



Financial Framework: Overview and Trends

FINANCIAL FRAMEWORK SUBCOMMITTEE MEETING

AUGUST 21, 2018

Financial vs. Operational Framework

FINANCIAL FRAMEWORK

- ❖ Gauges charter holders' near-term financial health and longer term financial sustainability
- ❖ Focuses on charters' financial viability
 - ❖ Uses certain dollar amounts and informational disclosures from audit

OPERATIONAL FRAMEWORK

- ❖ Identifies charter holders' compliance with state and federal law, charter contract, and administrative rule
- ❖ Focuses on charters' compliance
 - ❖ Uses information collected through various sources (e.g., audits, site visits, complaints)
 - ❖ Includes, for example, failure to pay taxes or health premiums, poor internal controls, egregious mismanagement of finances, fraud



BOARD'S AUDIT PROCESS OVERVIEW

	Description	Timing	Additional Information
Engagement Letter	Session law requires the Board to approve the audit contract. The Board uses the engagement letter to meet this requirement. Generally, the engagement letter describes the audit firm's and charter holder's audit-related responsibilities.	Between January (fiscal year to be audited) and November. Most are received between May and July, or around the time the Board releases the audit guidelines/documents.	A.A.C. R7-5-504(B) Board's audit guidelines
Completeness Determination	Through this process, Board staff ensures each audit reporting package ("audit") includes all of the required components. Charter holders that submit incomplete audits may be placed on a Board agenda for possible disciplinary action.	Between August and March for timely submitted audits. Most are received between the last week of October and the November 15 th deadline.	A.A.C. R7-5-504(C)-(E) Board's audit guidelines
Review of Complete Audit	For each audit, Board staff determines the charter holder's financial performance, reviews and enters any issues identified in the audit, and sends a letter to the charter representative(s) with the review results. It is at this time that the charter holder's financial dashboard is made available to the charter representative and the public and the operational dashboard is updated.	Between late September and April for timely submitted audits. Most are reviewed between November and February. Generally, audits are reviewed in the order of date received. Since financial and compliance information from the audits is considered in various Board processes (e.g., renewal, interval reviews, amendments), the audits for charter holders in one of these processes are reviewed first regardless of date received.	A.A.C. R7-5-504(F)-(I) Financial framework Audit & Compliance Questionnaire Follow-up Matrix Operational framework Board's audit guidelines
Corrective Action Plan (CAP)	Appendix B of the operational framework identifies the issues that require a charter holder to submit an audit CAP. Generally, charter holders are given 30 calendar days to submit the initial CAP, except for fingerprinting issues where 10 business days are given. Most CAPs are completed after the initial submission, or, at most, one subsequent submission.	Between November and September/October. Certain CAPs (e.g., those involving payroll taxes) are not completed until after the end of the current fiscal year. September/October usually only comes into play with charter holders that have repeat CAP issues or that submit late audits.	A.A.C. R7-5-504(G) A.A.C. R7-5-510 Operational framework



Generally Accepted Accounting Principles

- Adherence to GAAP Required by Charter Contract
- What Is GAAP?
 - Uniform minimum standards for financial accounting and reporting that govern the form and content of an entity's financial statements
 - Principles encompass conventions, rules and procedures necessary to define accepted accounting practices at a particular time
 - Primary authoritative body on GAAP's application for most charter holders is the Financial Accounting Standards Board (FASB)



Auditing Standards

GENERALLY ACCEPTED AUDITING STANDARDS

- ❖ Guidelines for how financial audits are to be conducted
- ❖ Audit conducted under GAAS includes auditor's opinion on whether entity's financial statements are presented in accordance with GAAP
- ❖ American Institute of Certified Public Accountants' Auditing Standards Board is primary authoritative body on GAAS

GOVERNMENT AUDITING STANDARDS

- ❖ A.R.S. §15-914 requires charter audits be conducted under GAS
- ❖ GAS adds additional considerations to GAAS
- ❖ Standards pertain to auditors' professional qualifications, quality of audit effort, and reporting requirements, including compliance with certain provisions of laws, regulations, contracts and grant agreements
- ❖ GAS issued by the Comptroller General of the United States



