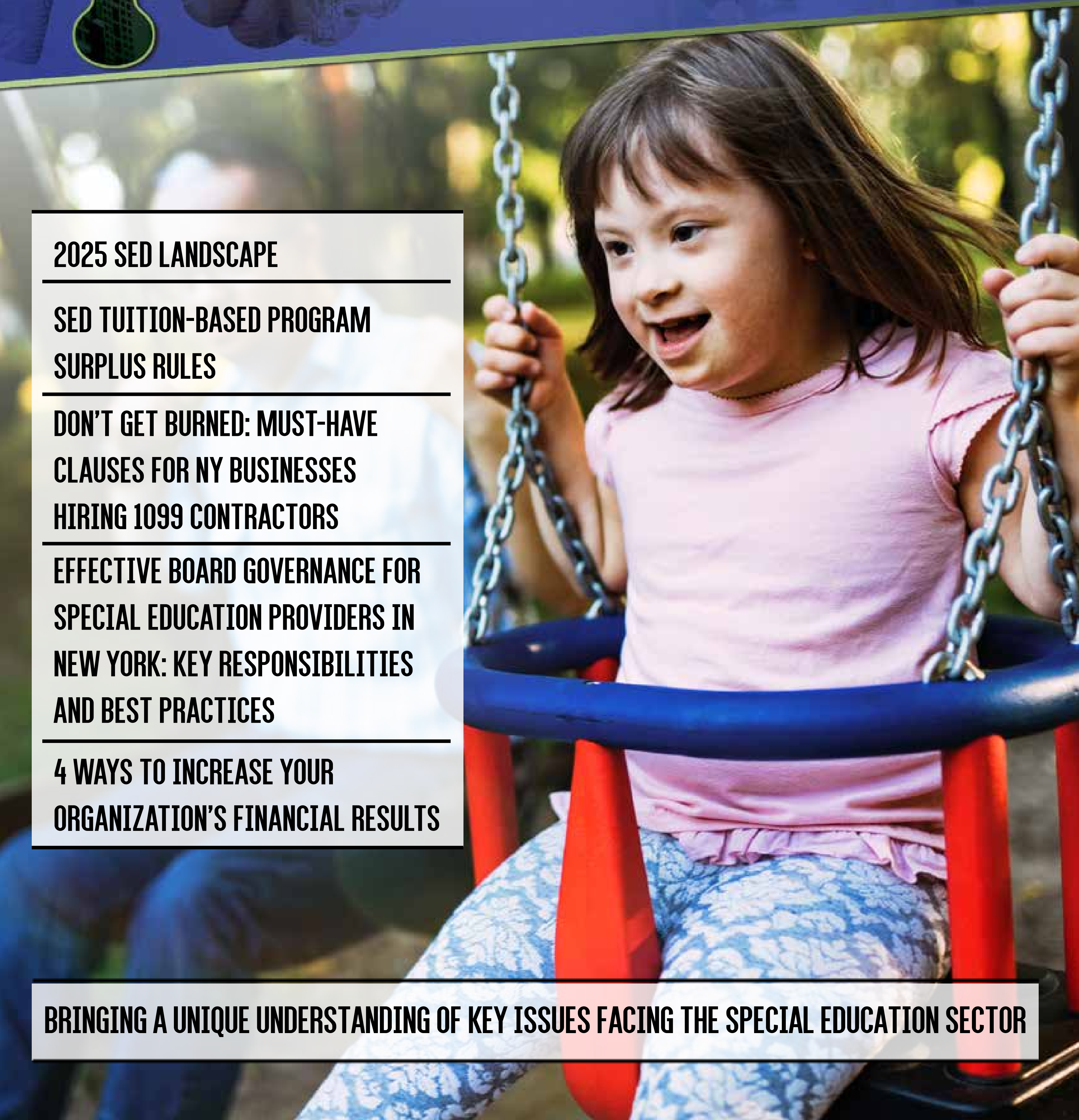
CERINI & ASSOCIATES, LLP | CERTIFIED PUBLIC ACCOUNTANTS

PRESENTS

SPECIAL ED-ITION

VOL. 30

SUMMER 2025



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BRINGING A UNIQUE UNDERSTANDING OF KEY ISSUES FACING THE SPECIAL EDUCATION SECTOR

