DESERT SKY COMMUNITY SCHOOL
CTDS: 10-87-32-000
RESPONSE TO FINANCIAL FRAMEWORK EVALUATION
MARCH 6, 2015

Fixed Charge Coverage Ratio

Desert Sky Community School's Fixed Charge Coverage Ratio was (1.38) for FY2013. Based on the audited FY2014 financial statements, the Fixed Charge Coverage ratio was .43. While it is much improved, it does not meet the Financial Framework standard. FY2014 presented enrollment challenges that negatively impacted the ratio. Enrollment decreased from FY2013 100th day ADM of 50.665 to FY2014 100th day ADM of 37.875 impacting revenues and cash flow. As a result, the school experience lower net income and also entered into loan agreements thereby impacting the fixed charge coverage ratio.

For FY2015, Desert Sky intends to have a Fixed Charge Coverage Ratio that meets the Financial Framework standard. This will be accomplished by increased revenues, resulting in a greater Net Income and decreased current debt obligations.

The school has seen an ADM increase of 18.287 for FY15. The 40th day ADM count for FY2015 is 56.162 vs. a 100th day ADM count of 37.875 in FY2014. This has resulted in an increase of $122,607 in Adjusted Equalization Assistance for FY2015. While there are increased costs associated with the increase in ADM, such as hiring an additional teacher, we do anticipate an increase to net income for the fiscal year of approximately $50,000. Attached is a Profit & Loss statement through January 2015 that shows Year-to-Date net income of $39,838 and also the most recent cash flow projection worksheet that projects net income at $71,292 for the year, barring unanticipated expenditures.

The school is also reducing debt obligations by $10,000 through FY2015 repayments of loan balances. These loans are in repayment status and can be seen as payments of $1,667 per month in the attached cash flow. Payments began in January of 2015 and will continue through December 2015.

Below is the estimated fixed charge coverage ratio for FY2015 based on current projections. This table has been modified as a response to the financial framework evaluation. The calculation remains at 1.22, however "Fixed

Obligations" has been bifurcated to clarify the amounts attributable to Current Portion of Long Term Debt and Interest, respectfully.

Anticipated FY14-15 Fixed Charge Coverage Ratio	
Change in Net Assets	$ 50,000
Depreciation	18,268
Interest Expense	14,178
Lease Expense	0
Total	$82,446
Fixed Obligations	
CPOLTD	$ 53,411
Interest	14,178
Total Fixed Obligations	$67,589
Fixed Charge Coverage Ratio	1.22

Cash Flow

Desert Sky Community School does not meet the Financial Framework standard for cash flow because the three-year cash flow is ($240,015) as of the FY2014 audited financial statements. This is largely due to a one-time cash donation received by the school in June of FY2011 of $250,000. Without this large donation, the three year cumulative cash flow would be positive.

However, the most recent year of cash flow was positive at $26,744. For FY2015, the school has increased revenues of $122,607, as described above. This increase in revenues will help propel the school into another fiscal year of positive cash flow allowing the school to meet the financial framework standard with a three year cumulative cash flow, cash flow being positive in two of the three years and cash flow in the most recent year being positive. Attached is the most recent cash flow projection for the school that illustrates the projected positive cash flow for FY2015.

Desert Sky Community School
Profit & Loss
July 2014 through January 2015

			Jul '14 - Jan 15
Ordinary Income/Expense			
Income			
1700 · Extra Curricular Tax Credit		16,100.00	
1900 · Miscellaneous			
1910 · Activity Fee		6,125.57	
1920 · After School Care Fee		3,095.50	
1930 · School Store - Internal		136.00	
1931 · School Store - External		4,785.46	
1940 · Annual Giving		550.00	
1970 · E-scrip		1.55	
1980 · Gifts and Donations		674.76	
1990 · Other			
1992 Wehnachtsmarkt	3,574.50		
1994 Bluebird	5,000.00		
1997 · Fieldtrips	217.00		
1999 · Parent Council fundraising	1,437.82		
1990 · Other - Other	29.00		
Total 1990 · Other		10,258.32	
Total 1900 · Miscellaneous			25,627.16
3000 · State Revenue			
3010 State Equalization		198,685.76	
3020 Instructional Improvement		0.00	
3160 Student Success Project		528.51	
Total 3000 · State Revenue			199,214.27
3901 · Prop 301			
39010 20% Base		2,414.83	
39020 40% Performance		4,829.67	
39030 40% Enhancement		4,829.67	
Total 3901 · Prop 301			12,074.17
4500 · Federal Revenue			
4520 IDEA Basic		3,264.55	
Total 4500 · Federal Revenue			3,264.55
Total Income			256,280.15
Cost of Goods Sold			
5000 · Cost of Goods Sold			3,216.00
Total COGS			3,216.00
Gross Profit			253,064.15
Expense			
Parent Council			1,213.13
100 · Regular Education			
1000 · Instruction			
6100 Salaries			
6130 Aide	6,625.00		
6110 Classroom Teachers	79,103.54		
6120 Substitutes	7,355.00		
Total 6100 Salaries		93,083.54	
6200 Employee Benefits		7,753.26	
6300 Purchased Services			
6390 Miscellaneous	315.44		
Total 6300 Purchased Services		315.44	

