Financial Performance Response Evaluation Instrument

Charter Holder Name: Founding Fathers Academies, Inc.
Charter Holder Entity ID: 79973
Date Submitted: November 12, 2013

Required for: Failing School Designation
Audit Year: 2012
Evaluation Completed: November 14, 2013

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		The financial performance response does not address the measure, but rather focuses on findings identified by the audit firm in the fiscal year 2012 audit. According to the notes to the fiscal year 2012 financial statements, "The ability of the School to continue as a going concern is dependent upon the School to pay bills and obligations on time. Per Management, the School lost 10 kids in the 2011-2012 school year, which is causing them to be late on certain bills and obligations. Management believes that by decreasing employees, actively seeking new students, and the fact that the School can find short term loans that this will provide the opportunity for the School to continue as a going concern." For fiscal year 2013, the charter holder "meets" on this measure.
1b. Unrestricted Days Cash		X		The financial performance response states that the charter holder has access to other sources of liquidity from several private parties. The charter holder's response did not include any support for this statement. According to the fiscal year 2012 audit, since April 2005, the charter holder has maintained a $40,000 secured bank line of credit. As of June 30, 2012, the available balance on the line of credit was $6,462. The secured bank line of credit was also in place for fiscal year 2013. The response also states that the school has a high special education population "which requires an inordinate amount of services and attention". According to ADE reports, in fiscal year 2012, approximately 27% of the school's students had special needs. As of October 2013, approximately 22% of the school's students had special needs. While the charter holder indicates it is evaluating current services and looking at what it can do to reduce costs, the response provides limited support for the statements made.

Measure	Acceptable	Not Acceptable	Not Applicable	Comments
1c. Default			X	
2a. Net Income			X	
2b. Cash Flow		X		The financial performance response states that this is a point in time measure and is reflective of receiving grant monies before or after July 1st to cover expenses incurred before June 30th. The charter holder implies that it will submit grant applications in a timely manner to receive grants before July 1st of the following year so that the charter holder does not have to "float" that money for several months. The charter holder's response did not include any support for these statements.
2c. Fixed Charge Coverage Ratio		X		The financial performance response refers to the information provided for the "Unrestricted Days Liquidity" measure and also states that the charter holder is "looking at our fixed cost and what we can do to reduce them". The charter holder's response did not include any support for this statement.

Financial Performance and Response For Founding Fathers Academies, Inc.

Going Concern

These issues have been resolved or are in the process with the exception of the Auditors doing our Financials. Our Auditors inform us that this is standard procedure for small business and does not advise us from changing this. We have ordered checks that require two signatures for purchases for over $10,000. We are current with our IRS Payroll taxes, and have paid all late fees and penalties.

Unrestricted Days Liquidity

We currently have access to other sources of Liquidity from several private parties to augment liquidity needs. We have an extraordinary high Special Ed population which requires an inordinate amount of services and attention. Equity for disabled children requires extra time and work. I am open for responsible suggestions on how to provide services for SPED students with the measly amount that is funded to us from the state. We are evaluating services we currently offer and viewing what we can do to reduce cost.

Fixed Charge Coverage ratio

In response to this –refer to above as well as looking at our fixed cost and what we can do to reduce them.

Cash Flow:

Unless I am mistaken, this really is a point in time indicator, and is reflective of receiving grant monies before or after July 1st to cover expenses incurred before June 30th. Submitting grant applications in a timely manner to receive them before July 1st of the following year so that we don't have to "float" that money for several months.