



JUNE 12, 2017

Charter Renewal Report

Bradley Academy of Excellence, Inc.

AGENDA ITEM: Charter Renewal Application—Bradley Academy of Excellence, Inc.

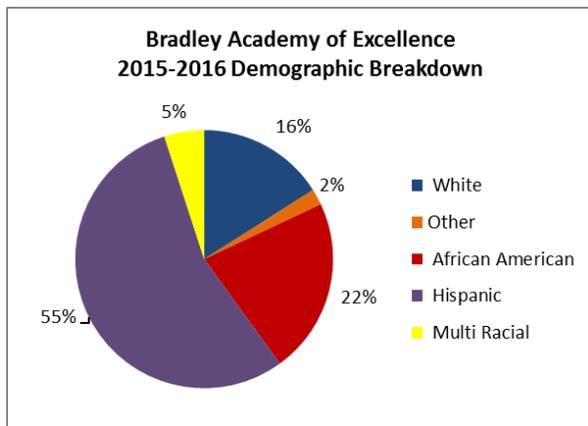
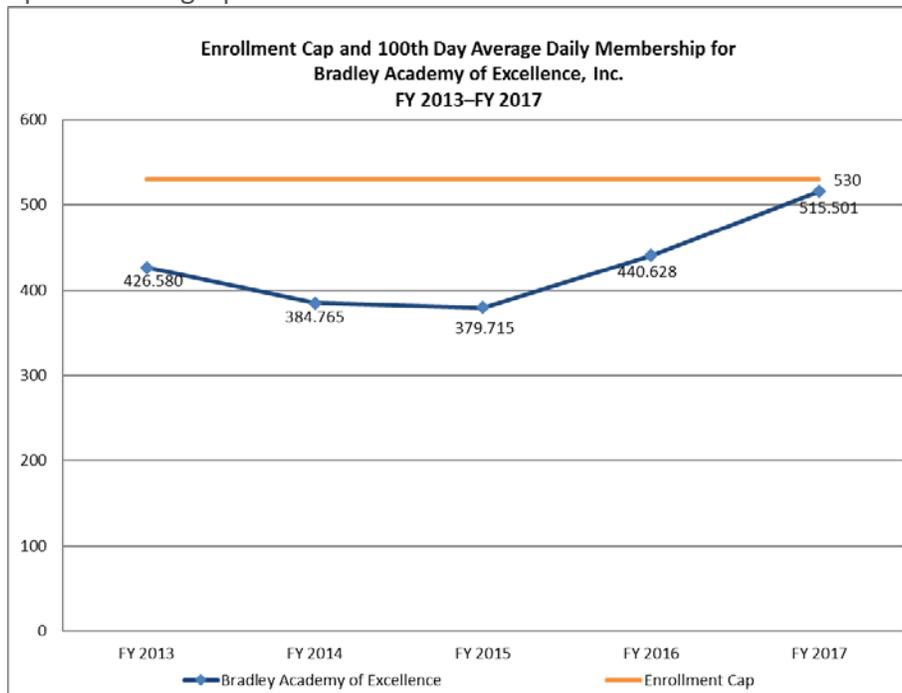
Request

Bradley Academy of Excellence, Inc. (“Charter Holder”) submitted a charter renewal application package (Appendix A. Renewal Application) on March 16, 2017 to continue operation of Bradley Academy of Excellence serving grades K–8 in Goodyear.

Profile

The Charter Holder was granted a charter in 2003, which is currently approved for grades K–8, and operates one school: Bradley Academy of Excellence. The enrollment cap for the Charter Holder is 530.

Enrollment Cap and Demographic Data



2015-2016 Subgroup Data	
Category	Bradley Academy of Excellence
Free and Reduced Lunch	*
English Language Learners	*
Special Education	5%

**If the percentage of students is 0% or 100% or the group includes less than 10 students, the percentage for that group is redacted.*



Governance

The Charter Holder is governed by a corporate board. The corporate principal identified in the charter contract is aligned with the Arizona Corporation Commission.

Corporate Board Member	Position
Daniel Hughes	Chairman

The school has a separate governing body responsible for the policy decisions of the school. The governing body membership is listed in the chart below.

School Governing Board Member	Type
Tanya Burston	Charter Organization
Ruby Graves	Parent
Helen Colbert	School Staff
James Singleton	Community
Sandra Lawson	Community

The governing body membership listed, as on file in the charter contract, is not consistent with what is reflected in submissions to the Board, as well as school governing body minutes reviewed at the Academic Systems Review (ASR). Below is a timeline detailing the communication with the Charter Holder regarding the school governing body membership. To date, the Charter Holder has not taken action to resolve this issue.

March 20, 2017	<p>Board staff notified the Charter Representative by email of the upcoming compliance check conducted at the ASR visit. The notification included the need to have the following documents available for review:</p> <ul style="list-style-type: none"> • Notifications, agendas, and minutes of governing body meetings for the past twelve months demonstrating compliance with Open Meeting Law (A.R.S. §38-431) and alignment with the information contained on ASBCS Online and the Arizona Corporation Commission.
April 21, 2017	<p>Board staff's audit CAP response letter indicated that the Charter Holder may be required to submit requests to the Board to amend its school governing body and corporate principals. The letter further indicated that in order to determine which request(s) must be submitted, Board staff must first review the information the Charter Holder will provide in response to this letter.</p>
April 27, 2017	<p>The ASR visit was conducted. As the visit concluded, Board staff notified the Charter Representative, in person, that the main "takeaway" should be that the school governing board needs to be in alignment.</p>
May 9, 2017	<ul style="list-style-type: none"> • Harold Cadiz (school governing board member) hand delivered the audit CAP response to the Board's office. As part of Board staff's discussion with Mr. Cadiz, Board staff referred to the ASR visit and reminded him of the need for the charter holder to update its governing board members on file with the Board. • The ASR Follow-up Letter was sent to the Charter Representative by email. <ul style="list-style-type: none"> ○ The letter identified that the governing board membership was found to not be consistent between ASBCS Online and the Charter Holder's documentation provided at the visit. This requires updating the five members currently listed on ASBCS online with the four members listed on the governing board minutes reviewed at the site visit. The Charter Holder was given a deadline of May 23, 2017 (10 business days) to submit a School Governing Body Notification Request to update the current membership. ○ The notification informed the Charter Holder that "A charter holder that fails to timely submit all required information will be brought before the Board for consideration of non-compliance".

May 17, 2017	At 8:46 a.m., the Charter Representative emailed Board staff requesting direction to information and forms for multiple requests, including the “School Board member(s) change notification and process”. At 10:00 a.m., Board staff emailed the Charter Representative with information about the requests, including links to the request instructions.
May 24, 2017	Board staff’s audit CAP response letter stated, “Regarding its governing board, during the ASR visit and in an email sent May 9, 2017, the charter holder was notified of what it must do to update its current governing board membership.” [NOTE: The audit CAP response letter provided a deadline of June 23, 2017 to submit a School Governing Body Notification Request “to add the new (fifth) member named at the May governing board meeting”.]
June 2, 2017	At 9:41 a.m., the Charter representative emailed Board staff with questions regarding documentation required to file the School Governing Body Notification Request. At 10:38 a.m., Board staff responded to the Charter Representative’s email and provided clarification regarding the required documentation for the request.

The Charter Holder’s failure to update its governing body membership is further exacerbated by three material weaknesses identified in the Charter Holder’s FY 2016 audit. According to the FY 2016 audit, the corporate board of directors is structured in a way that the governing body or those charged with governance are insufficiently independent as defined by the Internal Revenue Service “and that necessary questions are not being raised. Also, the makeup and general construction of the governing board is inappropriate and inadequate given the nature of the School. Finally, the tone at the top, which is set primarily by the director and charter representative, is such that management adopts accounting policies that are inappropriate for the School and inconsistent with GAAP for related party transactions. Further, a process was in place, but did not adequately support the identification, authorization, approval, accounting for, and disclosure of related party relationships and transactions.” The FY 2016 audit also identified two related material weaknesses. The first involved the Charter Holder in March 2016 entering into a revolving credit agreement with the director and charter representative retroactively setting the terms of the agreement effective July 1, 2015. The second involved the Charter Holder in the spring of 2016 engaging several companies owned by the director and charter representative to provide various services, but not initially setting up these agreements properly to ensure an arm’s length agreement. Because of the three material weaknesses and the commercial lease guarantee mentioned in the “Financial Performance” section of this report, the Charter Holder was required to submit a corrective action plan (“CAP”). During the CAP process, the Charter Holder has been responsive to Board staff’s request for information. The CAP has not yet been closed out as Board staff continues to collect information on the Charter Holder’s efforts to address the issues identified in the audit.

Compliance

The Charter Holder was last before the Board on November 21, 2016 for a second consecutive year late audit. Due to the Charter Holder’s failure to submit the annual financial statement and compliance audits the Board voted unanimously to withhold 10% of the Charter Holder’s monthly state aid apportionment until a complete fiscal year 2016 annual financial statement and compliance audit is submitted. The audit was submitted on January 23, 2017.

Performance Summary

The Charter Holder’s performance for each of the Board’s frameworks (Academic, Operational, and Financial) is summarized below. The Charter Holder’s dashboards are included in Appendix B. Renewal Summary Review.

Academic Performance

The academic performance of Bradley Academy of Excellence for the 2012–2014 fiscal years, based on the Board’s academic framework in effect at that time, is represented in the table below.

School Name	2012 Overall Rating	2013 Overall Rating	2014 Overall Rating
Bradley Academy of Excellence	55.31 / C	50.62 / C	37.19 / D

The Board’s current academic framework uses two measures to calculate overall academic ratings, letter grades and state designations for school improvement. Due to a moratorium on letter grades until FY 2018, based on FY 2017 data, the Board has not calculated overall ratings for FY 2015 and 2016. As it relates to school improvement, Bradley Academy of Excellence has not been designated for school improvement in FY 2017.

Operational Performance

The Charter Holder currently meets the Board's Operational Performance Expectation set forth in the Performance Framework adopted by the Board.

Financial Performance

The Charter Holder was required to submit a Financial Performance Response because it did not meet the Board's Financial Performance Expectations, as reflected in the table below, which includes the Charter Holder's financial data and financial performance for the last three audited fiscal years.

Financial Data				
Statement of Financial Position	2016	2015	2014	2013
Cash	\$406,703	\$627,111	\$225,661	\$248,980
Unrestricted Cash	\$221,073	\$463,939	\$4,237	
Other Liquidity	-	-	-	
Total Assets	\$8,169,644	\$8,693,983	\$412,001	
Total Liabilities	\$11,511,057	\$10,088,625	\$794,916	
Current Portion of Long-Term Debt & Capital Leases	\$1,008,479	\$450,371	\$34,861	
Net Assets	(\$3,341,413)	(\$1,011,727)	(\$382,915)	
Statement of Activities	2016	2015	2014	
Revenue	\$3,912,276	\$3,270,241	\$3,134,679	
Expenses	\$5,859,047	\$4,281,968	\$3,851,511	
Net Income	(\$1,946,771)	(\$1,011,727)	(\$716,832)	
Change in Net Assets	(\$1,946,771)	(\$1,011,727)	(\$716,832)	
Financial Statements or Notes	2016	2015	2014	
Depreciation & Amortization Expense	\$347,244	\$43,501	\$55,222	
Interest Expense	\$539,877	\$24,656	\$928	
Lease Expense	\$61,871	\$1,243,257	\$878,015	
Financial Performance				
	2016	2015	2014	3-yr Cumulative
Near-Term Indicators				
Going Concern	Yes	No	Yes	N/A
Unrestricted Days Liquidity	13.77	39.55	0.40	N/A
Default	No	No	Yes	N/A
Sustainability Indicators				
Net Income	(\$1,946,771)	(\$1,011,727)	(\$716,832)	N/A
Cash Flow	(\$220,408)	\$401,450	(\$23,319)	\$157,723
Fixed Charge Coverage Ratio	(0.62)	0.17	0.24	N/A

The Charter Holder's Financial Performance Response has been provided in the meeting materials (appendix: C. Supplemented Financial Response). Staff's final evaluation of the Financial Performance Response resulted in zero "Acceptable" and four "Not Acceptable" determinations (appendix: D. Financial Response Evaluation).¹ A "Not Acceptable" means the measure's response did not sufficiently address one or more of the questions identified in Appendix C of the Financial Performance Framework. An analysis of the Charter Holder's financial performance,

¹ On May 10, 2017, Board staff emailed a copy of staff's initial evaluation and provided a deadline by which the Charter Holder could supplement its financial performance response to address areas evaluated as "Not Acceptable". By the deadline, the Charter Holder submitted supplemental information.



focusing on those measures where the Charter Holder failed to meet the Board's target and using information from the Charter Holder's Financial Performance Response and related documents, is provided below.

Financial Measure Analysis

The audit describes the going concern as, "As indicated in the accompanying financial statements, the School has incurred significant decreases in unrestricted net assets such that the School has a deficit in net assets of \$3,341,413 as of June 30, 2016. In addition, the School's current liabilities exceeded current assets by \$2,107,134 as of June 30, 2016."

The Charter Holder attributed its FY 2016 performance on the going concern, unrestricted days liquidity (UDL), net income and fixed charge coverage ratio (FCCR) measures to three factors: 1) the Charter Holder's guarantee of a commercial lease; 2) debt costs; and 3) projected FY 2016 enrollment not being realized ("Three Factors").

- Commercial lease guarantee – In FY 2016, the Charter Holder guaranteed a commercial lease between Fisher Arts Corporation (tenant) and Shops at Serafina, LLC (landlord) on property to be used for before and after school arts programming.² Based on the audit, the resulting liability of \$1,069,587 accounted for approximately 55% of the FY 2016 net loss and approximately 8% of the Charter Holder's FY 2016 current liabilities.
- Debt costs – In FY 2015, the Charter Holder's operating lease was converted to a capital lease, "requiring Bradley Academy to begin booking depreciation. Booking significant amounts of depreciation adversely affected net income and contributed to the going concern." From FY 2015 to FY 2016, the Charter Holder's depreciation expense increased \$303,743 and accounted for approximately 15.5% of the FY 2016 net loss. Payments due under the capital lease accounted for approximately 33.5% of the Charter Holder's FY 2016 current liabilities.
- Unrealized projected enrollment – The Charter Holder asserts, but does not support³, "In preparation for the 2015-2016 school year, the leadership of Bradley Academy prepared a budget and operational plan sufficient to support student enrollment at or near the school's enrollment cap of 530. Due to a variety of factors, actual membership was significantly less than projections. Expenses at the beginning of the school year were disproportionately higher than revenues. As part of the preparation for a high level of membership, significant financial investments were made in curricular supplies, instructional staff, administrative staff, transportation such as school buses, and programs supplemented by Federal grants. Total losses in revenues over projections was approximately \$1,000,000.00. Expenses were reduced but in an insufficient period of time to offset losses."

For FY 2016, the supported portion of the Three Factors addressed approximately 70.5% of the Charter Holder's \$1,946,771 net loss (or decrease in unrestricted net assets) and approximately 41.5% of the Charter Holder's current liabilities. The Charter Holder's loans payable from factoring agreements accounted for an additional approximately 34% of the Charter Holder's current liabilities.⁴ According to the audits, between FY 2015 and FY 2016, the Charter Holder reduced the number of subsequent fiscal year equalization payments sold as of June 30 from five to four, but the amounts owed at June 30 under the agreements increased from \$646,382 to \$900,545. The Three Factors did not explain the Charter Holder's FY 2016 performance on the UDL and FCCR.⁵

During FY 2017, the Charter Holder completed the underwriting process for a \$1.2 million loan with a five-year term and also agreed to a settlement involving the commercial loan guarantee. The loan, which is conditioned upon the Charter Holder's contract being renewed "for a time period greater than the term of the proposed agreement", will be used to pay off approximately \$710,000 due under the factoring agreements. The remaining approximately \$490,000 will be transmitted to the Charter Holder by June 30, 2017. Under the commercial loan guarantee settlement, the Charter Holder agrees to pay the landlord a total of \$35,000 over an 18-month period. For FY 2017, the Charter Holder projects positive net income of more than \$613,000 due, in part, to recognizing approximately \$1 million in revenue as a result of the commercial loan guarantee settlement and expects to reduce the amount by which its current liabilities exceed its current assets by approximately \$1 million. If the

² In March 2016, the landlord filed a civil action against the Charter Holder asserting its claim against the Charter Holder for liability on a guarantee of a commercial lease. For further information, please see page 17 of the FY 2016 audit included in appendix: C. Supplemented Financial Response.

