

**Montessori Academy, Inc. - Entity ID 80011**  
 School: Montessori Academy

**Renewal Executive Summary**

**I. Performance Summary**

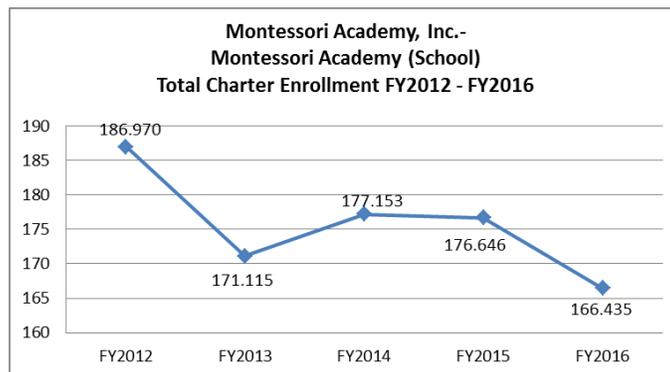
Renewal application requirements are based upon the Charter Holder’s past performance as measured by the Board’s Academic, Financial, and Operational<sup>1</sup> Performance Frameworks. The table below identifies areas for which the Charter Holder demonstrated acceptable performance. For “Acceptable” academic performance, the Charter Holder was waived from submission requirements for the renewal application. For “Not Acceptable” financial performance, the Charter Holder was required to submit additional information as part of the renewal application.

While the Charter Holder demonstrated acceptable overall operational performance (see below), at the time of renewal notification, the Charter Holder’s officers, directors, and members as identified in information publicly available through the Arizona Corporation Commission did not align with its officers, directors, and members as identified in the charter contract. Therefore, the Charter Holder was required to submit additional information as part of the renewal application. The Charter Holder submitted paperwork demonstrating that an Officer/Director Change was filed with ACC, bringing the Charter Holder into alignment.

Area	Acceptable	Not Acceptable
Academic Framework	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Financial Framework	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Operational Framework	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**II. Profile**

Montessori Academy, Inc. operates one school, Montessori Academy, serving grades K–8 in Paradise Valley. The graph below shows the Charter Holder’s actual 100<sup>th</sup> day average daily membership for fiscal years 2012–2015 and ADM for 2016 as of April 14, 2016.



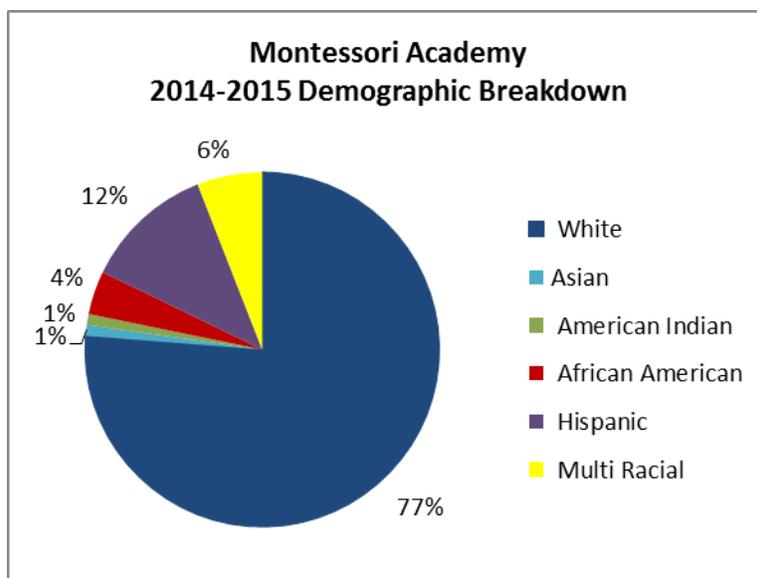
<sup>1</sup> The Operational Performance Framework does not require additional submissions for charter holders that have “Not Acceptable” operational performance.



The academic performance of Montessori Academy is represented in the table below. The Academic Dashboard for the school can be seen in the appendix: B. Academic Dashboard.

School Name	Opened	Current Grades Served	2012 Overall Rating	2013 Overall Rating	2014 Overall Rating
Montessori Academy	08/18/2003	K-8	61.88/ B	68.12/ B	68.44/ B

The demographic data for Montessori Academy from the 2014–2015 school year is represented in the chart below.<sup>2</sup>



The percentage of students who were eligible for Free and Reduced Lunch, classified as English Language Learners, and classified as students with disabilities in the 2014-2015 school year is represented in the table below.<sup>3</sup>

Category	Montessori Academy
Free and Reduced Lunch (FRL)	29%
English Language Learners (ELLs)	*
Special Education	10%

Montessori Academy, Inc. has not been brought before the Board for any items or actions in the past 12 months.

<sup>2</sup> Information provided by the Research and Evaluation Division of the ADE.

<sup>3</sup> Information provided by the Research and Evaluation Division of the ADE. If the percentage of students in a non-ethnicity-based demographic group is not reported or is 0% or 100%, the percentage for that demographic group was redacted.



### III. Success of the Academic Program

The academic performance of the school operated by the Charter Holder meets the Board's Academic Performance Expectations set forth in the Performance Framework adopted by the Board. Therefore, the Charter Holder was not required to submit a Demonstration of Sufficient Progress.

### IV. Viability of the Organization

The Charter Holder was required to submit a Financial Performance Response because it did not meet the Board's Financial Performance Expectations, as reflected in the table below which includes the Charter Holder's financial data and financial performance for the last three audited fiscal years.