Audit Reporting Package

FINANCIAL STATEMENT AUDIT

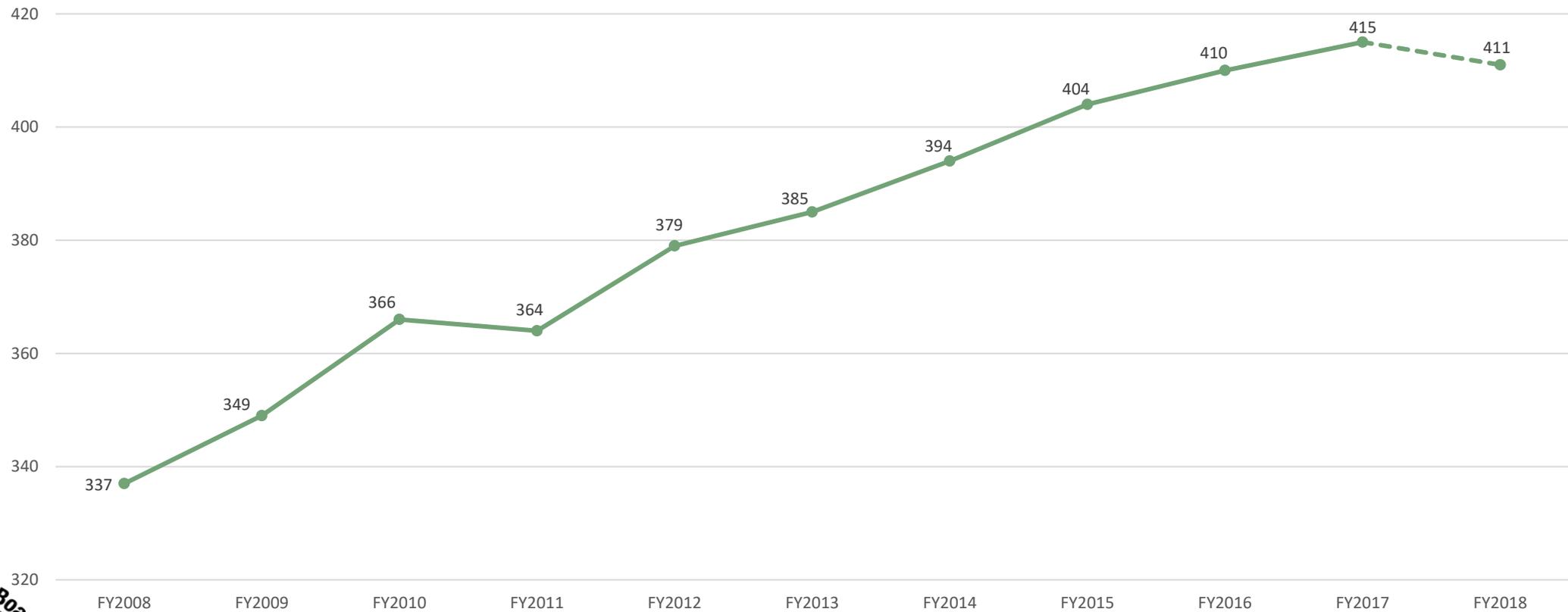
- ❖ Financial statements, including the auditor's opinion and notes
- ❖ Government Auditing Standards report on internal control and compliance
- ❖ Applicable compliance questionnaire
- ❖ Management letter, if applicable
- ❖ Submission deadline is November 15
- ❖ Approximately 80% of audits received

SINGLE AUDIT

- ❖ Items included in financial statement audit reporting package (see information to left)
- ❖ Schedule of Expenditures of Federal Awards
- ❖ Schedule of findings and questioned costs
- ❖ Submission deadline is March 31
- ❖ Approximately 20% of audits received



Audit Numbers: Actuals & FY18 Projection



Framework Overview



Financial Framework History

August
2012

- Board adopts *Financial Performance Framework and Guidance*.

September/
October
2013

- Based on first year of implementation and charter input, Board approves changes, including eliminating one measure and modifying another.

October
2014

- Board redefines “expectations” to look at two years of financial performance instead of one to focus Board’s efforts on those charters that may currently be experiencing financial difficulties or that may be at a higher risk for financial hardship in the future.



Financial Framework History (Continued)

June
2016

- Board modifies one measure and clarifies requirements for those charter holders required to submit additional information.

October
2017

- Board adds eligibility criteria for expansion requests and expands the number of amendment requests where financial performance is reviewed.



Near-Term vs. Sustainability

NEAR-TERM FINANCIAL HEALTH

- ❖ Designed to depict a charter holder's financial position and viability for the upcoming fiscal year
- ❖ Specific measures
 - ❖ Going Concern
 - ❖ Default
 - ❖ Unrestricted Days Liquidity
- ❖ "Falls Far Below" rating possible

LONGER TERM FINANCIAL SUSTAINABILITY

- ❖ Designed to depict a charter holder's financial position and viability over time
- ❖ Specific measures
 - ❖ Cash Flow
 - ❖ Net Income
 - ❖ Fixed Charge Coverage Ratio
- ❖ "Falls Far Below" rating not possible



Financial “Standard” vs. “Expectations”

❖ Financial Performance Standard

- ❖ Reflects annual performance
- ❖ To meet the financial performance standard, no measures may be rated “Falls Far Below” and no more than one measure may be rated “Does Not Meet”
- ❖ If one or more measures are rated “Falls Far Below”, at least two measures are rated “Does Not Meet” or both, then charter holder does not meet the financial performance standard