³ For further information, please see appendix: D. Financial Response Evaluation.

⁴ For further information, please see page 14 of the FY 2016 audit included in appendix: C. Supplemented Financial Response.

⁵ For further information, please see appendix: D. Financial Response Evaluation.



Charter Holder’s projections hold true, it is unclear whether the improvement identified will be sufficient to remove the going concern disclosure by the FY 2017 audit as the Charter Holder asserts. The Charter Holder projects meeting the UDL target for FY 2017 and showing significant improvement on the FCCR.

Additional School Choices

Bradley Academy of Excellence

Bradley Academy of Excellence received a letter grade of “D” and an Overall Rating of “Falls Far Below” the Board’s academic performance standard for FY 2014. The school is located in Goodyear near South Sarival Avenue and West Lower Buckeye Parkway. The following information identifies additional schools serving grades K–8 within a five-mile radius of the school and the academic performance of those schools. **Based on 2016 AzMERIT data, Bradley Academy of Excellence received the following passing scores:**

- **13% passing ELA**
- **7% passing Math**

Schools serving grades K-8 that received an A-F letter grade in FY 2014						
2014 Letter Grade	Within 5 miles of school	Schools Above State Average ELA (35%)	Schools Above State Average Math (35%)	Schools with Higher ELA	Schools with Higher Math	Charter Schools
A	4	3	3	4	4	3
B	6	5	5	6	6	2
C	5	0	0	5	5	1
F	1	0	0	1	1	0

Academic Systems Review

As part of the renewal process, Board staff conducted an Academic Systems Review (“ASR”) to gather evidence that demonstrates that the school implements a comprehensive program of instruction and measures pupil progress toward pupil outcomes, as required in its charter contract. The Board has established criteria comprised of questions that guides the staff’s visit. This report includes information regarding how the school develops and implements:

- a curriculum that improves student achievement.
- a system for monitoring the integration of the State academic standards.
- a system for monitoring and documenting student proficiency.
- a professional development plan that supports effective implementation of the curriculum.

The visit was conducted by Rachel Hannah, Education Program Manager, Ericka Ciganek, Education Program Specialist on April 27, 2017.

At the ASR site visit, the school governing board members on file with the Board, was found to be out of compliance because the school governing board membership was found to be not consistent between ASBCS online and the Charter Holder’s documentation. At the visit, Board staff informed the charter representative that the governing board membership must be updated. On May 9, 2017, the charter representative was notified in writing that a School Governing Body Notification Request must be filed by May 23, 2017 to update the current membership. To date, no request has been filed.

Classroom observations completed during the ASR site visit confirmed that the Charter Holder is adhering to the Program of Instruction on file in the contract.

Additionally, at the site visit, the Charter Holder was able to provide documentation and describe processes in place to show that the school implements a curriculum that improves student achievement, a system for monitoring and documenting student proficiency, and a professional development plan that supports effective implementation of the curriculum.

The Charter Holder described a process for a system for monitoring the integration of State academic standards in instruction, but was unable to provide documentation of implementation.



Detailed information regarding the Academic Systems Review is provided in Appendix E. Academic Systems Review Report.

Board Options

Option 1: The Board may approve the renewal. The following language is provided for consideration:

I move to approve the charter renewal application package and grant a renewal contract to Bradley Academy of Excellence, Inc.

Further, I move to find Bradley Academy of Excellence, Inc. in noncompliance with state law and its charter contract for its failure to request approval from the Board to amend its charter to make changes to its school governing body and approve withholding 10% of the Charter Holder's monthly State aid apportionment until an administratively and substantively complete School Governing Body Request is submitted to the Board for consideration and is approved.

Option 2: The Board may deny the renewal. The following language is provided for consideration:

Based upon a review of the information provided by the representatives of the Charter Holder and the contents of the application package which includes the academic performance, the fiscal performance, and legal and contractual compliance of the Charter Holder over the charter term, I move to deny the request for charter renewal and to not grant a renewal contract for Bradley Academy of Excellence, Inc. Specifically, the Charter Holder, during the term of the contract, failed to meet the obligations of the contract or failed to comply with state law when it: (Board member must specify reasons the Board found during its consideration.)

APPENDIX A
RENEWAL APPLICATION

Renewal Application—Bradley Academy of Excellence, Inc.

Downloads

 [Download all files](#)

Note: Please be patient. This may take up to a few minutes to complete depending on the number of files included with this application.

Detailed Business Plan

Charter Holder's Organizational Membership:

The Charter Holder is waived from the requirements of the Charter Holder's Organizational Membership requirement in the Detailed Business Plan Section.

Charter Holder's Financial Sustainability

 [Download File](#) – This document is in response to the ASBCS's request for a financial performance response related to Bradley Academy of Excellence's application for renewal of its charter contract.

Renewal Assurances

Renewal Assurance and Understanding

The Arizona State Board for Charter Schools is authorized, pursuant to Arizona Revised Statutes, Title 15, Chapter 1, Article 8, to execute a Charter Contract ("Charter") for the purpose of authorizing the renewal of established charter schools to provide a learning environment to improve pupil achievement and to provide additional academic choices for parents and pupils and to serve as alternatives to traditional public schools.

The Charter Holder shall operate its charter school(s) consistent with the terms of the Charter and all applicable laws; shall achieve pupil outcomes according to the educational standards established by law and the Charter; and shall be governed and managed in a financially prudent manner.

By signing below, the Charter Holder understands that:

- A Renewal Charter is for the purpose of continuing the operation of the charter school(s) approved for renewal by the Arizona State Board for Charter Schools.
- The program of instruction will continue to be implemented as described in the Charter.
- The Charter Holder is required to submit all amendment requests pursuant to the procedures or rules formulated by the Arizona State Board for Charter Schools.
- The Charter Holder shall not take action on or implement any modification to its Charter until approved by the Arizona State Board for Charter Schools.
- The Charter Holder acknowledges that its officers, directors, members, or partners are aware of their responsibilities in the operation of a charter school as described in Arizona statute and that the Charter Holder is subject to and will ensure compliance with all relevant federal, state and local laws and requirements.
- The Charter Holder acknowledges that if a Renewal Charter is granted, the Charter Holder must execute the Charter with the Arizona State Board for Charter Schools within twelve months of the date of approval of the Charter by the Arizona State Board for Charter Schools. A Charter that is not timely signed expires.

I certify all information contained in this application is complete and accurate, realizing that any misrepresentation could result in disqualification from the renewal process or revocation of the Charter. I understand that incomplete applications will not be considered.

I acknowledge that taking action or implementing changes prior to approval by the Arizona State Board for Charter Schools is a breach of the Charter and the Arizona State Board for Charter Schools may revoke or not renew the Charter.

Charter Representative Signature

Daniel Hughes 03/16/2017

APPENDIX B
RENEWAL SUMMARY REVIEW

Five-Year Interval Report

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ARIZONA STATE BOARD FOR CHARTER SCHOOLS

Renewal Summary Review

Interval Report Details

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Report Date: 05/10/2017 Report Type: Renewal

Charter Contract Information

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Charter Corporate Name: Bradley Academy of Excellence, Inc.
 Charter CTDS: 07-87-46-000 Charter Entity ID: 81097
 Charter Status: Open Contract Effective Date: 06/17/2003
 Number of Schools: 1 Contractual Days:
 Charter Grade Configuration: K-8 • Bradley Academy of Excellence: 180
 FY Charter Opened: 2004 Contract Expiration Date: 06/16/2018
 Charter Granted: 05/19/2003 Charter Signed: 06/18/2003
 Corp. Type Non Profit Charter Enrollment Cap 530

Charter Contact Information

[Hide Section](#)

Mailing Address: 16060 W. Lower Buckeye Parkway Website: <http://www.mybradley.org>
 Goodyear, AZ 85338
 Phone: 800-993-1458 Fax: 800-993-1458
 Mission Statement: Bradley Academy of Excellence is dedicated to providing an extensive, enriching, competency-based, relevant educational program that allows each student to experience academic success, appreciate diversity, and develop their personal and social skills. Our highest priority is to recognize the uniqueness and potential within each child and to plan a program of instruction that accelerates their learning and personal growth.
 Charter Representatives: Name: Email: FCC Expiration Date:
 1.) Daniel Hughes dhughes@andwedo.org —

Academic Performance - Bradley Academy of Excellence

[Hide Section](#)

School Name: Bradley Academy of Excellence School CTDS: 07-87-46-101
 School Entity ID: 81098 Charter Entity ID: 81097
 School Status: Open School Open Date: 07/01/2003
 Physical Address: 16060 Lower Buckeye Parkway Website: <http://www.mybradley.org/home.html>
 Goodyear, AZ 85338
 Phone: (800) 993-1458 Fax: 800-993-1458
 Grade Levels Served: K-8 FY 2014 100th Day ADM: 384,766

Academic Performance Per Fiscal Year

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Bradley Academy of Excellence

	2012 Traditional Elementary School (K-8)	2013 Traditional Elementary School (K to 8)	2014 Traditional Elementary School (K to 8)
	Points	Points	Points

1. Growth		Measure	Assigned	Weight	Measure	Assigned	Weight	Measure	Assigned	Weight	
1a. SGP	Math	44	50	12.5	45	50	12.5	36	50	12.5	
	Reading	52	75	12.5	46	50	12.5	39	50	12.5	
1b. SGP Bottom 25%	Math	44	50	12.5	47.5	50	12.5	33.5	25	12.5	
	Reading	51	75	12.5	47	50	12.5	40	50	12.5	
2. Proficiency		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	
2a. Percent Passing	Math	50 / 64.1	50	7.5	52 / 64.3	50	7.5	39.3 / 63	25	11.25	
	Reading	73 / 77.6	50	7.5	74.2 / 78.8	50	7.5	73.6 / 78.6	50	11.25	
2b. Composite School Comparison	Math	-19.5	25	7.5	-11.8	50	7.5	-38.3	25	11.25	
	Reading	-9.2	50	7.5	-5.2	50	7.5	-16.4	25	11.25	
2c. Subgroup ELL	Math	27 / 38.1	50	3.75	25 / 38.6	50	2.5	NR	0	0	
	Reading	73 / 51.6	75	3.75	83.3 / 49.8	75	2.5	NR	0	0	
2c. Subgroup FRL	Math	NR	0	0	48.4 / 55.2	50	2.5	NR	0	0	
	Reading	NR	0	0	71.3 / 71.6	50	2.5	NR	0	0	
2c. Subgroup SPED	Math	4 / 22.3	50	3.75	4.8 / 21.7	50	2.5	NR	0	0	
	Reading	21 / 37.4	50	3.75	28.6 / 35.3	50	2.5	NR	0	0	
3. State Accountability		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	
3a. State Accountability		C	50	5	C	50	5	D	25	5	
Overall Rating		Overall Rating			Overall Rating			Overall Rating			
Scoring for Overall Rating 89 or higher: Exceeds Standard <89, but > or = to 63: Meets Standard <63, but > or = to 39: Does Not Meet Standard Less than 39: Falls Far Below Standard		55.31			100	50.62			100	37.19	

Financial Performance

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Charter Corporate Name: Bradley Academy of Excellence, Inc.
 Charter CTDS: 07-87-46-000 Charter Entity ID: 81097
 Charter Status: Open Contract Effective Date: 06/17/2003

Financial Performance

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Bradley Academy of Excellence, Inc.

Fiscal Year 2015

Fiscal Year 2016

Near-Term Measures

Going Concern	No	Meets	Yes	Falls Far Below
Unrestricted Days Liquidity <small><30, but ≥15: Does Not Meet <15: Falls Far Below</small>	39.55	Meets	13.77	Falls Far Below
Default	No	Meets	No	Meets

Sustainability Measures*

Net Income ≤0: Does Not Meet	(\$1,011,727)	Does Not Meet	(\$1,946,771)	Does Not Meet		
Fixed Charge Coverage Ratio <1.10: Does Not Meet	0.17	Does Not Meet	(0.62)	Does Not Meet		
Cash Flow (3-Year Cumulative) Negative: Does Not Meet**	\$363,356	Does Not Meet	\$157,723	Meets		
Cash Flow Detail by FY	FY 2015	FY 2014	FY 2013	FY 2016	FY 2015	FY 2014
	\$401,450	(\$23,319)	(\$14,775)	(\$220,408)	\$401,450	(\$23,319)

Does Not Meet Board's Financial Performance Expectations

* Negative numbers indicated by parentheses.
** Target effective beginning with FY16 audits.

Operational Performance

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Charter Corporate Name:	Bradley Academy of Excellence, Inc.		
Charter CTDS:	07-87-46-000	Charter Entity ID:	81097
Charter Status:	Open	Contract Effective Date:	06/17/2003

Operational Performance

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Click on any of the measures below to see more information.

Measure	2015	2016	2017
1.a. Does the delivery of the education program and operation reflect the essential terms of the educational program as described in the charter contract?	Meets	Meets	--
Educational Program - Essential Terms	No issue identified	No issue identified	--
1.b. Does the charter holder adhere with applicable education requirements defined in state and federal law?	Does Not Meet	Does Not Meet	--
Services to Student with Disabilities	No issue identified	No issue identified	--
Instructional Days/Hours	No issue identified	No issue identified	--
Data for Achievement Profile	No issue identified	No issue identified	--
Mandated Programming (State/Federal Grants)	ADE Monitoring CAP - English Learners	ADE Monitoring CAP - Federal Title Funds	--
2.a. Do the charter holder's annual audit reporting packages reflect sound operations?	Meets	Does Not Meet	--
Timely Submission	Yes	No	No
Audit Opinion	Unqualified	Unqualified	Unqualified
Completed 1st Time CAPs	No issue identified	No issue identified	CAP Not Yet Completed
Second-Time/Repeat CAP	No issue identified	No issue identified	--
Serious Impact Findings	No issue identified	No issue identified	--
Minimal Impact Findings (3+ Years)	No issue identified	No issue identified	--
2.b. Is the charter holder administering student admission and attendance appropriately?	Meets	Meets	--
Estimated Count/Attendance Reporting	No issue identified	No issue identified	--
Tuition and Fees	No issue identified	No issue identified	--

Public School Tax Credits	No issue identified	No issue identified	--
Attendance Records	No issue identified	No issue identified	--
Enrollment Processes	No issue identified	No issue identified	--
2.c. Is the charter holder maintaining a safe environment consistent with state and local requirements?	Does Not Meet	Meets	--
Facility/Insurance Documentation	No issue identified	No issue identified	--
Fingerprinting	Audit CAP	No issue identified	--
2.d. Is the charter holder transparent in its operations?	Meets	Meets	--
Academic Performance Notifications	No issue identified	No issue identified	--
Teacher Resumes	No issue identified	No issue identified	--
Open Meeting Law	No issue identified	No issue identified	--
Board Alignment	No issue identified	No issue identified	--
2.e. Is the charter holder complying with its obligations to the Board?	Does Not Meet	Does Not Meet	--
Timely Submissions	Audit CAP	Financial Performance Response	--
Limited Substantiated Complaints	No issue identified	No issue identified	--
Favorable Board Actions	No issue identified	10% Withholding	10% Withholding
2.f. Is the charter holder complying with reporting requirements of other entities to which the charter holder is accountable?	Meets	Does Not Meet	--
Arizona Corporation Commission	No issue identified	No issue identified	--
Arizona Department of Economic Security	No issue identified	No issue identified	--
Arizona Department of Education	No issue identified	Annual Financial Report (AFR)	--
Arizona Department of Revenue	No issue identified	No issue identified	--
Arizona State Retirement System	No issue identified	No issue identified	--
Equal Employment Opportunity Commission	No issue identified	No issue identified	--
Industrial Commission of Arizona	No issue identified	No issue identified	--
Internal Revenue Service	No issue identified	No issue identified	Audit Finding - Info Forwarded to IRS
U.S. Department of Education	No issue identified	No issue identified	--
3. Is the charter holder complying with all other obligations?	Meets	Meets	--
Judgments/Court Orders	No issue identified	No issue identified	--
Other Obligations	No issue identified	No issue identified	--
OVERALL RATING	Meets Operational Standard	Meets Operational Standard	--
BOARD EXPECTATIONS	--	--	--

Last Updated: 2017-03-08 13:44:55

APPENDIX C

SUPPLEMENTED FINANCIAL RESPONSE

Bradley Academy of Excellence, Inc.
Financial Performance Response - 2
Charter Contract Renewal Application

05/17/2017

The following is a supplement to the original financial performance response submitted in March, 2017.