FROM THE EDITOR - KEN CERINI, CPA, CFP, FABFA

2025 SED LANDSCAPE

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It's back to school time, which means your busy ensuring your facilities and your programs are in place, that you're staying abreast of new SED programmatic requirements, and your grappling with student counts and staffing ratios, both of which are the life blood of a special education school these days. These are super important, but what about the fiscal aspects of your organization; the need to bring in additional discretionary dollars to help subsidize growing costs; *and the ability to attract and engage effective Board members?*

SED RATE METHODOLOGY:

The new rate methodology letter was released July 1, 2025, covering the 2025-26 year. There were no major surprises:

- The trend factor for the 2025-26 year will be 2.9%, a little bit lower than the 3.1% discussed in the fall. This applies to pre-school and school aged tuition based programs, as well as 1:1 aide rates, SEIT, and RSO. As evaluations are linked to the EI rate, we are in a sit and wait position to see if evaluations will receive an increase. Currently the rates on the SEDFIN site do not include one. For anyone that provides SEIT services, you may feel like the new rate increase is lower than expected (*$1 vs. $2*). It is important to understand that the SEIT rate is rounded each year to the nearest dollar, but the rate calculated each year is based off the prior year actual rate calculated to 3 decimals. As a result, as the calculated rate was below .500, it was rounded down to the nearest dollar.
- The non-direct care limit remains at 35% for tuition based programs (*25% for SEIT*).
- Once again, the 2025-26 total cost screen will be the greater of:
  - *The 2023-24 reconciliation rate per diem trended forward (an adjustment factor pf 7.32% which is the product of the 2024-25 trend factor of 4.3% and the 2025-26 trend factor of 2.9%).*
  - *The final 2024-25 prospective per diem adjusted for the 2025-26 trend factor of 2.9%.*
  - *The 2024-25 reconciled rate per diem adjusted for the 2025-26 trend factor of 2.9%.*
- As in the past, if your actual costs are within 1% of your prospective rate (*either over or under spent*), your rates will not be reconciled, and your prospective rate will be your final reconciliation rate.
- The methodology continues to provide a safety net for providers that have experienced a decline in average enrollment of 7.5% or more when compared to average enrollment for the 3 years between 2016-17 and 2018-19.
- The surpluses are still in effect, with the allowable surplus for the 2025-26 year set at 8%. This is down from the 11% surplus available over the last 3 years. (**see page 4 for a discussion on the carryback and forward of surpluses**).
- Interim Rates are once again calculated using the 2022-23 reconciled/prospective rates trended forward using the 2023-24, 2024-25, and 2025-26 trend factors.

PUBLIC SCHOOL MEDIAN SALARIES:

The median salaries (*prospective*) for the 2025-26 year for position title codes 601 (*Superintendent*) and 602 and 603 (*Assistant Superintendent*) have been posted, along with the statewide public fringe benefit rate of 67.05%.

REGIONAL NEED:

There continues to be regional need in many regions of the state, as we have seen contraction in the industry over the last 10 years. With the increases in rates over the last few years, and the growing regional need, we have seen expansion from existing programs as well as some new agencies jumping into the 4410 and 853 worlds, including some EI providers adding SEIT services to their programming. While this is part of the normal cycle of supply and demand, it also puts additional strain on the already tenuous staffing situation.

CAPITAL COST APPROVALS:

According to the RCM, new or renovated facility space for tuition- based programs, both instructional and noninstructional, to be occupied by approved programs in which space is new or substantially altered, or results in capitalized costs in excess of $100,000, will require both program and fiscal designee written approval prior to implementing. Unfortunately, NYSED and DOB are currently working on new procedures for such approval, which has put a temporary freeze on all approvals of construction projects. It is uncertain as to when the new procedures will be in place and DOB will once again be approving projects.

PPP/ERTC:

As the last of the PPP/ERTC funding trickles in, and programs are filing revised CFR's to provide for the offsetting revenue attributable to these funding streams, some agencies have run into issues with non-direct care screens due to the rate methodology. As you know, the rate methodology requires the non-direct care offset to be done before offsetting revenue is applied. If you are hitting a non-direct care screen and you were funded for certain non-direct care staff through PPP/ERTC funding, you may not be receiving the benefit for these. To the extent any non-direct staff funded by PPP/ERTC staff are screened out do to a non-direct care staff, it may want to reach out to your line accountant or their supervisor to see if you can get a waiver of the non-direct care screen for these salaries.

NEW METHODOLOGY:

NY state is working through the next iteration of tuition based funding. We should have a glimpse of it as early as next year, with a goal of implementation for the 2027-28 school year. There is not a lot to report at this time, but keep your ears out as we know it is coming.