❖ Financial Performance Expectations

- ❖ Considers two years performance
- ❖ See table at right

Previous Audit	Most Recent Audit	Meets Board’s Expectations?
MEETS financial performance standard	MEETS financial performance standard	Yes
DOES NOT MEET financial performance standard	MEETS financial performance standard	Yes
MEETS financial performance standard	DOES NOT MEET financial performance standard; no measure receives “Falls Far Below”	Yes
MEETS financial performance standard	DOES NOT MEET financial performance standard; 1 or more measures receive “Falls Far Below”	No
DOES NOT MEET financial performance standard	DOES NOT MEET financial performance standard	No

Financial Performance Dashboard

- ❖ Summarizes performance on each measure
- ❖ Reflects performance for 2 most recent audited years (except initial dashboard which only includes 1 year)
- ❖ Identifies whether performance meets Board's financial expectations
- ❖ Becomes publicly available through ASBCS Online after audit reviewed by staff

Financial Performance						
Interpreting the Financial Performance Dashboard						
	Fiscal Year 2016			Fiscal Year 2017		
	Near-Term Measures					
Going Concern	No	Meets		No	Meets	
Unrestricted Days Liquidity <30, but ≥15: Does Not Meet <15: Falls Far Below	76.93	Meets		75.28	Meets	
Default	No	Meets		No	Meets	
	Sustainability Measures*					
Net Income ≤0: Does Not Meet	\$75,888	Meets		\$68,358	Meets	
Fixed Charge Coverage Ratio <1.10: Does Not Meet	1.35	Meets		1.26	Meets	
Cash Flow (3-Year Cumulative) Negative: Does Not Meet**	\$548,466	Meets		\$284,361	Meets	
Cash Flow Detail by FY	FY 2016	FY 2015	FY 2014	FY 2017	FY 2016	FY 2015
	(\$86,635)	\$318,074	\$317,027	\$52,922	(\$86,635)	\$318,074

Meets Board's Financial Performance Expectations

* Negative numbers indicated by parentheses.
** Target effective beginning with FY16 audits.



When Is Performance Reviewed?

FINANCIAL PERFORMANCE CONSIDERATION

- ❖ Five-year interval reviews
- ❖ Renewal
- ❖ Expansion requests (as defined in framework)
- ❖ If a school operated by charter holder has failed to meet academic performance standard for 3 consecutive years
- ❖ When Board makes decisions related to academic performance and/or compliance with charter and state and federal law

FINANCIAL PERFORMANCE RESPONSE

- ❖ Required if charter holder does not meet financial performance expectations at certain times (See left and financial framework)
- ❖ Must address measures rated “Does Not Meet” or “Falls Far Below” in most recent audited year presented on dashboard
- ❖ Evaluated by Board staff in accordance with financial framework’s Appendix C



Financial Performance Review by Process

	FY 2014		FY 2015		FY 2016		FY 2017		FY 2018	
	Met	DNM	Met	DNM	Met	DNM	Met	DNM	Met	DNM
Renewal	16 (43.2%)	21 (56.8%)	21 (61.8%)	13 (38.2%)	40 (78.4%)	11 (21.6%)	10 (62.5%)	6 (37.5%)	5 (100%)	0 (0%)
Interval Review	9 (37.5%)	15 (62.5%)	10 (71.4%)	4 (28.6%)	53 (65.4%)	28 (34.6%)	45 (70.3%)	19 (29.7%)	42 (70%)	18 (30%)
Academic Monitoring*	11 (26.2%)	31 (73.8%)	65 (59.6%)	44 (40.4%)	44 (58.7%)	31 (41.3%)	—	—	—	—
Other**	0 (0%)	3 (100%)	6 (50%)	6 (50%)	2 (66.7%)	1 (33.3%)	3 (37.5%)	5 (62.5%)	41 (80.4%)	10 (19.6%)
Overall	36 (34%)	70 (66%)	102 (60.4%)	67 (39.6%)	139 (66.2%)	71 (33.8%)	58 (65.9%)	30 (34.1%)	88 (75.9%)	28 (24.1%)

* Under the prior academic framework, charter holders operating schools that did not meet academically were required to submit academic information that was reviewed by staff. Since it was possible for a charter holder to be brought before the Board for consideration during these annual reviews, financial performance was also reviewed.

** Includes charters that operated "F" schools, replication application packages, and expansion amendments. Until FY18, financial performance was only considered for new school and AOI amendments; beginning in FY18 it was expanded to include more requests, such as increasing enrollment cap or the grades served by the charter holder.



How Is Performance Used?

