Financial Performance Response Evaluation Instrument

Charter Holder Name: Excalibur Charter School, Inc.
Charter Holder Entity ID: 79214
Date Submitted: March 27, 2014

Required for: Renewal
Audit Year: 2013
Evaluation Completed: May 19, 2014

Arizona State Board for Charter Schools (Board) staff completed the Financial Performance Response 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 refers to the "Due from State of Arizona" on the fiscal year 2013 statement of financial position. The response indicates that $159,107.01 of the total, which is $173,081, represents the charter holder's June 28, 2013 state equalization payment. The amount identified as the June 28th payment is supported by Arizona Department of Education (ADE) reports. The charter holder funded facility construction through a bond transaction, according to the response, and under the agreement, the charter holder's monthly state equalization payments are intercepted by the bond trustee, who subtracts the debt service and all bond-related costs before depositing the balance into the charter holder's account. The charter holder's annual audits support the bond arrangement mentioned in the response. The financial performance response indicates in the case of the June 28th payment, the net payment (after debt service payment and bond-related costs) was deposited into the charter holder's operating account on July 1, 2013. The charter holder's response does not include the net payment amount or provide support for the net payment being deposited by the trustee on July 1, 2013, which is the first day of the next fiscal year. The response also states, "The State Equalization amount of $159,107.01 could have alternatively been stated on the financials as un-deposited funds. Applying this treatment to the financials would move $159,107.01 from the classification of Receivable (Due from State of Arizona) to the classification of Cash. This would result in an Unrestricted Days Liquidity measurement of 32.61 Days, which would meet the standard of

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				30 or more days liquidity." Had the net amount deposited by the trustee into the charter holder's account on July 1st been disclosed in the audit or in the response, it could have been viewed as "other liquidity" and included in this measure's calculation. Since a portion of the June 28th payment was used by the trustee to pay the charter holder's debt serve and bond-related costs, according to the response, that portion would not have been considered as cash or as other available liquidity.
1c. Default			**X**	
2a. Net Income		**X**		The financial performance response explained the reasons for the net loss in fiscal year 2013 and attributed the net loss to information technology and software spending and fiscal year 2013 revenues from "local sources" being less than originally anticipated. The charter holder's response includes support for the increase in information technology and software spending, but does not include support for the decrease in local source revenues. The financial performance response indicates the fiscal year 2014 net income for the period of July 2013 through January 2014 [$48,082.70] "is significantly improved" over the same period in fiscal year 2013 [($119,635.76)] due to planned reduction in expenses and increased revenue resulting from increased average daily membership (ADM). The charter holder's response includes support for these statements. Additionally, ADE reports indicate the charter holder's fiscal year 2014 ADM as of May 13, 2014 is 325.015, which is higher than the ADM included in the charter holder's response. The financial performance response states, "Should the school continue to perform to plan for the remainder of FY 2014, a Net Income in excess of $80,000 will be achieved. This would increase the school's rating to 'Meets Standard' for item 2a. Net Income." The charter holder's response does not include support for the $80,000 amount. The financial performance response includes a statement related to management's and the board of directors' review of financial operations.

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2b. Cash Flow		X		The financial performance response mentions expected improvement in the charter holder's fiscal year 2014 net income (see Net Income). The response also states, "Should the school continue to perform to plan for the remainder of FY 2014, a Net Change in Cash of approximately $52,000 will be achieved. This would increase the school's rating to 'Meets Standard' for item 2b. Cash Flow." The charter holder's response does not include support for the net change in cash amount. Should the charter holder have positive cash flow in fiscal year 2014, the charter holder's performance would remain rated "Does Not Meet Standard" due to two of the three years' annual cash flow amounts being negative (fiscal years 2012 and 2013). The response also includes a statement related to management's and the board of directors' review of financial operations.
2c. Fixed Charge Coverage Ratio		X		The financial performance response indicates an increase of $5,000 in the charter holder's net income would have resulted in a "meets" on this measure for fiscal year 2013. The response also mentions expected improvement in the charter holder's fiscal year 2014 net income, which is projected to be "in excess of $80,000" (see Net Income). According to the response, the charter holder projects receiving a "meets" on this measure for fiscal year 2014. The calculation provided in the charter holder's "Exhibit D" includes $80,000 as the fiscal year 2014 change in net assets. The charter holder's response does not include support for the $80,000 (see Net Income). Regarding the charter holder's "Exhibit D", based on the amounts, Board staff believes the information covers the period of July through June rather than July through January. The response also includes a statement related to management's and the board of directors' review of financial operations.