Financial Data				
Statement of Financial Position	2015	2014	2013	2012
Cash	\$123,703	\$40,655	\$89,057	\$161,747
Unrestricted Cash	\$108,874	\$22,534	\$76,541	
Other Liquidity	\$20,000	\$20,000	\$20,000	
Total Assets	\$4,785,032	\$4,795,716	\$4,968,084	
Total Liabilities	\$5,343,126	\$5,364,575	\$5,357,309	
Current Portion of Long-Term Debt & Capital Leases	\$93,391	\$65,000	\$16,062	
Net Assets	(\$558,094)	(\$568,859)	(\$389,225)	
Statement of Activities	2015	2014	2013	
Revenue	\$2,365,816	\$2,222,221	\$2,174,370	
Expenses	\$2,353,051	\$2,401,855	\$2,280,821	
Net Income	\$12,765	(\$179,634)	(\$106,451)	
Change in Net Assets	\$12,765	(\$179,634)	(\$106,451)	
Financial Statements or Notes	2015	2014	2013	
Depreciation & Amortization Expense	\$81,778	\$77,948	\$76,558	
Interest Expense	\$413,291	\$459,256	\$417,755	
Lease Expense	\$22,300	\$10,728	\$10,728	
Financial Performance				
	2015	2014	2013	3-yr Cumulative
Near-Term Indicators				
Going Concern	No	Yes	Yes	N/A
Unrestricted Days Liquidity	19.99	6.46	15.45	N/A
Default	No	No	No	N/A
Sustainability Indicators				
Net Income	\$12,765	(\$179,634)	(\$106,451)	N/A
Cash Flow	\$83,048	(\$48,402)	(\$72,690)	(\$38,044)
Fixed Charge Coverage Ratio	1.00	0.69	0.90	N/A



The Charter Holder's Financial Performance Response has been provided in the meeting materials (appendix: D. Financial Response).<sup>4</sup> Staff's evaluation of the Financial Performance Response resulted in zero "Acceptable" and three "Not Acceptable" determinations (appendix: C. Financial Response Evaluation). An analysis of the Charter Holder's financial performance, focusing on those measures where the Charter Holder failed to meet the Board's target and using information from the Charter Holder's Financial Performance Response and related documents, is provided below.

#### Unrestricted Days Liquidity

The Charter Holder does not explain the circumstances that resulted in fewer than 30 days of unrestricted liquidity in 2015. The Charter Holder indicates its plan to, in part, manage its line of credit, utilize its bond operating reserve fund to cover unexpected costs, save costs by eliminating expenses, and create task forces/committees to procure additional grants, fundraising and other sources of revenues. The Charter Holder asserts that it will end 2016 with 30 or more days liquidity, however, the response does not provide enough information to determine performance on this measure at February 29, 2016 or June 30, 2016.

#### Cash Flow

The Charter Holder indicates "One of the largest contributors of cash flow difficulties is the 'Big Trips' and practical life experiences that are a critical part of a Montessori environment." For 2016, the Charter Holder projects positive cash flow, but does not provide support. As of February 2016, the Charter Holder's projection shows negative cash flow of approximately \$2,800.

#### Fixed Charge Coverage Ratio (FCCR)

The Charter Holder does not explain the circumstances that resulted in not meeting the Board's FCCR target in 2015. In the future, the Charter Holder indicates the increase of equity in the four-acre Paradise Valley parcel and plans to refinance its bond with traditional financing at a lower rate within the next 24 months will have a positive effect on the FCCR. However, the response does not support the projected impact of these two items on the FCCR or the feasibility of refinancing the bond.

### **V. Adherence to the Terms of the Charter**

For fiscal year 2015, the Charter Holder meets the Board's Operational Performance Standard set forth in the Performance Framework adopted by the Board and, to date, has no measures rated as "Falls Far Below Standard" for the current fiscal year (appendix: A. Renewal Summary Review).

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<sup>4</sup> On May 11, 2016, Board staff emailed a copy of staff's initial evaluation and provided a deadline by which the Charter Holder could supplement its Financial Performance Response to address areas evaluated as "Not Acceptable". No additional financial performance information was submitted by the Charter Holder. While not directly related to its financial performance, on May 24, 2016, the Charter Holder provided clarification regarding a statement included in the Financial Performance Response (appendix: E. Additional Information).



## VI. Board Options

Option 1: The Board may approve the renewal. Staff recommends the following language provided for consideration:

Renewal is based on consideration of academic, fiscal and contractual compliance of the Charter Holder. The Board has reviewed the Charter Holder's failure to meet the Board's financial expectations. With that taken into consideration as well as all information provided to the Board for consideration of this renewal application package and during its discussion with representatives of the Charter Holder, I move to approve the request for charter renewal and grant a renewal contract to Montessori Academy, Inc.

Option 2: The Board may deny the renewal. The following language is provided for consideration:

Based upon a review of the information provided by the representatives of the Charter Holder and the contents of the application package which includes the academic performance, the fiscal compliance, and legal and contractual compliance of the Charter Holder over the charter term, I move to deny the request for charter renewal and to not grant a renewal contract for Montessori Academy, Inc. Specifically, the Charter Holder, during the term of the contract, failed to meet the obligations of the contract or failed to comply with state law when it: (Board member must specify reasons the Board found during its consideration.)



**APPENDIX A**  
**RENEWAL SUMMARY REVIEW**

## Five-Year Interval Report

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# ARIZONA STATE BOARD FOR CHARTER SCHOOLS

## *Renewal Summary Review*

## Interval Report Details

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<b>Report Date:</b>	05/19/2016	<b>Report Type:</b>	Renewal
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## Charter Contract Information

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<b>Charter Corporate Name:</b>	Montessori Academy, Inc.	<b>Charter Entity ID:</b>	80011
<b>Charter CTDS:</b>	07-89-77-000	<b>Contract Effective Date:</b>	06/18/2002
<b>Charter Status:</b>	Open	<b>Contractual Days:</b>	<ul style="list-style-type: none"> <li>Montessori Academy: 180</li> </ul>
<b>Number of Schools:</b>	1	<b>Contract Expiration Date:</b>	06/17/2017
<b>Charter Grade Configuration:</b>	K-8	<b>Charter Signed:</b>	06/17/2002
<b>FY Charter Opened:</b>	—	<b>Charter Enrollment Cap</b>	350
<b>Charter Granted:</b>	06/10/2002		
<b>Corp. Type</b>	Non Profit		