CHARTER MEETS EXPECTATIONS

- ❖ Waived from submitting financial performance response
- ❖ Eligible for streamlined renewal, expansion, certain requests being considered on consent agenda (if no issues in other areas)

CHARTER DOES NOT MEET EXPECTATIONS

- ❖ Ineligible to submit certain requests
- ❖ Required to submit financial response
- ❖ If item placed on agenda, Board will receive:
 - Charter holder's financial response
 - Staff's evaluation of financial response
 - Table showing charter holder's financial data and financial performance for last 3 audited fiscal years
 - Staff's analysis of charter holder's financial performance based on financial response and related documents



Current Measures



Going Concern

❖ What Is It? (Auditor Responsibilities)

- Auditing standards require CPA to evaluate ability to continue operating for next year
 - Assumption is charter intends and is able to continue to engage in its activities
 - If doubt exists, then disclosed in audit
- Disclosure options
 - No doubt raised (no disclosure required)
 - Substantial doubt raised, but alleviated by management's plans (disclosure in financial statement notes only)
 - Substantial doubt raised that is not alleviated by management's plans (disclosure in Independent Auditor's Report and financial statement notes)

❖ What Is It? (Charter Responsibilities)

- GAAP requires management to evaluate their entity's ability to continue operating
 - Requirement effective with FY17 audits
- Disclosure options
 - No conditions/events that raise substantial doubt (no disclosure by management required)
 - Conditions/events exist that raise substantial doubt (disclosure by management required in financial statement notes)
 - See next slide



Evaluation of Management's Plans

SUBSTANTIAL DOUBT ALLEVIATED

- ❖ Management Must Disclose the Following:
 - Principal conditions or events that raise substantial doubt about entity's ability to continue as a going concern (before consideration of management's plans)
 - Management's evaluation of the significance of those conditions or events in relation to entity's ability to meet its obligations
 - Management's plans that alleviated substantial doubt about entity's ability to continue as a going concern

SUBSTANTIAL DOUBT NOT ALLEVIATED

- ❖ Management Must Disclose the Following:
 - Principal conditions or events that raise substantial doubt about entity's ability to continue as a going concern
 - Management's evaluation of the significance of those conditions or events in relation to entity's ability to meet its obligations
 - Management's plans that are intended to mitigate the conditions or events that raise substantial doubt about entity's ability to continue as a going concern



Going Concern (Continued)

❖ Why Was It Included?

- Provides independent assessment
- Identifies charters that may be unable to meet academic/operational obligations or that may be at higher risk for abrupt school closures

❖ Measure History

- No changes since framework adopted in 2012

❖ Current Calculation

“Falls Far Below Standard”

1. Disclosure in Independent Auditor’s Report and financial statement notes

(Substantial doubt about charter’s ability to continue is raised and is not alleviated by management’s plans)

2. Disclosure in financial statement notes only

(Substantial doubt about charter’s ability to continue is raised but is alleviated by management’s plans)

❖ Calculation Considerations

- None



Default

❖ What Is It?

- Financial institution or individual lender issue notice of loan default

❖ Why Was It Included?

- Once default notice issued, lender may:
 - Require outstanding loan amount be paid immediately
 - Proceed with foreclosure (for facility loans)
- Ability to continue operating in jeopardy

❖ Measure History

- No changes since framework adopted in 2012

❖ Current Calculation

Based on disclosure in annual audit

❖ Calculation Considerations

- None



Unrestricted Days Liquidity (UDL)

❖ What Is It?

- Number of days expenses could be paid without an influx of cash

❖ Why Was It Included?

- Identifies charter holder's available reserve
- A reserve provides flexibility for the charter holder to address needs as they arise and to respond to unexpected events

❖ Measure History

- In October 2013, modified measure to include other sources of liquidity; initially measure only considered cash in the calculation

❖ Current Calculation

$$\frac{\text{Unrestricted Cash} + \text{Other Sources of Liquidity}}{\text{Total Expenses}/365}$$

❖ Calculation Considerations

- See next slide



UDL – Calculation Considerations

- ❖ Unrestricted Cash/Other Sources of Liquidity
 - Unrestricted cash and cash equivalents
 - Balance of June 30th equalization payment received from bond trustee after year-end
 - Available balances on lines of credit
 - Unrestricted “current” investments
 - Bond reserve funds available to charter for general operational purposes/expenses
- ❖ Classroom Site Fund (CSF)
 - Unspent CSF monies at June 30th considered restricted cash; cash reduced by this amount
 - Exception: If the financial statements disclose that a portion of the unspent CSF at June 30th has been accrued as a liability and is included as an expense, then that portion is not considered restricted
- ❖ Total Expenses
 - Current calculation does not remove audited year depreciation and amortization (noncash expenses required to be reported by GAAP)
- ❖ To Be Considered in Calculation Information Above Must Be Clearly Disclosed in Audit



Cash Flow

❖ What Is It?

- Change in total cash balance from one fiscal year to another fiscal year
- Three-year cumulative cash flow

❖ Why Was It Included?

