Financial Performance Response Evaluation Instrument

Charter Holder Name: The Shelby School
Charter Holder Entity ID: 79131
Date Submitted: March 11, 2014

Required for: Renewal
Audit Year: 2013
Evaluation Completed: March 28, 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	
1b. Unrestricted Days Liquidity		X		The financial performance response includes historical information related to the charter holder's average daily membership (ADM) and state equalization assistance. The response mentions the closure of the Mesa campus due to low enrollment "caused by policy changes in immigration and economic downturns" and the resulting drop in ADM from 69.015 in fiscal year 2010 to 27.875 in fiscal year 2011. These statements are supported by reports accessed through the Arizona Department of Education's website and the charter contract. The financial performance response indicates community members provided loans after the decline in ADM. According to the response, the majority of the loans from the community will be paid back by the end of fiscal year 2014, leaving one loan to roll into fiscal year 2015. The response also mentions that the charter holder reduced expenses from fiscal year 2011 to fiscal year 2012 by $43,121 before depreciation. These statements are supported by the charter holder's audits. The financial performance response indicates in fiscal year 2013, the ADM increased to 43.821, giving the charter holder more funding to operate. With the increase in funding, the response indicates the charter holder focused on paying off loans and reducing payables. The response indicates in fiscal year 2013, the charter holder reduced its liabilities by $50,084, paid the June 2013 payroll on June 30, 2013 instead of rolling it to July 2013 and booking the liability to accrued payroll and prepaid certain expenses. According to the

Measure	Acceptable	Not Acceptable	Not Applicable	Comments
				response, these payments are reflected in the low cash balance and resulting low unrestricted days liquidity. While no support was provided for certain details included in the response, the charter holder's audits generally support the statements made. However, the reduction in liabilities is actually $48,084 based on the audits and not $50,084. The response also indicates the charter holder applied for the Rural and Low Income grant in fiscal year 2013 and was awarded these funds to help increase academic instruction and support academic achievement. Neither the charter holder's response nor the charter holder's audit include support for this statement. Further, the response indicates the charter holder's fiscal year 2014 total liabilities as of February 28, 2014 are $16,579, but does not provide support. The financial performance response indicates the charter holder put the Mesa building up for sale. According to the response, "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." While the sale of the building is supported by the fiscal year 2013 audit, no support was provided for the cash payment or the charter holder's current cash balance.
1c. Default			X	
2a. Net Income			X	
2b. Cash Flow		X		The financial performance response states, "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)." While no support was provided for the details included in the response, the charter holder's audits generally support purchases being made and increases in salaries and supplies.

Measure	Acceptable	Not Acceptable	Not Applicable	Comments
				The financial performance response mentions the cash payment received from the sale of the Mesa building and the deposit of those monies into a savings account (see "Unrestricted Days Liquidity"). The response also indicates the charter holder will take a $52,036 loss on the sale of the building. The charter holder's response does not include support for this statement.
2c. Fixed Charge Coverage Ratio		**X**		The financial performance response states, "…the school is working towards building cash reserves for an operational contingency plan and reducing the debt owed others." (See "Unrestricted Days Liquidity".) The financial performance response indicates the school community is a close community and that if a need arises, loans can be requested as displayed in fiscal year 2011. The charter holder's response does not include any support for the ability to secure loans in the future, if necessary. The response also states, "The School is currently reducing unnecessary expenses and reviewing revenue opportunities such as grants and contributions by donors and recruitment of new students." The charter holder's response does not include any support for this statement.