



Charter School Board - ASBCS <charterschoolboard@asbcs.az.gov>

## Re: We want to hear from you!

1 message

**Patty Messer** <pmesser@giaowlsmail.com>

Mon, Sep 17, 2018 at 2:12 PM

To: ASBCS System Administrator <charterschoolboard@asbcs.az.gov>

I agree with having a Pay Bills On-Time indicator on the financial framework.

Meets: Bill is paid <15 days of due date.

Does not meet: Bill is paid >15 of due date.



**GRANDE  
INNOVATION  
ACADEMY**

### Patty Messer

**Executive Director / Founder**

phone: 520.381.2360

fax: 520.413.9397

e-mail: [pmesser@giaowlsmail.com](mailto:pmesser@giaowlsmail.com)



On Mon, Sep 17, 2018 at 2:01 PM Charter School Board <charterschoolboard@asbcs.az.gov> wrote:

The Board would appreciate your feedback on the question below. Please send your responses to [charterschoolboard@asbcs.az.gov](mailto:charterschoolboard@asbcs.az.gov) or respond to this email [by September 21, 2018](#). Thank you.

If the Financial Framework Subcommittee were to include a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should that measure be or what should that measure look at? For the measure you come up with, how would you define "meets"/acceptable performance?

## Charter School Board Staff

**Arizona State Board for Charter Schools**

**P.O. Box 18328, Phoenix, Arizona 85005**

**Phone: (602) 364-3080**

**Website: [asbcs.az.gov](http://asbcs.az.gov)**

**Facebook: [www.facebook.com/asbcsaz](http://www.facebook.com/asbcsaz)**

9/18/2018

State of Arizona Mail - Re: We want to hear from you!



Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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**Re: We want to hear from you!**

1 message

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**nilknarf@cableone.net** <nilknarf@cableone.net>  
To: Charter School Board <charterschoolboard@asbcs.az.gov>

Mon, Sep 17, 2018 at 2:14 PM

Collection agencies should be a definite red flag or lawsuits

Sent from my iPhone

On Sep 17, 2018, at 2:00 PM, Charter School Board <charterschoolboard@asbcs.az.gov> wrote:

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Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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## Answer to question on financial framework

1 message

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**Jared Taylor** <jtaylor@heritageacademyaz.com>

Mon, Sep 17, 2018 at 2:30 PM

To: ASBCS System Administrator <charterschoolboard@asbcs.az.gov>

Hello,

Below are my thoughts, on the question, "If the Financial Framework Subcommittee were to include a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should that measure be or what should that measure look at? For the measure you come up with, how would you define "meets"/acceptable performance?"

I would think the "Working Ratio" would be sufficient to answer this question. It's a very simple GAAP measure that can be pulled from a set of financial statements which are audited annually anyway.

<https://www.investopedia.com/terms/w/workingratio.asp>

There is probably a benchmark in the accounting world or investment world which could guide the definition of meeting or acceptable performance.

Getting more granular would be very onerous and unwieldy for the charter board and for schools.

Thank you for the opportunity to provide feedback.

Thanks,

Jared



Charter School Board - ASBCS <charterschoolboard@asbcs.az.gov>

## Re: We want to hear from you!

1 message

**Matt Sandoval** <msandoval@teamcfa.org>

Mon, Sep 17, 2018 at 2:35 PM

To: Charter School Board <charterschoolboard@asbcs.az.gov>

I see this as two questions: 1. Can a school meet its short-term liabilities? How does it manage its cash? Many businesses delay payables on a schedule for cash flow purposes. A simple measure of time to pay or a list of outstanding invoices does not tell the whole story. I would recommend a metric that compares cash on hand to short-term liabilities with a scoring guide on healthy, marginal, and poor operational cash ratios. Second, I would recommend a separate metric on the average age of invoices. Finally, there should be an indicator if the financial audit identified the school as a going concern.

Thank you for asking

Matt Sandoval

State Director, TeamCFA

On Mon, Sep 17, 2018 at 2:00 PM, Charter School Board <charterschoolboard@asbcs.az.gov> wrote:

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If the Financial Framework Subcommittee were to include a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should that measure be or what should that measure look at? For the measure you come up with, how would you define "meets"/acceptable performance?

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--  
**Matt Sandoval** | Arizona State Director

TeamCFA

(888) 832-6881 Ext. 708

[www.teamcfa.org](http://www.teamcfa.org)





Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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**Re: We want to hear from you!**

1 message

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**Jean Thomas** <tjean@aobihs.com>

Mon, Sep 17, 2018 at 2:42 PM

To: Charter School Board &lt;charterschoolboard@asbcs.az.gov&gt;

NO! You just added a whole audit issue that would include TOO many variables.

On Mon, Sep 17, 2018 at 2:00 PM, Charter School Board <charterschoolboard@asbcs.az.gov> wrote:

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Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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**RE: We want to hear from you!**

1 message

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**Henry Fortino** <hfortino@fortinocpa.com>  
To: Charter School Board <charterschoolboard@asbcs.az.gov>

Mon, Sep 17, 2018 at 2:45 PM

To whom it may concern:

The measure I would recommend would be the quick ratio which is liquid assets (unrestricted cash, investments and receivables) divided by current liabilities. A 1 to 1 ratio would meet standard.

Thanks,

Henry J. Fortino, CPA, PC  
[3801 N. Campbell Ave. STE A](#)  
[Tucson, Arizona 85719](#)

Phone 1-520-393-3233

Fax 1-520-881-7392

[www.fortinocpa.com](http://www.fortinocpa.com)

**From:** Charter School Board <charterschoolboard@asbcs.az.gov>  
**Sent:** Monday, September 17, 2018 2:01 PM  
**To:** Charter School Board - ASBCS <charterschoolboard@asbcs.az.gov>  
**Subject:** We want to hear from you!