- Positive cash flow over time generally indicates increasing financial health and sustainability
- Charter holder's reserve affected by cash flow

❖ Measure History

- In October 2016, simplified measure to focus on three-year cumulative cash flow; annual cash flow no longer considered in rating

❖ Current Calculation

1. Determine annual cash flow

**Current Year Total Cash less
Prior Year Total Cash**

2. Add 3 most recent annual cash flows together

❖ Calculation Considerations

- Current calculation uses total cash and not just cash and cash equivalents; total cash may include cash held in bond reserves



Net Income

❖ What Is It?

- Difference between total revenues and total expenses

❖ Why Was It Included?

- Indicates whether or not a charter holder is operating within its available resources
- Charter holder may make strategic choice to operate at a loss for a year
- Continued losses for sustained periods of time could adversely affect charter holder's ability to meet its obligations

❖ Measure History

- No changes since framework adopted in 2012

❖ Current Calculation/Formula

Total Revenues less Total Expenses

❖ Calculation Considerations

- Current calculation does not remove noncash items required to be reported by GAAP, such as depreciation, amortization and losses on advanced refunding of a bond



Fixed Charge Coverage Ratio (FCCR)

❖ What Is It?

- Looks at how easily certain bills can be paid as they become due, focusing on lease, loan and interest payments
- Fixed charges occur regardless of changes in revenue or other circumstances that may affect financial situation
- Captures charters that lease their facilities and charters that purchase their facilities

❖ Why Was It Included?

- Untimely payments may disrupt students' education and place school operations at risk (e.g., locked out of school facilities, no buses to transport students, notice of default issued)

❖ Measure History

- No changes since framework adopted in 2012

❖ Current Calculation/Formula

(Change in Net Assets + Depreciation + Amortization + Interest Expense + Lease Expense)

(aka resources available to cover charter's fixed costs)

DIVIDED BY

(Current Portion of Long-Term Debt and Capital Leases + Interest + Lease Expense)

(aka charter's fixed costs)

❖ Calculation Considerations

- See next slide



FCCR – Calculation Considerations

❖ Noncash Expenses

- Current calculation only includes audited year depreciation and amortization in numerator; does not include other noncash items that may be disclosed in audit

❖ Interest and Lease Expense

- Included in both numerator and denominator
 - Charter's interest and lease expense have already been deducted to arrive at change in net assets
 - Therefore, both are added back in numerator so as not to skew the charter's performance

❖ Amounts Reflective of Audited Fiscal Year

- Change in net assets (currently same as net income)
- Depreciation and amortization
- Interest/Interest expense
- Lease expense

❖ Amounts Reflective of Next Fiscal Year

- Current portion of long-term debt and capital leases (CPLTDCL)



Audit Information Used for Dashboard

❖ Audited Statement of Financial Position

- Also referred to as the balance sheet
- Shows charter's assets and liabilities

❖ Audited Statement of Activities

- Also referred to as the income statement
- Shows charter's revenues and expenses and whether charter operated at a surplus or a loss

❖ Audited Statement of Cash Flows

- Shows charter's sources and uses of cash
- Identifies cash flows from operating activities, investing activities and financing activities

❖ Notes to the Audited Financial Statements

- Also referred to as disclosure notes
- May include information about leases, loans, compliance with loan terms, cash restrictions

❖ Independent Auditor's Report

- States the auditor's opinion on the financial statements and may include other disclosures

