CAFA, Inc. - Entity ID 79971
School: Learning Foundation

Renewal Executive Summary

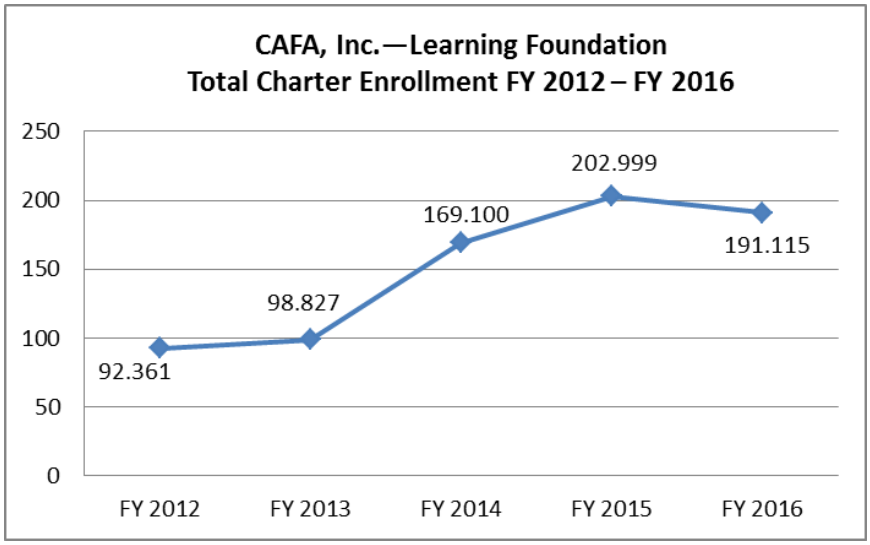
I. Performance Summary

Renewal application requirements are based upon the Charter Holder's past performance as measured by the Board's Academic, Financial, and Operational[1] 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.

Area	Acceptable	Not Acceptable
Academic Framework	☒	☐
Financial Framework	☐	☒
Operational Framework	☒	☐

II. Profile

CAFA, Inc. operates one school, Learning Foundation, serving grades K–6 in Mesa. The graph below shows the Charter Holder's actual 100th day average daily membership for fiscal years 2012–2016.

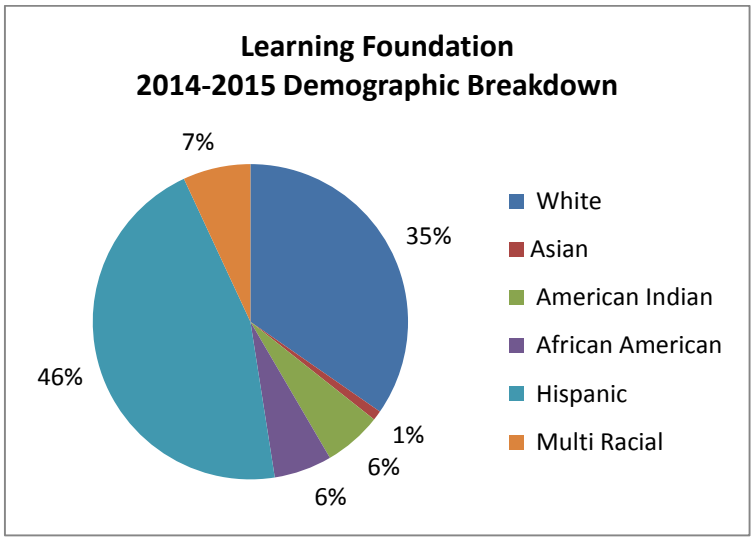


[1] The Operational Performance Framework does not require additional submissions for charter holders that have "Not Acceptable" operational performance.

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

School Name	Opened	Current Grades Served	2012 Overall Rating	2013 Overall Rating	2014 Overall Rating
Learning Foundation	08/18/2003	K–6	90.63/ A	88.75/ A	94.38/ A

The demographic data for Learning Foundation from the 2014–2015 school year is represented in the chart below.[2]



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.[3]

Category	Learning Foundation
Free and Reduced Lunch	81%
English Language Learners	15%
Special Education	7%

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

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.

[2] Information provided by the Research and Evaluation Division of the ADE.
[3] 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.

IV. Viability of the Organization

The Charter Holder did not meet the Board's Financial Performance Expectations based on the fiscal year 2013 and 2014 audits and was required to submit a Financial Performance Response. The table below includes the Charter Holder's financial data and financial performance for the last three audited fiscal years and reflects the three charter contracts the Board has with CAFA, Inc. ("CAFA").

Financial Data				
Statement of Financial Position	**2015**	**2014**	**2013**	**2012**
Cash	$132,919	$293,824	$343,086	$307,999
Unrestricted Cash	$132,919	$293,824	$343,086	
Other Liquidity	$0	-	-	
Total Assets	$763,326	$359,974	$436,820	
Total Liabilities	$1,567,361	$390,115	$102,349	
Current Portion of Long-Term Debt & Capital Leases	-	-	-	
Net Assets	($804,035)	($30,141)	$334,471	
Statement of Activities	**2015**	**2014**	**2013**	
Revenue	$9,532,154	$7,396,488	$5,268,044	
Expenses	$10,306,048	$7,761,100	$5,265,642	
Net Income	($773,894)	($364,612)	$2,402	
Change in Net Assets	($773,894)	($364,612)	$2,402	
Financial Statements or Notes	**2015**	**2014**	**2013**	
Depreciation & Amortization Expense	$22,687	$14,691	$14,235	
Interest Expense	-	-	-	
Lease Expense	$2,500,958	$1,470,580	$607,872	
Financial Performance				
	2015	**2014**	**2013**	**3-yr Cumulative**
Near-Term Indicators				
Going Concern	No	No	No	N/A
Unrestricted Days Liquidity	4.71	13.82	23.78	N/A
Default	No	No	No	N/A
Sustainability Indicators				
Net Income	($773,894)	($364,612)	$2,402	N/A
Cash Flow	($160,905)	($49,262)	$35,087	($175,080)
Fixed Charge Coverage Ratio	0.70	0.76	1.03	N/A

The Charter Holder's Financial Performance Response has been provided in the meeting materials (appendix: D. Supplemented Financial Response).[4] Staff's final evaluation of the Financial Performance Response resulted in zero "Acceptable" and four "Not Acceptable" determinations (appendix: C. Financial Response Evaluation). An analysis of CAFA's financial performance, focusing on those measures

[4] On March 21, 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". By the deadline, the Charter Holder submitted supplemental information.

where CAFA 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 (UDL)

Under its Gilbert charter contract, CAFA opened its newly constructed school, Learning Foundation and Performing Arts Warner ("Warner Campus"), in 2014. Unanticipated start-up costs, along with delays in construction, caused the Warner Campus to miss its enrollment target. In addition, CAFA purchased curriculum and textbooks for its Gilbert and Alta Mesa charter contracts to "adhere to our strategic plan for improving student achievement". In 2015, the Gilbert charter relocated its Learning Foundation and Performing Arts Gilbert campus ("Gilbert Campus"), however it was unable to terminate its lease at its former site which resulted in the Gilbert charter having to pay both leases through 2016. For 2017, CAFA will reduce its lease expenses as it will no longer be required to pay its former Gilbert Campus lease. In addition, CAFA explained it is in the process of acquiring a bond to finance its Gilbert Campus which would likely result in reduced costs which should improve performance in 2017.

Net Income

The curriculum and textbook purchases, unanticipated start-up costs, and construction delays which impacted the UDL, also impacted net income. Based on CAFA's renewal budget that incorporates the savings from the bond financing, CAFA anticipates positive net income in 2017. In the event that CAFA does not obtain the financing, the budget contains a contingency line item that would provide for positive net income in 2017.

Fixed Charge Coverage Ratio (FCCR)

CAFA explained, "The fixed coverage charge is primarily driven by our lease payments." CAFA indicated it plans to reduce those costs due to savings from the vacated lease and acquiring bond financing for the Gilbert Campus. CAFA did not provide enough information to determine performance on its FCCR, but savings from financing should have a positive impact on its FCCR in 2017.

Cash Flow

CAFA indicated, "The curriculum purchases, new school start-up costs, and missing the targeted enrollment number were all dynamics that placed the charter holder in a difficult financial negative totaling $364,612 for fiscal year 2014 and carried over into fiscal years 2015 and 2016." CAFA did not provide enough information to address its performance in 2017.

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).

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. 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 CAFA, 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 CAFA, 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

Hide Section

Report Date:	04/15/2016	**Report Type:**	Renewal

Charter Contract Information

Hide Section

Charter Corporate Name:	CAFA, Inc.		
Charter CTDS:	09-87-49-000	**Charter Entity ID:**	79971
Charter Status:	Open	**Contract Effective Date:**	05/31/2002
Number of Schools:	1	**Contractual Days:**	
Charter Grade Configuration:	K-12	• **Learning Foundation**: 180	
FY Charter Opened:	2003	**Contract Expiration Date:**	05/30/2017
Charter Granted:	05/13/2002	**Charter Signed:**	05/24/2002
Corp. Type	Non Profit	**Charter Enrollment Cap**	1200

Charter Contact Information

Hide Section

Mailing Address:	4055 East Warner Rd Gilbert, AZ, AZ 85296	**Website:**	http://lfapa.org
Phone:	4806351900	**Fax:**	4806351906
Mission Statement:	The mission of the Classics and Four Arts Academy Charter School is to assist and to involve parents in their role as primary educators of their children by providing the children with a classical academic education and an immersion in the four arts: theatre, music, visual arts, and dance.		