The Board would appreciate your feedback on the question below. Please send your responses to [charterschoolboard@asbcs.az.gov](mailto:charterschoolboard@asbcs.az.gov) or respond to this email by September 21, 2018. Thank you.

**If the Financial Framework Subcommittee were to include a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should that measure be or what should that measure look at? For the measure you come up with, how would you define "meets"/acceptable performance?**

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Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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**Re: We want to hear from you!**

1 message

**Midtown Primary School** <midtownprimaryschool@hotmail.com>

Mon, Sep 17, 2018 at 3:30 PM

To: Charter School Board &lt;charterschoolboard@asbcs.az.gov&gt;

Cc: "eileen@azcharters.org" &lt;eileen@azcharters.org&gt;

I would ask 1st: How will you know if we are paying timely?

There are some accounts that 120 days is fine. Some 90 days. Some 60. Some 10 days. I pay according to cash flow & their needs. How will you know how I make those decisions? I may make a decision with the vendor's agreement that is the best for my school. How will you know that vs I'm being a bad manager or negligent with my accounts.

I think this level of oversight may be more paperwork than you want to do. I certainly don't want to answer that for you. I don't need more government compliance work; I need more time with teachers and students to get a great product. I would not include it in the framework.

I want to make bill-paying decisions for what is best for the school with the vendor's agreement not worry that the decision will look badly on the dashboard.

I have not attended any of your committee meetings as I felt I did not have a good enough grip of what is needed. Thank you for giving me a way to actually contribute.

Judy

Judy White, Principal  
Midtown Primary School  
4735 N 19th Avenue  
Phoenix, AZ 85015  
602-265-5133

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**From:** Charter School Board <[charterschoolboard@asbcs.az.gov](mailto:charterschoolboard@asbcs.az.gov)>

**Sent:** Monday, September 17, 2018 2:00 PM

**To:** Charter School Board - ASBCS

**Subject:** We want to hear from you!

The Board would appreciate your feedback on the question below. Please send your responses to [charterschoolboard@asbcs.az.gov](mailto:charterschoolboard@asbcs.az.gov) or respond to this email by September 21, 2018. Thank you.

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Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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**Re: We want to hear from you!**

1 message

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**John Penczar** <jack.penczar@academyadventuresmidtown.com>  
To: Charter School Board <charterschoolboard@asbcs.az.gov>

Mon, Sep 17, 2018 at 4:34 PM

RESPONSE- ALL VENDORS HAVE THEIR OWN EXPECTATIONS REGARDING TIMELY PAYMENT OF BILLS. RECURRING BILLS SHOULD BE PAID ON A REGULAR SCHEDULE AND NOT SHOW AN IRREGULAR PATTERN WHICH COULD INDICATE POOR HANDLING OF CASH FLOW OR BE AN INDICATION OF FUTURE PROBLEMS. TWO LATE OR OVERDUE NOTICES IN A YEAR ON TWO OR MORE RECURRING BILLS PRESENT A PROBLEM. MEETS/ACCEPTABLE WOULD BE TO PAY RECURRING BILLS ON TIME.

On Sep 17, 2018, at 2:00 PM, Charter School Board <charterschoolboard@asbcs.az.gov> wrote:

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Charter School Board - ASBCS <charterschoolboard@asbcs.az.gov>

## Re: We want to hear from you!

1 message

**Barbara White** <institutionalmemoryllc@gmail.com>  
To: charterschoolboard@asbcs.az.gov

Mon, Sep 17, 2018 at 8:24 PM

Auditors could best answer this question, but I would say it would require all schools to use an accrual-based accounting system all year. In my practice, June was the only month of the year that we took the time to enter every bill so that our AFR would be accurate when paying expenses that may cross years. It's very time consuming to do it that way and when you have only one or two people doing all the input and wearing many other hats, you get strapped for time. Inputting payables 100% of the time, very time consuming and unnecessary for about 90% of bills that get paid. Some you need to book that way, but not everything.

I suppose you could have auditors run a check of all small claims courts for collections complaints. Not really sure how else you could prove things are not being paid timely. Also, what would the definition of "timely" be? The most critical of payables is payroll. Any missing of a payroll would be automatically a violation of financial stability.

Alternatively, you could provide a portal where vendors could report a school for not paying in a timely fashion. That may be an option. But it needs to have a fair option for a school to file a response and have a fair hearing on matters. Not sure you want to go down that road.

Good luck with this one.

**Barbara White**  
**Institutional Memory LLC**  
**602-920-6022**

On Mon, Sep 17, 2018 at 2:01 PM Charter School Board <charterschoolboard@asbcs.az.gov> wrote:

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Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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**RE: EXTERNAL: We want to hear from you!**

1 message

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**Binky Michele Jones** <bjones@ombudsman.com>  
To: Charter School Board <charterschoolboard@asbcs.az.gov>

Tue, Sep 18, 2018 at 9:03 AM

Feedback:

We do not think that a measure that considers timely payment of bills is necessary in the financial framework. The financial framework currently includes two measures specific to cash management: Unrestricted Days Liquidity and Cash Flow. It is our opinion that we do not need another measure related to cash. Also, it would be difficult to establish an Accounts Payable measure that would take into account a school's policy to maximize trade credit but also pay bills on time. Finally, an Accounts Payable measure may unnecessarily limit a school's flexibility to manage its overall cash effectively by narrowing the focus to one specific aspect of cash management.

**From:** Charter School Board <charterschoolboard@asbcs.az.gov>  
**Sent:** Monday, September 17, 2018 2:01 PM  
**To:** Charter School Board - ASBCS <charterschoolboard@asbcs.az.gov>  
**Subject:** EXTERNAL: We want to hear from you!

The Board would appreciate your feedback on the question below. Please send your responses to [charterschoolboard@asbcs.az.gov](mailto:charterschoolboard@asbcs.az.gov) or respond to this email [by September 21, 2018](#). Thank you.

