

The Partner Model: A Third Way

How California charter schools build stronger finance teams
without building bigger ones

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Abstract

California charter schools and nonprofits are managing rising financial complexity with finance teams that were sized for a simpler era. The conventional responses are to hire more staff or hand operations to an outside vendor, and both leave leaders short of what they actually need: clarity they can act on, continuity through staff turnover, and strategic depth as enrollment and funding shift.

This paper describes a third model. An integrated partner works alongside existing staff rather than replacing them, supplying capacity and expertise while building the internal team's capability. The paper shows what that looks like across forecasting, California compliance, board reporting, and the practical adoption of AI, then offers a framework leaders can use to evaluate the partner they have or the one they are considering.

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Executive Summary

Charter school and nonprofit leaders in California are managing more financial complexity than their teams were built to carry. Funding is shifting at both the state and federal level. Most leaders came up through instruction and have had little formal training in school finance. And the work itself is genuinely difficult: revenue moves between lines, restricted and unrestricted funds behave differently, and the reporting calendar is unforgiving. When the finance function cannot keep pace, the cost rarely appears as a line item. It shows up as leadership attention, spent reconciling numbers instead of running the organization.

Faced with that pressure, most organizations choose between two options. Hiring adds fixed cost that scales with headcount and concentrates institutional knowledge in one or two people. Outsourcing moves the work outside the building and often takes understanding of the organization with it. **A third option exists. An integrated partner supplies capacity and sector expertise while deliberately building the internal team's capability, so the organization finishes the engagement stronger than it started.**

This paper makes the case for that model, shows what it looks like week to week, and gives leaders a practical way to evaluate providers against it.

Key Takeaways

- California's funding structure and reporting calendar demand strategic finance work, and most charter finance teams are staffed for transactional work.
- The choice between hiring internally and outsourcing to a vendor is a false one. Both leave the same capability gap, and neither is designed to close it.
- A partner model succeeds or fails on capacity building. When leaders understand their own numbers, board communication and alignment follow. If leaders do not end up understanding those numbers better, the engagement has not worked.
- Technology and AI lower the cost of financial operations, but only after the reporting is reliable and the team understands what the numbers mean.

The Finance Problem No One Talks About

Ask a charter school leader what keeps them up at night and finance rarely comes first. Enrollment, staffing, and instruction come first, as they should. But press a little further and a different answer emerges. Leaders describe reports that arrive too late to act on, forecasts that are rebuilt from scratch each quarter, and board meetings where they are asked a question about the budget and cannot answer it with confidence.

This is a story about a function that has grown more demanding faster than the teams responsible for it have grown. Four forces compound the problem:

1. **Funding is shifting.** Changes at both the federal and state level have made revenue less predictable than it was even a few years ago. Enrollment is flat or declining across much of California, and it moves revenue directly. Funding sources have also grown more complex, and a good portion of what arrives is one-time money that cannot be built into an ongoing budget without creating a cliff later. Planning assumptions that held for a decade no longer hold, and organizations that budget once a year are making decisions on numbers that were stale before the school year began.
2. **Leaders come from instruction.** Most charter school leaders built their careers in classrooms and school buildings. That is a strength, and it is why these organizations exist. But few have had formal training in school finance, and fewer still have been taught how to read a budget report as a strategic document rather than a compliance artifact.
3. **The work is harder than it looks.** School finance is not spending against a budget. Revenue can be moved from line to line. Restricted and unrestricted funds behave differently and cannot be treated as interchangeable. A favorable variance may reflect a vacancy that is quietly damaging instruction. Facilities add another layer, whether the organization is running a capital campaign to buy a building, leasing space from another organization, or carrying the cost of co-location and ongoing maintenance. None of this is simple arithmetic, and none of it is obvious to someone who has not done it before.
4. **The systems get in the way.** In many organizations the current budget is whichever spreadsheet was emailed most recently. Nobody is quite certain which version is live, whether the formulas still hold, or how they would go about checking. Accounts payable runs on hand coding, printed checks, and receipts taped to paper. The staff hours absorbed by all of this rarely get counted, and they are one of the larger costs in the building.