## Charter Contact Information

[Hide Section](#)

<b>Mailing Address:</b>	2928 North 67th Place Scottsdale, AZ 85251	<b>Website:</b>	—
<b>Phone:</b>	480-945-1121	<b>Fax:</b>	480-874-2928
<b>Mission Statement:</b>	Mission - We will use the principles of Maria Montessori as the foundation of our educational philosophy in a manner which fosters and elicits learning. We will create evolving environments, making each day a productive step in the journey to the ultimate goal: a child who is motivated, independent, and has a love of learning.		
<b>Charter Representatives:</b>	<b>Name:</b>	<b>Email:</b>	<b>FCC Expiration Date:</b>
	1.) Julianne Newman	juli.newman@montessoriacademyaz.org	—
	2.) Ms. Krista Cross	krista.cross@montessoriacademyaz.org	—

## Academic Performance - Montessori Academy

[Hide Section](#)

<b>School Name:</b>	Montessori Academy	<b>School CTDS:</b>	07-89-77-101
<b>School Entity ID:</b>	80012	<b>Charter Entity ID:</b>	80011
<b>School Status:</b>	Open	<b>School Open Date:</b>	08/18/2003
<b>Physical Address:</b>	6050 N. Invergordon Paradise Valley, AZ 85253	<b>Website:</b>	—
<b>Phone:</b>	480-945-1121	<b>Fax:</b>	480-874-2928
<b>Grade Levels Served:</b>	K-8	<b>FY 2014 100<sup>th</sup> Day ADM:</b>	177.153

## Academic Performance Per Fiscal Year

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## Montessori Academy

2012  
Traditional2013  
Traditional2014  
Traditional

		Elementary School (K-8)			Elementary School (K to 8)			Elementary School (K to 8)		
<b>1. Growth</b>		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
1a. SGP	Math	44	50	12.5	40.5	50	12.5	42	50	12.5
	Reading	47	50	12.5	56.5	75	12.5	36	50	12.5
1b. SGP Bottom 25%	Math	58	75	12.5	48	50	12.5	62	75	12.5
	Reading	45	50	12.5	72	100	12.5	34	50	12.5
<b>2. Proficiency</b>		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
2a. Percent Passing	Math	64 / 64.3	50	7.5	61.2 / 64.1	50	7.5	70.6 / 63	75	7.5
	Reading	88 / 77.3	75	7.5	92.9 / 78.4	100	7.5	92.7 / 78.6	100	7.5
2b. Composite School Comparison	Math	-3.3	50	7.5	-9.8	50	7.5	1.7	75	7.5
	Reading	8	75	7.5	9.1	75	7.5	8.7	75	7.5
2c. Subgroup ELL	Math	NR	0	0	NR	0	0	NR	0	0
	Reading	NR	0	0	NR	0	0	NR	0	0
2c. Subgroup FRL	Math	64 / 54.5	75	3.75	46.7 / 55.5	50	3.75	76.5 / 51.8	75	3.75
	Reading	86 / 70	75	3.75	86.7 / 71.5	75	3.75	94.1 / 70.7	100	3.75
2c. Subgroup SPED	Math	47 / 28.1	75	3.75	23.5 / 25.8	50	3.75	56.2 / 24.3	75	3.75
	Reading	58 / 37.4	75	3.75	76.5 / 37.7	75	3.75	81.2 / 39.2	75	3.75
<b>3. State Accountability</b>		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
3a. State Accountability		B	75	5	B	75	5	B	75	5
<b>Overall Rating</b>		Overall Rating			Overall Rating			Overall Rating		
Scoring for Overall Rating 89 or higher: Exceeds Standard <89, but > or = to 63: Meets Standard <63, but > or = to 39: Does Not Meet Standard Less than 39: Falls Far Below Standard		61.88			68.12			68.44		
		100			100			100		

### Financial Performance

[Hide Section](#)

Charter Corporate Name: Montessori Academy, Inc.  
 Charter CTDS: 07-89-77-000 Charter Entity ID: 80011  
 Charter Status: Open Contract Effective Date: 06/18/2002

### Financial Performance

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#### Montessori Academy, Inc.

#### Near-Term Measures

Going Concern

Fiscal Year 2014		Fiscal Year 2015	
Yes	Falls Far Below	No	Meets
6.46	Falls Far Below	19.99	Does Not Meet
No	Meets	No	Meets

Unrestricted Days Liquidity

Default

Sustainability Measures (Negative numbers indicated by parentheses)

Net Income	(\$179,634)	Does Not Meet	\$12,765	Meets		
Fixed Charge Coverage Ratio	0.69	Does Not Meet	1.00	Does Not Meet		
Cash Flow (3-Year Cumulative)	\$1,297	Does Not Meet	(\$38,044)	Does Not Meet		
Cash Flow Detail by Fiscal Year	FY 2014	FY 2013	FY 2012	FY 2015	FY 2014	FY 2013
	(\$48,402)	(\$72,690)	\$122,389	\$83,048	(\$48,402)	(\$72,690)

Does Not Meet Board's Financial Performance Expectations

## Operational Performance

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<b>Charter Corporate Name:</b>	Montessori Academy, Inc.		
<b>Charter CTDS:</b>	07-89-77-000	<b>Charter Entity ID:</b>	80011
<b>Charter Status:</b>	Open	<b>Contract Effective Date:</b>	06/18/2002

## Operational Performance

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Click on any of the measures below to see more information.