(CONTINUED ON NEXT PAGE)

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EARLY INTERVENTION:

We are still up in the air with respect to many things:

- Classroom size for center-based group visits (*max of 10 verse 6*)
- Whether the 5% increase included in the 2024/25 State budget will materialize and if it does, will it be retroactive to October 1, 2024 as has been discussed.
- With respect to the 4% regional add-on, which will be retroactive to April 1, 2025, zip codes have been identified by utilizing a formula based upon IFSP wait time and community poverty data versus NY State regional averages. Furthermore, the State Medicaid Amendment has been submitted to CMS for their approval.
- Problems with EI Hub continue to persist, which has delayed the flow of new students into the system and the payment of services delivered. This has wreaked havoc on providers bottom-line, and now that the NYDOH is recouping advances made, it will also be impacting cash flows.
- Telehealth rates have been reduced so that they are now lower than that for in-person services. With certain hard to reach communities where it is difficult to find providers, decreasing the rates for telehealth could significantly impact access to care.

STUDENT LOANS:

With the difficulties that special education programs are having in finding and retaining staff, it may make sense to look into teacher loan forgiveness programs, and educate your staff about them in order to get them to stay. Some of the available programs are:

FEDERAL PROGRAMS

- **The Teacher Loan Forgiveness Program (TLF):** Offers up to $17,500 in forgiveness for eligible Direct and Stafford Loans. Eligibility requires five consecutive years of full-time teaching in a low-income school or agency, with special education teachers potentially qualifying for the higher forgiveness amount. An application is submitted to your loan servicer after completing the service requirement. This is not open to for-profit schools. Nonprofit schools should check the Teacher Cancellation Low Income Directory on StudentAid.gov to see if they are listed.
- **Public Service Loan Forgiveness Program (PSLF):** Forgives the remaining balance on Direct Loans after 120 qualifying monthly payments while working full-time for a government or 501(c)(3) non-profit organization. Payments should be made under an income-driven repayment plan. An Employment Certification form is recommended annually or when changing employers, and the application for forgiveness is submitted after 120 payments.
- **Federal Perkins Loan Cancellation for Teachers:** Can forgive up to 100% of Federal Perkins Loans for full-time teachers at low-income schools or those teaching certain subjects, including special education. Contact your Perkins Loan holder to apply.

NEW YORK STATE PROGRAMS

- **New York State Teacher Loan Forgiveness Program:** Certified teachers in NYS who are employed full-time in an elementary or secondary school in NYS and teach in a subject-shortage area or hard-to-staff district (*including Special Education*) may be eligible if they have been NYS residents for 12 continuous months prior to application and have outstanding eligible student loan debt. A lifetime maximum of up to $20,000 is available, paid in annual disbursements of up to $5,000 for up to four years.

The surpluses that NYSED providers are allowed to maintain have alleviated some cash flow concerns for providers, however we continue to hear from clients about funding delays from counties which is significantly impacting cash positions and line of credit borrowings.

We have included in this newsletter some insights into fundraising ideas. We understand that for most nonprofit special education providers, fundraising is not an easy process, but the need for additional discretionary funding is always a help. In addition, keeping Board members engaged has always been an issue. We will be hosting a Board month during October with seminars, postings, videos and more. If there are topics you like us to include, we would love to hear from you.

Please remember, we strive to be a resource to the special education community. We understand that you are working with children that need a greater level of work and support. This is not easy, so please let us help.

KEN CERINI, CPA, CFP, FABFA
MANAGING PARTNER

SED TUITION-BASED PROGRAM SURPLUS RULES

Starting with the year ended June 30, 2023, the SED rate methodology was modified to allow special education schools providing tuition based services to maintain surpluses. The surplus retention limits were:

- **2022-23 through 2024-25:** *Both 4410 and 853 schools can retain annual surpluses of up to 11% of their annual allowable and reimbursable costs.*
- **2025-26:** *The limit will decrease to 8%.*
- **2026-27:** *The limit will further decrease to 5%.*
- **2027-28 and thereafter:** *The limit will stabilize at 2%.*

These surpluses are cumulative, meaning surpluses are calculated each year and a provider can retain these surpluses. In calculating the surplus, the surplus is calculated based upon allowable expenses up to the school's prospective rate. If the prospective rate is lower than the prior year rate trended forward, the surplus is capped at the prospective rate.