The consequence is a gap between the information a leader has and the information a leader needs. That gap has a cost, and it is paid in leadership attention long before it appears in an audit finding. Closing it comes down to something simpler than compliance: leaders who feel real confidence in the business they are running.

One example makes the point. During onboarding with a new client, our team found roughly one million dollars sitting in a county office trust account that the organization had never accessed. The money had been there for years. Nobody inside the organization knew to look for it, and the provider they had been paying never thought to mention it.

The False Choice

When leaders recognize the gap, they typically reach for one of two remedies. Both are reasonable. Both fall short in ways that are often predictable.

Hiring internally

Adding a finance director or a senior analyst puts capability inside the building, which is genuinely valuable. It also adds fixed cost that scales with headcount rather than with need, and it concentrates institutional knowledge in a single person. When that person leaves, and in a competitive market they eventually do, the organization is back where it started, often mid-year and mid-audit.

Contracting a vendor

Outsourcing to a bookkeeping or back-office provider converts a fixed cost into a variable one and brings in people who close books for a living. But the relationship is usually transactional. The vendor processes what it is given, returns reports on a schedule, and has little incentive to understand the organization's strategy. Over several years the internal team learns nothing, and the organization becomes more dependent rather than less.

What both approaches miss is the strategic dimension, and in California that dimension is substantial. Capital and facilities planning, enrollment shifts that move revenue between lines, and the reporting motions the state requires are not transactional work. A bookkeeping vendor is not built to handle them, and a single internal hire rarely has the bandwidth to do them well alongside the daily close.

	Internal Hire	Outside Vendor	Partner Model
Cost structure	Fixed salary and benefits. Scales with headcount.	Variable, tied to a fixed service menu.	Scales with need rather than headcount.
Continuity risk	High. Knowledge concentrates in one person.	Moderate. Assigned staff rotates.	Low. A dedicated fractional CFO and a continuous relationship.
Strategic depth	Limited by one person's bandwidth.	Transactional by design.	Forecasting, facilities, and board strategy included.
California compliance	Often learned on the job.	Filed on schedule, rarely anticipated.	Calendar worked forward, checkpoint by checkpoint.
Systems and technology	Whatever the school already owns.	The vendor's stack, with your data inside it.	Corporate-grade tools curated for schools. Live dashboards.
Capacity built	Stays with the individual.	Little. Knowledge remains with the provider.	The measure of success. Leaders read their own numbers.
Exit cost	Recruiting and rebuilding from scratch.	High. Understanding leaves with the provider.	Lower. Tools and fluency stay with your team.

Table 1. Three ways to staff the finance function.

A Third Way: The Partner Model

There is a third arrangement, and it is easier to describe by what it does than by what to call it. An integrated partner works alongside the existing team rather than around it. It supplies the capacity to run the finance function day to day and the expertise to make the function strategic. It reports into leadership rather than parallel to it. And it treats the internal team as people to develop rather than as a handoff point.

The distinguishing feature is capacity building, and it is the point rather than a side effect. In a vendor relationship, the provider's knowledge stays with the provider. In a partner relationship, knowledge moves deliberately toward the organization. Leaders who understand their own numbers make better decisions, defend them more confidently to their boards, and end up less dependent on any single provider. That includes Harness. It changes the board relationship too. When a leader can speak to their own numbers, board meetings move from explaining the report to deciding what to do about it, and alignment comes faster because everyone is reading the same picture the same way.

This is a stronger commitment than it sounds. A partner whose model depends on the client never learning anything has an incentive to keep the client in the dark. A partner that measures its success partly by how capable the internal team becomes has to be willing to make itself less necessary over time.