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Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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**Re: We want to hear from you!**

1 message

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**Philip Geiger** <philip.geiger@rop.com>  
To: Charter School Board <charterschoolboard@asbcs.az.gov>

Tue, Sep 18, 2018 at 9:17 AM

I think that payment within 60 days, barring any dispute, would be reasonable.

**Dr. Philip E. Geiger, MBA, M.A., Ed.M.****Rite of Passage****Regional Director of Education/ Superintendent****4301 West Fillmore Street****Phoenix, Arizona 85043****602-265-2000 (O)****602-751-5858 (Mobile)****philip.geiger@rop.com****www.southwestleadershipacademy.com****Twitter: @pegeiger**

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**From:** Charter School Board <charterschoolboard@asbcs.az.gov>**Sent:** Monday, September 17, 2018 2:00:42 PM**To:** Charter School Board - ASBCS**Subject:** We want to hear from you!

The Board would appreciate your feedback on the question below. Please send your responses to [charterschoolboard@asbcs.az.gov](mailto:charterschoolboard@asbcs.az.gov) or respond to this email by [September 21, 2018](#). Thank you.

If the Financial Framework Subcommittee were to include a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should that measure be or what should that measure look at? For the measure you come up with, how would you define "meets"/acceptable performance?

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Charter School Board - ASBCS <charterschoolboard@asbcs.az.gov>

## Measurement suggestions for Timely Paying Bills

1 message

Heidi Mitchell <HMitchell@reidtraditional.com>

Tue, Sep 18, 2018 at 10:50 AM

To: "charterschoolboard@asbcs.az.gov" <charterschoolboard@asbcs.az.gov>

Regarding the question:

**If the Financial Framework Subcommittee were to include a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should that measure be or what should that measure look at? For the measure you come up with, how would you define "meets"/acceptable performance?**

I feel that Days Cash On Hand is a good measure for 'can the charter timely pay its bills.'

- This is an indicator on most bond offerings
- The measurement can easily be calculated as part of the annual audit, thus minimizing the ability for operators to manipulate the results
- DCOH is easy to calculate
- Generally, bond issuers ask for 45 days cash on hand. This is the bar for stable schools that can qualify for a bond; it may be a high bar for smaller or new schools. New schools especially will have problems meeting this measurement. The Board may want to consider a 3 – 5 year 'ramping up' period for new schools. This would reflect proper expectations for a new business.

Some ideas we rejected, and why:

- Dunn & Bradstreet reports: This would indicate whether bills are being paid, but Dunn & Bradstreet access costs money. Also, there seems (to me) little control over how and if vendors report delinquencies and timely payments, and little control over misinformation. I do not think that Dunn & Bradstreet has the same safeguards in place as credit reporting agencies for individuals. I am not, however, an expert in D&B reporting processes.
- ASRS timely payments: this information would only be available for schools participating in ASRS, which I believe is about 30% of charters. Comparable information would not be available for non-ASRS employers, so charters would not be treated equally.
- Accounts Payable aging reports would be quite messy, time consuming and unreliable. It would add to the bureaucratic reporting load without achieving the goal of using reliable data.

*Heidi Mitchell, M.Ed.*

*Chief Executive Officer*



**Reid Traditional Schools**

9/18/2018

State of Arizona Mail - Measurement suggestions for Timely Paying Bills

*14841 N. Black Canyon Highway*

*Phoenix, Arizona 85023*

*623.478.2344*

*www.ReidTraditional.com*



Charter School Board - ASBCS <charterschoolboard@asbcs.az.gov>

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## feedback

1 message

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**Susan Chan** <schan@kaolaz.org>

Tue, Sep 18, 2018 at 10:57 AM

To: ASBCS System Administrator <charterschoolboard@asbcs.az.gov>

With regards to measuring whether or not a charter pays their bills timely I have a couple of thoughts:

There are times that we do not have the necessary paperwork from a vendor to pay invoices in a timely fashion.

How would this be monitored and would that add an extra burden on charters to provide that type of information?

Susan Chan



Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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## Financial Framework Subcommittee

1 message

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**gene weinstein** <weinstein.gene@gmail.com>

Wed, Sep 19, 2018 at 7:13 AM

To: charterschoolboard@asbcs.az.gov

Cc: Sharlet Barnett &lt;SharletB@acyraz.org&gt;

Regarding your question: **"a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should the that measure be or what should that measure look at? For the measure you come up with, how would you define 'meets'/acceptable performance?"**

We believe that a universal measure using a credit bureau such as Equifax or D&B would show via their standards, what is acceptable. They score each entity and any entity falling below a certain level would have to justify and correct any scores below a certain mark. They rate entities as low risk, high risk and everything in between. Given the volume, the cost would be negligible and the board would be relying on an outside independent agency to rate the charters.

We would like to participate in any further discussions on this or other topics relating to financial framework as it pertains to charters.

Gene Weinstein  
Director of Finance  
ACYR



Charter School Board - ASBCS <charterschoolboard@asbcs.az.gov>

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## Financial Framework

1 message

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**Cuyler Reid** <whistletoo@gmail.com>  
To: charterschoolboard@asbcs.az.gov

Wed, Sep 19, 2018 at 12:50 PM

Please develop the framework from the point of view of **cash on hand**.  
Cordially,  
Cuyler Reid



Charter School Board - ASBCS <charterschoolboard@asbcs.az.gov>

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## Financial Framework Feedback from American Leadership Academy

1 message

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**Robert Plowman** <robert@charter.one>  
To: charterschoolboard@asbcs.az.gov

Thu, Sep 20, 2018 at 7:52 AM

Please see American Leadership Academy feedback regarding ASBCS financial framework.