Additional supporting documents are as follows:

FY2017 Actual and Projected Balance Sheet as of June 30, 2017
FY2017 Actual P/L and Projected P/L as of June 30, 2017
FY2017 Projected ASBCS Financial Performance Outcomes
Letter from Tortoise Capital regarding refinancing transaction
FY2018 Budget

Based on the content of the evidence provided the following outcomes are expected in FY2017:

Unrestricted Days Liquidity

- FY16 UDL of 13.77 days.
- FY17, due to the influx of cash from Charter School Capital and Tortoise Capital, we are expecting a UDL of 30.53 days. Bradley Academy to meet this standard.

Net Income

- FY17, Bradley Academy is projecting a Net Income of \$613,485.

Cash Flow

- FY17, Bradley Academy is projected to again meet the Cash Flow standard.

Fixed Charge Coverage Ratio

- FY16 was (0.62) for FCCR standard.
- For FY17, Bradley Academy is projecting to have an FCCR ratio of 0.95. This does not meet the standard, but it is a significant increase over prior year.
- Bradley Academy is currently working on an agreement with Tortoise Capital to renegotiate the capital lease on its facility. While we do not have solid numbers to provide at this time, we know that this will dramatically decrease lease expenses and interest expenses. These two items will affect the FCCR and will contribute to meeting FCCR standard in FY18.

Going Concern

Based on the above, no going concern is expected in FY2017.

Bradley Academy of Excellence, Inc.
Balance Sheet
As of April 30, 2017

	Total	Changes	Projection as of 6.30.17	
ASSETS				
Current Assets				
Bank Accounts				
01023 BMO Harris Checking	208,613.51	45,199.24	660,605.91	
01024 01024 PEX Account	47,685.62	-47,685.62	0.00	
National Bank of Arizona	354.82	-50	304.82	
Total Bank Accounts	\$ 256,653.95		660,910.73	
Accounts Receivable				
11000 Accounts Receivable	17,559.40	-9,059.4	8,500.00	
Total Accounts Receivable	\$ 17,559.40		8,500.00	
Other Current Assets				
01370 Due from Federal	45.65	19,954.35	20,000.00	
01371 Due from State	1,279.38	-1,279.38	0.00	
12000 Undeposited Funds	-50.00	50	0.00	
Payroll Corrections	-61.22	61.22	0.00	
Total Other Current Assets	\$ 1,213.81		20,000.00	
Total Current Assets	\$ 275,427.16		\$ 689,410.73	
Fixed Assets				
0192 Furniture and Equipment	32,472.00	-3747	28,725.00	
0193 Buildings & Improvements	7,883,631.00		7,883,631.00	
0194 Vehicles, Furniture, Equipment	292,454.07		292,454.07	
0195 Accumulated Depreciation	-525,405.12	-22,992.52	-755,330.32	
Total Fixed Assets	\$ 7,683,151.95		7,449,479.75	
TOTAL ASSETS	\$ 7,958,579.11		\$ 8,138,890.48	
LIABILITIES AND EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable				
20000 *Accounts Payable	400,032.45	-8,400	316,032.45	
Total Accounts Payable	\$ 400,032.45		316,032.45	
Credit Cards				
Hughes Revolving Line of Credit	20,670.72	-10,670.72	10,000.00	
Total Credit Cards	\$ 20,670.72		10,000.00	
Other Current Liabilities				
0207 TCF Bus Loan (2014 Intl Bus)	81,946.28	-3,326.55	78,619.73	
0221 Accrued Payroll Expense	48,749.94	11,775.00	166,499.94	
0240 Payroll Liabilities	32,662.38	-1,767.8	14,984.38	
0256 Charter School Capital	910,067.00	-91,006.7	0.00	
0257 Tortoise		1,200,000	1,200,000.00	
0260 Obligation to Guarantor	35,000.00		35,000.00	
Total Other Current Liabilities	\$ 1,108,425.60		\$ 1,495,104.05	
Total Current Liabilities	\$ 1,529,128.77		\$ 1,821,136.50	
Long-Term Liabilities				
0290 200 N. Dysart Bdg Capital Lease	8,834,525.00		8,834,525.00	
Interest Expense Payable	208,079.02	3,078.72	211,157.74	
Tanya Burston Settlement	4,192.20	-4,192.2	0.00	
Total Long-Term Liabilities	\$ 9,046,796.22		\$ 9,045,682.74	
Total Liabilities	\$ 10,575,924.99		\$ 10,866,819.24	
Equity				
3900 Retained Earnings	-3,341,414.16		-3,341,414.16	
Net Income	724,068.28	-11,058.88	613,485.40	
Total Equity	-\$ 2,617,345.88		2,727,928.76	
TOTAL LIABILITIES AND EQUITY	\$ 7,958,579.11		\$ 8,138,890.48	0.00000000

Bradley Academy of Excellence, Inc.
Profit and Loss Actual through April 2017 Project Through June 2017

	July 2016-April 2017 Total	Projected May 2015	Projected June 2017
Income			
1600 Meals			
1601 Student Lunches	2,839.23	200.00	200.00
Total 1600 Meals	\$ 2,839.23	\$ 200.00	\$ 200.00
1900 Miscellaneous	3,564.92	0.00	0.00
1904 General Donations	197.50	0.00	0.00
1906 Uniforms	355.00	0.00	0.00
1909 Interest	48.24	0.00	0.00
1912 Pre-K	49,602.70	7,500.00	0.00
1912.1 Pre K Snacks	105.00	0.00	0.00
1912.2 Pre K Registration	1,200.00	0.00	0.00
Total 1912 Pre-K	\$ 50,907.70	\$ 7,500.00	\$ 0.00
1918 Early Birds	13,870.01	1,022.00	0.00
CAPS AND GOWNS	3,750.00	0.00	0.00
Debt Forgiveness	1,081,325.10	0.00	0.00
Restricted Donations	5,250.00	0.00	0.00
Total 1900 Miscellaneous	\$ 1,159,268.47	\$ 8,522.00	\$ 0.00
3000 State Revenue		0.00	0.00
3110 State Equalization	2,494,964.40	278,000.00	478,395.72
3111 Prop 123	12,167.47	0.00	0.00
3201 Instructional Improvement	15,197.76	0.00	9,000.00
3901 Prop 301 - Charter Room Site		0.00	0.00
3911 20% Base	35,939.20	3,207.00	3,207.00
3912 40% Performance	71,878.51	6,413.00	6,413.00
3913 40% Enhancement	71,878.51	6,413.00	6,413.00
Total 3901 Prop 301 - Charter Room Site	\$ 179,696.22	\$ 16,033.00	\$ 16,033.00
Total 3000 State Revenue	\$ 2,702,025.85	\$ 294,033.00	\$ 503,428.72
4500 Federal Revenue			
4502 IDEA Basic	56,423.77	9,249.00	9,249.00
4503 NSLP	352,491.89	47,328.00	47,328.00
4503.1 Summer Food Program	20,305.87	0.00	20,000.00
Fresh Fruits Vegetables Period 1	3,066.08	0.00	0.00
Fresh Fruits Vegetables Period 2	6,110.31	2,546.00	2,546.00
Total 4503 NSLP	\$ 381,974.15	\$ 49,874.00	\$ 69,874.00
4504 Title I		113,843.00	
Title I PY	82,700.61	0.00	0.00
Total 4504 Title I	\$ 82,700.61	\$ 113,843.00	\$ 0.00
4509 21st Century	44,043.50	8,161.00	0.00
4512 Equipment Grant	28,205.00	0.00	0.00
PDG GRANT	193,283.52	25,011.00	
Total 4500 Federal Revenue	\$ 786,630.55	\$ 206,138.00	\$ 79,123.00
4900 Revenue for/on Behalf of School		0.00	0.00
4902 ERATE	85,076.41	0.00	0.00
Total 4900 Revenue for/on Behalf of School	\$ 85,076.41	\$ 0.00	\$ 0.00
Total Income	\$ 4,735,840.51	\$ 508,893.00	\$ 582,751.72
Gross Profit	\$ 4,735,840.51	\$ 508,893.00	\$ 582,751.72
Expenses			
100 Regular Education			
1000 Instruction			
6100 Salaries	892,200.88	81,905.00	204,762.50
6101 Paraprofessionals	0.00	0.00	0.00
6103 Teachers	0.00	0.00	0.00
Total 6100 Salaries	\$ 892,200.88	\$ 81,905.00	\$ 204,762.50
6200 Employee Benefits	94,502.98	8,190.00	15,942.00
6201 Health Insurance	108,919.01	11,633.00	11,833.00
6304 Worker Comp Insurance	32,330.59	3,000.00	0.00
Total 6200 Employee Benefits	\$ 235,752.58	\$ 22,823.00	\$ 27,575.00
6300 Purchased Services	1,411.00	0.00	0.00
6302 Educational Resources	48,200.00	0.00	0.00
6303 Professional Development	120.00	0.00	0.00
Total 6300 Purchased Services	\$ 49,731.00	\$ 0.00	\$ 0.00
6600 Supplies	29.37	0.00	0.00
6601 Instructional Aides	32,311.21	250.00	250.00
6602 Instructional Supplies	142,587.38	1,000.00	1,000.00
6603 Technology		0.00	0.00
Hardware	87,456.32	0.00	0.00
Software	1,520.00	800.00	800.00
Total 6603 Technology	\$ 88,976.32	\$ 800.00	\$ 800.00
6606 School Furniture	15,198.39	0.00	0.00
Total 6600 Supplies	\$ 279,102.67	\$ 2,050.00	\$ 2,050.00
6800 Other Expenses	558.45	0.00	0.00
Total 1000 Instruction	\$ 1,457,345.58	\$ 106,778.00	\$ 234,387.50
2000 Support Services		0.00	0.00
2100 Student Services		0.00	0.00
6100 Salaries	90,562.47	9,056.00	22,640.00
6200 Employee Benefits	9,439.26	943.39	2,358.48
6201 Health Insurance	18,767.32	849.00	849.00
Total 6200 Employee Benefits	\$ 28,206.58	\$ 1,792.39	\$ 3,207.48
6300 Purchased Services	45,297.58	250.00	0.00
6304 Consulting	5,000.00	0.00	0.00
Total 6300 Purchased Services	\$ 50,297.58	\$ 250.00	\$ 0.00
6600 Supplies	7,645.53	0.00	0.00
Total 2100 Student Services	\$ 176,712.16	\$ 11,098.39	\$ 25,847.48
2200 Teacher Services			
6100 Salaries	281.29	4,960.00	12,400.00
6200 Employee Benefits	1,419.34	496.00	745.00

6300 Purchase Services	3,108.00	0.00	0.00
6301 Advertising/HQ Recruitment	105.00	100.00	100.00
6302 Professional Development	24,010.00	0.00	0.00
6303 Travel	251.22	0.00	0.00
Total 6300 Purchase Services	\$ 27,474.22	\$ 100.00	\$ 100.00
Total 2200 Teacher Services	\$ 29,174.85	\$ 5,556.00	\$ 13,245.00
2400 School Administration			
6100 Salaries	193,182.90	29,318.20	92,977.30
6200 Employee Benefits	25,040.41	2,504.00	3,756.00
6201 Health Insurance	44,470.77	4,447.07	4,447.07
Total 6200 Employee Benefits	\$ 69,511.18	\$ 6,951.07	\$ 8,203.07
6300 Purchased Services	28,813.48	250.00	0.00
6302 Technology	37,409.00	0.00	0.00
6303 Marketing Events	1,750.43	0.00	0.00
Total 6300 Purchased Services	\$ 67,972.91	\$ 250.00	\$ 0.00
6303 Consulting Services	84,260.00	0.00	0.00
6500 Travel Expenses	25.27	0.00	0.00
6600 Supplies	7,066.66	0.00	0.00
Marketing supplies	802.16	0.00	0.00
Technology Supplies- Admin	1,327.32	0.00	0.00
Total 6600 Supplies	\$ 9,196.14	\$ 0.00	\$ 0.00
6800 Other Expenses	1,755.00	45.00	45.00
Total 2400 School Administration	\$ 425,903.40	\$ 36,564.27	\$ 101,225.37
2500 Business			
6300 Purchased Services	74.95	250.00	0.00
6301 Audit Services	14,900.00	0.00	5,000.00
6302 Communications	18,392.59	1,498.00	1,498.00
6303 Accounting Services	12,920.00	0.00	0.00
6304 Management Services	4,580.00	0.00	0.00
6305 Marketing	1,655.70	0.00	0.00
6307 Legal Services	9,954.76	1,500.00	1,500.00
Total 6300 Purchased Services	\$ 62,478.00	\$ 3,248.00	\$ 7,998.00
6600 Supplies	20.62	0.00	0.00
6601 Postage	15,274.25	100.00	100.00
Total 6600 Supplies	\$ 15,294.87	\$ 100.00	\$ 100.00
6800 Other Expenses		45.00	50.00
6801 Dues/Fees	149,581.18	15,162.00	21,161.00
6803 Membership Fees/ Subscription Fees	201.87	0.00	0.00
6804 Interest expense	769,781.23	23,605.00	23,605.00
6806 Property Taxes	10,913.64	0.00	0.00
Indirect Cost	7,057.87	0.00	0.00
Total 6800 Other Expenses	\$ 937,535.79	\$ 38,812.00	\$ 44,816.00
Total 2500 Business	\$ 1,015,308.66	\$ 42,160.00	\$ 52,914.00
2600 Op./ Maint of Plant Services			
6100 Maintenance Salaries		0.00	0.00
6200 Employee Benefits	20,274.13	2,027.40	3,041.10
6201 Health Insurance	2,359.68	496.00	745.00
Total 6200 Employee Benefits	\$ 35,066.88	\$ 849.00	\$ 849.00
6300 Purchased Services	4,160.00	250.00	0.00
6301 Insurance	39,296.85	4,713.00	4,713.00
6302 Landscaping/Grounds	35,439.02	2,877.00	2,877.00
6303 Rent	-7,298.31	63,934.00	63,934.00
6304 Repair & Maint. Building	75,067.30	7,500.00	7,500.00
6305 Repair & Maint. Equipment	22,103.60	2,210.00	2,210.00
6306 Security Services	0.00	0.00	0.00
6308 Rental Equipment	-323.65	0.00	0.00
6309 Telephone	10,493.04	1,454.00	1,454.00
Total 6300 Purchased Services	\$ 178,937.85	\$ 82,938.00	\$ 82,688.00
6600 Supplies	548.37	0.00	0.00
6601 Landscaping Supplies	318.71	0.00	0.00
6602 Maintenance Supplies	3,740.26	1,500.00	1,500.00
6603 Technology Supplies	2,918.47	0.00	0.00
Total 6600 Supplies	\$ 7,525.81	\$ 1,500.00	\$ 1,500.00
Total 2600 Op./ Maint of Plant Services	\$ 244,164.35	\$ 87,810.40	\$ 88,823.10
Total 2000 Support Services	\$ 1,891,263.42	\$ 163,189.06	\$ 282,054.95
3100 Food Service			
6100 Salaries	96,154.43	11,250.00	11,250.00
6200 Employee Benefits	9,160.44	916.00	916.00
6300 Purchased Service	15,859.41	0.00	0.00
6600 Supplies	6,154.43	0.00	0.00
6601 Food	68,727.20	15,000.00	15,000.00
6602 Commodities Food	1,975.58	1,975.00	1,975.00
6602 Equipment	47.30	0.00	0.00
Total 6600 Supplies	\$ 76,904.51	\$ 16,975.00	\$ 16,975.00
6800 Other Expenses	6,266.16	0.00	0.00
Total 3100 Food Service	\$ 204,344.95	\$ 29,141.00	\$ 29,141.00
Total 100 Regular Education	\$ 3,552,953.95	\$ 319,108.06	\$ 545,583.45
200 Special Education			
1000 Instruction			
6100 Salaries	35,560.19	3,556.19	5,334.28
6200 Employee Benefits	5,850.75	585.10	877.65
6300 Purchased Services	5,144.50	3,500.00	3,500.00
6600 Supplies			
6601 Instructional Aides	236.31	250.00	250.00
6602 Instructional Supplies	1,554.03	1,000.00	1,000.00
Total 6600 Supplies	\$ 1,790.34	\$ 1,250.00	\$ 1,250.00
Total 1000 Instruction	\$ 48,345.78	\$ 8,891.29	\$ 10,961.93
2002 Support Services	1,495.00	0.00	0.00
Total 200 Special Education	\$ 49,840.78	\$ 8,891.29	\$ 10,961.93
4100 Transportation			
6100 Bus Driver Salaries	123,330.75	12,333.07	12,333.07
6200 Employee Benefits	11,614.01	1,357.00	723.00
6201 Health Insurance	13,154.77	2,147.00	2,147.00