Charter Representatives:	**Name:**	**Email:**	**FCC Expiration Date:**
1.)	Ms. Evelyn Taylor	learningfoundation@msn.com	—

Academic Performance - Learning Foundation

Hide Section

School Name:	Learning Foundation	**School CTDS:**	09-87-49-002
School Entity ID:	81102	**Charter Entity ID:**	79971
School Status:	Open	**School Open Date:**	08/18/2003
Physical Address:	851 N. Stapley Drive Mesa, AZ 85203	**Website:**	http://LFAPA.ORG
Phone:	480-834-6202	**Fax:**	480-834-3991
Grade Levels Served:	K-6	**FY 2014 100th Day ADM:**	169.809

Academic Performance Per Fiscal Year

Hide Section

Learning Foundation

	2012 Traditional Elementary School (K-6)			2013 Traditional Elementary School (K to 6)			2014 Traditional Elementary School (K to 6)		
1. Growth	**Measure**	**Points Assigned**	**Weight**	**Measure**	**Points Assigned**	**Weight**	**Measure**	**Points Assigned**	**Weight**

1a. SGP	Math	69	100	25	69	100	25	71	100	12.5
	Reading	66	100	25	67.5	100	25	70	100	12.5
1b. SGP Bottom 25%	Math	NR	0	0	NR	0	0	79	100	12.5
	Reading	NR	0	0	NR	0	0	94.5	100	12.5
2. Proficiency		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
2a. Percent Passing	Math	79 / 64.6	75	7.5	76.3 / 65	75	7.5	81.5 / 64.6	75	7.5
	Reading	87 / 77.5	75	7.5	89.5 / 77.8	75	7.5	90.8 / 78	100	7.5
2b. Composite School Comparison	Math	15.2	100	7.5	14.8	75	7.5	24.1	100	7.5
	Reading	9.1	75	7.5	13.4	75	7.5	18.5	100	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	76 / 55.2	75	7.5	73.5 / 56.2	75	7.5	81.4 / 54.7	75	7.5
	Reading	85 / 70.1	75	7.5	88.2 / 70.2	75	7.5	89.8 / 70.1	75	7.5
2c. Subgroup SPED	Math	NR	0	0	NR	0	0	NR	0	0
	Reading	NR	0	0	NR	0	0	NR	0	0
3. State Accountability		Measure	Points Assigned	Weight	Measure	Points Assigned	Weight	Measure	Points Assigned	Weight
3a. State Accountability		A	100	5	A	100	5	A	100	5
Overall Rating		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		90.63		100	88.75		100	94.38		100

Save

Academic Performance - Learning Foundation and Performing Arts Scottsdale

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School Name:	Learning Foundation and Performing Arts Scottsdale	**School CTDS:**	09-87-49-001
School Entity ID:	79972	**Charter Entity ID:**	79971
School Status:	Closed	**School Open Date:**	08/18/2002
Physical Address:	7475 East McDowell Road Scottsdale, AZ 85257	**Website:**	http://LFAPA.ORG
Phone:	480-874-3332	**Fax:**	480-874-3231
Grade Levels Served:	K-12	**FY ??? 100th Day ADM:**	—

Academic Performance Per Fiscal Year

Hide Section

There are no Academic Performance Frameworks for this school.

Academic Performance - Learning Foundation and Performing Arts Alta Mesa

Hide Section

School Name:	Learning Foundation and Performing Arts Alta Mesa	**School CTDS:**	09-87-49-004
School Entity ID:	88290	**Charter Entity ID:**	79971
School Status:	Site Transferred to Separate Charter	**School Open Date:**	07/01/2006
Physical Address:	5761 E. Brown Rd.	**Website:**	http://LFAPA.ORG

	Mesa, AZ 85205		
Phone:	480-807-1100	**Fax:**	480-807-1190
Grade Levels Served:	K-12	**FY ??? 100th Day ADM:**	—

Academic Performance Per Fiscal Year

Hide Section

There are no Academic Performance Frameworks for this school.

Academic Performance - Learning Foundation and Performing Arts Gilbert

Hide Section

School Name:	Learning Foundation and Performing Arts Gilbert	**School CTDS:**	09-87-49-003
School Entity ID:	88289	**Charter Entity ID:**	79971
School Status:	Site Transferred to Separate Charter	**School Open Date:**	07/01/2006
Physical Address:	1120 S. Gilbert Rd. Gilbert, AZ 85296	**Website:**	http://LFAPA.ORG
Phone:	480-834-6202	**Fax:**	480-834-6210
Grade Levels Served:	K-12	**FY ??? 100th Day ADM:**	—

Academic Performance Per Fiscal Year

Hide Section

There are no Academic Performance Frameworks for this school.

Financial Performance

Hide Section

Charter Corporate Name:	CAFA, Inc.		
Charter CTDS:	09-87-49-000	**Charter Entity ID:**	79971
Charter Status:	Open	**Contract Effective Date:**	05/31/2002

Financial Performance

Hide Section

CAFA, Inc.

Near-Term Measures	Fiscal Year 2014		Fiscal Year 2015	
Going Concern	No	Meets	No	Meets
Unrestricted Days Liquidity	13.82	Falls Far Below	4.71	Falls Far Below
Default	No	Meets	No	Meets

Sustainability Measures (Negative numbers indicated by parentheses)				
Net Income	($364,612)	Does Not Meet	($773,894)	Does Not Meet
Fixed Charge Coverage Ratio	0.76	Does Not Meet	0.70	Does Not Meet
Cash Flow (3-Year Cumulative)	$40,998	Does Not Meet	($175,080)	Does Not Meet

Cash Flow Detail by Fiscal Year	FY 2014	FY 2013	FY 2012	FY 2015	FY 2014	FY 2013
	($49,262)	$35,087	$55,173	($160,905)	($49,262)	$35,087

Does Not Meet Board's Financial Performance Expectations

Operational Performance

Hide Section

Charter Corporate Name: CAFA, Inc.

Charter CTDS: 09-87-49-000 **Charter Entity ID:** 79971

Charter Status: Open **Contract Effective Date:** 05/31/2002

Operational Performance

Hide Section

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	--
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?	**Meets**	--
Arizona Corporation Commission	No issue identified	--
Arizona Department of Economic Security	No issue identified	--
Arizona Department of Education	No issue identified	--
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	--
OVERALL RATING	**Meets Operational Standard**	--

Last Updated: 2016-04-05 12:45:55

APPENDIX B

ACADEMIC DASHBOARD

Academic Performance

Edit this section.

Learning Foundation

		2012 Traditional Elementary School (K-6)			2013 Traditional Elementary School (K to 6)			2014 Traditional Elementary School (K to 6)		
1. Growth		**Measure**	**Points Assigned**	**Weight**	**Measure**	**Points Assigned**	**Weight**	**Measure**	**Points Assigned**	**Weight**
1a. SGP	**Math**	69	100	25	69	100	25	71	100	12.5
	Reading	66	100	25	67.5	100	25	70	100	12.5
1b. SGP Bottom 25%	**Math**	NR	0	0	NR	0	0	79	100	12.5
	Reading	NR	0	0	NR	0	0	94.5	100	12.5
2. Proficiency		**Measure**	**Points Assigned**	**Weight**	**Measure**	**Points Assigned**	**Weight**	**Measure**	**Points Assigned**	**Weight**
2a. Percent Passing	**Math**	79 / 64.6	75	7.5	76.3 / 65	75	7.5	81.5 / 64.6	75	7.5
	Reading	87 / 77.5	75	7.5	89.5 / 77.8	75	7.5	90.8 / 78	100	7.5
2b. Composite School Comparison	**Math**	15.2	100	7.5	14.8	75	7.5	24.1	100	7.5
	Reading	9.1	75	7.5	13.4	75	7.5	18.5	100	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**	76 / 55.2	75	7.5	73.5 / 56.2	75	7.5	81.4 / 54.7	75	7.5
	Reading	85 / 70.1	75	7.5	88.2 / 70.2	75	7.5	89.8 / 70.1	75	7.5
2c. Subgroup SPED	**Math**	NR	0	0	NR	0	0	NR	0	0
	Reading	NR	0	0	NR	0	0	NR	0	0
3. State Accountability		**Measure**	**Points Assigned**	**Weight**	**Measure**	**Points Assigned**	**Weight**	**Measure**	**Points Assigned**	**Weight**
3a. State Accountability		A	100	5	A	100	5	A	100	5
Overall Rating		**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		90.63		100	88.75		100	94.38		100