--



**Robert Plowman**  
**Chief Finance Officer**

**T:** 480.420.2101 •

**F:** 480.346.2075

19935 E. Chandler Heights Rd.

Queen Creek, AZ 85142

[www.charter.one](http://www.charter.one)

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 **ALA Financial Framework Response 2018.09.19.docx**  
1650K

Dear ASBCS Board Members and Staff,

We appreciate the opportunity to comment on the current *“Financial Performance Framework and Guidance”* issued by the Arizona State Board for Charter Schools (Board). We support the Board’s objective to provide oversight of charter schools and providing transparency to the public.

We understand the Board’s need to evaluate each charter holder’s financial health for both the near and long-term and appreciate your desire to not be over-reaching. While we agree with the metrics that are currently listed in the framework, we have outlined below some items for the Board to consider in order to provide more useful information for the Board and the public.

The metric “Unrestricted Days Liquidity” (1b) considers unrestricted cash (and other “liquid” sources) divided by the average daily expense. While this is a useful metric, the current method does not take into consideration “non-cash” expenses such as depreciation. We feel it would be more useful to the Board and public to maintain the same metric but to also consider only cash expenses.

The metric of “Default” (1c) considers whether or not a charter received an official notice of default from a lender. The results of the metric are either “Meets” or “Falls far below” if the charter holder is in default of “material” loans. There may be a number of technical reasons that an obligation may be in default that do not necessarily indicate financial stress. In such cases it may be more appropriate to include a “Does not meet” result. Additionally, it may be more useful to determine the lender intends to collect on all long-term debt in the coming fiscal year or whether the charter is working to resolve the issue and will not be required to pay the full amount.

The metric of “Net income” (2a) considers the total revenue less total expenses of the charter for the fiscal year. While we feel that net income is a useful metric of a charter’s financial health, we also feel that the Board should consider some additional issues related to the current metric. There are various scenarios in which a charter may experience negative net income for a particular fiscal year that would not be indicative of poor financial health. In the financial framework the Board acknowledges that a charter holder may make a strategic choice to operate at a deficit, such as during the start-up phase or during an expansion period. While we agree that continued deficits for a sustained period of time could adversely affect the charter, the current metric only considers the current fiscal year. We feel that it may be more useful to consider net income as a trend of more than one fiscal year. This metric also is “Meets” or “Falls far below” standard with no middle ground. We would encourage the Board to consider multiple years for this metric and/or consider allowing for a “Does not meet” result.

The metric of the “Cash Flow” (2b) considers whether the charter has a trend of positive or negative cash flow over a three-year period of time. Overall, we are pleased that the Board has elected to use a multi-year approach to this metric. We feel that the Board should be mindful that there are several reasons for cash flow to fluctuate, especially with schools that are growing. It is possible for charters to build up cash reserves, or have capital campaigns, and then to spend those funds over multiple fiscal years.

The metric “Fixed Charge Coverage Ratio” (2c) considers that charters cash flow to cover fixed obligations. The calculation for this ratio considers the past revenue and non-cash expenses compared to future fixed obligations. This metric could have a negative impact on some charters, especially those that are experiencing growth, by not matching the obligations that will be coming due with the revenues that may

have increased by using the additional obligations. We feel that the metric has merit but urge the Board to consider impact this could have by not matching income with required fixed obligations.

The Board has additionally asked for feedback regarding the inclusion of a metric that would consider whether or not the charter is timely in paying bills. It is our feeling that the Board would be unable to assess this new metric based on the audited financial statements. As a result, this would require the Board to obtain information to support this metric beyond the scope of the existing financial statement audit. The financial statements include liabilities for unpaid vendors, however, we do not believe a metric could be devised based on this information that would be useful. Those liabilities can fluctuate from year to year for a variety of reasons and would not be indicative of the timeliness of paying vendors throughout the year. Overall, we also feel that the current metrics should provide a sufficient indication of a charter's financial health and the new metric would be unnecessary.

We again would like to express our appreciation for the opportunity to provide feedback to the Board. We understand the need for financial oversight by the Board to assist in keeping charter holders accountable as well as to help ensure public trust and are pleased to provide our input to assist in reaching this goal. We feel that it is important to provide information to the public that is accurate, useful, and easy to understand. We hope that the Board considers the items as noted above and we would be pleased to discuss these items in further detail.

Sincerely,

AMERICAN LEADERSHIP ACADEMY



Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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**RE: We want to hear from you!**

1 message

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**Jill Zimmerman** <JZimmerman@villamontessori.com>  
To: Charter School Board <charterschoolboard@asbcs.az.gov>  
Cc: "Margo S. O'Neill" <moneill@villamontessori.com>

Thu, Sep 20, 2018 at 8:41 AM

Hello –

In response to the question below, it certainly makes sense to include a measurement of timely payment and ability to pay. Some suggestions might be:

- Average days outstanding in A/P as of the period end (acceptable would be 30 days or less)
- Working Capital Current Ratio calculation (current assets divided by current liabilities) – acceptable would be over 1.0
- % by A/P Aging Categories (i.e. 85% current-30 days, 10% 30-60 days, 5% 60-90 days, etc.) – acceptable would be 75% or more in current to 30 days, and no more than 2% in the over 90 days category – but how to handle disputed charges that may be in A/P but aren't being paid due to a dispute/discrepancy?

You could go down the path of D&B credit scores, however it could cost schools a significant amount of money to open and maintain a D&B business credit account, which could be prohibitive.

My opinion would be that a combination of avg. days in A/P and the current ratio would be a solid way to measure a school's ability to pay their current obligations.

Thank you for soliciting input on this important topic.

Best regards,

Jill Zimmerman

Chief Financial Officer

Villa Montessori School

2802 E. Meadowbrook Avenue

Phoenix, AZ 85016

602-399-3016 direct

602-955-2210 school office

[jzimmerman@villamontessori.com](mailto:jzimmerman@villamontessori.com)

**From:** Charter School Board [mailto:[charterschoolboard@asbcs.az.gov](mailto:charterschoolboard@asbcs.az.gov)]

**Sent:** Monday, September 17, 2018 2:01 PM

**To:** Charter School Board - ASBCS <[charterschoolboard@asbcs.az.gov](mailto:charterschoolboard@asbcs.az.gov)>

**Subject:** We want to hear from you!

The Board would appreciate your feedback on the question below. Please send your responses to [charterschoolboard@asbcs.az.gov](mailto:charterschoolboard@asbcs.az.gov) or respond to this email by September 21, 2018. Thank you.