Total 6200 Employee Benefits	\$	24,768.78	\$	3,504.00	\$	2,870.00
6300 Purchased Services		297.00		0.00		0.00
6301 Repair and Maint. on Buses		39,241.79		3,000.00		3,000.00
6302 Rental of Buses		2,570.95		0.00		0.00
6304 Software for the Routes		-4,090.06		0.00		0.00
6305 Bus Lease		26,378.64		1,977.00		1,977.00
6306 Bus Lease TCF		14,619.20		3,486.00		3,486.00
6307 Insurance		-2,734.00		5,800.00		5,800.00
Total 6300 Purchased Services	\$	75,283.52	\$	14,263.00	\$	14,263.00
6600 Supplies		2,528.16		200.00		200.00
6602 Fuel		10,514.74		1,600.00		1,600.00
Total 4100 Transportation	\$	236,425.95	\$	31,900.07	\$	31,266.07
6400 Purchase Property Services						
6411 Utilities		69,760.49		10,250.00		11,372.53
6420 Trash		14,584.79		1,412.00		1,412.00
Total 6400 Purchase Property Services	\$	84,345.28	\$	11,662.00	\$	12,784.53
700 Prop 301 Expense						
1013 Other						
6100 Salaries		12,000.00				
6101 Regular Ed		2,722.89		0.00		0.00
6102 Special Ed		100.00		0.00		0.00
Total 6100 Salaries	\$	14,822.89	\$	0.00	\$	0.00
Total 1013 Other	\$	14,822.89	\$	0.00	\$	0.00
Total 700 Prop 301 Expense	\$	14,822.89	\$	0.00	\$	0.00
Payroll Expenses						
Taxes		5,399.30		0.00		0.00
Wages		1,182.53		0.00		0.00
Total Payroll Expenses	\$	6,581.83	\$	0.00	\$	0.00
Prior year expense		-2,262.30		0.00		0.00
Reimbursements		1,960.05		0.00		0.00
Uncategorized Expense		67,201.20		0.00		0.00
Depreciation						229,925.20
Total Expenses	\$	4,011,869.63	\$	371,561.42	\$	830,521.18
Net Operating Income	\$	723,970.88	\$	137,331.58	-\$	247,769.46
Other Expense		47.60		0.00		
Total Other Expenses	\$	47.60				
Net Income	\$	723,923.28	\$	137,331.58	-\$	247,769.46
					\$	613,485.40
						613485.4
					\$	0.00

Unrestricted Days Liquidity

Cash:	\$436,450	cash at 6/30 minus CSF reserve	
Total Expenses:	\$5,213,952	\$660,911	cash
Expense per day:	<u>14284.8006</u>	(\$224,460)	PROP 301 Carryover (projected)
	30.5534541	\$436,450	Unrestricted cash

Meets: 30 days or more	224460
Does not meet: 15-29 days	435540
FFB: <15 days	



Meets: >\$1
Does not meet: <\$1

FY17 Cash:	\$660,911
FY16 Cash:	\$406,703
FY15 Cash:	\$627,111
FY14 Cash:	\$225,661

FY17 Cash flow:	\$254,208
FY16 Cash flow:	(\$220,409)
FY15 Cash flow:	\$401,450
3-year Cash flow:	\$435,250

Meets:	3-year is positive, at least 2 years including current year positive
Does not meet:	3-year is negative or positive but doesn't meet above

Fixed Charge Coverage Ratio

Net income:	\$613,485
Depreciation:	\$229,925
Amortization:	\$0
Interest Expense:	\$816,991
Lease Expense:	\$39,443
Current portion LTD:	\$925,622

FCCR:	\$0.95
Meets:	1.10 or greater
Does not meet:	<1.10

Subject: FW: Update

Date: Wednesday, May 17, 2017 at 10:04:08 PM Mountain Standard Time

From: Daniel Hughes

From: Garey Fuqua <GFuqua@tortoisecredit.com>

Date: Thursday, March 23, 2017 at 9:51 AM

To: Daniel Hughes <dhughes@andwedo.org>

Subject: Approval

Mr. Hughes,

I am writing to inform you that Bradley Academy has successfully completed our underwriting process. The only roadblock at this point is the renewal of your charter contract with the State of Arizona. The agreement we are proposing is a five year term which exceeds your current contract with the State. Your current contract expires in 2018. At this time Bradley Academy is conditionally approved for funding assuming that your contract is renewed for a time period greater than the term of the proposed agreement.

To recap:

In late June we will fund Bradley Academy \$1,200,000.00. Approximately \$710,000.00 will be transmitted to Charter School Capital as pay-off of all open transactions as of that time. Roughly \$490,000.00 will be transmitted to Bradley Academy. Your June 30 receivable from the State will flow to us and we will forward to you less the first installment of approximately \$25,000.00.

We look forward to working with you! I was very impressed with our recent visit to your school and I thank you for your devotion to helping under privileged children.

Garey M. Fuqua

Head of Municipal Securities
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Bradley Academy of Excellence, Inc.
Working Budget for FY 18
July 2017 - June 2018

	Jul 2017	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Total FY18
Revenue													
Local/ Miscellaneous	\$ 1,352.13	\$ 7,322.14	\$ 15,888.43	\$ 5,501.78	\$ 10,192.53	\$ 9,322.95	\$ 3,783.87	\$ 5,096.12	\$ 8,347.14	\$ 4,858.09	\$ 3,503.21	\$ 3.21	75,171.60
State Revenue	\$ 0.00	\$ 279,630.76	\$ 274,183.89	\$ 276,114.07	\$ 276,114.06	\$ 374,926.18	\$ 252,933.31	\$ 369,293.43	\$ 296,850.41	\$ 298,515.26	\$ 292,241.59	\$ 613,717.18	3,604,520.14
Federal Revenue	\$ 50,743.38	\$ 69,800.29	\$ 103,123.38	\$ 177,917.58	\$ 87,742.48	\$ 92,534.55	\$ 82,421.17	\$ 101,672.61	\$ 100,164.45	\$ 95,874.87	\$ 100,144.48	\$ 100,056.98	1,162,196.22
Total Revenue	52,095.51	356,753.19	393,195.70	459,533.43	374,049.07	476,783.68	339,138.35	476,062.16	405,362.00	399,248.22	395,889.28	713,777.37	4,841,887.96
Expenses													
Salary / Benefits	185,000.00	185,000.00	185,000.00	185,000.00	185,000.00	185,000.00	185,000.00	185,000.00	185,000.00	185,000.00	185,000.00	185,000.00	2,220,000.00
Health Insurance	34,483.73	47,742.59	26,612.24	24,755.59	29,448.89	28,261.17	33,719.15	30,245.27	29,388.06	31,317.63	34,128.04	34,160.18	384,262.55
Instruction													
Instructional Material	45,147.29	14,591.85	2,430.40	189.33	377.56	1,124.39	5,061.29	66.99	1,000.00	1,000.00	1,000.00	1,000.00	72,989.11
Teacher PD	3,108.00	400.00	3,990.00	0.00	771.00	0.00	120.00	1,400.00	1,180.00	0.00	890.00	0.00	11,859.00
Student Assessment Test	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,565.60	0.00	0.00	0.00	0.00	1,565.60
SPED Services	0.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	5,100.00	5,700.00	4,500.00	5,700.00	4,500.00	0.00	48,000.00
SPED Software	0.00	0.00	0.00	0.00	0.00	0.00	1,495.00	0.00	0.00	0.00	0.00	0.00	1,495.00
2100/6600 Uniforms	398.20	1,267.20	2,432.10	250.80	227.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,575.54
Building													
Rent	75,833.94	75,833.94	75,833.94	75,833.94	78,051.95	78,051.95	78,051.95	78,051.95	78,051.95	78,051.95	78,051.95	78,051.95	927,751.36
Property Tax	0.00	0.00	0.00	12,172.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,172.86
Utilities	7,947.63	10,360.24	11,122.33	8,745.04	6,577.78	5,903.10	5,199.14	5,384.99	4,946.84	5,704.82	7,189.16	7,189.16	86,270.23
Repairs and Maintenance	3,327.95	3,135.45	3,000.00	3,000.00	3,000.00	3,000.00	6,195.43	3,187.54	3,000.00	3,000.00	3,000.00	3,000.00	39,846.37
Pest Control	199.00	199.00	199.00	199.00	199.00	199.00	199.00	199.00	199.00	199.00	199.00	199.00	2,388.00
Insurance	12,590.09	4,703.92	4,703.92	4,703.92	4,203.92	4,203.92	4,203.92	4,203.92	4,203.92	4,770.63	9,129.23	3,778.67	65,399.97
Landscape	6,438.31	3,932.05	3,164.70	3,164.70	3,164.70	3,164.70	3,164.70	3,164.70	3,164.70	3,164.70	3,164.70	3,164.70	42,017.36
Supplies	360.00	890.89	360.00	360.00	360.00	360.00	383.89	360.00	360.00	450.00	360.00	450.00	5,144.78
Building Permits	0.00	0.00	0.00	0.00	242.05	0.00	767.35	0.00	530.45	0.00	0.00	0.00	1,539.85
Equipment Rental	708.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	708.80
Administration													
Attorney	5,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00
Dues/Membership	2,383.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	410.38	52.00	52.00	52.00	3,313.38
Admin Purchase Service	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	180,000.00
Admin Purchase Service	1,111.91	3,614.91	1,197.60	1,210.99	1,167.79	1,062.48	1,157.98	1,046.20	3,625.51	1,083.37	987.82	1,111.91	18,378.47
Supplies	4,814.60	5,573.67	303.39	322.42	281.00	289.95	3,811.64	311.25	281.00	281.00	281.00	281.00	16,831.92
Personal Advertising	0.00	0.00	0.00	0.00	0.00	0.00	35.00	70.00	0.00	0.00	0.00	0.00	105.00
Auditor	600.00	0.00	5,000.00	6,900.00	0.00	3,000.00	0.00	0.00	0.00	0.00	1,500.00	0.00	17,000.00
Telephone/Internet/	2,786.05	4,127.10	3,387.29	1,475.00	1,475.00	1,491.73	1,475.00	1,514.26	1,475.00	1,475.00	1,475.00	1,475.00	23,631.42
Postage	10,000.00	0.00	0.00	59.82	0.00	0.00	43.56	39.51	0.00	0.00	0.00	0.00	10,142.89
Printing/Duplicating	9,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,142.92	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	64,142.92
Interest / Fees	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	84,000.00
Food Services													
Food	8,669.75	13,537.17	15,350.66	13,342.31	13,953.27	14,795.55	14,951.25	12,621.28	13,883.52	13,890.04	13,803.42	6,537.78	155,336.00
Food Service software	549.00	0.00	0.00	1,013.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,562.94
Food Supplies	1,186.47	1,077.33	893.09	1,074.07	773.88	561.68	3,348.73	576.52	1,186.47	1,186.47	1,186.47	1,180.82	14,232.00
Transportation													0.00
Busses	5,463.09	5,463.09	5,463.09	5,463.09	5,463.09	5,463.09	5,463.09	5,463.09	5,463.09	5,463.09	5,463.09	5,463.09	65,557.08
Fuel	3,098.16	3,161.60	3,138.98	3,014.64	3,752.52	3,620.20	4,271.01	3,149.58	4,752.52	4,620.20	5,271.01	3,149.58	45,000.00
Repairs & Maintenance	20,075.00	3,080.46	3,000.00	3,000.00	3,024.45	3,074.04	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	53,253.95
Drug testing	250.00	250.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	500.00
Driver training	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	900.00	0.00	900.00
TOTAL Expenses	\$ 472,529.97	\$ 419,494.45	\$ 388,134.73	\$ 386,803.47	\$ 373,067.09	\$ 374,268.96	\$ 393,412.99	\$ 373,373.65	\$ 376,602.42	\$ 376,409.90	\$ 387,531.88	\$ 365,244.84	4,686,874.36
Net Income	-\$ 420,434.46	-\$ 62,741.26	\$ 5,060.97	\$ 72,729.96	\$ 981.98	\$ 102,514.72	-\$ 54,274.64	\$ 102,688.51	\$ 28,759.58	\$ 22,838.32	\$ 8,357.40	\$ 348,532.53	155,013.60

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

CV 2016-002190

04/20/2017

HONORABLE DAWN M. BERGIN

CLERK OF THE COURT
L. Nelson
Deputy

SHOPS AT SERAFINA L L C

BARRY M AYLSTOCK

v.

BRADLEY ACADEMY OF EXCELLENCE INC, RALPH D HARRIS
et al.

WILLIAM CRAIG MILTON
JENNIFER R SPIEGEL

DISMISSAL CALENDAR

The Court having received a Notice of Settlement, filed by Judge *Pro Tempore* Jennifer R. Spiegel on March 21, 2017,

IT IS ORDERED accepting the Notice of Settlement and placing this matter on the Dismissal Calendar for dismissal on or after **June 20, 2017**, without further notice unless a Judgment is entered or a Stipulation for Dismissal is filed.

IT IS FURTHER ORDERED deeming any pending motions moot.

IT IS FURTHER ORDERED vacating all future hearing dates and deadlines, including the Trial Setting Conference scheduled on April 20, 2017, in this division.

By Schaup
S. Marx, Deputy

**JUDICIAL BRANCH OF ARIZONA
IN MARICOPA COUNTY
ALTERNATIVE DISPUTE RESOLUTION**

Shops at Serafina LLC
PLAINTIFF

Case Number: CV2016-002190

Agreement Between the Parties
Pursuant to A.R.Civ.P. Rule 80 (D)

VS

Bradley Academy of Excellence, Inc
DEFENDANT
ET al.

FULL SETTLEMENT
 PARTIAL SETTLEMENT

This is the time set for the Settlement Conference held 03/17/17

before Judge *Pro Tempore* Jennifer R. Spiegel

The assigned Judge on this case is Hon. Dawn Bergin

Attending this conference are:

Plaintiff Plaintiff's Counsel Defendant Defendant's Counsel Interpreter
 Other _____

The parties in this matter have completed the settlement conference and have reached the following agreement and shall be considered a binding agreement pursuant to Rule 80(d) of the Arizona Rules of Civil Procedure:

The parties have reached an agreement in principle, subject to a settlement agreement and release.

"Shops at Serafina, LLC" will accept from "Bradley Academy of Excellence, Inc." the total amount of \$35,000.00 and from "Fisher Arts Corporation" and Robert and Cecilia Fisher the total amount of

\$10,000.00.

Bradley will pay over a period of 18 months, for the first 6 months, no interest will accrue. For the remaining 12 months interest will accrue at a rate of 10% per annum with minimum monthly payments of \$500.00.

JRS
Cecilia

Fisher Arts Corporation and Robert and ~~Patricia~~ ^{JRS} Fisher will pay \$10,000 over a period of 24 months, with minimum monthly payments of \$416.67, beginning in September of 2017. No interest will ^{accrue on} the amount of \$10,000.00.

These obligations are separate and shall each be subject to a stipulated judgment which will not be entered or executed except in the instance of default. The default of one party does not constitute the default of any other party.

The formal settlement and release will include mutual, full, and complete releases of the parties subject to the terms of the settlement outlined above.