For example, if a provider's calculated rate (*allowable expenditures divided by care days*) for 2025 is $210, their prospective rate is $227 and their 2024 rate trended forward is $230 (*$220.52 x4.3% 2024/24 trend factor*), the surplus would be limited to $17 per care day (*prospective rate less the calculated rate*). This surplus can be carried back or carried forward.

Until the surplus is utilized, from an accounting perspective, the surplus would be considered deferred revenue and be recorded as a liability within the school's financial statements.

There is no limit as to how far a surplus can be carried back, but losses can only be carried back to offset overspending in the same tuition-based program (*9100 surpluses can only offset 9100 losses*). In order to qualify for carryback, the school had to incur allowable costs that were screened out (*allowable costs in excess of non-direct care and total cost screens*) in prior years that resulted in the school entering into debt, and the surplus in the current year must be used to pay down this debt. Debt can be from a financial institution, a related party, or other source, it must be supported by a legal document, and it was incurred for reimbursable expenses according to the RCM.

For example, if during the year ended June 30, 2022, the school had a non-direct care screen of $40,000 and a total cost screen of $125,000 in its 853 program, necessitating the school to borrow $165,000 against its line of credit. During 2023, the school underspent its 853 program by $100,000 and used the $100,000 to pay down its line of credit. The school would be able to carry the $100,000 back to the year ended June 30, 2022 to offset a portion of the losses. The remaining $65,000 would remain in deferred revenue with the $100,000 of surplus being recognized in the year ended June 30, 2023, eliminating the surplus.

Similar to carry backs, a school can carry forward surpluses as long as the surplus and losses are from the same program. In the case of carrying surpluses forward, you don't have to worry about repayment of debt, the surplus must be used to fund allow costs in excess of screens (*allowable costs in excess of total cost or non-direct care screens*).

For example, if a school has a $200,000 surplus in deferred revenue at the end of 2024 in its 9160 program and in 2025 it incurs a $50,000 non-direct care screen and a $100,000 total cost screen in its 9160 program, the school could carry forward $150,000 of the surplus to offset the losses. This would reduced the school's deferred revenue and increase the school's revenue during the 2025 year.

SED requires the school's board of directors to approve the use of the surplus whether the school is carrying the surplus back or forward, which should be documented in the school's minutes.

These rules are not the easiest to follow. If you have questions, please do not hesitate to reach out.

AUSTIN HARVEY
SENIOR ACCOUNTANT

DON'T GET BURNED: MUST-HAVE CLAUSES FOR NY BUSINESSES HIRING 1099 CONTRACTORS

Hiring independent contractors in New York? A watertight contract is your best bet to avoid legal pitfalls and keep your business running smoothly. With New York's strict labor laws, including the Freelance Isn't Free Act and the 2023 non-compete ban, you need to get it right. Here's an outline of the essential elements your contracts with 1099 staff and private contractors must include.

1. IDENTIFY THE PLAYERS CLEARLY

WHAT TO INCLUDE:

Full legal names, addresses, and contact details for your business and the contractor. If the contractor operates as an LLC or other entity, include their business name and **EIN (Employer Identification Number)** instead of a Social Security Number to align with IRS 1099-NEC reporting. For Long Island businesses, note if the contractor's address is in Nassau or Suffolk County to clarify jurisdiction.

WHY IT MATTERS:

This locks in who's signing the deal, avoiding confusion and ensuring legal clarity.

EXAMPLE:

This Independent Contractor Agreement (*"Agreement"*) is entered into on July 28, 2025, between Special Education School, Inc., a New York corporation located at 11 Hempstead Ave, Hempstead, NY 11550 (*Nassau County*) (*"Company"*), and Smith PT Services, EIN 11-1234567, located at 321 Shore Rd, Montauk, NY 11954 (*Suffolk County*) (*"Contractor"*).

2. DEFINE THE JOB PRECISELY

WHAT TO INCLUDE:

A detailed breakdown of the services or deliverables, including specific tasks, milestones, deadlines, and any local licensing requirements (***e.g.,*** *physical therapy services to children with special needs from birth to 5*).

WHY IT MATTERS:

Clear expectations prevent disputes and keep projects on track.

EXAMPLE:

Contractor shall develop a mobile app so the Company can track early intervention services delivered by its staff and contractors. The delivered app will include user interface design, backend integration, and testing, to be delivered by October 1, 2025. Deliverables include source code and a user manual (*if a license is needed to provide the service, include it, contractor must have a physical therapy license and background check*).