Standard
Less than 39: Falls Far Below Standard

APPENDIX C

FINANCIAL RESPONSE EVALUATION

Financial Performance Response Evaluation Instrument

Charter Holder Name: CAFA, Inc.
Charter Holder Entity ID: 79971

Required for: Renewal
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
2a. Net Income Acceptable ☐ Not Acceptable ☒ Not Applicable ☐	In addition to enrollment decreases in 2014 due to construction delays on the Learning Foundation and Performing Arts Warner campus ("Warner Campus"), which resulted in a net $100,000 in lost revenue and cash, and $207,998 in textbook purchases to improve student achievement, which are both supported by the response, CAFA explains, "The start-up costs generated for the new K-6 building between the finance advisors and CAFA management were underestimated and we were forced to purchase necessary start-up items totaling $233,215.31." The response supports the Warner Campus start-up expenses. However, the start-up expenditures for curriculum and other items were intended and necessary for the Warner Campus to open in the audited fiscal year, whether they were initially underestimated or not. The combined impact of the enrollment decrease and the textbook purchases to improve student achievement explains $307,998 of the net loss, but does not fully explain the $364,612 net loss. Had CAFA provided further explanation for its performance on this measure, along with supporting documentation, this would have been considered in Board staff's evaluation. The response indicates, "CAFA is also working to reduce the lease payment of $86,000 per month on the second newly constructed building (Exhibit 4: annual rent breakdown). Attached are the first pages of two engagement letters with counsel and financial underwriters (Exhibit 5) as evidence that CAFA is currently in the process of acquiring a bond to refinance the building. We are in the early stages of this process but a quick analysis is projecting a savings of approximately $20,000 per month or $240,000 per year." While the response supports CAFA's efforts to acquire a bond for the Learning Foundation and Performing Arts Gilbert campus ("Gilbert Campus"), it does not support the projected savings identified by CAFA. Had CAFA provided the documentation that serves as the basis for the savings estimate included in the response, this would have been considered in Board staff's evaluation. The response includes a 2017 "CAFA Renewal Budget" ("renewal budget") document which shows revenue over expenditures for a positive budget balance for the three charters both together [$98,500] and individually. The renewal budget includes a $1,425,000 Building Rent/Lease/Loan" line item for the "Gilbert" charter that appears to reflect the bond financing (interest on the loan) for the relocated Gilbert Campus, in addition to other applicable building costs (including the Warner Campus lease). If that is true, then CAFA will meet the Board's net income measure. However, since the response shows negotiations are in process, neither the counsel letter nor the BB&T Capital Markets engagement letter, support the amount that CAFA will pay to service the Gilbert Campus loan, thus it is not possible to verify the $1,425,000 "Building Rent/Lease/Loan" line item. If CAFA does not obtain the loan, it

Measure	Reason(s) for "Not Acceptable" Rating
	appears based on the audit that the "Gilbert" charter would pay approximately $1,737,000, which would result in a net loss. However, the "Gilbert" charter's budget contains a $400,000 "Contingency" line item that, if the budget holds true, would likely absorb the costs if the loan is not obtained. Had CAFA provided the detail to support the "Building Rent/Lease/Loan" line item for the "Gilbert" charter, this would have been considered in Board staff's evaluation. In reference to the savings from "lease payout for the vacated site in Gilbert Town Square on May 15, 2016" and the potential savings from a bond finance of the Gilbert campus, the charter holder indicates, but does not support, "These two items have the potential of giving positive net income of $540,000 in fiscal year 2017. The impact of the estimated reduction in lease payments for FY 2017 based on the projected budget (Exhibit 6) would leave a budget balance for CAFA of $338,500." Since the response does not quantify the savings from the potential bond financing, it is not possible to determine the impact on the 2017 budget.
1b. Unrestricted Days Liquidity Acceptable ☐ Not Acceptable ☒ Not Applicable ☐	CAFA indicates, but does not support, "The plan moving into fiscal year 2017 is to meet the board's days liquidity requirement." The response included a 2017 Renewal Budget that shows CAFA anticipates $6,988,000 in expenses. However, the response does not indicate what CAFA's unrestricted cash balance will be in 2017; therefore it is not possible to determine if CAFA will meet the Board's days liquidity requirement. Had CAFA provided and supported its anticipated unrestricted cash balance at June 30, 2017, this would have been considered in Board staff's evaluation.
2b. Cash Flow Acceptable ☐ Not Acceptable ☒ Not Applicable ☐	CAFA indicates, "The curriculum purchases, new school start-up costs and missing the targeted enrollment number were all dynamics that placed the charter holder in a difficult financial negative totaling $364,612 for fiscal year 2014 and carried over into fiscal years 2015 and 2016." The response supports the curriculum purchases and missing the targeted enrollment number in the audited fiscal year, however does not support the impact of start-up costs for the Warner Campus (see net income). CAFA did not provide enough information to determine its performance in 2017. Had CAFA provided and supported its cash balance at June 30, 2017, this would have been considered in Board staff's evaluation.
2c. Fixed Charge Coverage Ratio Acceptable ☐ Not Acceptable ☒ Not Applicable ☐	CAFA explains, "The fixed coverage charge is primarily driven by our lease payments. The ratio for the Gilbert charter based on total revenue reported in the Annual Financial Report was 4.09 in FY 2014 and 3.5 in FY 2015. The charter holder's plans to reduce those costs are detailed under net income and restated below." While the lease costs have the largest impact on CAFA's fixed charge coverage ratio, based on the Annual Financial Reports and audits, the Gilbert charter would have a Fixed Charge Ratio of 0.96 in 2014 and 0.86 in 2015.[1] CAFA indicates its plans to reduce its lease payments for the Gilbert Campus by acquiring a bond to finance the building, but the response does not quantify the costs for interest and the current portion of the 2017 bond debt. Therefore, it is not possible to determine the cost savings in 2017 (see net income) or CAFA's 2017 performance. However, based on the support and explanation for $207,998 in textbook purchases as part of a plan to improve student achievement and adding

[1] 2014 Net Income based on actual revenues less expenses is -$38,604, depreciation and lease expenses from the audit are $8,914 and $699,480, for a FCCR of 0.96. 2015 Net Income based on actual revenues less expenses is -$156,794, depreciation and lease expenses from the audit are $8,363 and $1,059,996, for a FCCR of 0.86.

Measure	Reason(s) for "Not Acceptable" Rating
	back the $100,000 revenue loss from the enrollment decrease, the charter holder's performance on this measure would have improved from approximately 0.76 ("Does Not Meet") in 2014 to approximately 0.97 and the rating would remain unchanged. Had the charter holder provided further information to determine CAFA's performance in 2017, such as information on the bond arrangement, including interest expense and the current portion of long-term bond debt on the Gilbert Campus since the facility will be considered a capitalized asset when purchased with the bond funds, as well as further clarification on $1,425,000 "Building Rent/Lease/Loan" line item in the renewal budget, this would have been considered in Board staff's evaluation.
1a. Going Concern Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
1c. Default Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	

APPENDIX D

SUPPLEMENTED FINANCIAL RESPONSE

CAFA, Inc. District Financial Performance Narrative

CAFA, Inc. Charter School District is made up of three charters:
Original CAFA Inc. Learning Foundation and Performing Arts – one site (CTD 09-87-49 Entity 79971)
CAFA Inc. Learning Foundation and Performing Arts Alta Mesa - one site (CTD 07-85-65 Entity 90328)
CAFA Inc. Learning Foundation and Performing Arts Gilbert – two sites (CTD 07-85-64 Entity 90327)

The response below addresses CAFA, Inc. which is submitted as a single audit including all three charters. The issues driving the deficiencies in the financial framework are primarily due to complexities involving the CAFA, Inc. Learning Foundation and Performing Arts Gilbert Charter.

Sequence of Events Leading to Deficiencies:

During the 2011-2012 school year CAFA, Inc. was approached by buyers for Gilbert Town Square where our K-12 school known as Learning Foundation and Performing Arts Gilbert was located. The buyers informed us that they wanted the buildings occupied by our school for other purposes and they would terminate our lease obligation when we vacated the premises. This current location was already filled to capacity with new students on wait lists so the charter holder, Evelyn Taylor, began looking for lease property to move the school to a larger facility. It became apparent that the time was ideal to purchase property in the fast growing East Gilbert area and construct a new school building. Also, our enrollment numbers in the existing school had been continually growing making separation of schools for the elementary and upper grades inevitable. After arrangements to purchase the properties in East Gilbert had been made, different buyers than those we originally worked with bought the Town Square property and refused to relieve us of the lease obligation until the termination date of September 30, 2015 which would result in a lump sum termination payment of $345,074.02 (Exhibit 1: email from Case Huff). CAFA negotiated with the new buyers to allow a payment plan of the lump sum in monthly installments terminating May 15, 2016 (Exhibit 2: payment plan).

Net Income:
Fiscal Year 2014
Beginning with school year 2013-2014, CAFA opened a newly constructed school facility to serve the K-6 elementary student population (Learning Foundation and Performing Arts Warner). The 7-12 population remained in the existing Gilbert campus location creating two sites for the Gilbert charter. The 2013-2014 projected enrollment for the Gilbert Charter was 550 students based on three criteria: Demographic research in the new school area targeting K-6 students, student capacity of the new building, and additional space in the existing building to house an increase in 7-12 students. The decrease in the projected enrollment was specific to the new K-6 facility.