If the Financial Framework Subcommittee were to include a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should that measure be or what should that measure look at? For the measure you come up with, how would you define “meets”/acceptable performance?

## Charter School Board Staff

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**Arizona State Board for Charter Schools**

**P.O. Box 18328, Phoenix, Arizona 85005**

**Phone: (602) 364-3080**

**Website: [asbcs.az.gov](http://asbcs.az.gov)**

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Charter School Board - ASBCS <charterschoolboard@asbcs.az.gov>

## Re: We want to hear from you!

1 message

**Shelly Adrian** <desertskysshelly@gmail.com>

Thu, Sep 20, 2018 at 2:17 PM

To: ASBCS System Administrator <charterschoolboard@asbcs.az.gov>

Thank you for asking!

Yes, that seems a good measure -- Maybe on the amount of what is in the payable account code or that it is in the 30 day or 60 day range? Meets would be is it under 60 days past due? And Under a 5% of total expenses.

On Mon, Sep 17, 2018 at 2:01 PM Charter School Board <charterschoolboard@asbcs.az.gov> wrote:

The Board would appreciate your feedback on the question below. Please send your responses to [charterschoolboard@asbcs.az.gov](mailto:charterschoolboard@asbcs.az.gov) or respond to this email by September 21, 2018. Thank you.

If the Financial Framework Subcommittee were to include a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should that measure be or what should that measure look at? For the measure you come up with, how would you define "meets"/acceptable performance?

## Charter School Board Staff



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Shelly Adrian  
 Executive Director  
 Desert Sky Community School, Tucson  
*an Arizona charter school &  
 a member of the Alliance for Public Waldorf Education*



Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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## Financial Framework change

1 message

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**Goldie Burge** <gcountrygardens@aol.com>  
To: charterschoolboard@asbcs.az.gov

Fri, Sep 21, 2018 at 12:49 AM

Sept. 20, 2018

Dear Charter Board,

No, I do NOT think you should put anything in the Financial Framework concerning paying bills on time. The Financial Framework which we have to work within is tough enough. After going through many audits, audit changes and added charter regulations for 19 years as a charter holder, I would like to offer a synopsis of some of my experiences which apply to your inquiry.

One of the issues is when we receive our funds for the state 301 money and never knowing what day those funds will be deposited, it is very difficult to plan and budget. Another issue has been the problems with receiving Title Grant funds. For example, if you have to purchase books and curriculum materials for the beginning of the year with grant funds, but the funds aren't available until grants are approved, then the invoices have to wait to be paid. This can possibly be considered a "late paid invoice" even though the companies have no problem waiting for funds. Also, we are at the mercy of the state when it comes to these grant approvals. Last year, the grant applications were not even available until late fall and funds were not disbursed until NOVEMBER! The grant writing process changes all the time and by the time the grant writer gets it figured out and sent in for approval, a lot of time has elapsed while we are paying staff to work with students. Then the grant constantly gets kicked back with changes they want made, revisions are made and then more changes!!! Meanwhile, we have no grant money flowing into the school but expenses for the grant are being incurred. Also, the state's turnover of staff is significant and when new Title staff come on board they are learning the process and cause more changes and more time elapses before getting the grant approved. This year we lost our Title I Specialist and the state still has not assigned us a new person, so some other staff had to review our grant. Couple that with our school training a new Title I grant person and all the trainings she needed to attend, as well as all the new changes this year, our grant was stalled many times. Even though the state made the application available earlier this year, all the other obstacles caused us to just get approved this week. All of these constant issues are time consuming and cost the school money, which is ultimately taken away from our students. After our grant just got final approval yesterday, our accountant requested our first reimbursement and of course, it got kicked back for him to make changes. This is because they changed the entire system for requesting grant funds and now your account manager MUST do the request and he had to go to training to learn how to do this on Sept. 12th. Yet, his request was still rejected. He had surgery yesterday and is at home recuperating and now he has to go back in and rework this request! It is now Sept. 21st and we still do NOT have any Title I grant funds to utilize. Also, the school is incurring more costs now that the account manager is the person required to complete these requests. So, basically every time a new regulation or requirement is instituted, IT COSTS THE SCHOOL MORE MONEY! This is funding which should be paying for aides and materials to help our low-income students improve their academics-NOT pay accountants to constantly manage so many details which are inconsequential to a student's learning outcomes.

Also, state 301 deposits are never consistent either. The amounts vary and the time they are deposited are all over the place, so any funds needed for those expenses are delayed as well.

Businesses in the private sector run their finances with accounts payable all the time. Different vendors extend differing amounts of time for payment, many up to six months without penalty. Just because a business pays a bill beyond thirty days or the due date DOES NOT mean the business is insolvent or running things incorrectly. They may have several accounts receivable that are due to them which will pay those bills. Plus, charters are not paid on actual enrollment until the state decides to run the actual numbers, such as this month, again we are being paid on estimated counts. Any charter knows that you should never submit all your numbers on estimated counts in fear of losing kids and being overpaid. So, now we are running our monthly expenses based on less than our actual funds, then we have to catch up when we are fully funded. Again, it is extremely difficult for charters to plan and budget accordingly when you are not sure of all of your income. In addition to this, the state does not pay charters their first payment until August 1st of the fiscal year.

Then you have issues with Health insurance having a 3 month lag in processing staff being added and deleted from the insurance policies. We were being charged for staff that had left our employ for up to three months and the invoices were incorrect, so when we pay the invoice correctly it still shows a Past Due. Again, this would be an auditing nightmare with all the explanations and details that go into each different situation. Several years ago we had a company billing us with Past Due invoices for a product that we had sent back to them. This went on for 6 months until they finally credited us the returned items.