3. SPELL OUT THE PAYMENT DETAILS

WHAT TO INCLUDE:

Payment amount (*hourly, flat fee, or milestone-based*), schedule, method (*e.g., ACH transfer, check*), and any reimbursable expenses. Per New York's Freelance Isn't Free Act (*statewide, including Long Island, since 2024*), contracts for work worth $800+ (*including aggregated work over 120 days*) must specify payment within 30 days of completion unless otherwise agreed.

WHY IT MATTERS:

Transparent terms ensure timely payments and compliance with NY law.

EXAMPLE:

Company shall pay Contractor $10,000, with $4,000 due upon signing, $3,000 upon beta app delivery, and $3,000 upon final delivery by October 1, 2025. Payments will be made via ACH transfer within 15 days of invoice receipt. Pre-approved travel expenses (***e.g.,*** *to Company's Long Island office*) up to $1,000 are reimbursable with receipts.

4. CONFIRM INDEPENDENT CONTRACTOR STATUS

WHAT TO INCLUDE:

A clause stating the worker is an independent contractor, not an employee, and is responsible for their own taxes, insurance, and benefits. Emphasize the contractor's autonomy (***e.g.,*** *control over work hours and methods*) to align with New York's ABC test and IRS 20-factor test for contractor status.

WHY IT MATTERS:

Avoids misclassification penalties from the IRS or NY Department of Labor.

EXAMPLE:

Contractor is an independent contractor, not an employee of Company. Contractor has full control over the methods and timing of services and is solely responsible for all taxes, withholdings, and insurance. Company will not provide benefits, including health insurance or paid leave.

5. SET THE TIMELINE AND EXIT STRATEGY

WHAT TO INCLUDE:

Specify the contract's duration (*start/end dates or ongoing*) and termination conditions (***e.g.,*** *14-day notice or for breach*). A notice period aligns with fair business practices across New York.

WHY IT MATTERS:

Clarifies how long the gig lasts and how to end it without drama.

EXAMPLE:

This Agreement begins on August 1, 2025, and ends upon app delivery on October 1, 2025, unless terminated earlier. Either party may terminate with 14 days' written notice or immediately for material breach (***e.g.,*** *non-delivery or non-payment*).

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6. PROTECT YOUR SECRETS

WHAT TO INCLUDE:

A confidentiality clause covering sensitive business info (***e.g.,*** *client lists, proprietary data*) with a reasonable duration (***e.g.,*** *2 years post-contract*). Ensure the scope is clear to be enforceable in New York courts.

WHY IT MATTERS:

Keeps your business's private info safe from leaks.

EXAMPLE:

Contractor shall not disclose Company's confidential information, including customer data or software algorithms, to third parties during or for two years after this Agreement. This applies to all work performed in Nassau and Suffolk Counties.

To ensure HIPAA and FERPA compliance, consider attaching a separate business associate agreement as providers will have access to student or staff information.

7. CLARIFY WHO OWNS WHAT

WHAT TO INCLUDE:

A work-for-hire clause stating that deliverables (***e.g.,*** *app code, designs*) belong to your business, or a license for their use. Specify if the contractor can use the work in their portfolio to avoid disputes in New York courts.

WHY IT MATTERS:

Prevents fights over who gets to use or profit from the work.

EXAMPLE:

All app code and designs created by Contractor are work-for-hire and the exclusive property of Company. Contractor may include the app in their portfolio with Company's prior written approval.

8. SKIP NON-COMPETES, LIMIT SOLICITATION

WHAT TO INCLUDE:

Avoid non-compete clauses, as they're banned in New York (*Labor Law § 191-d, effective September 2024, including Long Island*). Instead, include a narrow non-solicitation clause to prevent poaching clients or staff for a reasonable period (***e.g.,*** *12 months*).

WHY IT MATTERS:

Protects your business without breaking NY's non-compete law.

EXAMPLE:

Contractor shall not solicit Company's clients or employees for 12 months after this Agreement ends. This does not restrict Contractor from working with other businesses in the same industry in Nassau, Suffolk, or elsewhere.

9. REQUIRE INSURANCE AND LIMIT LIABILITY

WHAT TO INCLUDE:

Mandate that contractors carry relevant insurance (***e.g.,*** *general liability for on-site work in Long Island*) and limit your liability for their actions. Check industry-specific requirements, as some trades in Nassau/Suffolk Counties require specific coverage.

WHY IT MATTERS:

Shields your business from risks tied to the contractor's work.