Desert Sky Community School
Profit & Loss
July 2014 through January 2015

			Jul '14 - Jan 15
6600 Supplies			
6621 Kindergarten Supplies		687.67	
6610 General Supplies		7,387.59	
6620 Postage Supplies		10.61	
6630 Periodicals/Publications		185.46	
Total 6600 Supplies			8,271.33
Total 1000 · Instruction			109,423.57
2000 · Support Services			
2100 · Student Services			
6100 Salaries			
6130 Registrar	2,133.00		
6150 After School	2,986.04		
Total 6100 Salaries		5,119.04	
6200 Employee Benefits		506.38	
6300 Purchased Services		75.49	
6600 Supplies		39.99	
Total 2100 · Student Services			5,740.90
2200 Staff Support			
6100 Salaries		232.78	
6200 Payroll Benefits		8.42	
6300 Purchased Services		2,950.00	
6600 Supplies		60.00	
Total 2200 Staff Support			3,251.20
2400 · School Administration			
6100 Salaries			
6110 Principal	15,000.05		
6120 Office Clerk	1,870.00		
Total 6100 Salaries		16,870.05	
6200 Employee Benefits		1,342.00	
6300 Purchased Services		229.06	
6600 Supplies			
Postage Supplies	204.52		
6600 Supplies - Other	253.38		
Total 6600 Supplies		457.90	
6800 Dues and Fees		315.00	
Total 2400 · School Administration			19,214.01
2500 · Business-Support Services			
6300 Purchased Services			
6310 Audit Expenses	4,300.00		
6320 Advertising	1,870.19		
6330 Copier Lease	1,596.33		
6340 Financial Services	9,300.00		
6360 Payroll Services	766.00		
6380 Interest Expense	8,143.36		
Total 6300 Purchased Services		25,975.88	
6600 Supplies			
6690 Miscellaneous	110.43		
Total 6600 Supplies		110.43	
6800 Other Expenses			
6810 Dues and Fees	2,203.69		
Total 6800 Other Expenses		2,203.69	
Total 2500 · Business-Support Services			28,290.00

Desert Sky Community School
Profit & Loss
July 2014 through January 2015

				Jul '14 - Jan 15
2600 · Op./ Maint of Plant Services				
6300 Purchased Services				
6342 Natural Gas	879.46			
6341 Water/Sewer	1,890.63			
6390 Monitoring Services	1,392.76			
6320 Repair & Maintenance	893.44			
6330 Communication	1,626.41			
6340 Electricity	3,445.56			
6350 Cell Phone	766.97			
6360 Cleaning Services	3,088.67			
6370 Misc. Purchased Service	1,175.00			
6380 Insurance	8,965.53			
Total 6300 Purchased Services		24,124.43		
6600 Supplies		1,229.88		
Total 2600 · Op./ Maint of Plant Services			25,354.31	
Total 2000 · Support Services				81,850.42
Total 100 · Regular Education				191,273.99
200 · Special Education				
1002 · Instruction				
6100 Salaries				
6110 Classroom Teachers		11,456.25		
Total 6100 Salaries			11,456.25	
6200 Employee Benefits			1,059.29	
Total 1002 · Instruction				12,515.54
2002 · Support Services				
2102 · Student Services				
6100 Salaries	715.00			
6200 Employee Benefits	66.05			
6300 Purchased Services	7,392.50			
6600 Supplies	49.51			
Total 2102 · Student Services			8,223.06	
Total 2002 · Support Services				8,223.06
Total 200 · Special Education				20,738.60
6560 · Payroll Expenses				0.00
Total Expense				213,225.72
Net Ordinary Income				39,838.43
Net Income				**39,838.43**