Next you add in the factors of students withdrawing from your school and now money you budgeted is no longer there and you have to make adjustments. Cutting expenses does not occur immediately in the accounts. It takes time to see

the actual dollars being saved in the budget. Public schools do not have to go through any of this, they just register warrants and have the money available or float a bond override and get funds that way.

Not to mention the problems with the mail. I can't tell you how many times our checks paid to vendors have been lost in the mail and had to be re-issued. That could appear as a late pay in an audit because dates on the invoices would not match dates paid. Also, receiving invoices late in the mail is a constant problem. We just received one the other day that was already due the day we received it. There is no way that with processing the payment and getting it back in the mail that that bill would have appeared to have been paid on time. And how would anyone know if it was paid on time? What would you go by? The date the check was cashed, the date the check was issued, what? There are way too many variables. I feel like this would be an auditing nightmare and a nightmare for charters. We already have so many regulations on us, we are spending less and less time and money on the actual education of the students. This would take away more time from students and less success for the charters. **Please let us educate children and not spend all our time on paperwork.** Charters were started to give parents and students alternatives in education. The more paperwork and regulations we are given, the less time and resources we can allocate to our students. More and more charter holders are at the point of giving up. I know of a few charter operators that have decided to close their schools and surrender their charters in the next few years because it is just TOO MUCH to deal with and the joy of working with the students is being taken from them, due to all the paperwork and constant new regulations and data being collected by the Feds, the state and the Charter Board.

Overall, I feel that the current audits are a very, very comprehensive measure of the way a charter does business. Just because one or two schools have handled their finances badly, the rest of us should not be punished. I feel if this measure is added, you will have more and more charters not able to comply, due to no fault of their own and it would make it almost impossible for them to function.

Thank you for allowing my input.

Goldie Burge

Country Gardens Charter School



Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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**Re: We want to hear from you!**

1 message

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**Cindy Cothrun** <destinyschool@yahoo.com>  
Reply-To: Cindy Cothrun <destinyschool@yahoo.com>  
To: Charter School Board <charterschoolboard@asbcs.az.gov>

Fri, Sep 21, 2018 at 8:45 AM

We feel that there are too many potential extenuating circumstances for that to be a fair measure.

Cindy Cothrun  
Business Manager  
928-425-7792

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On Monday, September 17, 2018, 2:01:26 PM MST, Charter School Board <charterschoolboard@asbcs.az.gov> wrote:

The Board would appreciate your feedback on the question below. Please send your responses to [charterschoolboard@asbcs.az.gov](mailto:charterschoolboard@asbcs.az.gov) or respond to this email by September 21, 2018. Thank you.

If the Financial Framework Subcommittee were to include a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should that measure be or what should that measure look at? For the measure you come up with, how would you define "meets"/acceptable performance?

## Charter School Board Staff

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## Feedback Request

1 message

**Vicki Dry** <vdry@noahwebster.org>

Fri, Sep 21, 2018 at 12:14 PM

To: "charterschoolboard@asbcs.az.gov" &lt;charterschoolboard@asbcs.az.gov&gt;

Please find our response to your recent feedback request. If you should have any questions, please contact me. Thank you.

***Vicki Dry******COO/CFO******Noah Webster Schools******5399 N. Pima Road******Scottsdale, AZ 85250******480-291-6900******Fax: 480-354-3490***

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**Feedback Request-Noah Webster Schools.docx**

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## Response Memorandum

**Date:** September 20, 2018

**From:** Noah Webster Schools-Mesa  
Noah Webster Schools-Pima  
Vicki Dry – CFO/COO  
Sharon Miller – Governing Board Member

**To:** Arizona State Board for Charter Schools

**RE:** **1. Determine if the Financial Framework Subcommittee should “include a measure in the Financial Framework that considers whether the charter is timely paying its bills or can timely pay its bills”.**

**2. For any newly included measure, “how would you define “meets” acceptable performance”?**

The Financial Framework reiterates the Arizona State Board for Charter Schools’ commitment to strive to not be overreaching and not to unnecessarily burden the Charter Holders with excessive submission requirements. We recognize the Charter Board’s fiduciary responsibility to ensure Arizona Charter Holders practice strong fiscal management practices and protect public monies.

With this in mind, we do have a recommendation for the Charter Board to help ensure the Charter is and remains a Going Concern with low risk of financial distress and longer term sustainability.

The financial auditor is required to evaluate an organization’s ability to continue operating. The Charter Board uses the audited financial statements in their entirety and additional questionnaires to determine Indicators and Measures as set forth in the Framework to determine financial performance. The audited statements provide information regarding the required measures of going concern, unrestricted day’s liquidity, net income, default, cash flow, fixed charge coverage ratio. These measures are all good indicators of financial health, ability to pay bills, and financial distress.

**Yet, there is an approximate 12-18 month gap of no financial reporting to the Charter Board to indicate a Charter’s financial performance and ability to pay bills.**

**Recommendation:**

- 1. The Charter Board’s Strategic Plan requires collecting evidence ie: Audited Financial Statements. We recommend the Charter Board include and require Charter Holders to report within 30 days the following:**

- a. Any notice from Lenders regarding default

- b. Any correspondence from the Internal Revenue Service or Department of Revenue related to non-payment of payroll taxes
- c. Notice of legal filings, specifically bankruptcy filings and legal filings associated with unpaid vendor or service provider payables. Certainly, vendor or service provider payables can be disputed for poor service, but it may be a timely indication of a problem.

Required reporting of the items listed above are typical reporting covenants required by Tax Exempt Revenue Education Bond investors and traditional Bank Lenders. Many Arizona Charter Schools already comply with these reporting covenants.

