Financial Performance Response Evaluation Instrument

Charter Holder Name: Santa Cruz Valley Opportunities in Education, Inc.
Charter Holder Entity ID: 79066
Date Submitted: March 28, 2014

Required for: Renewal
Audit Year: 2013
Evaluation Completed: May 21, 2014

Arizona State Board for Charter Schools (Board) staff completed the Financial Performance Response Evaluation Instrument to be used by 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	Acceptable	Not Acceptable	Not Applicable	Comments
1a. Going Concern		X		According to the Independent Auditors' Report, the fiscal year 2013 financial statements were prepared assuming the charter school will continue as a going concern. The notes to the financial statements cite as the basis for the going concern that the charter school had an operating loss of $31,419 for 2013 and total losses amounting to $52,137 over the years 2011 through 2013, resulting in a net deficit as of June 30, 2013. The financial statements submitted to the Board reflect the charter school's operations and not the charter holder's operations. The financial performance response states, "As we begin to realize an upturn in our local economy, the Board of Directors has set into motion a plan for improvement and growth. They began by hiring a qualified Director to oversee upgrading the Montessori curriculum in alignment with Arizona Common Core Standards, community outreach, grant writing and an aggressive marketing plan." According to the response, the charter holder is acting to increase its revenue stream from fiscal year 2013 to fiscal year 2014 and projects the total increase of its efforts to date at a net of approximately $43,400. • The response indicates the charter holder's tuition based nonprofit preschool should produce annual revenue estimates of about $54,400 in fiscal year 2014. Based on open enrollment commitments and enrollment interests for fiscal year 2015, the charter holder projects a 25% increase in revenues. Further, the response indicates the charter holder expects additional revenue from projected growth in enrollment for its lower elementary and upper elementary of 20%. The charter holder's response does not include support for these statements. The response indicates the charter holder has established

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				a carpool for parents outside of the area, but does not indicate what effect, if any, this has had on enrollment or projected enrollment. According to Arizona Department of Education reports, the charter holder's fiscal year 2013 average daily membership (ADM) was 46.520 and its fiscal year 2014 ADM as of May 13, 2014 is 46.770. • The response indicates the charter holder has increased programs to use a portion of its vacant school land to create revenue through events, event parking and community activities and other after school programs. The response also mentions various fundraisers. In fiscal year 2014, the response indicates the charter holder has offset its rent $7,200 to date and provided a venue for the students to offer their art projects for sale which has netted over $1,000 to date. While the response includes a list of fundraisers, community events and after school programs, the response does not include support for the revenue amounts identified. • The response indicates that increased community communications and marketing has increased extracurricular activity tax credit donations by over $3,000 in fiscal year 2014. Additionally, according to the response, a local private funds donation of $21,260 was received and applied to the charter holder's "Learning Math through the Arts program". While the response addresses some marketing efforts, the response does not include support for the amounts identified. • The response indicates that a $30,000 note has been forgiven and donated to the school as an unrestricted donation (see Fixed Charge Coverage Ratio). The financial performance response addresses efforts taken by the charter holder to improve its "electronic financial files to enable an even greater attention to detail for support in budgets, operation decisions, monitoring and reporting of activities and program development." Based on these improvements, the charter holder indicates it has been able to "significantly reduce" outside professional services and expenses with these controls, while decreasing equipment rentals and supplies. The charter holder's response does not include support for the reductions in outside professional services and expenses.

Measure	Acceptable	Not Acceptable	Not Applicable	Comments
1b. Unrestricted Days Liquidity		X		The financial performance response does not specify which measures it addresses. The response does not appear to include statements that specifically address this measure.
1c. Default			X	
2a. Net Income		X		The financial performance response does not specify which measures it addresses. However, the response does include statements that may be intended to address this measure. Please see Going Concern for efforts taken by the charter holder to increase revenues and decrease expenses.
2b. Cash Flow		X		The financial performance response does not specify which measures it addresses. However, the response does include statements that may be intended to address this measure. Please see Going Concern for efforts taken by the charter holder to increase revenues and decrease expenses.
2c. Fixed Charge Coverage Ratio		X		The financial performance response does not specify which measures it addresses. However, the response does include statements that may be intended to address this measure. Specifically, the response states, "The schools Long Term Debt Liability of $30,000.00 has been forgiven and donated to the school as an unrestricted fund leaving the only other liability a minor equipment rental contract." The response includes a letter that supports the note being forgiven. According to the audit, as of June 30, 2013, the outstanding balance on the note was $18,000. Assuming no additional notes or new capital leases have been entered into, the "current portion of long-term debt and capital leases" would not be included in the calculation of fiscal year 2014's ratio, but "lease expense" would still be applicable. Please also see Going Concern for efforts taken by the charter holder to increase revenues and decrease expenses.