We hear a version of this from leaders regularly. One chief executive told us plainly that he wants his principals to know their numbers and stop bringing every question to him. The obstacle is rarely capability. Nobody wants to admit they do not follow the report in front of them, so the easier path is to defer to the back office or to the CEO. Changing that takes patience, a standing invitation to ask, and a format people can actually read.

What This Looks Like in Practice

Models are easy to describe and harder to recognize. Here is what the partner model looks like across an ordinary year.

Continuous forecasting

The forecast is maintained rather than rebuilt. Enrollment changes, staffing decisions, and grant timing flow into it as they happen, so the projection a leader sees in February reflects February rather than the assumptions made the previous June. This is the difference between a budget as a document and a budget as an instrument.

Many organizations need more than one forecast. A charter network with a nonprofit arm, or a nonprofit running several programs that each carry their own budget, needs individual forecasts that roll up into a consolidated view, with fundraising revenue and shared cost allocations handled the same way in both. Building that structure once and maintaining it is far easier than reassembling the whole picture every time the board asks for it.

Facilities decisions run through that same forecast. A capital campaign to purchase a building, a lease from another organization, or a co-location arrangement each carry costs and timing that belong in the projection rather than in a separate spreadsheet. Modeling those scenarios before the board votes is considerably more useful than reconciling them afterward.

California compliance as a calendar, not a scramble

California charter schools operate against a defined reporting rhythm. Interim reports go to the authorizer and county office during the year, unaudited actuals follow the close of the fiscal year, and the annual audit follows that. Layered on top are the Local Control Funding Formula and the Local Control and Accountability Plan, which tie spending to stated priorities and require the organization to show its work.

Handled well, that calendar is a planning tool. Each checkpoint is an opportunity to correct course while there is still time to matter. Handled poorly, each one becomes an emergency. What separates the two is usually timing rather than effort, and whether someone is working the calendar forward instead of reacting to it. Closing faster compounds the benefit. When the books close in days rather than weeks, the time that opens up goes into analysis, board preparation, and audit readiness instead of catching up.

The monthly budget cadence

A standing monthly session brings school leaders and the finance partner to the same table to review the numbers together. Early on, the work is interpretation: what am I looking at, and what does this line mean. Over time it shifts. Leaders begin to identify which variances deserve attention and which are timing. Eventually they arrive with questions and recommendations of their own.

That progression, from understanding to diagnosis to action, is the mechanism by which budget ownership expands beyond the finance office. It is also where school strategy actually gets set, because the people who run the schools are in the room when the tradeoffs are discussed.

Board-ready reporting

Reporting to the board should be a byproduct of running the finance function well, not a separate production. When the monthly close is current and the forecast is live, the board package assembles itself. Leaders walk into the meeting able to explain the position rather than defend the delay.

Technology and AI in the Back Office

Most financial tools were built for commercial businesses. Schools have different fund structures, different reporting obligations, and different calendars, which is why so much education back-office work still happens in spreadsheets that one person understands.

Some of it we build. Harness develops the financial modeling tool and the dashboards each client works from, customized to the organization and adjustable whenever the questions change. Live data replaces the spreadsheet that gets emailed around, so everyone is looking at the same numbers and nobody has to ask which version is current.

Accounts payable shows what modernization is actually worth. Hand coding invoices, printing checks, and taping receipts to paper consumes staff hours that never appear as a line item anywhere. Total cost of ownership is the right lens for this, and the picture usually looks quite different once the labor is counted alongside the software.

State reporting is another place where tooling earns its keep. CALPADS is complex and time consuming, and much of the effort goes into entering data into a system that was never built for the person doing the entering. We have programmed efficiencies that speed that work up and, just as important, pull the reports back out so they can be checked for accuracy. We handle the reporting, then work through what it actually tells you.

