Financial Performance Response Evaluation Instrument

Charter Holder Name: Kaizen Education Foundation dba South Pointe Elementary School
Charter Holder Entity ID: 79233
Date Submitted: April 18, 2014

Required for: Renewal
Audit Year: 2013
Evaluation Completed: May 29, 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 indicates the charter holder has access to a non-revolving line of credit to cover operating expenses and includes information from the charter holder's fiscal year 2013 audit. The charter holder's fiscal year 2013 performance of 26.32 days includes the $210,000 from the non-revolving line of credit. The response does not explain the reason(s) for the charter holder having fewer than 30 days of cash or other liquidity in fiscal year 2013 or the charter holder's efforts to improve in this area.
1c. Default			X	
2a. Net Income		X		The financial performance response indicates the charter holder performed "about break-even" in 2011 and 2012 and had a net loss in 2013 which lead to a fixed charge coverage ratio of less than 1.1. The response also indicates the negative three-year cumulative cash flow was the result of the management company collecting amounts that it had covered during the prior years. Generally, the charter holder's audits support the effect the management company "collecting amounts that it had covered during the prior years" had on net income and cash flow in fiscal year 2013.

Measure	Acceptable	Not Acceptable	Not Applicable	Comments
				The financial performance response states, "The school is projected to end the 2014 year with positive net income and positive net assets overall. This was accomplished through intensive monitoring of expenses as well as tight budgetary controls. We feel that the school is now on a strong financial track." The charter holder's response does not include support for these statements.
2b. Cash Flow		**X**		The financial performance response includes the same information for this measure as was included for the Net Income measure (see Net Income).
2c. Fixed Charge Coverage Ratio		**X**		The financial performance response includes the same information for this measure as was included for the Net Income measure (see Net Income).