The new school was constructed from the ground up. There were delays in construction and despite extensive marketing strategies the ability to effectively recruit for the new K-6 school was hindered. This caused the charter to open with 526 students which was 24 less than the targeted 550 enrollment number. 24 students would have generated additional equalization revenue of approximately $157,000. There was more than sufficient classroom space in the new building to accommodate the projected enrollment and furniture along with instructional and curriculum materials had already been purchased based on the 550 number. The impact of 24 students would possibly have created only the additional expense of salary and benefits for one teacher out of the additional revenue. This would have resulted in the equalization income from the 24 students lowering the net loss by approximately $100,000.

Fiscal Year 2015
At the time of projected enrollment for the 2014-2015 school year, we did not expect the second new facility we planned to build in East Gilbert adjacent to our K-6 school could be completed in time for the opening of the 2015 school year. The enrollment for FY 2015 was based on the new elementary school projected enrollment plus an increase in the number of 7-12 students due to available space at the existing Gilbert site vacated by the relocation of the K-6 students.

During the 2013-2014 school year the contractors assured us the second new facility (built from the ground up) would be completed by August 1, 2014. Enrollment in the existing 7-12 site was close to capacity so plans were made to move the 7-12 school (Learning Foundation and Performing Arts Gilbert) into the new building beginning with the school year 2014-2015. CAFA immediately began an extensive advertising program to recruit students for the new 7-12 school. Again, construction delays threatened a timely school opening. Although the enrollment was projected at 146 less than the actual ADM for 2015, it was lower than hoped for when we moved into the new location. A two week late opening did hamper the enrollment we expected based on research of the area demographics and the number of 7-12 students the new facility could accommodate. Another factor hindering enrollment was the incomplete auditorium. The interior of the auditorium was actually still under construction when we opened the school and was not completed for use until December of the 2014-2015 school year. These factors caused many 7-12 students who pre-enrolled for the new school to change their minds and enroll in other schools.

Fiscal Year 2016
The issues stated above also had an impact on CAFA's income in FY 2016 along with the State's implementation of a reduction of the small school weights for charters that met certain criteria. Two of CAFA's schools meet the criteria and 33% of the total reduction will be taken each year for fiscal years 2016, 2017, and 2018. The reduction in revenue for CAFA in fiscal year 2016 is $104,179.82. (Exhibit 3: email)

Fiscal Year 2017
Positive Net Income will be seen in FY 2017 with the lease payout for the vacated site in Gilbert Town Square on May 15, 2016. This is a savings of $25,000 per month or $300,000 annually. (Exhibit 2: payment plan)

CAFA is also working to reduce the lease payment of $86,000 per month on the second newly constructed building (Exhibit 4: annual rent breakdown). Attached are the first pages of two engagement letters with counsel and financial underwriters (Exhibit 5) as evidence that CAFA is currently in the process of acquiring a bond to refinance the building. We are in the early stages of this process but a quick analysis is projecting a savings of approximately $20,000 per month or $240,000 per year.

These two items have the potential of giving positive net income of $540,000 in fiscal year 2017.
The impact of the estimated reduction in lease payments for FY 2017 based on the projected budget (Exhibit 6) would leave a budget balance for CAFA of $338,500.

Additionally, the lease for CAFA's Learning Foundation Stapley facility allows CAFA the option to purchase the existing buildings for the sum of $1.00 effective June 30, 2017 (Exhibit 7: lease amendment). This is another savings of $24,000 for FY 2018.

Unrestricted Days Liquidity:

2013-2014 Obligatory purchases:
The start-up costs generated for the new K-6 building between the finance advisors and CAFA management were underestimated and we were forced to purchase necessary start-up items totaling $233,215.31. This figure includes $70,508.80 for textbooks. (Exhibit 8: detail list)

For the same fiscal year new curriculum was also purchased to adhere to our strategic plan for improving student achievement based on school improvement obligations for the Warner location, Gilbert location and the Learning Foundation and Performing Arts Alta Mesa location. These purchases totaled additional Curriculum/textbook purchases of $207,998.27. (Exhibit 9: textbook purchases)

In FY 2015 unanticipated start-up costs for the second newly built school that opened August 25, 2014 totaled $133,438.25 (Exhibit 10: detail list). Also, as stated in our opening statement sequence of events, we had to continue the payment plan on our old site due to the new landlord's refusal to relieve us of the lease obligation. On November 1, 2014 we began making payments of $86,450 per month on the new building along with the additional expense of $25,000 per month on the vacated site (Exhibit 2: payment plan). The start-up costs and the additional lease expense have led to a great deal of cash being expended and again, lessened our days of liquidity.

Cash Flow:
The curriculum purchases, new school start-up costs and missing the targeted enrollment number were all dynamics that placed the charter holder in a difficult financial negative totaling $364,612 for fiscal year 2014 and carried over into fiscal years 2015 and 2016. Cash flow for the 2015 and 2016 fiscal years was further affected by start-up costs for the new 7-12 school, high rents for the new Gilbert facility, and the small school weight reduction.

Fixed Charge Coverage Ratio:
The fixed coverage charge is primarily driven by our lease payments. The ratio for the Gilbert charter based on total revenue reported in the Annual Financial Report was 4.09 in FY 2014 and 3.5 in FY 2015. The charter holder's plans to reduce those costs are detailed under net income and restated below.

Fiscal Year 2017
Positive Net Income will be seen in FY 2017 with the lease payout for the vacated site in Gilbert Town Square on May 15, 2016. This is a savings of $25,000 per month or $300,000 annually. (Exhibit 2: payment plan)

CAFA is also working to reduce the lease payment of $86,000 per month on the second newly constructed building (Exhibit 4: annual rent breakdown). Attached are the first pages of two engagement letters with counsel and financial underwriters (Exhibit 5) as evidence that CAFA is currently in the process of acquiring a bond to refinance the building. We are in the early stages of this process but a quick analysis is projecting a savings of approximately $20,000 per month or $240,000 per year.

These two items have the potential of giving positive net income of $540,000 in fiscal year 2017. The impact of the estimated reduction in lease payments for FY 2017 based on the projected budget (Exhibit 6) would leave a budget balance for CAFA of $338,500.

Additionally, the lease for CAFA's Learning Foundation Stapley facility allows CAFA the option to purchase the existing buildings for the sum of $1.00 effective June 30, 2017 (Exhibit 7: lease amendment). This is another savings of $24,000 for FY 2018.

The 2017 proposed budget projected enrollment is 925 students for the Gilbert and Warner locations (Exhibit 6). CAFA is hopeful that the proven stability of the schools within the continually expanding surrounding communities along with aggressive marketing strategies will increase the projected number. (Exhibit 11: marketing strategies)

List of Exhibits

Exhibit Number	Description
1	Email stating refusal to terminate Gilbert Town Square lease.
2	Email showing amount of small school reduction
3	Gilbert Town Square rent payment schedule
4	Gilbert 7-12 school rent payment schedule
5	Engagement for legal services for refinance of Gilbert 7-12 facility
5	Engagement for agent/underwriter for refinance of Gilbert 7-12 facility
6	CAFA 2017 projected budget
7	Learning Foundation Stapley lease amendment
8	Detail list of Warner campus start-up expenses
9	Detail textbook purchases for FY 2014 (2 pages)
10	Detail list of Gilbert campus start-up expenses
11	CAFA marketing strategies to increase enrollment

1

Gilbert Town Square_Lease with CAFA dba Learning Foundation and Performing Arts Center

From: **Shprecher, Renee M.** (rshprecher@buchalter.com)
Sent: Fri 5/25/12 3:24 PM
To: 'learningfoundation@msn.com' (learningfoundation@msn.com)
Cc: Tim Huff (timh@casehuff.com) (timh@casehuff.com); Chris Sparkman (chriss@casehuff.com) (chriss@casehuff.com)

Mr. Taylor:

This office represents Case, Huff & Associates, Inc. ("Receiver"), solely in its capacity as the court appointed receiver for the owners of the Gilbert Town Square Shopping Center (the "Center"). This is in response to your May 16, 2012 e-mail to Tim Huff.

Cafa, Inc. is a very valued and valuable tenant of the Center. As a result, the Receiver is not able to entertain an offer from Cafa to terminate its Lease prior to its stated expiration date of September 30, 2015. The Lease is, and will remain, in full force and effect in accordance with its stated terms.

Please contact me should there be any questions.

Renee

Renee Shprecher
BuchalterNemer, A Professional Corporation
16435 North Scottsdale Road, Suite 440 | Scottsdale, AZ 85254-1754
Direct Dial: (480) 383-1848 | Cell Phone: (480) 319-0131 | Direct Fax: (480) 383-1608 | Switchboard: (480) 383-1800
Email: rshprecher@buchalter.com | www.buchalter.com | Bio

Notice To Recipient: This e-mail is meant for only the intended recipient of the transmission, and may be a communication privileged by law. If you received this e-mail in error, any review, use, dissemination, distribution, or copying of this e-mail is strictly prohibited. Please notify us immediately of the error by return e-mail and please delete this message and any and all duplicates of this message from your system. Thank you in advance for your cooperation. For additional policies governing this e-mail, please see http://www.buchalter.com/bt/index.php?option=com_content&task=view&id=151&Itemid=129.