PLAINTIFF(S):

Shop at Serafin LLC
Plaintiff Print Name


Plaintiff's Signature

Plaintiff Print Name

Plaintiff's Signature

Plaintiff Print Name

Plaintiff's Signature

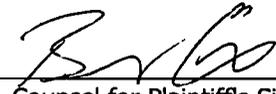
Plaintiff Print Name

Plaintiff's Signature

Counsel for Plaintiff Print Name

Counsel for Plaintiff's Signature

Barry M. Aylstock
Counsel for Plaintiff Print Name


Counsel for Plaintiff's Signature

Counsel for Plaintiff Print Name

Counsel for Plaintiff's Signature

Counsel for Plaintiff Print Name

Counsel for Plaintiff's Signature

DEFENDANT(S):

BRADLEY ACADEMY of Excellence, INC DANIEL HUGHES, CEO
Defendant Print Name


Defendant's Signature

Robert Fisher III
Defendant Print Name


Defendant's Signature

Cecilia C. Fisher
Defendant Print Name


Defendant's Signature

STP
5/19/2009

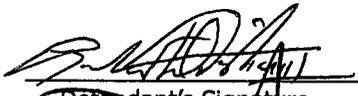
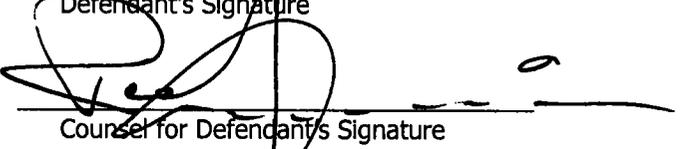
THIRD-PARTY

THIRD-PARTY

THIRD-
PARTY

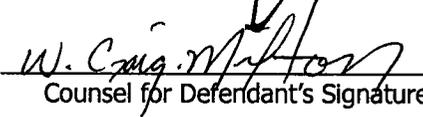
Fisher Arts Corporation Robert D. Fisher III
Defendant Print Name

Ralph D. Harris
Counsel for Defendant Print Name

 President
Defendant's Signature

Counsel for Defendant's Signature

THIRD-
PARTY

W. CRAIG MILTON
Counsel for Defendant Print Name


Counsel for Defendant's Signature

Counsel for Defendant Print Name

Counsel for Defendant's Signature

Counsel for Defendant Print Name

Counsel for Defendant's Signature

Bradley Academy of Excellence, Inc.

Financial Performance Response

Charter Contract Renewal Application

03/16/2017

This document is in response to the ASBCS's request for a financial performance response related to Bradley Academy of Excellence's application for renewal of its charter contract.

This response addresses the 2015-2016 fiscal year and associated audited financials.

This response will address the measures of the financial performance framework for which Bradley Academy did not meet the Charter Board's expectations. Those areas include:

- Going Concern
- Unrestricted Days Liquidity
- Net Income
- Fixed Charge Coverage Ratio

Bradley Academy met expectations in the following measures:

- Default
- Cash Flow (3-Year Cumulative)

Factors Affecting all Measures

The following are factors that affected indicators that contributed to Bradley Academy's failure to meet the Charter Board's expectations in above noted measures.

In preparation for the 2015-2016 school year, the leadership of Bradley Academy prepared a budget and operational plan sufficient to support student enrollment at or near the school's enrollment cap of 530. Due to a variety of factors, actual membership was significantly less than projections. Expenses at the beginning of the school year were disproportionately higher than revenues. As part of the preparation for a high level of membership, significant financial investments were made in curricular supplies, instructional staff, administrative staff, transportation such as school buses, and programs supplemented by Federal grants. Total losses in revenues over projections was approximately \$1,000,000.00. Expenses were reduced but in an insufficient period of time to offset losses.

(See Appendix D: Audited Financials)

The shortfall in revenue affected all of the measurements in which Bradley Academy did not meet the Charter Board's expectations.

In the prior fiscal year, Bradley Academy renegotiated and recapitalized its lease with its landlord. As a result of the recapitalization, the lease was converted from an operating lease to a capital lease, requiring Bradley Academy to begin booking depreciation. Booking significant amounts of depreciation adversely affected net income and contributed to the going concern.

In fiscal year 2016, Bradley Academy guaranteed a commercial lease on property to be used for before and after school arts programming. That commercial lease was booked as a liability in an amount approximate to \$900,000.00. This adversely affected net income.

Remedies

In fiscal year 2016-2017, the following plan will remedy all areas in which Bradley Academy did not meet expectations.

In fiscal year 2017, Bradley Academy is projecting its highest revenue year since the school opened. Maximizing revenue is a critical key component to a sustainable financial plan. Bradley Academy successfully recruited over 500 state funded students, expanded Federal programs by nearly \$500,000.00 and created additional sources of revenue. (See Appendix A: Projections)

In fiscal year 2017, Bradley Academy has successfully controlled and managed expenses in such a way that a positive bottom line is projected by the end of the fiscal year. (See Appendix A: Projections)

Bradley Academy has entered into relationships with Tortoise Capital Solutions and High-mark School Development for the purposes of negotiating a deal that will refinance and consolidate all outstanding debt and roll it into a 20 year capital lease on Bradley Academy's current property. This deal will also add approximately \$400,000.00 in liquidity to Bradley Academy. This agreement will be fully executed and implemented prior to the end of fiscal year 2017. (See Appendix B: Letter from Glenn Hileman)

Bradley Academy has implemented the use of a new web based cash flow management system called Pulse. Pulse aids in estimating cash on hand at any given point during the fiscal year. Using this tool, school leaders can more easily determine if Bradley Academy is on track throughout the year in meeting the Charter Board's expectations in certain measures. (See Appendix C: Sample report from Pulse)

In fiscal year 2017, Bradley Academy started and will complete negotiations that will cancel the \$900,000.00 liability associated with a commercial lease guarantee. (Outcome pending; no evidence can be provided at this time)

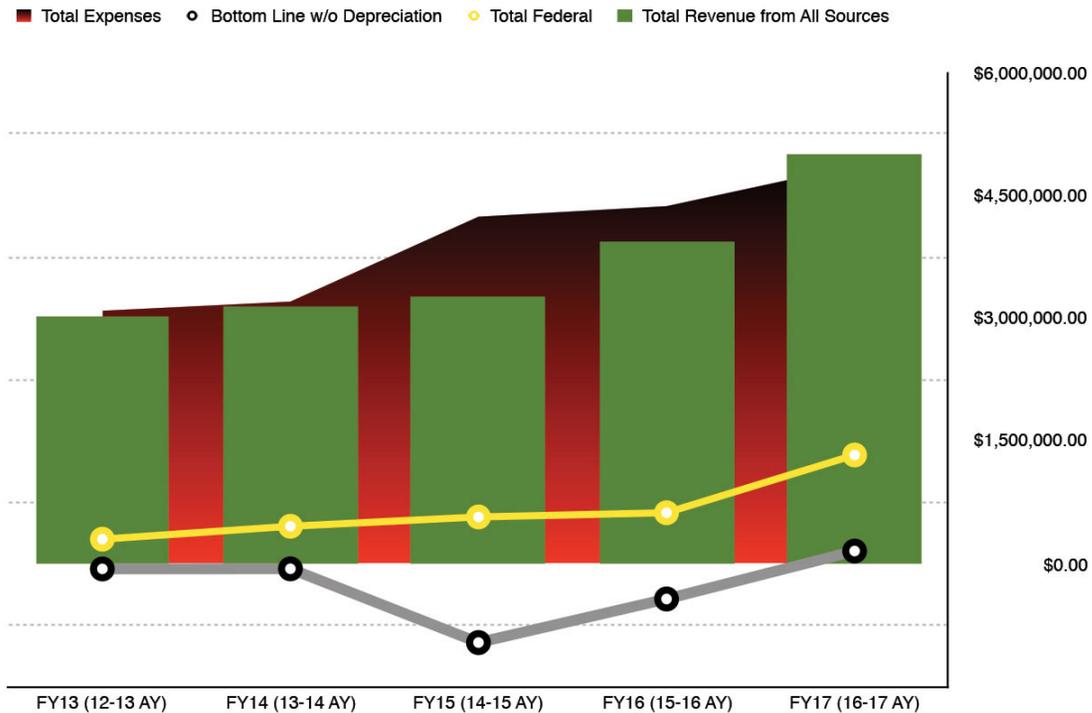
All of the above remedies have already been implemented and/or are in the process of being implemented. These remedies will eliminate the going concern and add sufficient liquidity to meet cash flow, fixed charge coverage ratio and unrestricted days liquidity expectations.

Year Over Year

	Student Count (ADM)	Weighted Student Count (ADM)	PK Headcount	Total Equalization	Total Federal	Total Revenue from All Sources	Total Expenses	Bottom Line w/o Depreciation	% Change in Total Revenue Over Prior Year	% Change in Total Expenses Over Prior Year
FY13 (12-13 AY)	426	554	20	\$ 2,486,342.08	\$ 295,887.05	\$ 3,021,580.48	\$ 3,088,711.34	(\$ 67,130.86)		
FY14 (13-14 AY)	384	505	20	\$ 2,416,547.56	\$ 453,751.37	\$ 3,134,678.81	\$ 3,200,612.35	(\$ 65,933.54)	4%	4%
FY15 (14-15 AY)	379	498	25	\$ 2,408,629.15	\$ 567,851.47	\$ 3,270,241.56	\$ 4,238,466.08	(\$ 968,224.52)	4%	32%
FY16 (15-16 AY)	440	571	50	\$ 2,911,555.56	\$ 619,164.85	\$ 3,932,042.91	\$ 4,367,383.98	(\$ 435,341.07)	20%	3%
FY17 (16-17 AY)	516	660	80	\$ 3,381,488.31	\$ 1,325,078.10	\$ 5,013,953.47	\$ 4,862,811.06	\$ 151,142.41	28%	11%

Daniel Hughes added to Corporate Board 10/08/2015 (FY 16)
 Daniel Hughes appointed Charter Representative 05/05/2016 (FY 16)

% increase in revenue from FY13 to FY17 = 66%



Appendix B: Letter from Glenn Hileman

From: "Hileman, Glenn" <glenn@highmarkschools.com>

Date: Tuesday, January 24, 2017 at 1:31 PM

To: Daniel Hughes <dhughes@andwedo.org>

Subject: Letter From Highmark

Daniel,

The above statement is intended to demonstrate to your potential lenders and stakeholders our position:

To whom it may concern,

Highmark School Development has partnered with Bradley Academy for over 6 years. Up until the past year, the school struggled with marketing, enrollment, governance, and financial matters. In October 2015, Daniel Hughes took over operations. While he inherited a significant challenge, we agreed to work with his team to resolve past issues and to help structure for a long-term solution.

Over the past 18 months, we've witnessed extraordinary measures to demonstrate viability for future operations. Therefore, we are eager to move forward with refinancing the property and consolidating the school's debt so the school can continue to serve at risk children and provide high quality programing. This transaction will be completed by the end of this fiscal year.

We expect the school to emerge from the challenges they've faced and we remain confident in Daniel's business plan.

Best Regards,



Glenn Hileman *CEO*

746 East Winchester Street, Suite 150
Murray, UT 84107

Mobile: 801.824.9606 | **Office:** 801.256.9550 x 109

Fax: 801.304.3551 | **Conference:** 641-715-3272 x 479 619

highmarkschools.com

Be sure to visit our updated web site!

Income & Expenses

Mar 01, 2017 - Jul 01, 2017 [Change](#)

Beginning Cash on Hand 309,094.90	Total Income 1,429,885.60	Total Expenses 1,306,235.13	Ending Cash on Hand 432,745.37
---	-------------------------------------	---------------------------------------	--

Monthly Totals

Date	Income	Expenses	Cash on Hand Beginning of the month
March 2017	405,821.60	418,439.88	309,094.90
April 2017	357,286.00	307,048.83	296,476.62
May 2017	357,286.00	290,166.21	346,713.79
June 2017	309,492.00	290,580.21	413,833.58
July 2017			432,745.37
Monthly Average	285,977.12	261,247.03	359,772.85

Appendix D: Audited Financials

BRADLEY ACADEMY OF EXCELLENCE, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

FOR THE YEAR ENDED JUNE 30, 2016

BRADLEY ACADEMY OF EXCELLENCE, INC.
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Brett V.
Backlund
CPA, PC

1757 East Baseline Road • Suite 137 • Gilbert, Arizona 85233
Phone (480) 361-4150 • Fax (480) 361-6840 • brett@bvbcpa.com



Independent Auditor's Report

Board of Directors
Bradley Academy of Excellence, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Bradley Academy of Excellence, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bradley Academy of Excellence, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 14 to the financial statements, the School has suffered recurring significant decreases in unrestricted net assets, has a deficiency in net assets, and has limited cash and cash equivalents to meet its current obligations that together raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2017, on our consideration of Bradley Academy of Excellence, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bradley Academy of Excellence, Inc.'s internal control over financial reporting and compliance.



Brett V. Backlund, CPA, PC
Gilbert, Arizona
January 20, 2017

BRADLEY ACADEMY OF EXCELLENCE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

	2016
ASSETS	
Cash and cash equivalents	\$ 406,703
Accounts receivable	30,053
Due from governmental agencies	69,658
Due from related parties	8,283
Property and equipment, net	7,654,947
TOTAL ASSETS	\$ 8,169,644
 LIABILITIES AND NET ASSETS	
Accounts payable and accrued expenses	\$ 205,911
Accrued payroll and related benefits	117,808
Accrued interest payable	173,122
Revolving credit agreement with a related party	1,056
Capital lease obligations	8,834,525
Loans payable from factoring agreements	900,545
Notes payable	158,529
Notes payable to related parties	49,974
Obligations as guarantor	1,069,587
TOTAL LIABILITIES	11,511,057
 NET ASSETS	
Unrestricted:	
Undesignated	(3,341,413)
TOTAL NET ASSETS/(DEFICIT)	(3,341,413)
 TOTAL LIABILITIES AND NET ASSETS	\$ 8,169,644

See accompanying notes to financial statements.

**BRADLEY ACADEMY OF EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	2016
UNRESTRICTED NET ASSETS	
Unrestricted Revenues and Gains:	
Revenue from local sources	\$ 172,939
Revenue from state sources	3,120,172
Revenue from federal sources	619,165
Total Unrestricted Revenues and Gains	3,912,276
 Total Unrestricted Revenues, Gains, and Other Support	 3,912,276
Expenses and Losses:	
Personal services - salaries	1,535,711
Personal services - benefits	252,248
Purchased professional and technical services	680,851
Purchased property services	478,785
Other purchased services	317,244
Supplies	342,090
Depreciation and amortization	347,244
Interest	539,877
Other expenses and losses	1,364,997
Total Expenses and Losses	5,859,047
 CHANGES IN UNRESTRICTED NET ASSETS	 (1,946,771)
 CHANGES IN NET ASSETS	 (1,946,771)
NET ASSETS/(DEFICIT), BEGINNING OF YEAR	(1,394,642)
NET ASSETS/(DEFICIT), ENDING OF YEAR	\$ (3,341,413)

See accompanying notes to financial statements.

**BRADLEY ACADEMY OF EXCELLENCE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

	2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ (1,946,771)
Adjustments to reconcile changes in net assets to net cash from/(used in) operating activities:	
Depreciation and amortization	347,244
Loss on obligations as guarantor	1,069,587
(Increase)/decrease in operating assets:	
Accounts receivable	(13,993)
Due from governmental agencies	(16,818)
Due from related parties	(8,283)
Prepaid expenses	1,280
Increase/(Decrease) in operating liabilities:	
Accounts payable and accrued expenses	(17,080)
Accrued payroll and related benefits	66,071
Accrued interest payable	173,122
Due to governmental agencies	(2,084)
Due to related parties	(30,536)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(378,261)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(5,500)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	(5,500)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net borrowing on revolving credit agreement	1,056
Proceeds from notes and loans payable	2,606,635
Payments on notes and loans payable	(2,444,338)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	163,353
NET CHANGES IN CASH AND CASH EQUIVALENTS	(220,408)
CASH AND CASH EQUIVALENTS, BEGINNING	627,111
CASH AND CASH EQUIVALENTS, ENDING	\$ 406,703
SUPPLEMENTAL INFORMATION	
Cash paid for interest	\$ 366,755

See accompanying notes to financial statements.

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Bradley Academy of Excellence, Inc. (School) is an Arizona not-for-profit organization established on December 9, 2002 to provide a learning environment that will improve pupil achievement in the State of Arizona. The School is dedicated to providing an extensive, enriching, competency-based, relevant educational program that allows each student to experience academic success, appreciate diversity, and develop their personal and social skills. The School's highest priority is to recognize the uniqueness and potential within each child and to plan a program of instruction that accelerates their learning and personal growth. The School operates under a charter contract with the Arizona State Board for Charter Schools (Sponsor), which mandates policies and operational guidelines. The School provides educational services in Goodyear, Arizona to approximately 465 students in kindergarten through eighth grades, and is funded primarily through its sponsor, based on student membership.