❖ Applicable Compliance Questionnaire

- Used to help determine restricted cash



Portfolio: Characteristics & Trends

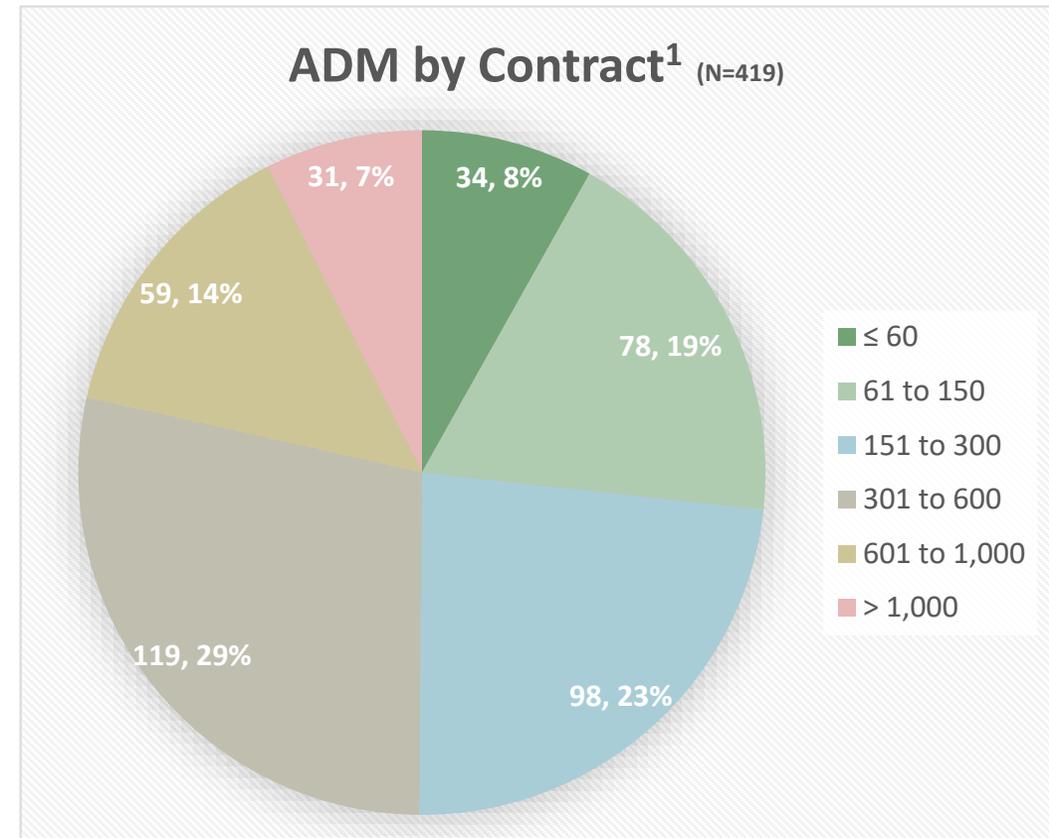


FY19 Portfolio Characteristics

- ❖ Current Board Charter Contracts (N=419)
 - Non-Profit Entities = 387 (92%)
 - For-Profit Entities = 28 (7%)
 - Government Entities = 4 (1%)

- ❖ # of Schools Operating Under Contract
 - Single-School Contracts = 352 (84%)
 - Multi-School Contracts = 67 (16%)

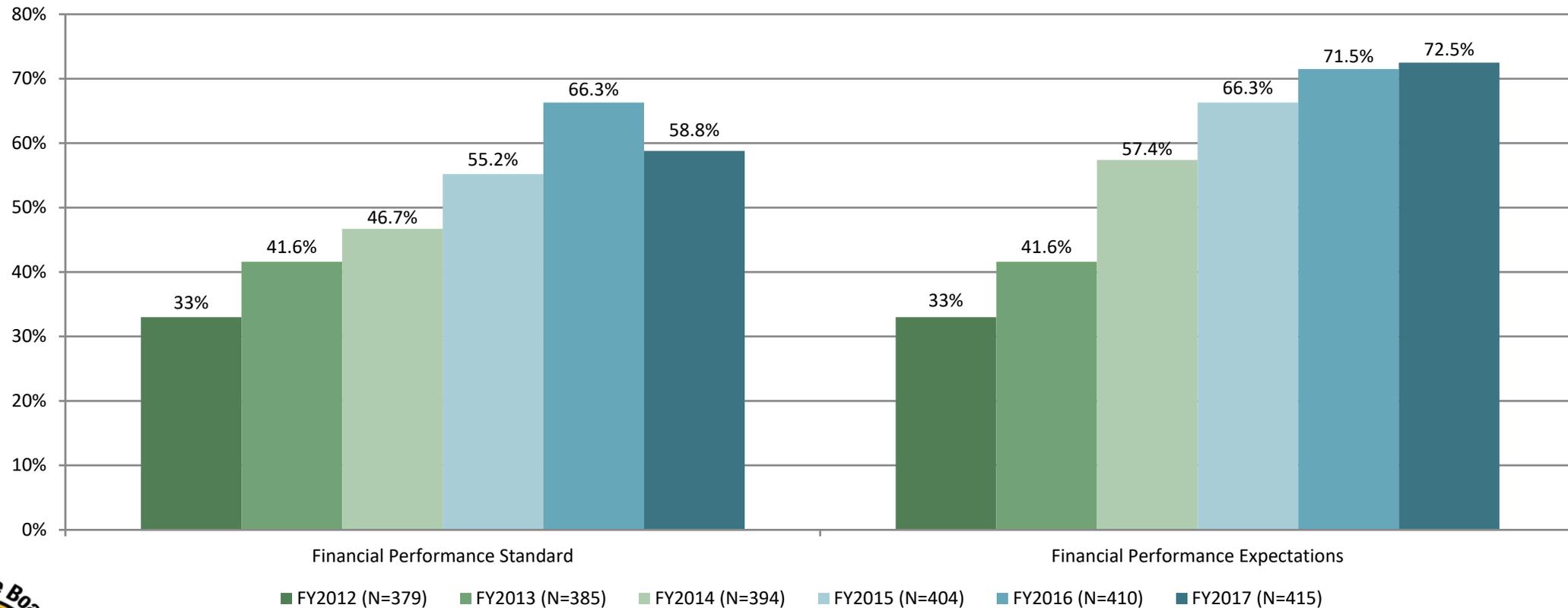
- ❖ “Associated” vs. Non-Associated Contracts
 - “Associated” Contracts = 212 (51%)
 - Non-Associated Contracts = 207 (49%)



¹ Chart reflects FY18 ADM (411 contracts) and FY19 estimated count (8 first-year contracts).