The sequence matters more than the tooling. Before automation goes on top, two things have to be true: the underlying reporting has to be reliable, and the team has to understand what the numbers mean. Automating a process nobody understands produces faster answers that nobody can defend. Sort out the reporting, build the team's understanding, then add the tools.

The other half of the role is leading school leaders through adoption rather than simply deploying software at them. Technology that sharpens a team's judgment is worth having. Technology that obscures it is a liability dressed as an efficiency.

The Financial Case

The comparison leaders usually make is between a partner's fee and a salary. That comparison is too narrow. A more realistic accounting includes the cost of fragmented vendors, the cost of recruiting and replacing internal finance staff, and the cost of financial uncertainty itself, which is the hardest to see and often the largest.

Uncertainty is expensive in ways that never reach the general ledger. It shows up as decisions deferred because the numbers were not ready, as reserves held larger than necessary because the forecast could not be trusted, and as leadership hours spent reconciling rather than leading. The technology and AI efficiencies described in the previous section are part of the arithmetic too, lowering the cost of delivery relative to a traditional staffing model.

The Mission Connection

Financial clarity is not only an operational outcome. It changes how an organization is led.

When leaders are no longer managing surprises, correcting reporting, or translating data for their boards, attention returns to the work the organization exists to do. Board meetings become strategic rather than remedial. Difficult decisions about staffing and programs get made earlier, when there are still good options. And the people closest to students spend their time on students.

This is the argument that matters most to the person who came to this work for the mission rather than for the finances. A well-run back office is what makes that mission possible to pursue with confidence.

Choosing the Right Partner

Whether evaluating a new provider or reassessing the one already in place, the questions below separate a partner from a vendor:

1. Has the leadership actually run a school? Sector fluency is the difference between a provider who understands your reporting calendar and one who learns it on your time.
2. Is there a dedicated fractional CFO, or a rotating service desk? Continuity of relationship is what makes strategic advice possible.
3. What happens when enrollment or funding changes? A partner should be able to flex. A fixed service menu cannot.
4. How does the provider use technology, and what does that do to your cost? Efficiency gained through tooling should show up in what you pay.
5. Will they help you choose and get more out of the systems you already run? Ask what they know about your accounting software, spend management, payroll, and HRIS.
6. What would it cost to leave? Ask directly. Who owns the data, what is the transition period, and what would you have to rebuild.
7. What will our internal team be able to do in two years that it cannot do today? A partner should have an answer. A vendor usually does not.

One practical note: *engagements do not have to be all or nothing*. A full back-office relationship makes sense for some organizations, and a partial arrangement covering forecasting, compliance, or board reporting makes sense for others. The right scope follows the finance strategy the organization is trying to build.

Conclusion

The strongest finance operations in California education are not the biggest. They are the best supported. They have people who understand the numbers, a calendar worked forward rather than backward, and reporting that arrives while decisions are still open.

Getting there does not require a larger finance department. It requires a different relationship with the one you have.

Recommendations

- 1. Audit your current state honestly.** How long does the monthly close take, and how often does reporting arrive after the decision it was meant to inform? Be equally honest about appetite. Moving to a new way of working is a change management exercise, and it helps to know up front how ready your team is for new tools and new habits.
- 2. Ask your current provider the seven questions above, particularly the last one.** The answers will tell you what kind of relationship you are in.
- 3. Start with a focused conversation rather than a procurement process.** Fifteen minutes is enough to establish whether the model fits your organization.

About Harness

Harness provides back office and fractional CFO support to California charter schools, school districts, and nonprofit organizations. Founded and led by a former charter school leader, we work alongside your existing finance team, carrying the monthly close, continuous forecasting, and the state reporting calendar while building the fluency your leaders need to read and act on their own numbers. Engagements scale from full back office to focused support for forecasting, compliance, or board reporting. Every one is built so your organization finishes stronger than it started, with more capability in house than when we arrived.

References

1. California Department of Education, "Charter School Financial Reporting Requirements."
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