Significant Accounting Policies

The School prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations. The significant accounting and reporting policies used by the School are described below to enhance the usefulness and understandability of the financial statements.

Cash and Cash Equivalents – Cash and cash equivalents can be short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital nature.

Gifts-in-Kind Contributions – The School periodically receives contributions in a form other than cash or investments. If the School receives a contribution of property and equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the School's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

The School may benefit from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the School's program operations. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance non-financial assets, or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. No amounts have been reflected in the financial statements for donated services since they do not meet the criteria for recognition.

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Grant Revenue – Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget Circular A-133 and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the School's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the School.

Property and Equipment – Land, buildings, and improvements with a cost of \$3,000 or more and vehicles, furniture, and equipment with both a cost of \$300 or more and an estimated useful life of one year or more are capitalized. Assets are stated at cost. Assets donated are recorded at their estimated fair market value as of the date received. Repairs and maintenance that does not significantly increase the useful life of the asset are expensed as incurred. Amortization of buildings and improvements and depreciation of furniture and equipment are provided on a straight-line basis over the useful life of the respective assets, which ranges from 2 to 30 years. Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements during the current period.

Net Assets – The financial statements can report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted Net Assets – Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the normal course of its operations.

Temporarily Restricted Net Assets – Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The School's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of property or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by the School, unless the donor provides more specific directions about the period of its use.

Permanently Restricted Net Assets – Permanently restricted net assets are resources whose use by the School is limited by donor-imposed restrictions that neither expires by being used in accordance with a donor's restriction nor by the passage of time.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses are reported as decreases in unrestricted net assets.

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Accounting for Contributions – Contributions are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed asset is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the School reports that support as unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Classroom Site Fund – In June of 2000, the Arizona Legislature created a Classroom Site Fund (CSF) to be administered by the Arizona Department of Education (ADE). CSF was created to provide funding to school districts and charter schools for designated purposes. ADE administers and allocates CSF funds to the School based on student count and other factors specified by statute. The School must allocate funding from CSF according to the following statutory parameters:

Project 1011 – 20% of the funds must be used for teacher base salary increases and employment related expenses.

Project 1012 – 40% of the funds must be used for performance based teacher compensation increases and teacher employment related expenses.

Project 1013 – 40% of the funds must be used for maintenance and operations purposes including class-size reduction, teacher compensation increases, AIMS intervention programs, teacher development, dropout prevention programs, and teacher liability insurance premiums.

CSF funds are non-reverting. Therefore, unspent monies at fiscal year-end may be used in future years with the restrictions originally placed on the revenue still applicable. In accordance with statutory requirements, unexpended balances must be carried forward in each of the three projects (1011, 1012, and 1013).

Advertising Costs – All costs associated with advertising and promotion are expensed in the period incurred. Advertising costs consisted of the following for the year ended June 30:

	<u>2016</u>
Advertising costs	\$ 92,547

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the School’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The School’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Tax Status – The School is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and state income taxation under Arizona Revised Statute (A.R.S.) §43-1201, though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the Code or A.R.S.). Contributions to the School are tax deductible to donors under section 170 of the Code. The School is not classified as a private foundation. The School's Form 990, *Return of Organization Exempt from Income Tax*, is generally subject to examination by the Internal Revenue Service for three years after the date filed. As of June 30, 2016, the returns for 2015, 2014, 2013, and 2012 remain subject to examination. Lastly, the School has not taken any uncertain tax positions, and, therefore, has no policy for evaluating them.

Fair Value Measurements – The School reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- ◆ quoted prices for similar assets or liabilities in active markets;
- ◆ quoted prices for identical or similar assets in markets that are not active;
- ◆ observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- ◆ inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The School's primary uses of fair value measures in the financial statements are cash and cash equivalents, due from governmental agencies, and other current assets and liabilities, and notes payable. The recorded values for these financial instruments approximate their fair values based on their short-term nature.

Expense Recognition and Allocation – The cost of providing the School's programs and other activities is summarized on a functional basis in Note 3. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the School.

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The School generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

Subsequent Events – The School has reviewed all subsequent events through January 20, 2017, which was the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Prior Year Amounts – Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash in Bank – The School maintains all of its cash with multiple financial institutions. The carrying amount of deposits and bank balances consisted of the following as of the year ended June 30:

	2016
Carrying amount of deposits	\$ 406,703
Bank balances:	
Insured by Federal Deposit Insurance Corporation	\$ 266,873
Uninsured and uncollateralized	164,353
Total bank balances	\$ 431,226

Restricted Cash – Monies received from the Classroom Site Fund are restricted solely for use at school sites. Unspent monies at fiscal year-end may be used in future years with the restrictions originally placed on the revenue still applicable. In accordance with statutory requirements, unexpended balances must be carried forward in each of the three projects (1011, 1012, and 1013). Restricted cash related to the Classroom Site Fund consisted of the following as of the year ended June 30:

	2016
Restricted cash for Classroom Site Fund:	
Project 1012	\$ 201,320
Total restricted cash for Classroom Site Fund	\$ 201,320

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function consisted of the following for the year ended June 30:

	2016
Program services:	
Charter school	\$ 3,255,212
Total program services	3,255,212
Support services:	
Management and general	2,603,835
Total support services	2,603,835
Total expenses and losses	\$ 5,859,047

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of the year ended June 30:

	2016
Property and equipment:	
Land, building and improvements	\$ 7,883,631
Equipment	296,721
Total property and equipment	8,180,352
Accumulated depreciation and amortization	(525,405)
Property and equipment, net	\$ 7,654,947

Depreciation and amortization expense consisted of the following for the year ended June 30:

	2016
Depreciation and amortization expense	\$ 347,244

NOTE 5 - CAPITAL LEASE OBLIGATIONS

The School acquired facilities under the provisions of a long-term lease agreement classified as a capital lease for accounting purposes. Accordingly, the original cost of the leased asset, together with the accumulated amortization, consisted of the following as of the years ended June 30:

	2016
Original cost of the leased assets	\$ 7,883,631
Accumulated amortization	\$ 319,182

The amount of amortization of the leased asset which was part of depreciation and amortization on the statement of activities, consisted of the following for the years ended June 30:

	2016
Amortization expense	\$ 319,182

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Capital lease obligations consisted of the following as of the year ended June 30:

	<u>2016</u>
Capital lease obligations	\$ 8,834,525

The future minimum lease payments under the capital lease obligations, together with the present value of the net minimum lease payments, as of June 30, 2016 are as follows:

Fiscal year ending June 30:	
2017	\$ 878,594
2018	904,951
2019	932,100
2020	960,063
2021	988,865
Thereafter	<u>17,733,293</u>
Total future minimum capital lease payments	22,397,866
(Less) implicit interest	<u>(13,563,341)</u>
Present value of net minimum lease payments	<u>\$ 8,834,525</u>

During the year ended June 30, 2016, capital lease payments were not sufficient to cover the School's principal and interest obligations arising from the capital lease obligation. Therefore, the payments that were made were first applied to interest and then to principal in accordance with the lease. As mentioned above, the payments that were made did not satisfy all interest charges, which resulted in an accrued interest payable of \$173,122 on the statement of financial position. Based on the current payment schedule in place, the School will continue to accrue interest and not reduce principal until the year ending June 30, 2019.

NOTE 6 – LOANS PAYABLE FROM FACTORING AGREEMENTS

During the year ended June 30, 2016, the School entered into multiple Master Factoring Agreements totaling \$2,606,635 with Charter Asset Management Fund, LP (CAM) to sell and assign to CAM the School's projected receivables generated from state equalization assistance based on the years ended June 30, 2016 and 2017. In certain instances, the School had not earned nor had a right to the projected receivables prior to entering into the agreements with CAM. CAM purchased the receivables at a discounted price, which is the gross amount of the receivables times a discount rate totaling \$116,912 for the year ended June 30, 2016. Also, the School was charged an administration fee equal to 1.85% of the gross amount of each receivable totaling \$48,222 for the year ended June 30, 2016. As of June 30, 2016, the School had sold and assigned to CAM its August, September, October, and November 2016 projected receivables totaling \$900,545, all of which the School had not earned nor had rights to as of June 30, 2016. The factoring agreements are listed as loans payable from factoring agreements on the statement of financial position. The current director of the School unconditionally guarantees prompt payment when due and at all times thereafter the liabilities of the School to CAM.

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – NOTES PAYABLE

Notes payable consisted of the following as of the year ended June 30:

	2016
Note payable to a financial institution with an original amount of \$144,037; an interest rate of 5.99%; and payable in monthly principle and interest payments of \$2,068 with one final payment of \$26,600 at maturity on November 8, 2019. The note is secured by property and equipment of the School.	\$ 98,091
Settlement agreement and promissory note payable to a financial institution with an original amount of \$75,438; a zero percent (0.00%) interest rate; one initial payment of \$5,000; monthly payments of \$1,000; and one payment of \$58,438 on November 1, 2016. The note is part of a settlement agreement and is unsecured.	60,438
Total notes payable	\$ 158,529

Maturities of the notes payable as of June 30, 2016 are summarized as follows:

Fiscal year ending June 30:		
2017		\$ 79,911
2018		20,671
2019		21,943
2020		36,004
Total notes payable		\$ 158,529

Interest expense on the notes payable consisted of the following for the year ended June 30:

	2016
Interest expense on notes payable	\$ 6,334

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 – NOTES PAYABLE TO RELATED PARTIES

Notes payable to related parties consisted of the following as of the year ended June 30:

	2016
Settlement agreement and promissory note payable to a related party with an original amount of \$40,000; an interest rate of 5.00%; and payable in monthly principle and interest payments of \$1,000 through June 30, 2016; and the remaining balance paid in monthly principle and interest payments of \$3,017 through May 1, 2017. The note is part of a settlement agreement and is unsecured.	\$ 32,374
Settlement agreement and promissory note payable to a related party with an original amount of \$30,000; a zero percent (0.00%) interest rate; and payable monthly through November 15, 2016. The note is part of a settlement agreement and is unsecured.	17,600
Total notes payable to related parties	\$ 49,974

Maturities of the notes payable to related parties as of June 30, 2016 are summarized as follows:

Fiscal year ending June 30:	
2017	\$ 49,974
Total notes payable to related parties	\$ 49,974

Interest expense on the notes to related parties consisted of the following for the year ended June 30:

	2016
Interest expense on notes to related parties	\$ 1,374

NOTE 9 – REVOLVING CREDIT AGREEMENT WITH RELATED PARTIES

The School entered into a Revolving Credit Agreement with the director and charter representative with an available credit limit totaling \$100,000. As stated in the agreement, the School agreed to permit the director and board member and certain staff members of the School to make purchases and to debit the School's account for the cash price of each purchase and any related finance charge as provided for in the agreement. During the year ended June 30, 2016, the School purchased \$208,556 of various goods and services against the revolving agreement. Also, the School made payments against the agreement to the director and board member totaling \$207,500 during the year ended June 30, 2016. The outstanding balance against the Revolving Credit Agreement consisted of the following as of the year ended June 30:

	2016
Outstanding balance against the revolving credit agreement	\$ 1,056

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The Revolving Credit Agreement imposes a finance charge of 2.16% per month and is unsecured. Interest expense on the Revolving Credit Agreement consisted of the following for the year ended June 30:

	2016
Interest expense on revolving credit agreement	\$ -

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES

Litigation – The School is contingently liable for claims, either asserted or unasserted, and judgments resulting from lawsuits incidental to the normal operation of a school. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these matters will have a material adverse effect on the School’s financial position, results of operations, or liquidity. Accordingly, no provision for possible losses is reflected in the financial statements.

Obligation as Guarantor of Commercial Lease

On July 1, 2015, the School entered into an agreement to become a guarantor of a commercial lease agreement between Fisher Arts Corporation (tenant) and Shops at Serafina, LLC (landlord) of a building located in Goodyear, Arizona. The term of the lease was for ten (10) years and one (1) month, which would expired on July 31, 2025. On March 15, 2016, the landlord filed a civil action in Maricopa County Superior Court against the School asserting its claim against the School for liability on a guarantee of a commercial lease. The landloard seeks money damages and no other form of relief totaling \$192,158 in rent and other charges and fees allegedly owing under the lease and guarantee, plus accruing rent, attorneys fees, interest, and other unspecified amounts.

Thus far, the landlord has not brought suit against the tenant. On August 12, 2016, the School filed an answer and also a third party complaint against the tenant and its principle representative. As a result, the tenant filed claims against the School on September 2, 2016. In the event that no settlement can be reached, the School intends to defend the claims of the landlord, procute its third party claims against the tenant, and defend the claims the tenant has brought against the School.

The range of potential outcomes could be as high as the full amount being sought by the landlord, which the total amount of the lease is \$954,151 plus common area operating expenses of \$295,885 to as low as a deminimis settlement after a full resolution of the claims of all parties is taken into account, or somewhere in between.

In accordance with professional standards, the aggregate maturities of the obligations as guarantor as of June 30, 2016 are summarized as follows:

Fiscal year ending June 30:	
2017	\$ 214,910
2018	118,290
2019	120,958
2020	123,707
2021	126,538
Thereafter	545,634
Total obligations as guarantor	\$ 1,250,037

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Settlement Agreement with Former Landlord

On December 29, 2014, the School entered into a Settlement of Stipulated Judgment and Covenant not to Execute with the School's former landlord, a related party. The School leased facilities from the related party, who brought a lawsuit against the School based on the lease that claims the related party is entitled to damages resulting from the actions of the School. The School and the related party provided resolution of the dispute by executing a Stipulation for Entry of Judgment, whereby they agreed to the entry of Stipulated Judgment against the School totaling \$30,000 together with interest at the legal rate of ten percent (10%) per annum. Despite the agreement, the related party has agreed to accept a reduced amount of \$18,000 to be paid as follows:

1. On or before January 15, 2015, the School will commence the first of eight (8) payments of \$300 per month.
2. Commencing on September 15, 2015, the School will pay the first of eight (8) payments of \$1,000 per month.
3. Commencing on June 15, 2016, the School will pay the first of five (5) payments of \$1,300 per month.
4. On October 15, 2016, the School will pay one (1) final payment of \$1,100.

If the School fails to make the payments as outlined above, or if the School fails to comply with the other terms of the agreement, the related party may immediately record, without further notice, the Stipulated Judgment. The resulting note is recorded as part of notes payable to related parties on the statement of financial position.

Subsequent to June 30, 2016, the School made all payments as required in the settlement agreement and in October 2016 made the final payment. As stipulated in the agreement, the landlord dismissed the final payment of \$11,300, and the withdrew the Stipulated Judgment.

Settlement Agreement with Former Board Member and Founder

As of June 30, 2015, the School entered into a Settlement Agreement and Mutual Release with the former board member and founder, a related party. A serious dispute had arisen between the School and the former board member and founder dealing with the management and control of the School and who sits on the board of directors. The School and the related party provided resolution of the dispute by agreeing to the following:

1. The former board member and founder has added the new board member on the Arizona Department of Education's "common logon roster".
2. The former board member and founder has not applied for any School loans using personal information of any School board members.
3. The former board member and founder will deliver to the School any and all bus titles, bus driver information documentation and other critical transportation documents formerly in the possession of a family member of the former board member and founder.
4. Each party will deliver any and all personal property belonging to the other.

In addition, the School and the former board member and founder agreed to the following terms of a financial settlement. The School will pay the former board member and founder \$40,000 in eight (8) equal monthly installments beginning on October 10, 2015 through May 10, 2016. If by the 40th day of the school year starting in August 2015, the student count for the School is less than 510 students, which it was, then the \$40,000 will accrue interest at five percent (5%) per annum and be paid in 9 monthly installments of \$1,000 or more per month beginning on October 10, 2015 through June 10, 2016 with the remaining balance as of July 1, 2016 paid in eleven (11) equal installments starting July 10, 2016 through May 10, 2017. The resulting note is recorded as part of notes payable to related parties on the statement of financial position.

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Settlement Agreement with De Lage Landen Financial Services, Inc.