Percentage of Board's Portfolio Meeting "Standard" & "Expectations" (FY12-FY17)



NOTE: For fiscal years 2012 and 2013, identical percentages are used for financial performance standard and financial performance expectations because in those years whether a charter holder met the expectations was based on one year of financial information instead of the current two.



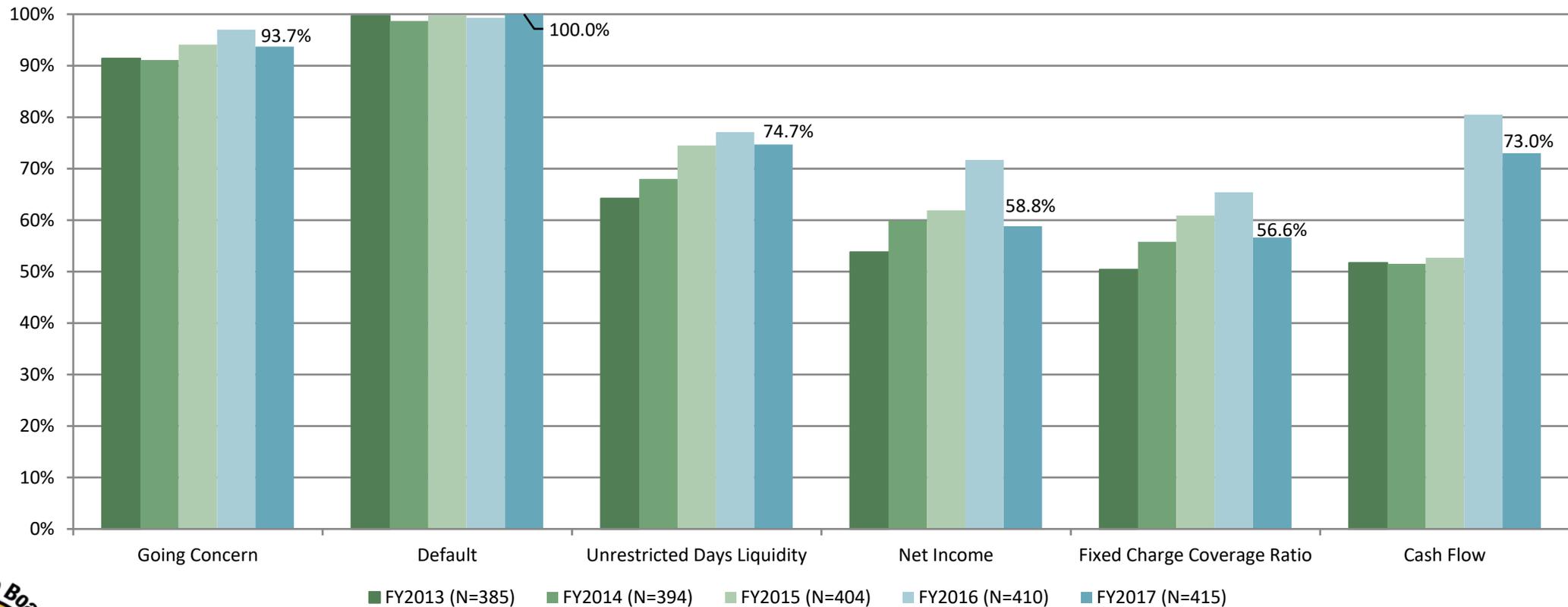
FY17 “Standard” Performance Decline

	FY 2017 % (#)	FY2016 % (#)	FY13-FY17 Average % Only
Met All Applicable Measures	39.8% (165)	50.7% (208)	35.6%
Did Not Meet 5 or 6 Measures*	4.3% (18)	0.5% (2)	2.7%
Did Not Meet 2 Calculated Measures	17.8% (74)	14.9% (61)	18.4%
Did Not Meet 3 Calculated Measures	12.5% (52)	13.4% (55)	18.0%
Did Not Meet All 4 Calculated Measures	10.4% (43)	3.9% (16)	8.6%

* For fiscal year 2017, all charters met the default measure. The 18 charters identified in the table above for fiscal year 2017 did not meet the framework’s remaining 5 measures. For fiscal year 2016, 1 charter did not meet all 6 measures and 1 charter met the default measure, but did not meet the remaining 5 measures.



Percentage of Board's Portfolio Meeting Financial Targets by Measure (FY13-FY17)



NOTE: For fiscal year 2016, the Board redefined the Cash Flow measure's target to focus solely on whether the three-year cumulative cash flow was positive or negative.