EXAMPLE:

Contractor shall maintain workers compensation and professional liability insurance with $1,000,000 coverage per occurrence, compliant with Nassau County regulations for on-site work. Company is not liable for injuries, damages, or losses caused by Contractor.

Ask contractor to provide you with proof of insurance and if appropriate, name you as an additional insured.

10. PLAN FOR DISPUTES

WHAT TO INCLUDE:

Specify dispute resolution (***e.g.,*** *mediation or arbitration*) and that New York law governs, with a venue like Nassau or Suffolk County for Long Island businesses. Ensure arbitration complies with NY and federal laws.

WHY IT MATTERS:

Saves time and money by setting a clear conflict resolution path.

EXAMPLE:

Disputes shall be resolved through mediation in Nassau County, NY. If mediation fails, disputes will be governed by New York law and resolved in courts in Nassau County, NY.

11. MAKE TAXES THEIR RESPONSIBILITY

WHAT TO INCLUDE:

State that the contractor handles their own taxes (***e.g.,*** *self-employment taxes*) and that you'll issue a 1099-NEC for payments over $600 annually, per IRS rules. This helps avoid audits from NY's Department of Taxation and Finance.

WHY IT MATTERS:

Keeps you compliant and clarifies tax obligations.

EXAMPLE:

Contractor is responsible for all federal, state, and local taxes, including self-employment taxes. Company will issue a Form 1099-NEC for payments exceeding $600 in a calendar year.

12. TIE UP LOOSE ENDS

WHAT TO INCLUDE:

- **Entire Agreement:** *The contract is the final word, overriding prior talks.*
- **Amendments:** *Changes must be written and signed.*
- **Severability:** *If one clause fails, the rest still holds.*

WHY IT MATTERS:

Makes your contract legally robust across New York, including Long Island.

EXAMPLE:

This Agreement is the entire understanding between the parties and supersedes prior discussions. Amendments must be in writing and signed by both parties. If any provision is invalid, the remaining provisions remain enforceable.

PRO TIPS FOR BUSINESSES

- **Get Legal Help:** *Hire a New York attorney familiar with regulations to review contracts for compliance with the Freelance Isn't Free Act and the non-compete ban.*
- **Always Use Written Contracts:** *Verbal agreements are risky, especially for work over $800, where NY's freelance law applies.*
- **Keep Records:** *Store payment receipts and emails to support 1099 filings and prove contractor status, especially if audited in Nassau or Suffolk Counties.*
- **Update Regularly:** *Revise contracts to reflect NY's evolving laws, like the 2023 non-compete ban or new labor rules.*

JAMES LAINO, CPA
SUPERVISOR

EFFECTIVE BOARD GOVERNANCE FOR SPECIAL EDUCATION PROVIDERS IN NEW YORK:

KEY RESPONSIBILITIES AND BEST PRACTICES

In New York, **Special Education (SED)** providers serve over 400,000 students with disabilities under the oversight of the **New York State Education Department (NYSED)**. Effective board governance is essential to ensure compliance with federal and state regulations, such as the **Individuals with Disabilities Education Act (IDEA)** and New York's Part 200 regulations, while promoting equitable outcomes and organizational sustainability. Boards of trustees or directors hold ultimate responsibility for the organization's legal, ethical, and financial well-being. This article outlines key aspects of board governance, best practices, and challenges specific to SED providers in New York.

KEY ASPECTS OF BOARD GOVERNANCE

1. CORE RESPONSIBILITIES

- **Mission Stewardship:** Ensure all activities align with the organization's mission to provide high-quality special education services, supporting NYSED's Blueprint for Improved Results for Students with Disabilities.
- **Fiduciary Responsibility:** Oversee financial health by reviewing audits, assessing internal controls, and ensuring compliance with NYSED financial regulations (*the **Reimbursable Cost Manual (RCM)** and the CFR Claiming Manual*) and federal funding requirements, such as IDEA grants.
- **Strategic Planning and Oversight:** Set the organization's strategic direction, establish policies, and monitor performance. Understand how the organization's operations are trending and what actions the organization should take. *Is the organization hitting screens? Is a waiver appropriate? Does it make sense to add or close down a program? Is the organization maximizing its reimbursement?*
- **Executive Oversight:** Hire, support, evaluate, and, if necessary, replace the executive director or CEO to ensure effective leadership of SED programs.
- **Legal and Regulatory Compliance:** Ensure adherence to IDEA, Part 200 regulations, and NYSED's **Committee on Special Education (CSE)** processes to deliver a **free appropriate public education (FAPE)** in the **least restrictive environment (LRE)**. *How are you ensuring the organization is staying on top of regulatory changes? How is the organization protecting student information through the **Family Educational Rights and Privacy Act (FERPA)**?*
- **Accountability:** Hold leadership accountable for implementing strategies, reporting outcomes, and allocating resources to support quality education and compliance with NYSED standards.
- **Transparency and Communication:** Foster openness by sharing performance data and engaging stakeholders, including parents and staff, through regular communication channels like advisory councils.
- **Risk Management:** Identify and mitigate risks, such as non-compliance with IDEA or cybersecurity threats to student data, by developing robust policies and crisis response plans. Put in place a risk committee to ensure risks are constantly being understood and mitigated.