As of June 30, 2015, the School entered into a Settlement Agreement and Promissory Note between De Lage Landen Financial Services, Inc. (Plaintiff) whereas the School breached a commercial lease agreement for equipment. The School and the Plaintiff have decided to settle the case with the following agreement:

1. On or before August 20, 2015, the School shall pay the Plaintiff \$5,000.
2. The School shall sign and deliver to the Plaintiff a Promissory Note totaling \$75,438.03 made payable to the Plaintiff.
3. The Plaintiff shall file a General Judgment of Dismissal within ten (10) days of the receipt of items 1 and 2 above.

In the promissory note, the Plaintiff agreed that the \$75,438 note may be satisfied with timely payment of the lesser sum of \$35,000 paid as follows:

1. Commencing on September 20, 2015, the School will pay \$1,000 per month through August 20, 2016.
2. On or before September 20, 2016, the School will pay a final lump sum payment of \$23,000.

The note is recorded as part of notes payable on the statement of financial position.

Subsequent to June 30, 2016, the School made all payments as required in the settlement agreement and in September 2016 made the final payment. As stipulated in the agreement, the plaintiff dismissed the final payment of \$23,000, and the withdrew the Stipulated Judgment.

Default Settlement with Current Landlord

Effective May 1, 2014, the School entered into a Forbearance and Modification Agreement with the School's landlord. At the time of the agreement, the School was in default under the sublease for failure to pay base rents, late charges, accrued but unpaid interest, taxes owed, costs associated with the landlord exercising its remedies due to default, and all other amounts payable under the sublease. The agreement effectively requires the School to repay all outstanding amounts owed to the landlord by August 1, 2015.

During the year ended June 30, 2015, the School was unable to meet its obligations under the Forbearance and Modification Agreement, therefore the parties entered into a Second Amended and Restated Sublease Agreement. The effect of the new agreement is such that the School's obligations under the former agreements are added to the new agreement with completely new terms.

The Second Amended and Restated Sublease Agreement effectively converted the previous lease agreement from being considered an operating lease for accounting purposes to a capital lease. Therefore, the School recognized a capital lease obligation of \$8,834,526 and for a corresponding asset of land, building, and improvements of \$7,883,631. The expiration of the lease is twenty (20) years, with three (3) periods of five (5) year options.

Compliance - The School's compliance with certain laws and regulations is subject to review by its Sponsor. Although such reviews could result in a reduction of state equalization assistance, any required reductions are not expected to be significant.

Operating Leases - The School leases equipment and facilities under the provisions of lease agreements classified as operating leases for accounting purposes. Rent expense under the lease agreements consisted of the following for the year ended June 30:

	2016
Rent expense	\$ 61,871

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Future minimum lease payments under the leases as of June 30, 2016 are summarized as follows:

Fiscal year ending June 30:	
2017	\$ 39,443
2018	<u>4,254</u>
Total minimum lease payments	<u>\$ 43,697</u>

NOTE 11 - CONCENTRATIONS OF RISK

Amounts held in financial institutions can occasionally be in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The School deposits its cash with high quality financial institutions, and management believes the School is not exposed to significant credit risk on those amounts.

A significant portion of the School's annual funding comes from agencies of the federal and state governments, including primarily the Arizona Department of Education. As such, the School's ability to generate resources via contributions and grants is dependent upon the economic health of the federal government and the state of Arizona. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the School's services. In addition, if the state of Arizona and its agencies significantly reduced the level of support provided to the School it would have a material effect on the School's operations. The School's management is aware of the concentration and its potential impact on its programs, and would take appropriate action if any reduction did occur.

NOTE 12 - RELATED PARTY TRANSACTIONS

The School's list of related companies along with a brief description of the entity consisted of the following for the year ended June 30:

1. Hughes Collaborative Association is owned and operated by the director and board member of the School and his spouse. It is a for-profit company devoted to helping companies, municipalities, and organizations set higher standards for operating objectives. It provides direct management and support to its clients in the form of executive management services, program management, accounting and bookkeeping services, but most importantly, large scale plan development, and visioning business expansion plan implementation.
2. Bennsen, Inc. is owned by the spouse of the director and board member of the School. It provides commercial property management, facilities services, and professional services. Effective June 30, 2016, the entity ceased operations.
3. Creemos Association is a not-for-profit organization devoted to school operations, turn-around model implementation, curriculum origination and publication, family support services, facilities management and operations. The director and board member and his spouse are board members.
4. Creemos Academy, Inc. is a not-for-profit corporation created to apply for a new charter school contract with the State of Arizona. The entity is not yet operational and is expected to begin operations in 2018. The director and board member and his spouse are board members.

BRADLEY ACADEMY OF EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

5. Suzi Ferris, Inc. is owned and operated by the director and board member of the School and his spouse. It is a for-profit company devoted to teacher training, professional development, and instructional cloud computing systems. The central focus is equipping teachers and classrooms with the necessary training and resources to support high student learning outcomes.
6. Propel Transportation Company is owned and operated by the director and board member of the School and his wife. It is a for-profit transportation company for commercial transport of passengers, products, and equipment. The entity is not in operation, but is scheduled to begin operations in 2018.
7. Georgia Day Cafe, Inc. is owned and operated by the director and board member of the School and his wife. It is a for-profit retail business best described as a Starbucks for families. It is a coffee house kind of environment, but one that supports families and learning for children. It also has a deep focus on nutrition and health. The cafe is not in operation, but is scheduled to begin operations in 2018.
8. Georgia Day Cafe NP, Inc. is a not-for-profit organization devoted to teaching children and families about healthy living and nutrition. The entity provides food services to schools, both public and private, who operate federal grants. It is very similar to the St. Mary's Food Bank in the distribution of food to organizations that serve low income and at-risk populations. The entity is not in operation, but is scheduled to begin operations in 2018. The director and board member and his spouse are board members.

As of June 30, 2015, the School owed Bennsen, Inc. \$6,600 for items purchased on behalf of the School during the prior year. During the year ended June 30, 2016, the School purchased supplies and other miscellaneous items from Bennsen, Inc. totaling \$279,063. The School paid Bennsen, Inc. \$265,843, which left \$19,820 outstanding as part of accounts payable and accrued expenses on the statement of financial position as of June 30, 2016.

During the year ended June 30, 2016, the School purchase supplies and other miscellaneous items from Hughes Collaborative Association totaling \$87,121. As of June 30, 2016, the School had paid Hughes Collaborative Association the entire amount owed totaling \$87,121.

During the year ended June 30, 2016, the School purchased supplies and other miscellaneous items from Creemos Association totaling \$150,010. As of June 30, 2016, the School had paid Creemos Association \$57,010, which left \$93,000 outstanding as part of accounts payable and accrued expenses on the statement of financial position as of June 30, 2016.

During the year ended June 30, 2016, the School purchase supplies and other miscellaneous items from Suzi Ferris, Inc. totaling \$59,538. As of June 30, 2016, the School had paid Suzi Ferris, Inc. the entire amount owed totaling \$59,538.

During the year ended June 30, 2016, the School paid for health insurance for employees that were once on the School's payroll, but transferred to Creemos Association totaling \$8,283. As of June 30, 2016, Creemos Association owed the School the entire amount of \$8,283, which was listed on the statement of financial position as due from related parties.

As of June 30, 2015, the School owed the director and board member of the School \$22,440 for unreimbursed items purchased on behalf of the School. During the year ended June 30, 2016, the director and board member again purchased supplies and other miscellaneous items on behalf of the School totaling \$123,056. The School reimbursed the director and board member \$145,496. Therefore, as of June 30, 2016, the School had reimbursed the director and board member the entire balance.

BRADLEY ACADEMY OF EXCELLENCE, INC.
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JUNE 30, 2016

As of June 30, 2015, the School owed a family member of the former director of the School \$30,536. During the year ended June 30, 2016, the School reimbursed the family member of the former director the entire balance.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent to June 30, 2016, the School made all payments as required in the settlement agreements with the former landlord and De Lage Landen Financial Services, Inc. and in September and October 2016 made the final payments. As stipulated in the agreements, the former landlord and De Lage Landen Financial Services, Inc. dismissed the final payments of \$11,300 and \$23,000, respectively, and the withdrew the Stipulated Judgments.

Subsequent to June 30, 2016, the School and the director and charter representative determined that the Revolving Credit Agreement was no longer necessary. Therefore, both parties mutually agreed to terminate the agreement. In addition, the School determined that there will be no further transactions with the various related parties as discussed in Note 12.

NOTE 14 - GOING CONCERN

As indicated in the accompanying financial statements, the School has incurred significant decreases in unrestricted net assets such that the School has a deficit in net assets of \$3,341,413 as of June 30, 2016. In addition, the School's current liabilities exceeded current assets by \$2,107,134 as of June 30, 2016. These factors create an uncertainty about the School's ability to continue as a going concern. Management of the School is developing a plan to obtain additional funding; reduce or delay expenses; increase student enrollment; and if necessary, borrow additional funds or re-structure debt. As of the audit report date, the School has obtained additional federal grants, and increased student enrollment to approximately 550 students. The ability of the School to continue as a going concern is dependent upon its success with these endeavors. The financial statements do not include any adjustments that might be necessary if the School is unable to continue as a going concern.



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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With Government Auditing Standards**

Board of Directors
Bradley Academy of Excellence, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bradley Academy of Excellence, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2017. In our report, the accompanying financial statements were prepared assuming that the School will continue as a going concern. As discussed in Note 14 to the financial statements, the School has suffered recurring significant decreases in unrestricted net assets, has a deficiency in net assets, and has limited cash and cash equivalents to meet its current obligations that together raise substantial doubt about its ability to continue as a going concern.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2015-1 and 2016-1 through 2016-3 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Brett V. Backlund, CPA, PC
Gilbert, Arizona
January 20, 2017

APPENDIX D

FINANCIAL RESPONSE EVALUATION

Financial Performance Response Evaluation Instrument

Charter Holder Name: Bradley Academy of Excellence, Inc.

Required for: Renewal

Charter Holder Entity ID: 81097

Audit Year: 2016

Arizona State Board for Charter Schools (Board) staff completed the Financial Performance Response Evaluation Instrument for the Board in its consideration of applicable requests made by the charter holder. For each measure where the charter holder did not meet the target for the most recent audited fiscal year presented in the dashboard, Appendix C of the Financial Performance Framework requires the charter holder to answer three questions: 1) why did we not meet the measure’s target in the audited fiscal year; 2) what specifically have we done to improve our performance so that it’s possible to meet the measure’s target in the next fiscal year or a subsequent fiscal year; and 3) what can we provide to support our explanations and analysis? A “Not Acceptable” evaluation means the response for that measure did not sufficiently address one or more of these questions. “Not Acceptable” answers may adversely affect the Board’s decision regarding a charter holder’s request.

Measure	Reason(s) for “Not Acceptable” Rating
<p>1a. Going Concern</p> <p>Acceptable <input type="checkbox"/></p> <p>Not Acceptable <input checked="" type="checkbox"/></p> <p>Not Applicable <input type="checkbox"/></p>	<p>Financial statement note 14 describes the going concern as, “As indicated in the accompanying financial statements, the School has incurred significant decreases in unrestricted net assets such that the School has a deficit in net assets of \$3,341,413 as of June 30, 2016. In addition, the School’s current liabilities exceeded current assets by \$2,107,134 as of June 30, 2016.”</p> <p>The charter holder attributes its 2016 performance on the going concern, unrestricted days liquidity (UDL), net income and fixed charge coverage ratio (FCCR) measures to three factors: 1) the charter holder’s guarantee of a commercial lease; 2) debt costs; and 3) projected 2016 enrollment not being realized. Regarding enrollment, the response states, but does not support, “In preparation for the 2015-2016 school year, the leadership of Bradley Academy prepared a budget and operational plan sufficient to support student enrollment at or near the school’s enrollment cap of 530. Due to a variety of factors, actual membership was significantly less than projections. Expenses at the beginning of the school year were disproportionately higher than revenues. As part of the preparation for a high level of membership, significant financial investments were made in curricular supplies, instructional staff, administrative staff, transportation such as school buses, and programs supplemented by Federal grants. Total losses in revenues over projections was approximately \$1,000,000.00. Expenses were reduced but in an insufficient period of time to offset losses.” The proposed 2016 budget dated June 26, 2015 that was submitted to the Arizona Department of Education projected total revenues and total expenses of \$4,347,660 and was based on a student count of 490. The charter holder’s 2016 total revenue as identified in the proposed budget is \$435,384 higher than the 2016 audited total revenue, which makes sense since the budget was based on a higher student count. However, the charter holder’s 2016 total expenses as identified in the proposed budget are \$441,800 <u>lower</u> than the 2016 audited total expenses after removing from the audited expenses the amount associated with the commercial lease guarantee. It is unclear why the charter holder’s adjusted audited expenses for a student count of approximately 440.5 would be higher than the budgeted expenses for a student count of 490. Had the charter holder provided further clarification regarding the effect of the lower enrollment on the charter holder’s performance on the four measures, along with supporting documentation, this would have been considered in</p>



Measure	Reason(s) for "Not Acceptable" Rating
	<p>Board staff's evaluation.</p> <p>Regarding the "significant" decrease in unrestricted net assets identified by the auditor, the guarantee and debt costs only address approximately 70.5% of the charter holder's 2016 net loss of \$1,946,771. Had the charter holder provided further explanation for the remaining \$573,441, along with supporting documentation, this would have been considered in Board staff's evaluation.</p>
<p>1b. Unrestricted Days Liquidity</p> <p>Acceptable <input type="checkbox"/></p> <p>Not Acceptable <input checked="" type="checkbox"/></p> <p>Not Applicable <input type="checkbox"/></p>	<p>The charter holder utilizes the same argument to explain why the UDL target was not met as was used for the going concern measure. As indicated above, the response does not support the effect the lower enrollment had on its 2016 performance (see going concern). Since it was added back to determine the charter holder's cash at year end, the charter holder's guarantee of the commercial lease did not affect the numerator of the UDL calculation, but did affect the calculation of daily expenses. If the renegotiation of the guarantee had been completed by June 30, 2016 and resulted in its termination, the charter holder's 2016 UDL would have improved from 13.77 days to 14.15 days and remained rated "Falls Far Below". Had the charter holder provided further explanation for its performance on this measure, along with supporting documentation, this would have been considered in Board staff's evaluation.</p>
<p>1c. Default</p> <p>Acceptable <input type="checkbox"/></p> <p>Not Acceptable <input type="checkbox"/></p> <p>Not Applicable <input checked="" type="checkbox"/></p>	
<p>2a. Net Income</p> <p>Acceptable <input type="checkbox"/></p> <p>Not Acceptable <input checked="" type="checkbox"/></p> <p>Not Applicable <input type="checkbox"/></p>	<p>The charter holder utilizes the same financial response for going concern to address its 2016 net loss. The going concern measure falls short of an acceptable response (see going concern). Therefore, the response to this measure is not acceptable.</p>
<p>2b. Cash Flow</p> <p>Acceptable <input type="checkbox"/></p> <p>Not Acceptable <input type="checkbox"/></p> <p>Not Applicable <input checked="" type="checkbox"/></p>	



Measure	Reason(s) for "Not Acceptable" Rating
<p>2c. Fixed Charge Coverage Ratio</p> <p>Acceptable <input type="checkbox"/></p> <p>Not Acceptable <input checked="" type="checkbox"/></p> <p>Not Applicable <input type="checkbox"/></p>	<p>The charter holder utilizes the same argument to explain why the FCCR target was not met as was used for the going concern measure. As indicated above, the response does not support the effect the lower enrollment had on its 2016 performance (see going concern). The charter holder's guarantee of the commercial lease did affect the change in net assets (net income) used in the FCCR calculation. If the renegotiation of the guarantee had been completed by June 30, 2016 and resulted in its termination, the charter holder's FCCR would have been positive for 2016, but performance would have declined slightly from 2015 [0.17] to 2016 [0.04] and remained rated "Does Not Meet". Had the charter holder provided further explanation for its performance on this measure, along with supporting documentation, this would have been considered in Board staff's evaluation.</p> <p>This paragraph is informational only and does not affect the rating. According to the 2017 balance sheet, the charter holder's current portion of long-term debt and capital leases (CPLTDCL) will be \$1,313,619.73 (the sum of the "current" portion of the bus loan, Tortoise loan and obligation as guarantor). This would result in a projected 2017 ratio of 0.78, which would be a significant improvement from 2016. However, the balance sheet's current liabilities include no amount for the charter holder's capital facility lease and the full amount for the Tortoise loan. Both seem unlikely based on the charter holder's response and audits. While the response mentions efforts to renegotiate its capital lease, the charter holder indicates it does not have solid numbers at this time. Further, the letter from Tortoise indicates the term of the loan will be five years with the first payment of \$25,000 being made at the end of June 2017. While the exact amount of the charter holder's 2017 CPLTDCL is not readily clear, it appears the \$1.3 million identified above reflects the high end of the possibilities.</p>