FY17 Financial Performance by ADM

	Contracts	Meets "Standard"		Meets "Expectations"	
		Number	Percentage	Number	Percentage
≤ 60 ADM	31	15	48.4%	21	67.7%
61 to 150 ADM	63	33	52.4%	44	69.8%
151 to 300 ADM	76	45	59.2%	51	67.1%
301 to 600 ADM	88	63	71.6%	76	86.4%
601 to 1,000 ADM	37	28	75.7%	32	86.5%
> 1,000 ADM	23	18	78.2%	20	87%
Overall	318	202	63.5%	244	76.7%
<i>Entire Portfolio</i>	<i>415</i>	<i>244</i>	<i>58.8%</i>	<i>301</i>	<i>72.5%</i>

NOTE: This table includes the financial performance for those contracts where the fiscal year 2017 audit submitted to the Board was contract specific. Therefore, the table does not include the financial performance of entities with multiple contracts with the Board (83). Further, the table does not include entities that engage in other services beyond operating a charter school (14).



FY17 Performance by Years in Operation

	Contracts	Meets "Standard"		Meets "Expectations"	
		Number	Percentage	Number	Percentage
1 Year	10	3	30%	3	30%
2 to 3 Years	27	22	81.5%	24	88.9%
4 to 5 Years	27	21	77.8%	23	85.2%
6 to 10 Years	57	40	70.2%	46	80.7%
11 to 15 Years	30	16	53.3%	21	70%
16 or More Years	167	100	59.9%	127	76%
Overall	318	202	63.5%	244	76.7%
<i>Entire Portfolio</i>	<i>415</i>	<i>244</i>	<i>58.8%</i>	<i>301</i>	<i>72.5%</i>

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Bonds

- ❖ Based on FY17 Audits, 39.5% of (or 164) Contracts Have Received Bond Proceeds
- ❖ Rated vs. Non-Rated Bonds
 - 63% (103) of bond issues have been rated
 - 37% (61) of bond issues have not been rated
- ❖ Bond Ratings for Rated Bonds
 - 43% (44) received “investment grade” rating
 - State’s credit enhancement program benefited 26 of 44
 - 57% (59) received “speculative grade” rating

RATING DESCRIPTION	FITCH	MOODY'S	STANDARD & POOR'S
INVESTMENT GRADE			
Highest Quality	AAA	Aaa	AAA
Very High Quality	AA+	Aa1	AA+
	AA	Aa2	AA
	AA-	Aa3	AA-
Upper Medium Grade Quality	A+	A1	A+
	A	A2	A
	A-	A3	A-
Medium Grade Quality	BBB+	Baa1	BBB+
	BBB	Baa2	BBB
	BBB-	Baa3	BBB-
SPECULATIVE GRADE			
Substantial Credit Risk	BB+	Ba1	BB+
	BB	Ba2	BB
	BB-	Ba3	BB-
High Credit Risk	B1	B1	B1
	B2	B2	B2
	B3	B3	B3
Poor Standing	-	Caa1	CCC+
	CCC	Caa2	CCC
	-	Caa3	CCC-
Near Default	CC	Ca	CC
In Bankruptcy or Default	C	C	C
In Default	D	-	D



Closed Charters (FY14 to FY18)

ALL CLOSURES

- ❖ 52 Charter Contracts
 - ❖ Voluntarily Surrendered (31)
 - ❖ Revoked (8)
 - ❖ Not Renewed (5)
 - ❖ Expired (5)
 - ❖ Surrendered Under Duress (3)
- ❖ Closure Reasons Varied from Management Retiring to the Charter Failing to Provide Educational Services

FINANCIAL PERFORMANCE CLOSURES

- ❖ 17 Charter Contracts
 - ❖ Voluntarily Surrendered (15)
 - ❖ Revoked (1)
 - ❖ Not Renewed (1)
- ❖ Closure Reasons Include Low Enrollment or Failure to Meet the Board's Financial Performance Expectations
- ❖ 2 of 17 Contracts Were Surrendered Prior to Opening Due to Low Enrollment



In Depth: Financial Performance Closures

❖ Financial “Standard” and “Expectations” (N=15)

- 14 of 15 did not meet the Board’s financial performance standard or expectations based on last audit submitted

❖ Years in Operation at Time of Closure (N=15)

- 2 to 3 Years = 2
- 4 to 5 Years = 1
- 6 to 10 Years = 1
- 11 to 15 Years = 8
- 16 or More Years = 3

❖ ADM for Final Year of Operation (N=15)

- $\leq 60 = 10$
- 61 to 150 = 3
- 151 to 300 = 2

❖ ADM Trend Prior to Closure (N=15)

- Decreasing = 6
- Mixed (Ended Decreasing) = 4
- Mixed (Ended Steady) = 1
- Mixed (Ended Increasing) = 3
- Increasing = 1

