Financial Performance Response Evaluation Instrument

Charter Holder Name: Edkey, Inc. dba Sequoia Ranch School
Charter Holder Entity ID: 81052

Required for: Failing School Designation
Audit Year: 2013

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. "Not Acceptable" answers may adversely affect the Board's decision regarding a charter holder's request.

Measure	Reason(s) for "Not Acceptable" Rating
1a. Going Concern Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
1b. Unrestricted Days Liquidity Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
1c. Default Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
2a. Net Income Acceptable ☐ Not Acceptable ☒ Not Applicable ☐	Edkey does not support the assertion that "expansion in the number of schools" contributed to the net loss. Edkey explains in its response that if depreciation and amortization are added back to net income, it results in positive net income. While depreciation and amortization are non-cash expenses, they are used to allocate the initial costs of fixed and other assets over the asset's life. As such, the Board's financial framework intentionally does not remove depreciation and amortization from the measure's calculation. The response does not address Edkey's efforts to attain positive net income as required by Appendix C of the Board's financial framework.

Measure	Reason(s) for "Not Acceptable" Rating
2b. Cash Flow Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
2c. Fixed Charge Coverage Ratio Acceptable ☒ Not Acceptable ☐ Not Applicable ☐	