2. BEST PRACTICES

- **Active Engagement:** Board members should attend meetings, participate in committees, and stay informed about NYSED policies to contribute meaningfully to governance.
- **Informed Decision-Making:** Review materials, ask critical questions, and pursue continuous education on special education regulations, such as the RCM, IDEA, and Part 200, to make informed decisions.
- **Strategic Planning:** Actively shape and approve organizational strategies that align with New York's focus on inclusive education and equitable outcomes.
- **Performance Monitoring:** Obtain outcome results as to student progress against their IEP's to determine the effectiveness of educational results. Monitor program audits performed by the organization's regional associate to identify any programmatic deficiencies that may exist.
- **Cybersecurity:** Prioritize cybersecurity by assessing risks to student data, ensuring compliance with New York's data privacy laws (***e.g.,** Education Law § 2-d*), and developing a crisis response plan.

3. CHALLENGES

- **Maintaining Engagement:** Board members often juggle multiple commitments, making consistent participation and adoption of new governance practices difficult.
- **Navigating Regulatory Changes:** Keeping up with evolving NYSED regulations and federal mandates, such as updates to IDEA or Part 200, requires ongoing education and adaptability.
- **Balancing Diverse Stakeholder Interests:** Boards must address the needs of students, parents, staff, funders, and the community while aligning with NYSED's equity-focused priorities.

STRATEGIES TO STRENGTHEN GOVERNANCE

- **Invest in Training:** Provide board members with training on the **Consolidated Fiscal Report (CFR)**, the rate methodology letter, the organization's operating results, and effective governance to enhance understanding and decision-making.
- **Leverage Data:** Use available tools to monitor performance metrics, ensuring policies address disparities and promote inclusive education.
- **Foster Partnerships:** Collaborate with other organizations, such as universities (*to attract new teachers*) or community agencies (*for supportive resources*), to enhance services like vocational training or telehealth.
- **Engage Stakeholders:** Establish parent advisory councils or regular forums to gather input, building trust and aligning services with community needs.
- **Diversify Funding:** Explore grants, private pay programs, partnerships, or fundraising opportunities to supplement state and federal funding, reducing financial strain on local districts.

Effective board governance is critical for New York SED providers to deliver equitable, compliant, and high-quality education for students with disabilities. By embracing their core responsibilities, adopting best practices, and addressing challenges proactively, boards can ensure organizational resilience and meaningful student outcomes.

KELLY MEHR, CPA
SUPERVISOR

4 WAYS TO INCREASE YOUR ORGANIZATION'S FINANCIAL RESULTS

It is hard to function in an environment where all your funding is coming from tuition-based revenue. There are too many variables (*disallowed costs, non-direct care screens, total cost screens*) to contend with, with little chance of building reserves. Adding SED funded fee-based programs can help, but it is hard to create profitability in evaluations (*whose rates are tied to EI rates*) and 1:1 aides (*which has been impacted by hikes in minimum wage*). SEIT is an option, but it is hard to find teachers and any SEIT profitability must be used to fund future SEIT expenditures. As a result, SED funded programs need to look to alternative funding streams and operational efficiencies in order to continue to build fiscal strength and ensure long-term viability.

1. EXPANDING SERVICE OFFERINGS AND REACH

SED tuition based funding, like any cost-based government funding, while substantial, can be unpredictable. Just look at the delays some providers working with Suffolk County have experienced over the last year. Without other sources of income and cash flow, providers can find themselves maxing out their lines of credit and other high-cost financing. It is important to look to subsidize SED revenue with other revenue such as grants, fundraising, investment returns, contracts with school districts, and more.