Including these required reporting requirements as Indicators in the Framework will give the Charter Board more timely indications of a current financial problem.

**2. Once a determination of Not Meeting Standards has been made, the Financial Performance Response should consider including:**

- a. Cash Basis 24 month Budgets with Budget to Actual variance discussions of the school year to date and/or the following: The format should reflect a focus on beginning and ending cash which ties to the internally generated and audited financial statements.
- b. CPA prepared Forecast Financial Statements that present the responsible party's knowledge and belief an entity's expected financial position, results of operations and cash flows based on the responsible party's assumptions reflecting conditions it expects to exist and course of actions it expects to take.

In the event the Cash Basis Budget worksheets and associated Variance Analysis reflect tight or negative cash flow with no cushion or the CPA prepared Forecast also reflects lack of cash liquidity, the Charter Board has strong information to take action.

Many Arizona Charter Schools already prepare and present, on a quarterly basis, Cash Basis Budget to Actual worksheets for the current fiscal year along with Variance Analysis and Financial issues discussion.

**3. The Charter Board has recourse in the event a Charter has not reported Audited Financial Statements within the required reporting timeline. Should this happen or at the time the Charter Board determines that a Charter has fallen "Far Below Standards", the Charter Board has the option to utilize the services of the School Audit Team at the Arizona Office of the Auditor General.**

The Office of the Auditor General has responsibility to ascertain wise use of public money, determine compliance with laws, regulations, and financial and reporting standards and provide technical assistance to state governmental entities. The legislature

established a school-wide audit team to monitor % of dollars spent in the classroom and perform performance audits that generate information on the use of public monies and make recommendations to improve operations.

4. **Another indication that there may be a financial problem or issue is non-receipt by the Charter Board of an audit engagement letter – certainly by October 1 of each year.**

It could possibly signify that there are insufficient or non-compliant accounting records or fear of audit findings. Non-receipt of an audit engagement letter in a timely fashion gives the Charter Board the opportunity to reach out to the Charter Holder with a 10 day request for a response and possible action and intervention by the Charter Board. Depending on the response, this may be another opportunity for a limited audit by the Arizona Office of Auditor General School Team.

In the event you wish to discuss any of our recommendations, please email

Sharon Miller  
[SkMiller1@cox.net](mailto:SkMiller1@cox.net)

Vicki Dry  
[vdry@noahwebster.org](mailto:vdry@noahwebster.org)



Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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## Financial Framework-Bills

1 message

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**Mike McCord** <mmccord@excaliburschools.org>  
To: charterschoolboard@asbcs.az.gov

Fri, Sep 21, 2018 at 2:54 PM

Thank you for the opportunity to provided feedback.

To answer the question you would have to define "timely". Many business operated on a 30, 60 or 90 day payment system across the county.

A consideration of monthly cash flow would need to be taken into account grant funds are sometime held up for months. School's budgets are built around these funds. If a delay occurs related to those funds would the plan be to penalize schools for something outside of their control? These funds are often earmarked for salaries, purchase of services, and school materials, but if a delay occurs the school may need to hold back the payment of an invoice until funds are released.

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Michael McCord  
Executive Director

"There is no failure; Only feedback"



Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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**Re: We want to hear from you!**

1 message

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**Becki Krueger** <bkrueger@leadingedgeacademy.com>  
To: Charter School Board <charterschoolboard@asbcs.az.gov>

Fri, Sep 21, 2018 at 3:50 PM

**If the Financial Framework Subcommittee were to include a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should that measure be or what should that measure look at? For the measure you come up with, how would you define "meets"/acceptable performance?**

Thank you for your email. Here is my response:

In a sense, this relates to "Days Cash on Hand". However, this metric is going to fluctuate throughout the school year and month to month. It also depends heavily on grant payment schedules (if a Charter receives grants), Fundraising, etc.

A measure of whether or not Charters can pay bills on time might include submitting a Aged Payables report with nothing over 90 days past due. There are certain times of the year (summer months) when items have been ordered for the following year but funds to pay for those items have not yet arrived. I think anything over 90 days would be a strong indicator of a Charter with cash flow problems.

60 days or less past due would be a concern but would "meet" (in my opinion).

I really strong indicator would be whether or not a Charter is current on their obligations to pay Employee related Expenses (Taxes and benefits). This seems to be the first item that gets held when there is a cash flow issue for Charters (from what I have heard). I am not sure how one could report this - maybe Charters would have to send in quarterly reports to the Board?

Thanks for seeking out our opinions. I appreciate it!

Becki Krueger

Operations Director  
LEAD Charter Schools  
480-633-0414 ext. 802

*Accuracy = \$\$*

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On Mon, Sep 17, 2018 at 2:00 PM, Charter School Board <charterschoolboard@asbcs.az.gov> wrote:

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**If the Financial Framework Subcommittee were to include a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should that measure be or what should that measure look at? For the measure you come up with, how would you define "meets"/acceptable performance?**

# Charter School Board Staff

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Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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## Charter Financial Framework feedback

1 message

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**Dave Wells** <dwells@azgci.org>

Fri, Sep 21, 2018 at 4:12 PM

To: charterschoolboard@asbcs.az.gov

Cc: Amy Pedotto &lt;APedotto@azgci.org&gt;, Curt Cardine &lt;CCardine@azgci.org&gt;, George Cunningham &lt;gcunningham10@cox.net&gt;

The Grand Canyon Institute has the following suggestions for the Subcommittee of the Charter Board looking at revising the financial framework. This is in response to what has already been presented as of their last meeting.