Measure	2015	2016
1.a. Does the delivery of the education program and operation reflect the essential terms of the educational program as described in the charter contract?	Meets	--
Educational Program - Essential Terms	No issue identified	--
1.b. Does the charter holder adhere with applicable education requirements defined in state and federal law?	Meets	--
Services to Student with Disabilities	No issue identified	--
Instructional Days/Hours	No issue identified	--
Data for Achievement Profile	No issue identified	--
Mandated Programming (State/Federal Grants)	No issue identified	ADE Monitoring CAP - Federal Title Funds
2.a. Do the charter holder's annual audit reporting packages reflect sound operations?	Meets	--
Timely Submission	Yes	Yes
Audit Opinion	Unqualified	Unqualified
Completed 1st Time CAPs	No issue identified	--
Second-Time/Repeat CAP	No issue identified	--
Serious Impact Findings	No issue identified	--
Minimal Impact Findings (3+ Years)	No issue identified	--
2.b. Is the charter holder administering student admission and attendance appropriately?	Meets	--
Estimated Count/Attendance Reporting	No issue identified	--
Tuition and Fees	No issue identified	--
Public School Tax Credits	No issue identified	--
Attendance Records	No issue identified	--
Enrollment Processes	No issue identified	--
2.c. Is the charter holder maintaining a safe environment consistent with state and local requirements?	Meets	--
Facility/Insurance Documentation	No issue identified	--
Fingerprinting	No issue identified	--
2.d. Is the charter holder transparent in its operations?	Meets	--
Academic Performance Notifications	No issue identified	--

Teacher Resumes	No issue identified	--
Open Meeting Law	No issue identified	--
Board Alignment	No issue identified	--
2.e. Is the charter holder complying with its obligations to the Board?	Meets	--
Timely Submissions	No issue identified	--
Limited Substantiated Complaints	No issue identified	--
Favorable Board Actions	No issue identified	--
2.f. Is the charter holder complying with reporting requirements of other entities to which the charter holder is accountable?	Does Not Meet	--
Arizona Corporation Commission	No issue identified	--
Arizona Department of Economic Security	No issue identified	--
Arizona Department of Education	Annual Financial Report (AFR)	--
Arizona Department of Revenue	No issue identified	--
Arizona State Retirement System	No issue identified	--
Equal Employment Opportunity Commission	No issue identified	--
Industrial Commission of Arizona	No issue identified	--
Internal Revenue Service	No issue identified	--
U.S. Department of Education	No issue identified	--
3. Is the charter holder complying with all other obligations?	Meets	--
Judgments/Court Orders	No issue identified	--
Other Obligations	No issue identified	--
<b>OVERALL RATING</b>	<b>Meets Operational Standard</b>	<b>--</b>

*Last Updated: 2016-03-16 09:03:47*

**APPENDIX B**  
**ACADEMIC DASHBOARD**

## Academic Performance

[Edit this section.](#)

## Montessori Academy

		2012 Traditional Elementary School (K-8)			2013 Traditional Elementary School (K to 8)			2014 Traditional Elementary School (K to 8)			
		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	
<b>1. Growth</b>											
1a. SGP	Math	44	50	12.5	40.5	50	12.5	42	50	12.5	
	Reading	47	50	12.5	56.5	75	12.5	36	50	12.5	
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	Reading	45	50	12.5	72	100	12.5	34	50	12.5	
<b>2. Proficiency</b>											
2a. Percent Passing	Math	64 / 64.3	50	7.5	61.2 / 64.1	50	7.5	70.6 / 63	75	7.5	
	Reading	88 / 77.3	75	7.5	92.9 / 78.4	100	7.5	92.7 / 78.6	100	7.5	
2b. Composite School Comparison	Math	-3.3	50	7.5	-9.8	50	7.5	1.7	75	7.5	
	Reading	8	75	7.5	9.1	75	7.5	8.7	75	7.5	
2c. Subgroup ELL	Math	NR	0	0	NR	0	0	NR	0	0	
	Reading	NR	0	0	NR	0	0	NR	0	0	
2c. Subgroup FRL	Math	64 / 54.5	75	3.75	46.7 / 55.5	50	3.75	76.5 / 51.8	75	3.75	
	Reading	86 / 70	75	3.75	86.7 / 71.5	75	3.75	94.1 / 70.7	100	3.75	
2c. Subgroup SPED	Math	47 / 28.1	75	3.75	23.5 / 25.8	50	3.75	56.2 / 24.3	75	3.75	
	Reading	58 / 37.4	75	3.75	76.5 / 37.7	75	3.75	81.2 / 39.2	75	3.75	
<b>3. State Accountability</b>											
3a. State Accountability		B	75	5	B	75	5	B	75	5	
<b>Overall Rating</b>		Overall Rating			Overall Rating			Overall Rating			
Scoring for Overall Rating 89 or higher: Exceeds Standard <89, but > or = to 63: Meets Standard <63, but > or = to 39: Does Not Meet Standard Less than 39: Falls Far Below Standard		61.88			100	68.12			100	68.44	

**APPENDIX C**

**FINANCIAL RESPONSE EVALUATION**

## Financial Performance Response Evaluation Instrument

Charter Holder Name: Montessori Academy, Inc.

