Financial Performance Response Evaluation Instrument

Charter Holder Name: Legacy Schools
Charter Holder Entity ID: 79660

Required for: Academic Intervention Schedule
Audit Year: 2014

Arizona State Board for Charter Schools (Board) staff completed the Financial Performance Response Evaluation Instrument for 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	Reason(s) for "Not Acceptable" Rating
1a. Going Concern Acceptable ☐ Not Acceptable ☒ Not Applicable ☐	The charter holder indicates that as a result of changes in revenues and expenses from 2013 and 2014, "Net Assets decreased by $53,001." While the difference between the net losses in 2013 and 2014 was ($53,001), the audits show that the charter holder's net assets decreased by $122,928, or from ($240,170) at June 30, 2013 to ($363,098) at June 30, 2014. In addition, the charter holder asserts, but does not support "Had the school still reported revenue of $1,933,375 but expenses of $1,933,374, the school would have met the Net Income standard for FY13-14 and would have not fallen below the Going Concern performance measure." The audit attributes the going concern disclosure to recurring net losses from operations and a net capital deficiency. While the net loss in 2014 contributed to the going concern disclosure, it is not clear based on either the response or the audit that net income of $1 in 2014 would have removed the disclosure. Had the charter holder provided further clarification and support, this would have been considered in Board staff's evaluation.
1b. Unrestricted Days Liquidity Acceptable ☐ Not Acceptable ☒ Not Applicable ☐	The response includes a Profit and Loss report from July 2014 through April 2015 and a cash flow summary that includes projected expenses in May 2015 and June 2015. Using actual and estimated expenses, along with the ending cash balance from the cash flow summary, results in a decline in the charter holder's unrestricted days liquidity by approximately 4 days from 17.70 in 2014 to 13.85 in 2015 and a rating change from "Does Not Meet" to "Falls Far Below". Had the charter holder provided further explanation of its efforts to improve its performance, along with supporting documentation, this would have been considered in Board staff's evaluation.
1c. Default Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
2a. Net Income Acceptable ☒ Not Acceptable ☐ Not Applicable ☐	

Measure	Reason(s) for "Not Acceptable" Rating
2b. Cash Flow Acceptable ☐ Not Acceptable ☒ Not Applicable ☐	The response provided a cash flow summary report that allows the Board's staff to calculate the charter holder's performance on this measure. Based on the current year and projected 2015 ending cash balances, the charter holder has negative cash flow in 2015. Due to the negative cash flows in 2014 and 2015, the charter holder's 2015 performance on this measure would remain rated "Does Not Meet". Had the charter holder provided further explanation of its efforts to improve its performance, along with supporting documentation, this would have been considered in Board staff's evaluation.
2c. Fixed Charge Coverage Ratio Acceptable ☒ Not Acceptable ☐ Not Applicable ☐	