Financial Performance Response Evaluation Instrument

Charter Holder Name: Country Gardens Charter Schools
Charter Holder Entity ID: 79074
Date Submitted: January 9, 2014

Required for: Renewal
Audit Year: 2012
Evaluation Completed: January 23, 2014

Arizona State Board for Charter Schools (Board) staff completed the Financial Performance Submission Evaluation Instrument to be used by the Board in its consideration of applicable requests made by the charter holder. "Not Acceptable" answers may adversely affect the Board's decision regarding a charter holder's request.

Measure	Acceptable	Not Acceptable	Not Applicable	Comments
1a. Going Concern			X	
1b. Unrestricted Days Liquidity		X		The financial performance response mentions that for fiscal year 2013, the charter holder "meets" on this measure, which is supported by the fiscal year 2013 audit, and addresses specific steps that were taken to increase the charter holder's cash liquidity. The steps included eliminating the transportation director position, advertising in areas closer to the school, which curtailed bus routes and resulted in the elimination of a bus driver position and certain bus operation related expenses, and reducing the number of animals, which reduced related expenses. The charter holder's response did not include any support for these statements. In fiscal years 2012 and 2013, the charter holder's revenues remained nearly the same while its expenses increased in fiscal year 2013. In both years, the charter holder had positive net income. In reviewing the fiscal year 2013 statement of cash flows, it appears that the charter holder's decrease in prepaid expenses and the proceeds from a related party note payable contributed to the charter holder receiving a "meets" on this measure in fiscal year 2013. The financial performance response indicates two corporate board members have the capability to loan the charter holder funds, if necessary, "in amounts over the 30 unrestricted days liquidity as well". The fiscal year 2013 audit indicates that during the year, the charter holder received $32,000 from a note payable with a related party. Based on the fiscal year 2013 statement of cash flows, the note's proceeds helped the charter holder meet the Board's target for this measure. Using the fiscal year 2013 audit, the charter holder's

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				performance on this measure improved from 15.78 days to 33.43 days, which resulted in a rating improvement from "Does Not Meet Standard" to "Meets Standard". The financial performance response states, "In summary, as soon as the new Financial Performance Indicators were approved, we analyzed our financial position and took measures to increase our financial strength. The changes we have made are permanent and are working in our favor to increase our financial position to be very positive. We will continue to review our programs and expenses annually to see where we can most effectively curtail expenses and yet not sacrifice any programs crucial to our Academic success and growth." The fiscal year 2013 audit shows the charter holder meeting on all six of the Board's financial performance framework measures.
1c. Default			**X**	
2a. Net Income			**X**	
2b. Cash Flow	**X**			The financial performance response indicates the negative cash flow in fiscal year 2012 was due to the charter holder paying leases on June 30, 2012 rather than July 1, 2012 [$55,326] and due to the charter holder paying off a loan early [$20,855]. According to the response, "Together these two items totaled $76,181.00 which would have produced a positive cash flow of $31,980." Generally, these statements are supported by the charter holder's audits. The 2012 audit supports an increase in prepaid expenses of $55,326, but doesn't specify what was prepaid. The 2011 audit supports outstanding notes payable totaling $20,855 of which $1,700 represented the outstanding balance of a note due no later than June 30, 2011 and $19,155 represented the outstanding balance of a note with no due date. The 2012 audit supports the entire $20,855 being paid off. Using the fiscal year 2013 audit, the charter holder "meets" on this measure due to two of the three years having positive cash flow.

Measure	Acceptable	Not Acceptable	Not Applicable	Comments
2c. Fixed Charge Coverage Ratio			**X**	