Required for: Renewal

Charter Holder Entity ID: 80011

Audit Year: 2015

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
<b>1a. Going Concern</b> Acceptable <input type="checkbox"/> Not Acceptable <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/>	
<b>1b. Unrestricted Days Liquidity</b> Acceptable <input type="checkbox"/> Not Acceptable <input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/>	<p>The charter holder does not explain the reason for not meeting the Board's target on this measure in the audited fiscal year as required by Appendix C of the Board's financial framework. Had the charter holder provided this information, along with supporting documentation, this would have been considered in Board staff's evaluation.</p> <p>The charter holder indicates its plan to, in part, manage its line of credit, utilize its bond operating reserve fund to cover unexpected costs, save costs by eliminating expenses, and create task forces/committees to procure additional grants, fundraising and other sources of revenues. The charter asserts, but does not support, "By the end of the FY2016 we projected to be at 30 days or more liquidity." The response includes an Appendix C which is a cash flow statement for the month ended February 2016. Appendix C indicates "Cash at end of period" of \$120,910. However, the response does not project expenses or an anticipated Classroom Site Fund cash carryover balance to determine the charter holder's performance on this measure. Had the charter holder provided the ending cash balance at June 30, 2016 (both total cash and restricted Classroom Site Fund cash carryover balances) and total expenses for the same time period, this would have been considered in Board staff's evaluation.</p>
<b>1c. Default</b> Acceptable <input type="checkbox"/> Not Acceptable <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/>	
<b>2a. Net Income</b> Acceptable <input type="checkbox"/> Not Acceptable <input type="checkbox"/> Not Applicable <input checked="" type="checkbox"/>	



Measure	Reason(s) for “Not Acceptable” Rating
<p><b>2b. Cash Flow</b></p> <p>Acceptable <input type="checkbox"/></p> <p>Not Acceptable <input checked="" type="checkbox"/></p> <p>Not Applicable <input type="checkbox"/></p>	<p>The charter holder indicates “One of the largest contributors of cash flow difficulties is the ‘Big Trips’ and practical life experiences that are a critical part of a Montessori environment. Payments and fundraisers, providing income designated for these events, are scheduled throughout the year. However, upfront costs are a realistic challenge.” While this situation could affect the charter holder’s cash flow from month to month, it is not clear how it affects cash flow at year-end, which is what the framework considers, as likely the revenues associated with the events have been received by June 30. If the charter holder is indicating that some of the costs inherent to a Montessori program are unique to the charter holder, which has an impact on meeting the target for this measure in the audited fiscal year, the response does not make that clear. Had the charter holder provided further clarification, along with supporting documentation, this would have been considered in Board staff’s evaluation.</p> <p>The response indicates “Enrollment was at a high in 2011 and 2012, just after we opened our new campus. There were two years of positive cash flow; primarily due to increased enrollment. However, many of the ‘influx’ students were looking for an alternative school and proved to be far below grade level and did not mesh with the Montessori Method or philosophy. Enrollment dropped and we have diligently been working on meeting our enrollment goals each year.” Based on the Arizona Department of Education (ADE) reports, enrollment losses may have resulted in a decrease in cash of approximately \$103,000 in 2013. ADE reports also show the charter holder’s ADM has annually decreased since the end of 2014. Based on the declining ADM and the response, the charter holder does not support that it was feasible for the charter holder to maintain its 2012 ADM in 2013. Had the charter holder provided: a) documentation showing that more students were expected to attend in 2013 than did, along with support for the expenditures (to the extent there were any) that would be associated with these additional students; and b) further explanation and support for the charter holder’s performance on this measure in 2015 (if not fully addressed through the first paragraph or the information provided for “a”), this would have been considered in Board staff’s evaluation. In addition, although not directly tied to the charter holder’s financial performance, please explain what the charter holder meant by “proved to be far below grade level”.</p> <p>The charter holder indicates several items that may impact cash flow, including a tuition increase, reducing risk of not collecting on programs, and “partnering with a Private Day Camp”. However, the effect of these items on cash flow at June 30, 2016 or June 30, 2017 is not clear. The charter holder also indicates, “Although there is a 3-year cumulative negative cash flow of (\$38,044), our current cash flow projections indicate a positive cash flow. Thus, the 3-year cumulative cash flow by fiscal year 2016 will be positive. (Appendix C)”. Appendix C shows negative \$2,793 cash flow for the month ended February 2016 and does not support that the charter holder will end 2016 with positive cash flow. Had the charter holder provided a prospective cash flow statement similar to Appendix C at June 30, 2016 and, as applicable, June 30, 2017 or a financial projection showing the cash balance based on events that are expected to occur, or similar documents, these would have been considered in Board staff’s evaluation.</p> <p>The response’s Appendix B includes revenues (actual or projected) for 2014 through 2017. For 2017, the projected revenues are based on 200 students. Based on ADE reports, the charter holder’s 2016 average daily membership (ADM) is 177.935 (adjusted for kindergartners) as of April 14, 2016. ADE reports show the charter holder’s ADM has</p>



Measure	Reason(s) for “Not Acceptable” Rating
	<p>annually decreased since the end of 2014. Based on the declining ADM, the response does not support the feasibility of increasing the charter holder’s ADM by at least 20 students for 2017. Had the charter holder provided a summary report of students enrolled for 2017 (with names redacted, if applicable) or other documentation to support the 200 students included for 2017, this would have been considered in Board staff’s evaluation.</p>
<p><b>2c. Fixed Charge Coverage Ratio</b></p> <p>Acceptable <input type="checkbox"/></p> <p>Not Acceptable <input checked="" type="checkbox"/></p> <p>Not Applicable <input type="checkbox"/></p>	<p>The charter holder does not explain the reason for not meeting the Board’s target on this measure in the audited fiscal year as required by Appendix C of the Board’s financial framework. Had the charter holder provided this information, along with supporting documentation, this would have been considered in Board staff’s evaluation.</p> <p>The charter holder indicates, “The goal is to have a fixed charge coverage ratio of 1.1 or higher. The fiscal year 2015 audit reports a fixed charge coverage ratio of 1.06. The three previous years report: .68, .93, and .02. We have almost closed the gap. The increase of cash flow and the increase of equity in our Paradise Valley (4-acre) parcel, with considerable upgrades, we have no doubt the fixed charge coverage ratio will increase.” The charter holder financial dashboard shows a fixed charge coverage ratio (FCCR) of 1.07, 0.90, 0.69, and 1.00 in 2012 through 2015, respectively. While this shows a positive trend of FCCR performance from 2014 to 2015, it is not clear that the charter holder will increase its FCCR in the current or subsequent year based on past performance and based on the net loss identified on the cash flow projection for the month ended February 2016. Had the charter holder provided prospective financial statements or financial projections based on events that are expected to occur in the current or subsequent year, or similar documents to determine the FCCR at June 30, 2016, these would have been considered in Board staff’s evaluation.</p> <p>The charter holder explains, “The increase of cash flow and the increase of equity in our Paradise Valley (4-acre) parcel, with considerable upgrades, we have no doubt the fixed charge coverage ratio will increase. Our current bond has three different interest rates ranging from 7% -10%. We have been focused on increasing our debt ratio to 1.1 and ultimately 2. With this in process, our Board is planning on refinancing with traditional financing at a much lower rate within the next 24 months. This will positively affect our fixed charge coverage ratio. (Appendix D)”. The response includes an “Appendix D – Current Property values and assets” document that indicates the value of three properties in the area of the school site. If the intention of Appendix D is to indicate that the fair market value of the charter holder’s property will have a positive impact on the ability to obtain bond funding and at a favorable rate, the response does not support either the feasibility of obtaining bond financing or the impact it may have on the charter holder’s FCCR. Had the charter holder provided documentation showing the feasibility of refinancing the bond and its projected impact on the fixed charge coverage ratio in 2016 or a subsequent year, this would have been considered in Board staff’s evaluation.</p>