1. Consistency is important in categorizing expenses--USFR (I think is the nomenclature that Jim Hall was referring to) that provides better guidance on classifications. What we'd like to avoid is very broad classification in audits and inconsistent classifications by charter groups across audits or AFRs.
2. Net income change to exclude noncash expenses--GCI does not have an objection but does want to note that with this adjusted net income measure any school in the negative is doing worse than under the current measure. To parallel the 5% of the RCL criteria for district schools where the state can takeover, any charter that has an adjusted net income that is negative and 5% or more of some similar measure should be adopted as a very serious sign of financial problems. You should accept that idea in principle now and then we'd be glad to continue an exploration of what that measure is. It could be a deficit 5% of income--but it could be 5% of state-based income only or some other measure. But we think the 5% parallel is worthwhile and consistent with the broader literature of very serious financial problems. So the board may be wanting to track trends here in order to be more proactive.
3. Debt Service Coverage Ratio and Lease Adjusted Debt Service Coverage Ratio. GCI had previously suggested the change. The issue came up at the last meeting about charters that leased and did not own their facilities. GCI did not have enough time to investigate the Lease Adjusted Debt Service Coverage Ratio--but recommends that financials from a range of charter operators be used with different ownership and lease situations and differing debt burdens to see how the Fixed Charge Coverage Ratio, Debt Service Coverage Ratio and Lease Adjusted Debt Service Coverage Ratio compare--and ideally to look at this at these charters over time. Jim Swanson made this suggestion--so it should already be occurring.
4. Enrollment trends--many charters if they start losing students could find themselves in a downward financial spiral. GCI agrees that weighted student counts are probably a better yard stick than ADM--but it might be worth comparing the two--as it partly depends on the mix of students who attend a given charter. If a charter were to move away (for whatever reason) from children with individualized education plans (IEPs) then their weighted count could drop significantly while their ADM holds constant. So perhaps tracking both and their ratio would be useful. Then you need to consider an appropriate measure of vulnerability--and there was a good discussion about what the Auditor General is doing here regarding monitoring this and what's significant relative to the size of the district. Getting additional data on how the Auditor General evaluates this could enable a better parallel measure for charters.
5. Internal Controls-This is one of the criteria that the Auditor General uses for district schools on their financial analysis. This GCI thinks is paramount in the charter sector--because so much more financial dealings are permitted outside of procurement and related party restrictions currently than district schools. GCI recommends that the Charter Board institute a number of recommendations that came for the US Inspector General which had concerns about how federal funds given to Educational Management Organizations (EMOs) or Charter Management Organizations (CMOs) was being used--and their inability to track it.

*Nationwide Assessment of Charter and Education Management Organizations: Final Audit Report.* (Sept. 2016)

US Department of Education's Office of the Inspector General

— “We determined that charter school relationships with charter management organizations (CMOs) posed a significant risk to Department program objectives. Specifically, we found that 22 of the 33 charter schools in our review had 36 examples of internal control weaknesses related to the

charter schools' relationships with their CMOs (concerning conflicts of interest, related-party transactions, and insufficient segregation of duties)."

**1. Disclosure of conflicts of interest or related parties.** Charters must disclose conflicts of interest or related-party connections with a CMO or any other entity.

**2. Independent professional services.** Require that any attorney, accountant or audit firm employed by the charter school not have the CMO also as a client.

**3. Termination of contract.** Charter holder must be given administrative, contractual or legal remedial actions that allow it to terminate the contract without making it impossible for the charter school to operate (e.g., not losing the right to use facilities).

**4. Justification of fees paid.** If a competitive bidding process is not used to select the CMO or other product or service, the annual audit should demonstrate that the fee paid for the service or product is reasonable with evidence based on a price analysis that includes at least one comparison-appropriate district school.

**5. Market rates.** If a competitive bidding process is not used for other agreements such as loans or leases (including with the CMO), the annual audit must document that terms align with market rates and that terms will not change if the management contract is terminated with the CMO.

**6. Access to contractor records.** Contracts must allow the charter holder, the Arizona State Board for Charter Schools, the Arizona Auditor General, and the firm conducting an annual audit of the charter, or any of their authorized representatives, to have access to the contractor's records that are directly pertinent to a specific program for the purpose of audits and other activities.

6.

Requiring that the **property value** of a charter organization or one of its subsidiaries be used to guarantee long-term debt (rather than projected ADM). GCI's next report which is still in process will investigate the issue of charter debt in more detail--and as that report nears completion we can provide added details and/or additional recommendations.

**Dave Wells, Ph.D.**

Research Director

**Grand Canyon Institute**

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**GRAND CANYON**  
INSTITUTE



Charter School Board - ASBCS &lt;charterschoolboard@asbcs.az.gov&gt;

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**Re: We want to hear from you!**

1 message

**Amy Pedotto** <apedotto@azgci.org>

Fri, Sep 21, 2018 at 5:26 PM

To: charterschoolboard@asbcs.az.gov

Cc: George Cunningham &lt;gcunningham10@cox.net&gt;, Dave Wells &lt;dwells@azgci.org&gt;, Curt Cardine &lt;cjcardine@yahoo.com&gt;

The Grand Canyon Institute submits the following measures for assessing whether a charter school is able to pay their bills in a timely manner:

Within 30 days is Green

Within 60 days is Light green

Within 90 days is Yellow

Within 120 days is RED.

These are standard times for businesses.

GCI looks forward to continued participation in the Charter Board's Financial Dashboard Subcommittee meetings and review process.

Kind regards,

--

**Amy Pedotto**  
Communications Manager

**Grand Canyon Institute**  
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On Mon, Sep 17, 2018 at 2:01 PM Charter School Board <charterschoolboard@asbcs.az.gov> wrote:

The Board would appreciate your feedback on the question below. Please send your responses to [charterschoolboard@asbcs.az.gov](mailto:charterschoolboard@asbcs.az.gov) or respond to this email by September 21, 2018. Thank you.

**If the Financial Framework Subcommittee were to include a measure in the framework that considers whether the charter is timely paying its bills or can timely pay its bills, what should that measure be or what should that measure look at? For the measure you come up with, how would you define "meets"/acceptable performance?**

***Charter School Board Staff***

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**Arizona State Board for Charter Schools**

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