IRS Circular 230 Disclosure: In order to comply with requirements imposed by the Internal Revenue Service, we inform you that any U.S. tax advice contained in this communication (including any attachments) is not intended to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code

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Lease Termination and Payment Plan

Schedule A

Payment Plan

Payment Due Date	Amount Due
On or before May 1, 2015	$5,000.00
May 15, 2015	$30,327.50
June 15, 2015	$30,327.50
July 15, 2015	$30,327.50
August 15, 2015	$30,327.50
September 15, 2015	$30,327.50
October 15, 2015	$25,000.00
November 15, 2015	$25,000.00
December 15, 2015	$25,000.00
January 15, 2016	$25,000.00
February 15, 2016	$25,000.00
March 15, 2016	$25,000.00
April 15, 2016	$25,000.00
May 15, 2016	$13,446.52

Landlord: B.H. GTS, LLC, a Delaware limited liability company

Tenant: CAFA, Inc., an Arizona non-profit corporation

Print

3

Close

small school reduction

From: **Frank Yanez** (fyanez@cox.net)
Sent: Thu 3/24/16 2:05 PM
To: Learning Foundation (learningfoundation@msn.com)

	Alta Mesa Small Weight			$53,301.84			
	Stapley Small Weight			$50,877.98			
			Total:	$104,179.82			
	We are getting a total of $104,180 in small school weight reduction						

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EXHIBIT B

ESTIMATED RENTAL SCHEDULE AND COST BREAKDOWN

CAFA High School	
Property Address:	4055 W. Warner Rd. - Gilbert, AZ
Landlord:	Vertex I, LLC
Tenant:	CAFA, Inc.
Lease Start Date:	September 1, 2014
Lease Payment Start Date:	November 1, 2014
Termination Date:	August 31, 2034
Total Project Cost:	$11,527,979
Gross Leasable Area:	62,074 square feet

Rent Term	Annual Rent	Monthly Rent
Year 1*	$ 864,600	$ 86,460
Year 2	$ 1,037,518	$ 86,460
Year 3	$ 1,063,456	$ 88,621
Year 4	$ 1,090,042	$ 90,837
Year 5	$ 1,117,294	$ 93,108
Year 6	$ 1,145,226	$ 95,435
Year 7	$ 1,173,857	$ 97,821
Year 8	$ 1,203,203	$ 100,267
Year 9	$ 1,233,283	$ 102,774
Year 10	$ 1,264,115	$ 105,343
Year 11	$ 1,295,718	$ 107,976
Year 12	$ 1,328,111	$ 110,676
Year 13	$ 1,361,314	$ 113,443
Year 14	$ 1,395,347	$ 116,279
Year 15	$ 1,430,230	$ 119,186
Year 16	$ 1,465,986	$ 122,165
Year 17	$ 1,502,636	$ 125,220
Year 18	$ 1,540,201	$ 128,350
Year 19	$ 1,578,707	$ 131,559
Year 20	$ 1,618,174	$ 134,848

Base Rent Increases:	Rent increases 2.5% in Year 3 and every year thereafter.
Purchase Option:	Tenant has the option to purchase the property for an 8 CAP. That equates to $13,293,200 in Year 3.

Real Estate Taxes:	Paid by Tenant
Utilities:	Paid by Tenant
Operating Expenses:	Paid by Tenant
Structural Reserves:	Paid by Landlord

* Year 1 Annual Rent based on 10 months per lease concession

Estimated Costs Worksheet		CAFA Middle & High School
Line Item		Estimated Costs
Purchase Price (includes either purchase of an existing building, or purchase of land)		$ 1,708,208
Construction/Renovation Costs (included would be onsite improvements, municipal or impact fees, permits, design & engineering fees, utilities, permits/taxes/fees, and all construction costs, including the GC or the job, etc.)		$ 8,745,750
Loan Points, Interest and Construction Carry, and Closing Costs, including Title, Escrow, Legal, Appraisal, etc.		$ 577,000
Reports		
	Traffic Report	
	Asbestos	
	Lead	
	Phase 1 Environmental	
	Alta Survey	
	Market Study	$ 35,000
Inspections/Material Testing		$ 84,500
Contingency and FFE ($300,000)		$ 400,000
Subtotal - Construction Costs		$ 9,265,250
Subtotal - Total Cost		$ 11,950,456
Developer Fee (5 percent on Total Cost)		$ 577,523
Total Project Cost		$ 11,527,979

Tenant: _____
Landlord: _____

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HOLMES LAW

January 13, 2016

VIA E-MAIL ONLY
learningfoundation@msn.com

CAFA, Inc.
4055 E. Warner Road
Gilbert, AZ 85296

Re: Engagement for professional legal services rendered by Holmes Law PLC (the "Firm") as Borrower's Counsel to CAFA, Inc. (the "Borrower")

Dear Ms. Taylor:

We are pleased that the Firm is being asked to serve as Borrower's Counsel in connection with the issuance of Education Facility Revenue Bonds by the Industrial Development Authority of the County of Pima ("Authority") for the facilities located at the address listed above.

This letter is being sent to confirm our engagement, the scope of services we expect to provide and, our fees for those services.

As Borrower's Counsel, we will provide the following services:

1. Legal advice and recommendations with respect to financial planning, enrollment and academic performance, internal governance, or other aspects of the Borrower's operations deemed necessary to bring the financing to a successful close.

2. Preparation of the following documents:

   i. Bond Application
   ii. Appendix A
   iii. Borrower's Counsel Opinion
   iv. All other certificates or documents customarily prepared by Borrower's Counsel that are necessary to complete the financial transaction

3. Review of and commentary on all documents prepared by other parties to the transaction including real estate and underwriting documents.

4. Coordination of all real estate matters including title work, environmental studies, title reports, appraisals, and other real estate matters necessary for the closing.

5. Coordination of feasibility study and review of financial documents pertinent to the offering documents of the transaction.

2450 S. GILBERT ROAD, SUITE 100 CHANDLER, ARIZONA 85286
O 480.223.0919 F 602.916.1559 holmeslawaz.com

BB&T Capital Markets

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January 13, 2016

Evelyn Taylor
Executive Director / Board President
CAFA, Inc. (Learning Foundation & Performing Arts)
4055 E. Warner Road
Gilbert, AZ 85296

Re: Engagement Letter

Dear Ms. Taylor,

This letter (the "Agreement") confirms that the CAFA, Inc. (Learning Foundation & Performing Arts) (the "Company") has engaged BB&T Capital Markets, a division of BB&T Securities, LLC ("BB&T Capital Markets") to act for the CAFA, Inc. (Learning Foundation & Performing Arts) as the Company's exclusive structurer and placement agent/underwriter in connection with the financing of charter school facilities (the "Transaction" or the "Financing").

As part of our services, we may provide advice concerning the structure, timing, terms, and other similar matters concerning an issue of municipal securities that we are underwriting/placing. However, we are serving as or intend to serve as an underwriter and not as a municipal advisor in the transaction. The Company acknowledges and agrees that: (i) the primary role of BB&T Capital Markets, as an underwriter/placement agent, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Company and BB&T Capital Markets and that BB&T Capital Markets may have financial and other interests that differ from those of the Company; (ii) BB&T Capital Markets is not acting as a municipal advisor, financial advisor, or fiduciary to the Company and has not assumed any advisory or fiduciary responsibility to the Company with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether BB&T Capital Markets has provided other services or is currently providing other services to the Company on other matters); (iii) the only obligations BB&T Capital Markets has to the Company with respect to the transaction contemplated hereby expressly are set forth in this agreement; and (iv) the Company has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate, which the Company is encouraged to do. If the Company would like a municipal advisor in this transaction that has legal fiduciary duties to the Company, then the Company is free to engage a municipal advisor to serve in that capacity and to so notify BB&T Capital Markets in accordance with applicable SEC and MSRB rules.

During the coming months, we will work with you, and other members of the financing team to define and finalize an appropriate financing structure (which may include taxable and/or tax-exempt alternatives), establish a financing calendar, assemble the requisite resources as well as efficiently execute the transaction consistent with your timing and financial objectives. If the appropriate financing structure includes a tax-exempt offering, then further disclosures shall be provided to the issuer pursuant to MSRB Rule G-17.

1. Services:

The Company hereby retains BB&T Capital Markets and BB&T Capital Markets hereby agrees to provide the following services in connection with the Transaction and such other services as may be determined to be necessary or appropriate by either BB&T Capital Markets or the Company in its reasonable discretion (the "Services"):

BB&T Capital Markets is a division of BB&T Securities, LLC, Member FINRA/SIPC. BB&T Securities, LLC is a wholly owned nonbank subsidiary of BB&T Corporation, is not a bank, and is separate from any BB&T bank or nonbank subsidiary. Securities and insurance products or annuities sold, offered, or recommended by BB&T Securities are not a deposit, not FDIC insured, not guaranteed by a bank, not guaranteed by any federal government agency and may lose value.