APPENDIX E

ACADEMIC SYSTEMS REVIEW REPORT

Academic Systems Review Report

CHARTER INFORMATION

Charter Holder Name	Bradley Academy of Excellence, Inc. School	Bradley Academy of Excellence
Charter Holder Entity ID	81097	Site Visit Date
		April 27, 2017
Academic Systems Review due to: Charter Renewal		

Area	Issue	Follow-Up
<p>School Calendar <i>The number of instructional days on the school calendar aligns with the number of instructional days in the contract and on file with the Arizona Department of Education.</i></p>	No Issue	N/A
<p>Instructional Hours <i>Pursuant to A.R.S. §15-901, minimum required instructional hours are met for all grade levels.</i></p>	No Issue	N/A
<p>Instructional Staff Education and Experience <i>Pursuant to A.R.S. §15-183(F), information about the teaching background and experience for all instructional staff members is available to parents. Availability of this information is communicated to parents.</i></p>	No Issue	N/A
<p>Open Meeting Law <i>Notifications, minutes, and agendas from the last 12 months are reviewed for compliance with OML requirements. Compliance with requirement of online posting is checked.</i></p>	No Issue	N/A
<p>Board Alignment <i>Board membership is reviewed for alignment between ASBCS and ACC</i></p>	<p>The Governing Board members on file in the contract were not consistent with the Governing Board members listed on the minutes of the meetings.</p>	<p>The Charter Holder failed to submit required documentation by the May 23, 2017 deadline. This area is still out of compliance.</p>

Enrollment and Attendance Policies <i>Reviewed for compliance with A.R.S. §15-184.</i>	No Issue	N/A
Mission Statement <i>Mission statement on school materials aligns with mission on file with ASBCS.</i>	No Issue	N/A
Other	No Issue	N/A

Program of Instruction

Prior to the Academic Systems Review visit, Board staff reviewed the Charter Holder’s contract, as amended, to identify the program of instruction the Charter Holder is contracted to deliver. Additionally, prior to conducting classroom observations, Board staff discussed the program of instruction with school leadership to further understand the methods of instruction utilized at the school.

The Charter Holder’s program of instruction states that instruction will include competency driven learning experiences that are inquiry based, problem centered, integrative, and supported with technology.

During classroom observations, Board staff was able to see the program of instruction in action at the school. Staff observed students engaged in direct instruction with the Core Knowledge Language Arts series in Kindergarten and First Grade. Third grade students were taking notes on a worksheet as the teacher presented science material using a document camera. Fourth grade students were completing problem sets in math workbooks as the teacher circulated throughout the classroom to provide support. Fifth grade students explored text features in newspapers through a whole group, direct instruction lesson. Sixth and eighth grade students worked in Expeditionary Learning workbooks as the teacher provided support.

Academic Systems

Does the school have an explicit, written curriculum for core content areas that is aligned with the state academic standards and that drills down to the skill level?

- i. **The school is able to provide evidence of curriculum alignment with state academic standards for core content areas and grade levels**
- ii. **The school’s curriculum provides explicit content and skills to be taught for each grade level and/or content area**
- iii. **The school’s curriculum provides an explicit, organized sequence of content and skills within an academic year**

Evaluation of Documents

List of Document Names reviewed during site visit:

<p>i. EL Curriculum Maps break the curriculum down into modules. Each module provides standards, skills, and texts to be read throughout the year. Maps also provide a checklist of standards that are formally assessed, and which module includes the identified assessment.</p> <p>Teacher Guides present standard alignment to specific lessons and include skills to be taught for each lesson.</p> <p>Eureka math guides provide topics and objectives and the related standards for each. They also include the pacing for teach topic.</p>	<p>Expeditionary Learning ELA Curriculum Maps CKLA Teacher Guides Eureka Math Teacher Guides</p>
<p>ii. EL Curriculum Maps break the curriculum down into modules. Each module provides standards, skills, and texts to be read throughout the year. Maps also provide a checklist of standards that are formally assessed, and which module includes the identified assessment.</p> <p>Teacher Guides present standard alignment to specific lessons and include skills to be taught for each lesson.</p> <p>Eureka math guides provide topics and objectives and the related standards for each. They also include the pacing for teach topic.</p>	<p>Expeditionary Learning ELA Curriculum Maps CKLA Teacher Guides Eureka Math Teacher Guides</p>
<p>iii. The Story of Units provides a curriculum overview of the units and content covered in each throughout the year.</p> <p>Curriculum Calendars for grades K-5 provide the domains and modules that will be taught throughout the year. On the calendars, the ELA domains from the Core Knowledge Language Arts program are mapped out for the entire year.</p> <p>Teacher Lesson Plans are written weekly and include daily lessons. The plans provide student objectives, standards, differentiation for ELL, and Exit Ticket plans for each lesson.</p>	<p>Engage NY A Story of Units Grade Level Curriculum Calendars Lesson Plans</p>
<p>Is there a systematic process in place for annually monitoring, evaluating, and reviewing the curriculum?</p>	
<p>i. The school has described a future process that identifies specific timeframes for monitoring, evaluating, and reviewing curriculum</p> <p>ii. The school has a process that identifies key personnel responsible for monitoring, evaluating, and reviewing curriculum</p> <p>iii. The school has a process that generates a plan of action based on findings</p>	
<p>Evaluation of Documents</p>	<p>List of Document Names reviewed during site visit:</p>
<p>i. Anecdotal: The process will be to collect student data. As part of the Title 1 improvement process, teacher surveys are conducted that rate strengths and weaknesses in the curriculum. Some of these “tidbits” are picked up in the monitoring instruction process. This can be used to identify gaps or issues and determine if this is a PD, content, or resource issue. A committee will look at data to see if there is expected growth.</p>	<p>No documentation provided</p>
<p>ii. Task Force agendas demonstrate that the staff task force worked on CKLA and EL Domain Mapping, Skill Mapping, Science Mapping, and Learning Labs.</p>	<p>Task Force Agendas</p>

<p>iii. The PowerPoint demonstrates that options for curriculum adoption were explored. This included considering the research related to the options. The school indicated both the advantages and disadvantages of two options, and determined a proposed plan of action from those lists.</p> <p>Curriculum map progress shows that teachers reviewed their pacing and determined where they should be, where they were, and how they were going to get back on pace. They generated a plan of action for how to achieve this task.</p>	<p>2016-2017 Curriculum Proposal PowerPoint Curriculum Map Progress Information</p>
<p>How is integration of the state academic standards into the teachers’ instructional practices assessed?</p>	
<p>i. Classroom observations are conducted to confirm standards aligned curriculum are integrated into instruction, but specific intervals are not included in documentation</p> <p>ii. The school was unable to provide evidence that it consistently uses a tool to assess the integration of standards into instruction</p> <p>iii. The school uses a tool to assess whether instruction occurs according to the school’s instructional planning document (scope and sequence, pacing guide, etc.), but was unable to provide evidence of its consistent use</p>	
<p>Evaluation of Documents</p>	<p>List of Document Names reviewed during site visit:</p>
<p>i. Teacher Observation Notes demonstrate that classroom observations are conducted.</p> <p>Danielson Component 1c includes checking for appropriate use of standards, curricular frameworks or blueprints.</p> <p>Anecdotal: Formal observations are conducted in the 2nd semester. The 1st semester was based in the new curriculum. 1st semester observations were informal and informed the teacher adjustments to the pacing guides.</p>	<p>Teacher Observation Notes Danielson Framework component 1c</p>
<p>ii. Anecdotal: Teacher made lesson plans are tied to the curriculum that has embedded standards. Implementation of new curriculum and lesson plans has been the focus. Lesson plans are checked for alignment to pacing guides and curriculum maps.</p>	<p>No documentation provided</p>
<p>iii. Danielson component 3c (evaluated in the Observation Notes) includes a component to check that appropriate instructional materials and resources are used and that pacing is appropriate.</p> <p>Anecdotal: Teacher made lesson plans are tied to the curriculum that has embedded standards. Implementation of new curriculum and lesson plans has been the focus. Lesson plans are checked for alignment to pacing guides and curriculum maps.</p>	<p>Danielson Framework component 3c Observation Notes Danielson Framework component 1c</p>
<p>What comprises the school’s teacher evaluation system? (Type, Frequency, Formative, & Summative)</p>	
<p>i. The school has a process that clearly identifies who is responsible for implementing the various components of the teacher evaluation system and when these processes occur</p> <p>ii. The school is able to provide evidence of observations with feedback provided to teachers after each observation</p> <p>iii. The school is able to describe a process that includes a final, summative component of evaluations of teacher performance</p>	

Evaluation of Documents	List of Document Names reviewed during site visit:
<p>i. Letter indicates that the Associate Program Director of Instruction oversees the observations and has brought in outside observers to assist in observations.</p> <p>Guided Questions document is based on the Danielson Framework and asks teachers to respond to the included components from domains 1-4.</p>	<p>Classroom Observation Letter dated February 16, 2017</p> <p>Teacher Pre-Conference Observation Guided Questions</p>
<p>ii. Completed teacher observation notes demonstrate that teachers are observed on domains 2 and 3 of the Danielson framework. The observer records observations as feedback to teachers.</p>	<p>Teacher Observation Notes</p>
<p>iii. Anecdotal: The Final Evaluation will be based on the four domains of the Danielson Framework. This is a new evaluation system and the final, summative component hasn't been conducted yet. It will include all four domains and heavily rely on summative data.</p>	<p>Danielson Binder</p>
<p>Is there a comprehensive assessment plan that utilizes data in a variety of ways to measure student performance and plan for teaching and learning?</p>	
<p>i. The school is able to provide evidence of an assessment plan that covers all core content areas and grade levels</p> <p>ii. The school is able to provide evidence of a process that uses assessment data to create a plan for instruction</p> <p>iii. The school has a process that clearly identifies who is responsible for evaluating student data</p> <p>iv. The school assessment plan identifies the types of data collected and periods of review for identified data</p>	
Evaluation of Documents	List of Document Names reviewed during site visit:
<p>i. Galileo reports demonstrate that Galileo assessments are in use for grades 2-8. Galileo assessments are used in Math and ELA. The reports include intervention alerts and student assessment history reports. Additionally, the school has created a comparison graph of pre-tests compared to CBAS tests.</p> <p>CKLA Assessments were provided demonstrating their completion and use for language arts components in grades K-5.</p> <p>EL assessments were provided demonstrating their completion and use for language arts components in grades 6-8.</p> <p>Eureka Math Mid-Module Assessments were provided demonstrating their completion and use for mathematics.</p>	<p>Galileo Reports</p> <p>CKLA Assessments</p> <p>Expeditionary Learning Assessments</p> <p>Eureka Math Mid-Module Assessments</p>
<p>ii. Student Specific documents show that teachers report out on skills that students need to master and basic plans to meet those needs. In this document, teachers list the formative assessment used to determine these needs and to formulate the plan for instruction.</p>	<p>Reporting Student Specific Differentiated Instruction</p>

<p>iii. Parent email indicates that teachers will use data to plan for delivery of curriculum. It also states that “your child’s teacher will be working with...students to set goals, understand the data, and focus on growing each year in all academic areas”.</p>	<p>Email to Parents</p>
<p>iv. School PowerPoint indicates that Galileo is used to benchmark four times per year. An email between administrative staff members indicates that these tests are scheduled in September, December, February, and May.</p> <p>Parent email indicates that parents were informed about plans to use Galileo throughout the year, and that it would be administered in grades 2-8.</p> <p>Galileo email indicates that the school is in communication with ATI about timing for assessments. This email indicates that the school is prepared to administer the second benchmark assessment in December.</p>	<p>School PowerPoint Email to Parents ATI (Galileo) email</p>
<p>What evidence demonstrates that the professional development the teachers are engaged in is increasing student achievement?</p>	
<p>i. The school is able to provide evidence that it provides professional development that addresses student achievement and outcomes</p> <p>ii. The school is able to provide evidence of the types of professional development that occur</p> <p>iii. The school is able to provide evidence of how the implementation of professional development is monitored</p> <p>iv. The school described a future process for monitoring data to ensure that implementation of professional development has a positive impact on student achievement</p>	
<p>Evaluation of Documents</p>	<p>List of Document Names reviewed during site visit:</p>
<p>i. Professional Development #12 agenda shows that teachers were trained in having students establish personal goals. This included a tie to RTI and providing students time to work on goals.</p> <p>A schedule and PowerPoint for the Summer Institute was provided and demonstrates training in Social and Emotional Learning.</p> <p>Task Force Professional Development shows training in PBIS strategies for staff.</p>	<p>Professional Development #12 Agenda Social and Emotional Learning Summer Institute Task Force Professional Development Positive Behavior Intervention</p>
<p>ii. Professional Development Sign-in Sheets demonstrate training in School Dex and Practices and Procedures.</p> <p>Professional Development 3, 4, and 5 document shows training in the Danielson Tool, Lesson Plans, and lesson presentation.</p> <p>Professional Development 6, 7, and 8 document shows training in incident reports, evacuation procedures, and the Danielson.</p> <p>Training Certificates demonstrate training in AZELLA.</p>	<p>Professional Development Sign-in Sheets Professional Development #3, #4, and #5 Document Professional Development #6, #7, and #8 Training Certificates</p>
<p>iii. Teachers watched and discussed videos from Hester Management. Afterward, teachers had to write down, then implement a classroom management strategy. This was then emailed to the Associate Program Director of Instruction to meet expectations and provide monitoring.</p>	<p>Professional Development #13 Agenda</p>

<p>iv. Anecdotal: PBIS has been rolled out and SEL training has been implemented as a pilot. Student discipline has been tracked to see if there is a decrease in behavior issues. Training was not formal, but included ideas for implementation of a PBIS system.</p>	<p>No documentation provided</p>
<p>How are the professional development activities aligned with the program of instruction (curriculum, methods of instruction, best practices)?</p>	
<p>i. The school provides professional development activities that support implementation of the school’s program of instruction ii. The professional development provided is aligned to the curriculum iii. The school selects and implements professional development based on criteria related to curriculum, instruction, and best practices</p>	
<p>Evaluation of Documents</p>	<p>List of Document Names reviewed during site visit:</p>
<p>i. Agenda indicates that the task force was trained on June 28 regarding instruction protocols. Additionally, they were using modeling of the protocols to be used. Further training was provided through modeling in other trainings using the expected strategies.</p>	<p>Task Force Week Three Agenda</p>
<p>ii. Outcomes indicate that training was provided on planning and developing math and ELA curriculum. Also, an introduction to CKLA, EL and Eureka Math Curriculum was provided.</p>	<p>July 11 Agenda</p>
<p>iii. Evidence was provided of teacher completion of SEI Modules and training is related to Best Practices in instruction.</p>	<p>Online Completion of SEI Modules SEI Course Completion Certificates</p>
<p>What types of professional development follow-up occur?</p>	
<p>i. The school is able to provide evidence of follow-up activities conducted by leadership and/or staff ii. The school provides opportunities for feedback to be given regarding professional development</p>	
<p>Evaluation of Documents</p>	<p>List of Document Names reviewed during site visit:</p>
<p>i. The Teacher Pre-Conference Observation Guided Questions ask teachers to reflect on how they “enhance [their] content knowledge and pedagogical skill”. Exit Tickets are emailed to the Associate Program Director of Instruction to discuss observations or thoughts and strategies that will be implemented. Teacher narratives show that teachers reflected on training about Demonstrating Knowledge of the Student (tied to Danielson Domains).</p>	<p>Teacher Pre-Conference Observation Guided Questions PD Exit Tickets Teacher Narratives</p>
<p>ii. Exit Tickets are emailed to the Associate Program Director of Instruction to discuss observations or thoughts and strategies that will be implemented.</p>	<p>PD Exit Tickets</p>