibly repay the funds that allowed us to open and maintain these wonderful schools. This, in turn, assures bondholders that despite future turmoil at CPS and the state government, Noble will still be able to fund its daily operations as a solvent and fully-functioning organization.

It should be noted that our cash position changes daily. While we do not go below the minimum reserves recommended by ISBE and set by our bond covenants, our cash will be higher right after CPS sends quarterly payments and get closest to a 90 days balance right before the CPS quarterly payments as that funding is used and Noble (and all charters) wait for the next round.

## REVENUES

**FY18 TOTAL REVENUES: \$175MM (\$14,215 PER STUDENT)**

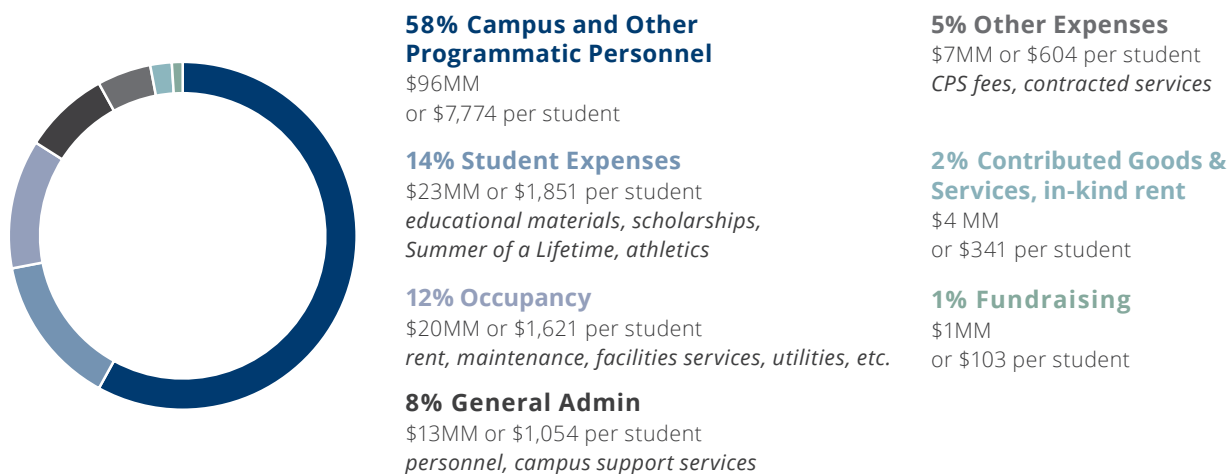


### Revenues Notes:

• As a non-profit 501(c)(3) organization, all of Noble's assets exist to further our mission. The organization has no owners and cannot distribute dividends or capital for any individual or corporate gain. Our board of directors are volunteers and are not compensated.

## EXPENSES

**FY18 TOTAL EXPENSES: \$165MM (\$13,349 PER STUDENT)**



### Expenses Notes:

• In FY18, Noble increased its per-pupil campus personnel costs from \$7,240/student in FY17 to \$7,774/student this past year. This is largely reflective of the salary schedule introduced in FY18, as aided by additional state funding.

• Noble's Management, General admin and Fundraising costs represent just 8.7% of total expenses, exemplifying Noble's commitment to prioritizing resources for the classroom in an efficient and effective manner.