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CAFA Renewal Budget			
	CAFA	ALTA MESA	GILBERT
	16-17	16-17	16-17
STUDENT COUNT	200.00	200.00	925.00
REVENUE	$ Amount	$ Amount	$ Amount
State Funding (Equalization Assistance)	$ 1,340,000	$ 1,314,000	$ 6,040,250
Classroom Site Fund	$ 80,000	$ 80,000	$ 370,000
Instructional Improvement	$ 12,000	$ 12,000	$ 55,500
Federal Grant	$ 210,000	$ 225,000	$ 500,000
Local School Revenue	$ 10,000	$ 25,000	$ 65,000
Total Revenue	$ 1,652,000	$ 1,656,000	$ 7,030,750
Administration, Instruction, & Support (AIS) EXPENDITURES	Total	Total	Total
Salaries			
Administration/Office Salary	$ 85,000	$ 80,000	$ 400,000
Instruction and Support Salary	$ 525,000	$ 525,000	$ 2,200,000
Operation and Support Staff	$ 65,000	$ 60,000	$ 300,000
Employee Benefits--Required Contributions	$ 67,500	$ 66,500	$ 290,000
Employee Insurance (if applicable)	$ 91,500	$ 90,750	$ 390,000
Office Supplies (Paper, Postage, etc.)	$ 1,500	$ 1,500	$ 10,000
Membership Dues, Registrations, & Travel	$ 10,000	$ 10,000	$ 25,000
Contracted Services (AIS)	$ 30,000	$ 25,000	$ 150,000
Contracted Services (Special Education)	$ 30,000	$ 25,000	$ 100,000
Curriculum & Resource Materials	$ 60,000	$ 45,000	$ 200,000
Extracurricular Programs	$ 15,000	$ 20,000	$ 50,000
Classroom Supplies	$ 25,000	$ 20,000	$ 150,000
Auditor Fees	$ 11,000	$ 11,000	$ 18,000
Total Administration, Instruction, & Support	$ 1,016,500	979,750	4,283,000
Operations & Maintenance (O&M) EXPENDITURES	Total	Total	Total
(add lines as necessary)			
Supplies	$ 12,000	$ 10,000	$ 25,000
Marketing/Advertising	$ 12,000	$ 10,000	$ 20,000
Contracted Services - O&M	$ 75,000	$ 65,000	$ 100,000
Fees/Permits	$ 5,000	$ 5,000	$ 20,000
Property/Casualty Insurance	$ 20,000	$ 25,000	$ 45,000
Food Service	$ 85,000	$ 90,000	$ 170,000
Transportation	$ 70,000	$ 25,000	$ 100,000
Utilities (Electric, Gas, Water, Waste)	$ 40,000	$ 40,000	$ 125,000
Phone/Communications/Internet Connectivity	$ 12,000	$ 10,000	$ 25,000
Other Leases (Security, Coplers, etc.)	$ 65,000	$ 50,000	$ 250,000
Contingency	$ 50,000	$ 50,000	$ 400,000
Building Rent/Lease/Loan	$ 180,000	$ 270,000	$ 1,425,000
Total Operations & Maintenance	$ 606,000	$ 650,000	$ 2,705,000
Total Expenditures	$ 1,622,500	$ 1,629,750	$ 6,988,000
Total Revenues	$ 1,652,000	$ 1,656,000	$ 7,030,750
Budget Balance (=Revenues-Expenditures)	$ 29,500	$ 26,250	$ 42,750

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AMENDMENT TO LEASE

This AMENDMENT TO LEASE ("this Amendment"), made and entered into as of June 8, 2015 supplements and modifies that certain Lease dated July 1, 2003 ("the Lease"), by and between ABS SCHOOL SERVICES, LLC, and now known as SKS Finance, LLC, an Arizona limited liability company ("Lessor") and CAFA, Inc., an Arizona nonprofit corporation ("Lessee"). In the event of any inconsistency between the Lease and this Amendment, this Amendment shall govern and control.

The following terms and conditions are hereby supplemented, modified, amended or included as part of the Lease:

1. Term – The term of the Lease shall be extended from 11:59 P.M. on June 30, 2015 until 11:59 P.M. on June 30, 2017 ("the extended Lease Term").

2. Rent – During the Extended Lease term, Lessee hereby agrees to pay Lessor rent monthly for the Premises as follows:

   2.1 From July 1, 2015 through June 30, 2016: $4,000.00
   2.2 From July 1, 2016 through June 30, 2017: $4,250.00

3. Ratification of the Lease – Except as specifically and expressly modified by this Amendment, the Lease is hereby ratified and approved in all other respects.

4. Option to Purchase Leased Facilities – Effective June 30, 2017, which is the date that the lease amendment is effective through, SKS will grant the right but not the obligation to the Lessee and its president Evelyn Taylor, to purchase the leased modular buildings as described in Exhibit A for a purchase price of $1.00. CAFA will notify the Lessor approximately 60 days (May 1st) prior to the lease termination if they intend to exercise the Purchase Option. If exercised the Lessor will assign over title to modular buildings at no cost to the Lessor. Estimated costs that will the responsibility of CAFA, Inc. will include the fees of changing ownership on the Titles and the prospective personal property taxes associated with said modular buildings. Modular buildings will be accepted AS IS condition with no warranty either expressed or implied provided by the Lessor.

5. Miscellaneous – This Amendment may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute only one agreement. Lessor and Lessee agree that this Amendment satisfies the requirements of Paragraph 37 of the Lease and is a valid and enforceable modification of the Lease.

SKS FINANCE, LLC, an Arizona limited liability company

By: Ellen Everett 6/12/15

Ellen Everett, for SKS Finance, LLC

CAFA, INC., an Arizona nonprofit corporation

By: Evelyn Taylor

Evelyn Taylor, its President

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Warner start up expenses 2013-2014				
Date	check #	vendor	amount	description
8/1/2013	3367	AZ School Furnishings	$7,899.90	desks/ chairs/ book shelves
8/12/2013	3403	AZ Telephone Installers	$14,135.23	phone/alarm/internet system
9/12/2013	1022	AZ Telephone Installers	$13,519.88	phone/alarm/internet system
10/1/2014	1313	AZ Telephone Installers	$418.74	phone/alarm/internet system
11/13/2013	3592	AZ Telephone Installers	$10,000.00	phone/alarm/internet system
8/2/2013	3375	Bit by Bit	$5,652.49	computers
12/2/2013	3630	CCS Presentation System	$12,602.97	smart boards
9/5/2013	1012	Houghton Mifflin Harcourt	$22,134.47	text books
9/5/2013	1010	Houghton Mifflin Harcourt	$2,239.26	text books
9/11/2013	1019	Houghton Mifflin Harcourt	$6,668.20	text books
9/11/2013	1021	Houghton Mifflin Harcourt	$8,653.99	text books
9/17/2013	1025	Houghton Mifflin Harcourt	$1,631.44	text books
9/23/2013	1029	Houghton Mifflin Harcourt	$2,836.98	text books
9/25/2013	1031	Houghton Mifflin Harcourt	$1,999.13	text books
10/1/2013	1034	Houghton Mifflin Harcourt	$1,341.20	text books
11/12/2013	1065	Houghton Mifflin Harcourt	$12,549.76	text books
12/16/2013	1101	Houghton Mifflin Harcourt	$1,873.58	text books
1/6/2014	1105	Houghton Mifflin Harcourt	$4,230.16	text books
7/2/2013	3321	Mc Graw Hill Education	$2,852.00	text books
8/1/2013	3370	Mc Graw Hill Education	$2,894.00	text books
10/1/2014	1309	Mc Graw Hill Education	$14,327.75	text books
8/8/2013	3398	Paragon Micro	$4,579.69	computers
8/16/2013	1002	PJ Fun Crafters	$12,561.34	Playground Equip/Shade
8/23/2013	1004	PJ Fun Crafters	$5,784.55	Playground Equip/Shade
8/23/2013	1006	Peacefull Playgrounds	$5,597.76	Playground Equipment
8/26/2013	3440	School Outfitters	$25,475.69	desks/ chairs/ book shelves
9/10/2013	1016	Scholastic	$2,034.13	reading books
1/7/2014	1112	Scholastic	$1,032.30	reading books
3/24/2014	1164	Scholastic	$78.80	reading books
9/2/2014	1280	Scholastic	$3,164.18	reading books
10/20/2014	1331	Scholastic	$4,110.78	reading books
9/10/2014	1292	Spalding Education	$12,415.76	curriculum
Total			$233,215.31	