**APPENDIX D**

**FINANCIAL RESPONSE**

## Financial Performance Response

Since our beginning in 2002, Montessori Academy has been a place of learning, innovation, and diligence, not only in the realm of academics, but also in the realm of finances. In 2002, with fewer than 100 students, we occupied a series of converted commercial buildings, kept a 1:10 teacher to student ratio, and managed to purchase the expensive Montessori material needed for an authentic program. By 2010, we had a small surplus of cash at the end of the year, had expanded our program (with a wait list), had fully equipped Montessori classrooms and Outdoor teaching environments, and increased teacher pay. At this time our Board was ready to move on to an exciting time in our history. We applied and qualified for bond funding. Although expensive, we purchased a 4-acre property, including 17 indoor instruction areas, outdoor learning environments, soccer/baseball fields, sport court, two pools, and administrative offices at the foot of Camelback Mountain in Paradise Valley. Since the purchase we have worked diligently to expand our enrollment, our classrooms, our teaching staff, our programs, while attending to all the financial responsibilities associated with a growing school. With the support and diligence of our offsite accountant, highly qualified administrative staff, and Board we have, as of the FY2015 audit met three of the financial criteria. Through careful examination of our financials our team has taken and continues to take a variety of effective steps. Montessori classrooms typically have a lead teacher and an assistant teacher in every classroom. We made the dramatic move to increase our student ratio to 1:12, reduce the number of assistants by five (some classrooms shared an assistant), and at the same time slightly increase salaries to compensate for the added work load. Our annual hiring of teachers and assistants is dependent on current enrollment numbers for the following year, thus as numbers increase we are approved to hire responsibly. We initiated a procurement process by which we reviewed every contract and when deemed necessary, rebid the contracts for lower rates. By renegotiating our copier leases

we have decreased this expense item, from July 1, 2014 – March 15, 2015 compared to July 1, 2015 –March 15, 2016, by \$5288. For the same one year comparison, our curriculum supplies savings is \$8079, our postage savings is \$389. We source all our supplies and no longer buy in bulk; rather purchase on a “just in time” process. We are no longer a “going concern”; we have never defaulted, and we have a small, but positive net income. We are now focused on meeting the three remaining criteria.

### **Measures – Not Met**

#### **Unrestricted Days Liquidity**

This near-term indicator reports Montessori Academy as “Does not meet” with 19.99 days in which the charter can pay its expenses without an influx of cash. Our first goal is to have the minimum of 30 days liquidity. Our Executive Board has outlined a plan to have our \$20,000 line of credit lowered to \$5000, our bond operating reserve account at \$150,000, and a monthly positive bank balance of \$5,000 or more. This is based on the presumption; one month of operating expense, including bond payment and salaries is \$150,000.

Our line of credit is automatically attached to our payroll account. In 2010 through 2014 we drew on this account every second payroll and paid it back on the first of the following month. We went from drawing down the whole \$20,000 to only drawing \$5,000 per second payroll. From 2015 to current we have only drawn down \$5,000 for one payroll. Currently our balance due on the line of credit is \$0.

The bond operating reserve fund is restricted to two draws per year. We have made numerous draws throughout the years to cover unexpected costs – primarily directed to facility needs. We have committed and maintained a monthly payback of \$5,000. As of June 1, 2015 the

available balance was \$40,609; as of November 2015 the available balance is up to \$60,613 and will continue to increase by \$5,000 per month until the \$150,000 goal is met. (Appendix A) The Board is preparing to discuss increasing the monthly payback to \$7500. This equates to a payback of \$15,000 every two months, vs. \$10,000. At this rate the bond operating reserve would be at \$150,000 by the end of 2016.

Fiscal year 2011 was the first year of “experiencing” our bond payment and increases in salaries (additional teachers), increases in supplies (classroom, office, janitorial), and increases in facility costs. Although budgeted and forecasted, the reality is that it has been at times challenging to meet our financial responsibilities, yet we have always done so. The Executive Director has contributed to the school at times. At present the note payable to the Executive Director reports a \$0 balance. We have eliminated positions in both administration and classroom assistants. We have decreased supply expenses 15% by sourcing best prices and by increasing donations of specific items. From FY 2013 to FY 2014 our utility expenses have decreased by \$14,832. We switched to solar in 2015, decreasing our electric bill by an average of \$1400 per month. We are creating several task forces/committees to write and procure additional grants, focus on increasing tax credits and donations (fundraising). By the end of the FY2016 we projected to be at 30 days or more liquidity.

