THE SHELBY SCHOOL
CTDS: 04-87-03-000
FINANCIAL PERFORMANCE FRAMEWORK RESPONSE
MARCH 21, 2014

Unrestricted Days Liquidity

The Shelby School is a school that currently serves approximately 45 students in its community in Payson, Arizona. The Shelby School has overcome great obstacles in the past to reach its current fiscal condition. At the beginning of the 2010-2011 school year, The Shelby school was forced to close its Mesa campus due to low enrollment caused by policy changes in immigration and economic downturns. In FY2010, the ADM count was 69.015 and had dropped in FY2011 to 27.875 resulting in a loss of 41.14 ADM.

ADM Changes from FY2010 to FY2014 (100th day)	
FY2010	69.015
FY2011	27.875
FY2012	28.520
FY2013	43.821
FY2014	42.218

In addition to the reduction in ADM revenue, the State instituted the additional assistance budget cut, resulting in a total loss of revenue from FY2010 to FY2011 in the amount of $329,850.25.

State Equalization from FY2010 to FY2014 (ADMS 64-1)	
FY2010	$ 513,943.46
FY2011	$ 184,093.21
FY2012	$ 203,300.23
FY2013	$ 310,726.50
FY2014	$ 278,924.17

In FY2011, staff members volunteered their time and the school reached out to community members to loan the school money to make it through the year, receiving an additional $12,805 in June 2010 and $15,000 in September 2010. The school also put the Mesa Building up for sale; however they still had to pay the mortgage until it sold in

August 2013. From FY2011 to FY2012, the school reduced its expenses from $220,341 to $177,220 before depreciation, creating a total savings of $43,121.

In FY2013, the ADM counts increased to 43.821, giving the school more funding to operate. With the increase in funding, the focus included paying off loans and reducing payables. The school applied for the Rural and Low Income grant in FY2013 and was awarded these funds to help increase academic instruction and support academic achievement. In FY2013, the school reduced its liabilities by $50,084 from the prior year, paid the June 2013 payroll on 6/30/13 instead of rolling it to July 2013 and booking the liability to accrued payroll expense, prepaid the association membership, rents and mortgage payment and made the final loan's July payment. These payments are reflected in the low cash balance on the Balance Sheet in the audit report which creates a low unrestricted days liquidity.

The school is happy to report that the Mesa building sold in August 2013, resulting in a cash payment of $33,489.17 and was immediately put into the savings account to begin building reserves to increase the school's operating cash. The majority of the loans from community members will be paid back by the end of FY2014, leaving one more loan to roll into FY2015 with eight payments remaining. Now that the debts have been reduced dramatically, the school is working on building a cash reserve.

Total Liabilities Per Audit Report	
FY2010	$ 177,611
FY2011	$ 167,419
FY2012	$ 111,149
FY2013	$ 61,065
FY2014	$ 16,579 (at 2.28.14 internal)

Fixed Charge Ratio

The Shelby School came very close to meeting the standard fixed charge coverage ratio with a .95. Although, this number does not meet the standard, the school is working towards building cash reserves for an operational contingency plan and reducing the debt owed to others. The Shelby School community is a close community and can request loans from members of that community if a need arises as displayed in the FY2011 school year. The School is currently reducing unnecessary expenses and reviewing revenue opportunities

such as grants and contributions by donors and recruitment of new students.

Cash Flow – 3 Year Cumulative

In FY2013, the school had a negative net change in cash totaling $14,241. Due to the reduction in expenses in FY2011 and FY2012, the school needed to purchase some updated items which included a copier machine for instruction ($7,222), increase in supplies for the classroom ($10,385) and added 3 teachers' salaries and increased salaries for those teachers that had worked the prior years at a reduced salary ($93,053). Partial payments of back rent ($3,800 of the $8,000 owed) was also paid to catch up as well as a focused effort to pay debt down on borrowed loans from community members.

As mentioned in the unrestricted days liquidity section, with the sale of the Mesa building, the school has moved that money into a saving account to begin building a reserve to have operating cash on hand in case of an emergency. Unfortunately, the school will take a $52,036 loss on the sale of the building as it was purchased in June 2004 for $137,909 and sold August 2013 $67,500 and only depreciated for nine years.

In the prior years that were measured (FY2011 and FY2012), there was a positive cash flow balance and the school intends to get back to that trend in the near future.