Warner start up expenses 2014-2015				
Date	check #	vendor	amount	description
3/1/2015	1798	AZ School Furnishings	$4,603.82	desks/ chairs/ book shelves
2/23/2015	1443	AZ Telephone Installers	$2,572.63	phone/alarm/internet system
9/2/2014	AMX	Bit by Bit	$8,203.49	computers
1/6/2014	1104	CCS Presentation System	$12,602.96	smart boards
08/04/214	1252	Chandler Wharehouse	$3,974.22	desks/ chairs
9/2/2015	1610	Chandler Wharehouse	$2,225.06	book shelves
2/3/2015	1419	Houghton Mifflin Harcourt	$425.33	text books
2/9/2015	1430	Houghton Mifflin Harcourt	$154.33	text books
2/23/2015	1444	Houghton Mifflin Harcourt	$202.35	text books
5/4/2015	1501	Houghton Mifflin Harcourt	$59.14	text books
8/4/2014	1258	Manuel Figueroa	$5,000.00	pavement
8/11/2014	1265	Manuel Figueroa	$3,510.00	storage shed
8/25/2014	1268	Manuel Figueroa	$750.00	storage shed
6/29/2015	1553	Manuel Figueroa	$3,425.00	enlarged pay area
3/28/2013	3193	MEC	$4,097.04	curriculum
12/29/2014	AMX	Paragon Micro	$3,398.90	computers
6/4/2015	1536	PJ Fun Crafters	$1,800.00	playground Equip
6/30/2015	1560	PJ Fun Crafters	$1,300.00	playground Equip
6/10/2015	1542	Scholastic	$3,860.28	reading books
2/3/2015	1381	Spalding Education	$2,195.80	curriculum
Total			$74,861.40	

Warner start up expenses 2015-2016				
11/2/2015	1670	CCS Presentation System	$4,129.30	smart boards
9/2/2015	AMX	Bit by Bit	$7,442.17	computers
8/3/2015	1587	Marlin Business Bank	$10,657.71	equipment
7/28/2015	1582	Manuel Figueroa	$4,200.00	finish gym floor
8/19/2015	1594	Manuel Figueroa	$5,400.00	finish gym floor
10/5/2015	1636	Manuel Figueroa	$500.00	install lights
10/26/2015	1661	Scholastic	$1,420.04	reading books
2/1/2016	1763	Scholastic	$3,339.81	reading books
7/28/2015	1581	Spalding Education	$1,936.00	curriculum
9/2/2015	1600	Spalding Education	$1,195.04	curriculum
Total			$40,220.07	

CAFA, Inc. Gilbert
Transaction Detail By Account
July 2013 through June 2014

Type	Date	Num	Name	Memo	Class	Clr	Split	Amount	Balance
1000 Instruction									
6642 Textbooks									
Check	07/10/2013	3330	Houghton Mifflin Co...	inv# 949490393	1000-100...		0102 Operatin...	6,075.76	6,075.76
Check	08/01/2013	3361	Scholastic	inv# M5083483	1000-100...		0102 Operatin...	375.66	6,451.42
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495430...	1000-100...		0102 Operatin...	53.03	6,504.45
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495430...	1000-100...		0102 Operatin...	107.66	6,612.11
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495393...	1000-100...		0102 Operatin...	862.09	7,474.20
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495522...	1000-100...		0102 Operatin...	269.14	7,743.34
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495522...	1000-100...		0102 Operatin...	212.11	7,955.45
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495522...	1000-100...		0102 Operatin...	5,021.43	12,976.88
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495476...	1000-100...		0102 Operatin...	53.83	13,030.71
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495476...	1000-100...		0102 Operatin...	53.03	13,083.74
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495379...	1000-100...		0102 Operatin...	324.12	13,407.86
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495289...	1000-100...		0102 Operatin...	1,991.23	15,399.09
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9795197...	1000-100...		0102 Operatin...	346.31	15,745.40
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495658...	1000-100...		0102 Operatin...	2,797.41	18,542.81
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495607...	1000-100...		0102 Operatin...	279.47	18,822.28
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9496868...	1000-100...		0102 Operatin...	362.10	19,184.38
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9496079...	1000-100...		0102 Operatin...	864.61	20,048.99
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9496079...	1000-100...		0102 Operatin...	934.79	20,983.78
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9496011...	1000-100...		0102 Operatin...	399.54	21,383.32
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495781...	1000-100...		0102 Operatin...	5,655.37	27,038.69
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495781...	1000-100...		0102 Operatin...	2,615.39	29,654.08
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495781...	1000-100...		0102 Operatin...	477.99	30,132.07
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495879...	1000-100...		0102 Operatin...	115.89	30,247.96
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495770...	1000-100...		0102 Operatin...	1,106.70	31,354.66
Check	08/27/2013	3446	Houghton Mifflin Co...	inv# 9495635...	1000-100...		0102 Operatin...	32.29	31,386.95
Check	08/27/2013	3448	Scholastic	inv# M508347...	1000-100...		0102 Operatin...	169.06	31,556.01
Check	08/27/2013	3448	Scholastic	inv# M508347...	1000-100...		0102 Operatin...	149.27	31,705.28
Check	08/27/2013	3450	Houghton Mifflin Co...	inv# 9494852...	1000-100...		0102 Operatin...	568.00	32,273.28
Check	08/27/2013	3450	Houghton Mifflin Co...	inv# 9494918...	1000-100...		0102 Operatin...	1,294.86	33,568.14
Check	08/27/2013	3450	Houghton Mifflin Co...	inv# 9494993...	1000-100...		0102 Operatin...	255.15	33,823.29
Check	08/27/2013	3450	Houghton Mifflin Co...	inv# 9494953...	1000-100...		0102 Operatin...	3,492.49	37,315.78
Check	08/27/2013	3450	Houghton Mifflin Co...	inv# 9494943...	1000-100...		0102 Operatin...	3,159.41	40,475.19
Check	08/27/2013	3450	Houghton Mifflin Co...	inv# 9494903...	1000-100...		0102 Operatin...	970.45	41,445.64
Check	08/27/2013	3450	Houghton Mifflin Co...	inv# 9494943...	1000-100...		0102 Operatin...	8,646.09	50,091.73
Check	08/29/2013	3453	American Express	textbooks	1000-100...		0102 Operatin...	4,109.50	54,201.23
Check	09/03/2013	3459	Houghton Mifflin Co...	inv# 949741215	1000-100...		0102 Operatin...	218.49	54,419.72
Check	09/03/2013	3459	Houghton Mifflin Co...	inv#949741216	1000-100...		0102 Operatin...	202.13	54,621.85
Check	09/03/2013	3459	Houghton Mifflin Co...	inv# 949748222	1000-100...		0102 Operatin...	30.53	54,652.38
Check	09/03/2013	3459	Houghton Mifflin Co...	inv# 949748221	1000-100...		0102 Operatin...	841.70	55,494.08
Check	09/25/2013	ach9/25	LFPA Warner	transfer to Wa...	1000-100...		0102 Operatin...	10,000.00 *	65,494.08
Check	11/05/2013	ach11/...	LFPA Warner	transfer to Wa...	1000-100...		0102 Operatin...	15,000.00 *	80,494.08
Check	11/14/2013	3598	Card Services	4602286354	1000-100...		0102 Operatin...	9,416.22	89,910.30
Check	11/14/2013	3599	Discover Card	4602286354	1000-100...		0102 Operatin...	7,682.70	97,593.00
Check	11/18/2013	ach11/...	LFPA Warner		1000-100...		0102 Operatin...	15,000.00 *	112,593.00
Check	11/25/2013	ach11/...	LFPA Warner	transfer to wa...	1000-100...		0102 Operatin...	15,000.00 *	127,593.00
Check	12/09/2013	ach12/...	LFPA Warner	transfer to wa...	1000-100...		0102 Operatin...	10,000.00 *	137,593.00

1:06 PM
03/22/16
Accrual Basis

CAFA, Inc. Gilbert
Transaction Detail By Account
July 2013 through June 2014

Type	Date	Num	Name	Memo	Class	Clr	Split	Amount	Balance
Check	01/06/2014	ach01/...	LFPA Warner	transfer	1000-100...		0102 Operatin...	35,000.00 *	172,593.00
Check	03/03/2014	3720	American Express	books	1000-100...		0102 Operatin...	153.87	172,746.87
Total 6642 Textbooks								172,746.87	172,746.87
Total 1000 Instruction								172,746.87	172,746.87
TOTAL								172,746.87	172,746.87

*LFPA Warner Total $100000.00
LFPA Gilbert Total $ 72746.87

1:08 PM
03/22/16
Accrual Basis

CAFA, Inc. Alta Mesa
Transaction Detail By Account
July 2013 through June 2014

Type	Date	Num	Name	Memo	Class	Clr	Split	Amount	Balance
1000 Instruction									
6642 Textbooks									
Check	07/10/2013	2450	Houghton Mifflin Har...	inv# 949499383	1000-100...		0102 Operatin...	1,991.23	1,991.23
Check	07/10/2013	2450	Houghton Mifflin Har...	inv# 949499384	1000-100...		0102 Operatin...	2,520.33	4,511.56
Check	07/10/2013	2450	Houghton Mifflin Har...	inv# 949499386	1000-100...		0102 Operatin...	1,122.38	5,633.94
Check	07/10/2013	2450	Houghton Mifflin Har...	inv# 949501634	1000-100...		0102 Operatin...	4,246.82	9,880.76
Check	08/27/2013	2521	Houghton Mifflin Har...	inv# 949495344	1000-100...		0102 Operatin...	16,930.66	26,811.42
Check	08/30/2013	2529	Discover Card	inv# 949495344	1000-100...		0102 Operatin...	3,619.78	30,431.20
Check	12/02/2013	2651	Houghton Mifflin Har...	inv# 949932556	1000-100...		0102 Operatin...	1,046.73	31,477.93
Check	12/02/2013	2651	Houghton Mifflin Har...	inv# 949912860	1000-100...		0102 Operatin...	780.78	32,258.71
Check	12/02/2013	2651	Houghton Mifflin Har...	inv# 949912676	1000-100...		0102 Operatin...	1,669.09	33,927.80
Check	12/02/2013	2651	Houghton Mifflin Har...	inv# 949915755	1000-100...		0102 Operatin...	256.78	34,184.58
Check	12/02/2013	2651	Houghton Mifflin Har...	inv# 950023739	1000-100...		0102 Operatin...	1,066.82	35,251.40
Total 6642 Textbooks								35,251.40	35,251.40
Total 1000 Instruction								35,251.40	35,251.40
TOTAL								35,251.40	35,251.40

