**Luz Academy of Tucson, Inc.** **Charter CTDS No. 10-87-02-000**

**Charter Holder's Financial Sustainability – Part B***
**In one page or less, submit:**

**a) a written explanation for the charter holder's current financial situation**

Luz Academy's current financial situation is solvent and maintains a healthy budget with effective fiscal controls and provides appropriate accounting and record keeping systems required by the Arizona Department of Education. Its accounting software conforms to Generally Accepted Accounting Principals in a format that is easily used by a qualified auditor. Luz is in full compliance with financial reporting to its funding sources and management. Luz maintains internals controls, and annual audits which demonstrate its financial viability. The Budget Plan reflects a small increase in student population over a four-year period (20 students per year). Revenues and Expenses have been budgeted conservatively with assumptions that were made with room for flexibility. Revenue projections are sufficient to meet expenditures into the future to provide long term viability for the school. Assessments were made by using realistic current amounts from this fiscal year. Luz reviews its financial and other resources plan regularly to assure that schoolwide academics resources and NCLB requirements are met as well as adequate compensation to Administrators, Teachers and Staff. Luz Employs a Certified Public Accountant with government contract experience assists in the establishment of appropriate record keeping and accounting practices. In addition, accounting of future federal and state grants are completed in a manner satisfactory to the funding agency. Purchasing and procurement are executed in keeping with school policy and conforming to accounting principals and Arizona state standards.

**b) a written description of the specific steps the charter holder has already taken to improve its financial situation and ensure the continued financial sustainability of the charter school(s). For "b)", evidence (e.g., copy of plan developed, meeting minutes) must be provided supporting that the steps described have been taken by the charter holder.**

The State of Arizona provides funding for charter schools in much the same manner that they provide funding of public district schools through the State of Arizona using the equalization formula. Each school receives funds based on its average daily membership (assuming $7,032 per student) and in addition may receive a wide variety of additional funds. "Additional Assistance" is provided to the school for costs such as transportation, capital outlay, and facilities. As the enrollment continues to increase, there is a proportional increase in funding. Projections of revenues for 200 students by FY 2014 at a 90% average daily attendance rate will generate sufficient funding for basic operations.

Luz will continue to maximize the use of available resources from other state and federal funding projects to support the systemic reform plans such as the collaborative use of Title I, Title II, IDEA in addition to other professional development funds from the U.S. Department of Education, U.S. Department of Justice, U.S. Department of Health & Human Services, the Arizona Governor's Office for Children, Youth and Families. Luz also collaborates with Luz Social Services, Inc. (LSSI) and El Centro (EC) to share common expenses, given the budget cuts this year. LSSI and EC share staffing costs to cover additional Student Support Services. LSSI and EC have a team of six grant proposal writers who are consistently submitting grant proposals that benefit the school, students, parents, staff and school activities. With the support of all three agencies collaborating and helping each other with resources, the school will continue to be sustainable, viable and transparent.

Luz Academy will increase the student ADM each year at a steady pace as projected. The overall budget will increase substantially each year. In the four year growth plan, Luz Academy projects an operating budget that will grow from $1,963,975 in 2011 to $2,085,846 by 2014. Luz has expanded the Recruitment Committee to include all teachers and staff. Plans are currently underway to prepare student recruitment efforts for next fiscal year.

Luz Academy has Federal, State and Local funds to operate and support all school activities and programs. These government agencies are a significant source of funding. Luz will secure funding from both private and public agencies to cover the costs of extra-curricular and after school activities and expand existing programs and add new innovative activities to its curriculum. Based on the projected growth rate, other program development funds and collaboration and cost sharing with partners; Luz will continue to sustain itself and school program for the next four years. Current "Additional Assistance" includes grant funds from U.S. DOE, U.S. DOJ, AZ Governors Office for Children, Youth & Families, NCLR, Bill and Melinda Gate Foundation, and the Community Partnership of Southern Arizona. In addition to these Federal and Foundation funding, Luz partners with other local community agencies to share and provide services to youth and families at the school.

Luz Academy has an established Audit Committee who primarily focuses on issues of financial accountability. Luz Academy's Audit Committee's mission is to review financial reporting, internal control procedures, compliance with financial controls and related matters. Luz's Audit Committee included the Chief Executive Officer/Superintendent, Director of Finance & Personnel, Accounting Assistant, one Board Member, and outside consultant. Steps have been taken to review financials quarterly to monitor student enrollment, revenues, expenses and cash flow.

Luz's Audit Committee is making the annual audit deadline a top priority to assure audits are submitted in a timely manner in the future. In addition, Luz's audits will be consolidated with Luz Social Services and El Centro for the Study of Primary & Secondary Education's financials to reflect the viability of all three entities and to show existing collaborations.

# LUZ ACADEMY OF TUCSON, INC.

## Annual Audit and 990 Review Committee Policies

It is Luz Academy of Tucson's policy that the Board of Directors reviews the agency's annual Audit and IRS Form 990 that is filed on the organizations behalf before it is filed with the IRS.

The purpose of this policy is to assure the agency is in compliance with the AZ State Board of Charter Schools Legal Compliance Questionnaire and the new 990 form by implementing the following steps. The Audit and 990 Review Committee consists of the Chief Executive Officer/Superintendent, Director of Finance & Personnel, Accounting Assistant, one Board Member, and outside consultant. The review committee will deliver a hard copy of the 990 via mailing address and/or email to each Director's mailing address and/or email address to review prior to a Board meeting.

At the Board meeting, the Audit and 990 Review Committee will address each section of the Audit and 990, answer questions by the Board and/or make any recommendations as needed on governance, policies, disclosure, etc.

Once all necessary changes are made and the Audit and 990 Review Committee and Director's are in agreement on the finished Form 990, it will be signed by the president/CEO, dated and submitted by the filing deadline.

A board resolution is required in order for the Audit and 990 Form 990 to be filed.

A copy of the approved Audit and 990 Form will be provided to all of the officers, directors and trustees before the return is filed.

*Audit and 990 Review Committee:*
Dr. Pepe Barrón, Chief Executive Officer
Barbara W. Cisneros, Director of Finance & Personnel
Manuel Guzman, Accounting Assistant
Cecile B. Morse, Board Member
FMY Consulting