DESERT SKY COMMUNITY SCHOOL

Cash Flow Budget Worksheet

	Actual												
	July-14	***August-14***	***September-14***	***October-14***	***November-14***	***December-14***	***January-15***	***February-15***	***March-15***	***April-15***	***May-15***	***June-15***	***Total***
Beginning Cash Balance	54,345	29,318	38,142	40,883	$40,248	$34,909	$52,970	$69,316	$69,010	$72,132	$73,255	$69,621	
Cash Inflows (Income):													
Activity Fees		1,851	2,762	248	500	380	385	485	642	624	500		8,377
State Aid		28,806	28,839	31,124	28,805	46,312	35,329	32,715	32,966	32,000	32,000	64,000	392,898
Grant receipts													
IDEA				0	0		3,265			2000			5,265
Other:													
Classroom Site		1,806	1,806	2,291	0	4,241	1,932	1,943	1,931	1,931	1,931	3,362	23,172
Instructional Improvement								1275					1,275
Tax credit collections				200		11,300	4,600						16,100
Annual Giving	550									675	1,500	1,000	3,725
Aftercare/Extended K		136	433	366	589	680	891	798	1,225	1,023	300		6,442
Bluebird		800	800	800	800	800	1,000	1,200	800	800	800		8,600
Miscellaneous			697	784	631	4,738	513	1692		303			9,357
Miscellaneous		5		273		0							278
Total Cash Inflows	$550	$33,403	$35,336	$36,085	$31,325	$68,451	$47,914	$40,108	$37,565	$39,356	$37,031	$68,362	$475,488
Cash Outflows (Expenses):													
Payroll	(4,163)	19,091	18,907	22,107	22,862	21,576	27,097	27,843	22,000	22,000	22,000	19,400	240,719
Payroll Taxes	(319)	1,544	1,604	1,852	1,841	1,755	2,464	2,521	1,980	1,980	1,980	1,746	20,948
Supplies	2,870	2,305	1,591	872	1,106	1,091	474	439	426	1,336	500	500	13,511
Advertising	310	310	0	1,123	116	0	10						1,870
Insurance	2,985	191	1,200	1,924	962	743	962	1,126	557	1,778	1,000	1,000	14,426
Copier Lease	0	436	241	211	240	226	243	226	240	240	240	240	2,782
Financial Services	2,400	1,150	1,150	0	1,150	1,150	2,300	1,150	1,150	1,150	1,150	1,150	15,050
Purchased Service	1,148	740	164	2,804	3,543	1,552	2,700	750	1,000	3,868	1,500	1,500	21,269
Travel	0	0	0	0									0
Telephone/Cellphone	339	117	579	339	339	339	339	512	489	377	293	293	4,357
Dues and Fees	200	221	638	566	283	311	299	300	149	236	200	200	3,605
Bank Service Charges	0	0											0
Interest	1,083	1,264	1,184	1,143	1,173	1,133	1,163	1,099	1,030	1,135	1,185	1,185	13,778
Cleaning	529	160	480	1,080	0	840	0	520	525	520	550	550	5,754
Other:													0
Electricity	722	0	1,554	460	254	231	225	300	300	300	350	560	5,256
Natural Gas	31	32	31	31	31	235	489	237	113	66	57	49	1,402
Water/Sewer	279	256	247	0	626	266	218	201	195	201	174	174	2,836
Fire Monitoring	338	169	371	171	171	171	0	342	169	169	169	169	2,411
Repairs	0	0	328	8	460	0	89	56	131	69	50		1,191
Audit/Tax	0	2,150	0	0	2,150	0			1,200			1,250	6,750
Miscellaneous	57	451	29	42	62	710	28	35	20	40	6,500	40	8,013
Depreciation												18,268	18,268
Subtotal	$8,809	$30,588	$30,298	$34,733	$37,369	$32,328	$39,100	$37,658	$31,675	$35,466	$37,898	$48,274	$404,196
Net Income	($8,259)	$2,815	$5,038	$1,351	($6,044)	$36,123	$8,814	$2,450	$5,890	$3,890	($867)	$20,088	$71,292
Balance Sheet Items:													
Capital Purchases													0
A/R	616	(301)	(513)	(24)	175	(580)	(515)						
A/P	67	561	2,104	(3,341)	1,696	(8,483)	577						
Store Inventory		215	(1,509)	1,878	(2)	557	144						
Credit Card	869	1,459	421	674	(166)	(986)	(1,162)						
Loan Principal	(1,086)	(1,055)	(1,060)	(1,101)	(1,071)	(1,111)	(1,082)	(1,090)	(1,100)	(1,100)	(1,100)	(1,100)	(13,056)
Accrued Payroll	(17,234)	5,555	(1,740)	(72)	73	(7,458)	11,236						(9,641)
Other: Bridge Loan		(425)					(1,667)	(1,667)	(1,667)	(1,667)	(1,667)	(1,667)	(10,427)
Depreciation												18,268	0
Subtotal	($16,768)	$6,008	($2,297)	($1,986)	$705	($18,062)	$7,532	($2,757)	($2,767)	($2,767)	($2,767)	$15,501	($33,124)
Total Cash Outflows	($25,027)	$8,824	$2,741	($635)	($5,339)	$18,061	$16,346	($307)	$3,123	$1,123	($3,634)	$35,589	
Ending Cash Balance	$29,318	$38,142	$40,883	$40,248	$34,909	$52,970	$69,316	$69,010	$72,132	$73,255	$69,621	$105,210	

DESERT SKY COMMUNITY SCHOOL
CTDS: 10-87-32-000
FINANCIAL PERFORMANCE FRAMEWORK RESPONSE
JANUARY 7, 2015

Fixed Charge Coverage Ratio

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The school is also reducing debt obligations by $10,000 through FY2015 repayments of loan balances.

Below is the estimated fixed charge coverage ratio for FY2015 based on current projections.

Anticipated FY14-15 Fixed Charge Coverage Ratio	
Change in Net Assets	$ 50,000
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Total	82,446
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