Adding other fee-based revenue streams offers a certain level of predictability while still offering an organization the ability to generate profitability. Performance based grants, insurance-based services, before and after school programs, parent support groups, SEIT, SETTS, pendency services, contracts with districts, or even tapping into other government funders like OPWDD (*fiscal intermediary services*), all offer opportunities to leverage a strong leadership team to create additional revenue streams. The key is to do the analysis necessary to understand the impact such activities will have on your overall financial picture.

2. REDEPLOYMENT OF RESOURCES

Are you utilizing your resources to their fullest capacity? If you are hitting non-direct care screens, you either need to cut costs or expand operations. Exploring ways to redesign space within your facility to add classrooms could be a way to increase direct expenditures, without a high level of increased non-direct expenditures. You can also utilize space for before and afterschool programs, or if there is demand, an afternoon half-day program.

All schools are having problems attracting and retaining staff. It is even harder for SED funded agencies as your salaries and fringes are so much lower than that of public schools. Studies show that today's workforce are no longer tethered to an employer, but build stronger bonds with their managers. As such, your management team can make or break your organization. Invest in your management team to train them on how to excel with today's workforce. Make sure staff understand what they need to grow with your organization, what their path will look like (*position, time frame, responsibilities*), and what they can expect in compensation. Remember, you're asking your people to invest in you with their time and effort, *what are you doing to invest in them?*

3. INVESTMENT IN TECHNOLOGY AND TRAINING

Advancement in technology over the last few years has been astounding. Game changing AI and the ability to utilize automation to streamline the accounting function, including purchasing, billing, and financial recordkeeping or to assist in communication, or perform research, and more, have significantly increased the overall organizational efficiency. With the ability to streamline processes, CFO's and Controllers, are able to make quicker, more informed decisions that can drive more of a surplus to the bottom-line. As budgets tighten, it is ever so important for the decisions makers of your organization to have quick access to data and pin point areas of waste and overspending.

With the use of applications such as Bill.com to automate the accounts payable process, using AI bots to streamline and automate journal entry preparation, software to manage your leases and compliance with 842, the list goes on. The time and investment in the right technology will help create time savings where instead of mundane routine tasks your fiscal department once handled, they can focus their attention on billing and collections which drive cash flow and funding into the organization. Another important note is the integration of Fundraising applications which can give you a further outreach to a vast network of people and organizations willing to donate and contribute to your organization. With the ability to reach larger audiences through various media and technology, it makes it easier for individuals to contribute to your cause.

One important take away here is that it is important to do your research and make sure that the technology you are implementing is the right fit. Technology, just as anything else, is not a one size fits all and you must invest time in the decision making process to analyze and evaluate if it is the right fit for you.

4. CONSIDER FUNDRAISING OPPORTUNITIES

It has been traditionally difficult for SED funded organizations to bring in significant levels of fundraising and contribution income, especially smaller pre-school providers. Larger facilities that are able to leverage more sophisticated CRM systems and hire development staff have a bit of a leg up in the fundraising department. Even so, fundraising is based upon relationships, so successful fundraising hinges on your organization's ability to leverage those relationships. Look to your families, your staff, your volunteers, your Board members and look for ways to engage them in fundraising activities. You don't always need to hold an event. Linking them to a tangible goal (*we need to raise $100,000 for renovation of the therapy room*) is often a great way to tie donations to impact. Also keep in mind that less than 50% of donors give a second gift. In order to keep donors engaged, let them see the results of their donation. Videos, a thank you picture from a student, a call from a parent, all go a long way of building connection to your organization.

Consider engaging in a crowdfunding campaign. Launch campaigns for specific projects like facility improvements, technology items, or staff training. Use platforms like GoFundMe and share client success stories to build emotional connections with donors.

Seek corporate sponsorships. Partner with businesses to sponsor programs or events in exchange for branding. Action: Approach local businesses with a clear sponsorship proposal, highlighting mutual benefits like community visibility.

SED providers cannot afford to remain passive amid fiscal uncertainty. Diversifying funding and finding operational efficiencies are both a safeguard against risk and a catalyst for innovation, growth, and deeper community impact. By building a balanced funding portfolio, providers can become resilient hubs of inclusion, serving diverse populations with cutting-edge services. Take action now: Conduct a funding audit to identify ways that you can add new funding streams—such as a fee-for-service program or grant application—to pursue within the next quarter and ways to improve your overall operating effectiveness through use of technology and leveraging your leadership. With a strategic, entrepreneurial approach, SED providers can thrive, ensuring they remain relevant and ready to serve for years to come.

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