



Arizona State Board for Charter Schools Preparing a Financial Performance Response

The Board considers a charter holder's financial performance as determined by the Board's [Financial Performance Framework and Guidance](#) throughout the term of the charter contract. At those decision points, a charter holder that meets the Board's financial performance expectations is waived from submitting additional information to the Board while a charter holder that does not meet the Board's financial performance expectations is required to submit a financial performance response. This document provides general guidance on preparing a financial performance response. Along with this document, you may also want to review "Avoiding Common Financial Performance Response Mistakes".

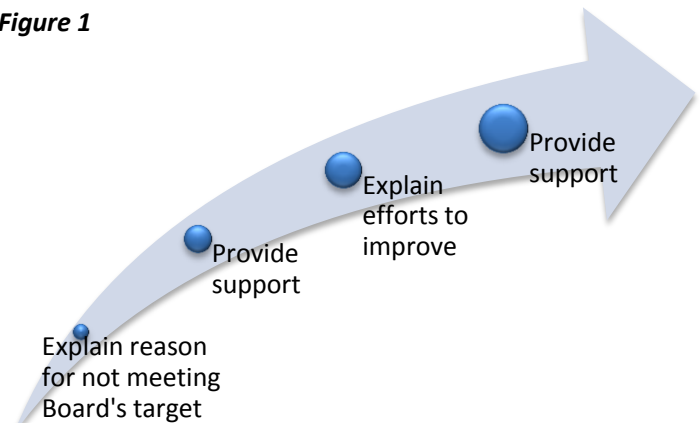
What Must Be Covered

Through the financial performance response ("response"), a charter holder that does not meet the Board's financial performance expectations must answer three questions for each applicable measure:

1. Why did we not meet the measure's target in the audited fiscal year?
2. What have we done to improve our performance so that it's possible to meet in the current or subsequent fiscal year?
3. What can we provide to support our explanations and analysis?

Board staff evaluates each submitted response to determine if the financial framework's requirements have been met. For a response to be evaluated as "Acceptable", the response must include the four components identified in Figure 1.¹

Figure 1



Where to Begin

As counterintuitive as it may seem, the first step in preparing your response shouldn't be to pore over your financial records, but rather to step back and identify what changed or happened with the charter holder from the prior year to the audited year. Your accounting records and the resulting financial statements are not the cause of your financial performance. Instead, they show the effect on your financial performance of decisions made by or for the charter holder during the year. Once you know what happened, then you can go to your financial statements and records to see how what happened affected your financial performance in the audited year and to identify improvement in the current year.

Show and Tell

Adopt a "show us, don't just tell us" approach to your response. While Figure 1 illustrates the response's necessary components, it should not be interpreted as requiring the response to include equal parts explanation ("tell us") and support ("show us"). Generally, the easiest and best way to explain why the measure's target wasn't met and the efforts to improve is to show us through accounting system or management reports, interim financial statements, projections or forecasts. The narrative is then used to briefly provide the context and to point us to the relevant portions of the supporting documentation.

¹ More information on the financial performance response and the evaluation process may be found in Appendix C of the financial framework.