### **Cash Flow (3-year Cumulative)**

Cash flow has been an ongoing issue with Montessori Academy. The adjustment to the high bond payment, increases in employee expenses and supplies, and the uniqueness of the programs inherent to a Montessori program have been a constant source of discussion and actions taken. One of the largest contributors of cash flow difficulties is the “Big Trips” and

practical life experiences that are a critical part of a Montessori environment. Payments and fundraisers, providing income designated for these events, are scheduled throughout the year. However, upfront costs are a realistic challenge. Enrollment was at a high in 2011 and 2012, just after we opened our new campus. There were two years of positive cash flow; primarily due to increased enrollment. However, many of the “influx” students were looking for an alternative school and proved to be far below grade level and did not mesh with the Montessori Method or philosophy. Enrollment dropped and we have diligently been working on meeting our enrollment goals each year. (Appendix B) Meeting a 200, or higher, charter enrollment number is our goal. We do not need to hire additional staff at the 200 number, just fill classrooms. We have been consistently, for the previous 3 years, enrolling 177-180 charter students and 80-100 private tuition based Pre-school students. Our Board has approved a tuition increase for FY17 for our Pre-K program which will increase monthly revenue by approximately \$4800. Tuition is paid through Tuition Express automatically, which reduces the probability of having a collection issue. It also enables us to have tuition income two times per month, which helps maintain cash flow right before each payroll period. We are in our second year of partnering with a Private Day Camp. This new income source adds \$20,000 during the summer months. We are looking at adding additional revenue generating programs during the summer months and after charter school hours. Hopefully the state will increase equalization and resolve the issues with 301 performance pay – this will universally help cash flow. We have analyzed years of cash flow spreadsheets to finally manage our patterns of expenditures. Each year it has improved. Fiscal year 2013 audit reported a negative cash flow balance of (\$72,000); fiscal year 2014 audit reported a negative cash flow balance of (\$48,402). Fiscal year 2015 audit reported a positive cash flow balance of \$83,048. Although there is a 3-year cumulative negative cash flow of

(\$38,044), our current cash flow projections indicate a positive cash flow. Thus the 3-year cumulative cash flow by fiscal year 2016 will be positive. (Appendix C)

### **Fixed Charge Coverage Ratio**

The goal is to have a fixed charge coverage ratio of 1.1 or higher. The fiscal year 2015 audit reports a fixed charge coverage ratio of 1.06. The three previous years report: .68, .93, and .02. We have almost closed the gap. The increase of cash flow and the increase of equity in our Paradise Valley (4-acre) parcel, with considerable upgrades, we have no doubt the fixed charge coverage ratio will increase. Our current bond has three different interest rates ranging from 7% - 10%. We have been focused on increasing our debt ratio to 1.1 and ultimately 2. With this in process, our Board is planning on refinancing with traditional financing at a much lower rate within the next 24 months. This will positively affect our fixed charge coverage ratio. (Appendix D)

## Appendices

### Appendix A



00-0-M-I-PC-335-01 00219101 2191  
Page 5 of 5

**ACCOUNT NUMBER:** [REDACTED]  
THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE COUNTY OF PIMA EDUCATION  
FACILITY REVENUE BONDS (MONTESSORI  
ACADEMY PROJECT) SERIES 2010A, TXBL  
2010B,CNVRTBL,2010C GEN AC OP RSV

This statement is for the period from  
November 1, 2015 to November 30, 2015

TRANSACTION DETAIL				
Date Posted	Description	Income Cash	Principal Cash	Tax Cost
	Beginning Balance 11/01/2015	\$ .00	\$ .00	\$55,611.98
11/02/15	Cash Receipt Transfer From Another Trust Transfer From Revenue Fund [REDACTED] Monthly Operating Res Req Deposit Due November 2015 Fmv2765		5,000.00	
11/02/15	Purchased 5,000 Units Of US Bank Mmkt 5 - Ct Trade Date 11/2/15 9AMMF05B2		- 5,000.00	5,000.00
11/02/15	Interest Earned On US Bank Mmkt 5 - Ct Interest From 10/1/15 To 10/31/15 9AMMF05B2	0.94		
11/03/15	Cash Disbursement Transfer To Principal Income Earnings	- 0.94		
11/03/15	Cash Receipt Transfer From Income Income Earnings		0.94	
11/03/15	Purchased 0.94 Units Of US Bank Mmkt 5 - Ct Trade Date 11/3/15 9AMMF05B2		- 0.94	0.94
	<b>Ending Balance 11/30/2015</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$60,612.92</b>



## Appendix C

	Feb-16			
<b>OPERATING ACTIVITIES</b>				
Net Change in Assets			(51,341)	
<b>Adjustments to reconcile net change in assets to net cash provided by operations:</b>				
Depreciation and Amortization			54,589	
Accounts Receivable			1,746	
Prepays			29,916	
Accounts Payable			13,257	
Payroll			(110,839)	
1st Bank Reserve Payable			20,000	
<b>Net cash provided by Operating Activities</b>			<b>(42,671)</b>	
<b>INVESTING ACTIVITIES</b>				
Capital Assets			(1,221)	
<b>Net cash provided by Investing Activities</b>			<b>(1,221)</b>	
<b>FINANCING ACTIVITIES</b>				
Unrestricted Net Assets			117,349	
Bond Debt			(76,250)	
<b>Net cash provided by Financing Activities</b>			<b>41,099</b>	
<b>Net cash increase for period</b>			<b>(2,793)</b>	
Cash at beginning of period			123,703	
<b>Cash at end of period</b>			<b>120,910</b>	

## Appendix D – Current Property values and assets

3/16/2016

ffexm15

3 Properties

MLS #	Status	Address	Price	Original List Price	Cumulative DOM	BD	BA	Subdivision	Year Built	Approx SQFT	List/Sold Price Sqft	Sold Price	Close of Escrow Date
1	5386895	Pending	7720 N HUMMINGBIRD LN 45B	\$1,150,000	1,150,000	12		MUMMY MOUNTAIN PARK VII			NA / NA		
2	5211643	Closed	6029 N 62ND PL 12	\$1,165,000	895,000	568		Bel-Aire Desert Estates			NA / NA	1,165,000	01/21/2016
3	5295615	Closed	6100 N 54TH ST 19	\$1,500,000	1,700,000	188		STARLIGHT GARDENS			NA / NA	1,500,000	01/12/2016

Prepared by Lisa Brazsky, SimplySOLD Realty

All information should be verified by the recipient and none is guaranteed as accurate by ARMLS. DND2 (D o N or D isclose) - the data in fields marked with DND2 is confidential, for agent use only, and may not be shared with customers or clients in any manner whatsoever.