Gilbert start up expenses 2014-2015				
Date	check #	vendor	amount	description
8/6/2014	3878	AZ School Furnishings	$12,978.84	desks/ chairs/ book shelves
10/1/2014	3949	AZ School Furnishings	$11,529.85	desks/ chairs/ book shelves
11/4/2014	4008	AZ Stage LLC	$15,105.68	stage equipment
5/4/2015	4203	AZ Stage LLC	$11,580.23	stage equipment
12/10/2014	4054	AZ Telephone Installers	$9,751.91	phone/alarm/internet system
1/10/2015	4096	AZ Telephone Installers	$5,741.49	phone/alarm/internet system
8/1/2013	AMX	Bit by Bit	$4,053.57	computers
8/4/2014	3874	Bit by Bit	$1,007.93	computers
9/2/2014	3892	Bit by Bit	$4,232.23	computers
9/3/2014	3904	Bit by Bit	$11,896.81	computers
2/18/2015	4126	CCS Presentation System	$4,197.26	smart boards
3/24/2015	4157	CCS Presentation System	$5,000.00	smart boards
4/6/2015	4177	CCS Presentation System	$450.00	smart boards
11/4/2014	4004	Chandler warehouse	$4,291.11	Classroom supplies
6/19/2014	3820	Manuel Figueroa	$6,500.00	storage shed
10/1/2014	1309	Mc Graw Hill Education	$14,327.75	text books
10/1/2014	3941	School Outfitters	$4,850.00	desks/ chairs/ book shelves
9/2/2014	3887	Paragon Micro	$5,943.59	computers
			$133,438.25	

Gilbert start up expenses 2015-2016				
Date	check #	vendor	amount	description
9/16/2015	4372	AAA Bus LLC	$20,252.10	bus
8/3/2015	4316	AZ School Furnishings	$1,312.13	desks/ chairs/ book shelves
3/1/2016	4597	AZ School Furnishings	$3,877.63	desks/ chairs/ book shelves
2/23/2015	1443	AZ Telephone Installers	$2,572.63	phone/alarm/internet system
4/1/2015	4170	Bit by Bit	$1,872.49	computers
10/5/2015	4401	CCS Presentation System	$6,131.80	smart boards
9/2/2015	1610	Chandler Wharehouse	$2,225.06	chairs /book shelves
9/0/8/2015	4361	Mc Graw Hill Education	$18,580.40	text books
11/3/2015	4440	Houghton Mifflin Harcourt	$9,321.59	text books
1/6/2015	4526	Houghton Mifflin Harcourt	$4,409.24	text books
12/29/2014	AMX	Paragon Micro	$3,898.90	computers
Total			$54,201.87	

Learning Foundation and Performing Arts Gilbert

Marketing Strategies

Learning Foundation & Performing Arts Gilbert has steadily increased its enrollment each year and the key to recruiting new students is allowing others to see the diverse, creative, talented and intelligent students that attend our school. In order to achieve our goal and share what we have to offer we utilize a multi-faceted approach to recruitment of new students.

- One of the most effective marketing tools throughout the school's history has been word of mouth. We utilize incentives for our current students and families to act as a catalyst for this process. Referrals of new students with continued enrollment will result in a monetary sum or discount applied towards elective fees. New students who enroll before the end of June will receive a free uniform shirt or spirit tee shirt.
- Prospective students and their families are invited to attend one of our monthly Information Night events which are advertised through our website, banners and marketing materials. Administration presents the many offerings of LFPA and allows participants to have all questions answered in addition to a tour of our beautiful facility.
- Local elementary and junior high students are invited to attend a tour of our school where they meet many of our students and are treated to a small performance from several of our performing arts classes and groups. Area charter schools including two of our LFPA schools are invited to schedule dates dedicated to their students.
- Our competitive performance choir performs throughout the community to promote our school and increase overall exposure. Events include participating in the Gilbert Days Parade, performing at local malls and other community events.
- School banners are displayed for two weeks twice each year over the main street in the heavily trafficked downtown Gilbert district.
- Flyers are distributed strategically throughout surrounding and extended neighborhoods introducing households to our school and its many attractive programs. Cards advertising the school are distributed using direct mail to households in all area codes surrounding the school.
- Brochures, flyers and other marketing materials are displayed in businesses throughout the community including sales offices of several new residential communities being built throughout Gilbert, Mesa and Chandler.
- Advertisements are purchased in local and education publications to include annual school edition newspapers and sports programs for local area high schools.

CAFA Inc. District Financial Performance Response

CAFA, Inc. Charter School District is made up of three charters. They are the original CAFA Inc. Learning Foundation Performing Arts (CTD 098749000 Entity 79971) with one site, CAFA Inc. Learning Foundation and Performing Arts Alta Mesa with one site (CTD 078565000 Entity 90328) and CAFA Inc. Learning Foundation and Performing Arts Gilbert (CTD 078564000 Entity 90327) which divided into two sites in school year 2014-2015. The response below addresses CAFA, Inc. as a whole. The issues driving the deficiencies in the financial framework are primarily due to the CAFA Inc. Learning Foundation and Performing Arts Gilbert campus.

Unrestricted Days Liquidity: In fiscal year 2014 CAFA Inc. Learning Foundation and Performing Arts Gilbert opened up a new school to serve the elementary student population. This school was constructed from the ground up. There were delays in construction and the ability for the school to effectively recruit was hindered. This caused us to open under the target number of enrollment we were hoping for. This placed the school in a difficult financial situation for fiscal year 2014. This carried over into fiscal years 2015 and 2016. We had to make some improvements to the campus that were not in the construction budget. We also had to purchase new curriculum in some areas to adhere to our plan to improve student achievement. We have also had to continue paying on our old site as our landlord did not let us out of the lease as they first indicated they would. This is an expense of $25,000 per month. These things have led to a great deal of cash being expended and thus lessened our days of liquidity. The plan moving into fiscal year 2017 is to meet the board's days liquidity requirement. Our management team is working to increase enrollment to meet this goal.

Net Income: In fiscal year 15-16 the State of Arizona started to implement a reduction of the small school weights for organizations that met certain criteria. CAFA was one of those organizations. The estimated reduction for CAFA is just over $100,000 in revenue in fiscal year 2016. The Additional decrease in net income is due to CAFA Inc. Learning Foundation and Performing Arts Gilbert having extremely high rent expenses. The initial effect was felt in fiscal year 2014 when the new campus was built and delays did not allow for the enrollment targets to be met. In fiscal year 2015 a second campus was constructed and faced the same dilemma. This compounded the situation from fiscal year 2014. We will finish making payments on our old lease that we were obligated to pay out in June 2016. This is a savings of $25,000 per month or $300,000 annually. The current rent on the second building we constructed is $86,000 per month. We are currently in the process of acquiring a bond to finance this building. We are in the early stages of this process but a quick analysis is projecting a savings of nearly $20,000 per month or $240,000 per year. These two items alone have the potential of giving positive net income of $540,000 in fiscal year 2017. The net income for 2015 and 2016 will not meet the board's financial framework but the projection going forward into 2017 is to be back in the positive for net income by a substantial amount.

Fixed Charge Coverage Ratio: The fixed coverage charge is primarily driven by our lease payments. The plan to reduce those costs were listed in the net income section and repeated here. We will finish making payments on our old lease that we were obligated to pay out in June 2016. This is a savings of $25,000 per month or $300,000 annually. The current rent on the second building we constructed is $86,000 per month. We are currently in the process of acquiring a bond to finance this building. We are in the early stages of this process but a quick analysis is projecting a savings of nearly $20,000 per month

or $240,000 per year. These two items alone have the potential of giving positive net income of $540,000 in fiscal year 2017.

Cash Flow: The cash flow deficiency is primarily caused by the old lease we were obligated to finish paying through fiscal year 2016 and our rent for our second building in fiscal year 2015. The plan to reduce those costs are listed below and will have an approximate positive effect of $540,000. We will finish making payments on our old lease that we were obligated to pay out in June 2016. This is a savings of $25,000 per month or $300,000 annually. The current rent on the second building we constructed is $86,000 per month. We are currently in the process of acquiring a bond to finance this building. We are in the early stages of this process but a quick analysis is projecting a savings of nearly $20,000 per month or $240,000 per year. These two items alone have the potential of giving positive net income of $540,000 in fiscal year 2017.