03/16/2016 10:10 AM

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All 1 acre parcels - Average 1.3 million per acre  
 Montessori Academy 4 acres = estimated 5.2 million

**APPENDIX E**

**ADDITIONAL INFORMATION**

## Andrea Leder

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**From:** Andrea Leder  
**Sent:** Tuesday, May 24, 2016 4:10 PM  
**To:** 'juli.newman@montessoriacademyaz.org'  
**Subject:** RE: Financial Performance Response Evaluation

Juli,  
This email will be included in the materials provided to the Board when it considers Montessori Academy's renewal application package in June.

As indicated in the email below, the deadline to submit supplemental financial performance documentation for review by staff and consideration by the Board was May 18, 2016.

Thanks,  
Andrea

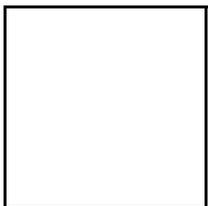
**From:** Juli Newman [mailto:juli.newman@montessoriacademyaz.org]  
**Sent:** Tuesday, May 24, 2016 9:50 AM  
**To:** Andrea Leder  
**Subject:** re: Financial Performance Response Evaluation

Andrea,  
Thank you for calling me and allowing me to add some clarification specifically for the "proved to be far below grade level" statement. As a charter school we accept all students! 2010 was our first year at the new campus in the Town of Paradise Valley. We are the only charter school in the Town of Paradise Valley and are proud to offer school choice. Many of the new families were looking for an alternative to the traditional public school, where their child/ren were struggling, for various reasons. Many of the students were not academically proficient, as seen on classroom assessments and previous records. That is NOT a problem for us. We have a lead teacher and an assistant teacher in all classes. Montessori utilizes concrete materials and individualizes each student's program. Our teachers offer FREE tutorials Monday through Thursday for all students. We implement many strategies to teach students. We have a "do whatever it takes" attitude on our campus! We also have an excellent special education program.

Despite our academic growth with all our students, we believe some of the families did not understand the Montessori method and philosophy. Montessori Academy's curriculum is aligned to Arizona State Common Core Standards and is rigorous. Many of the families that enrolled were under the assumption that Montessori did not have homework or tests, and allowed students to work at their own pace without the pressure of academic standards. They quickly learned we did expect students to be engaged with schoolwork, complete homework, but were also willing to work with every student and family to achieve success. Some families have stayed and flourished, some choose to leave.

I hope this clarifies this portion. Would you like me to address the other issues included in the evaluation.

Please let me know how I can help in any way!



Juli Newman

Executive Director/Principal

[juli.newman@montessoriacademyaz.org](mailto:juli.newman@montessoriacademyaz.org)



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

Montessori Academy is a 501(c)(3) non-profit organization. Please remember us in your annual charitable giving and estate planning.

**From:** "Andrea Leder" <Andrea.Leder@asbcs.az.gov>  
**Sent:** Wednesday, May 11, 2016 4:32 PM  
**To:** "juli.newman@montessoriacademyaz.org" <juli.newman@montessoriacademyaz.org>, "krista.cross@montessoriacademyaz.org" <krista.cross@montessoriacademyaz.org>  
**Subject:** Financial Performance Response Evaluation



## Arizona State Board for Charter Schools

*Physical Address:*

1616 West Adams Street, Ste. 170  
Phoenix, AZ 85007  
(602) 364-3080

*Mailing Address:*

P.O. Box 18328  
Phoenix, AZ 85009

May 11, 2016

Julianne Newman and Krista Cross  
Montessori Academy, Inc.  
2928 North 67<sup>th</sup> Place  
Scottsdale, AZ 85251

Dear Julianne Newman and Krista Cross,

The financial performance response submitted on March 16, 2016 ("Response") has been reviewed in accordance with Appendix C of the Board's *Financial Performance Framework and Guidance*. Attached please find the initial evaluation completed by Board staff ("Evaluation") along with two resources developed by the Board to assist charter holders in preparing a financial performance response.

As required by Appendix C, the attached Evaluation specifies whether the information provided by the charter holder for each measure addressed by the Response is "Acceptable" or "Not Acceptable". For each measure evaluated as "Not Acceptable", the Evaluation identifies the reason(s) for the rating and additional information that, if it had been included with the Response, may have resulted in an "Acceptable" rating.

This notification is being sent to provide Montessori Academy, Inc. with the opportunity to supplement its Response based on the feedback included in the Evaluation. Supplemental documentation received by **11:59 p.m. on Wednesday, May 18, 2016** will be reviewed and incorporated into Board staff's final evaluation. Supplemental documentation should be emailed to [audits@asbcs.az.gov](mailto:audits@asbcs.az.gov).

The charter holder's Response and any supplemental documentation received by the deadline identified above will be provided to the Board, along with Board staff's final evaluation, when the Board considers Montessori Academy, Inc.'s renewal application package. Additionally, information from the response documentation and final evaluation will be incorporated into the staff report.

If you have any questions, please let me know.

Thanks,  
Andrea

Andrea Leder  
Arizona State Board for Charter Schools  
1616 W. Adams Street, Suite 170  
Phoenix, AZ 85007  
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