NARRATIVE REGARDING FINANCIAL STABILITY
Employ-Ability Unlimited, Inc., dba Copper Canyon Academy

The reason this narrative is required is because "at least one of the two previous audits identified that the charter holder ended the year with negative net assets (non-profit)". In this case, the SY2011 audit noted a net assets amount of -$24,975.

Reasons for the negative net assets in SY 2011

The LEA has always operated with a positive margin prior to SY 2011. There were several financial changes that occurred in SY 2011 that impacted the LEA's ability to operate "in the black", as follows:

- ADM decreased from 274 in SY 2011 to 237 in SY 2012, resulting in a net decrease of 17.5% in state equalization revenue. There was a corresponding decrease in expenses of 5.7%, however this was not enough to offset the large revenue decrease.
- There was $90,000 in management fees erroneously booked as part of the audit in SY 2010, however these fees were waived by the management company and are no longer a liability. If these fees had not been booked, the LEA would have shown positive net assets of $65,025 in SY 2011.
- The LEA has been making a concerted effort to spend Classroom Site Fund monies carried over from previous years. In SY 2011, $8136 of CSF funds were expended over an above what was received that year.

Current financial situation

As of March 2012, the LEA is operating at slightly higher than a break-even rate. The primary factor impacting this is that the 100th day ADM is 242, which while higher than SY 2011, is still below the goal of 260. Expenses have been brought in line with revenues (see below), and the $90,000 management fee that has been waived by the management company will be reversed this year, resulting in a projected end of year net assets of $65,025.

Steps Already Taken to Improve Financial Situation

Beginning in SY 2012, the LEA implemented the following strategies to improve its financial situation:

- reduced the number of guidance counselors by 1.0 FTE, resulting in an annual savings of $36,600
- re-organized the administrative support functions of the schools, resulting in an annual savings of $2600
- hired new teachers that fell lower on the pay scale, and reduced the accrued time off rate for all newly hired staff
- partnered with a local junior college to change how some electives classes are provided to high school students, resulting in an annual decrease in expenses of $9588
- made a concerted effort to collect miscellaneous fees owed by parents, and increased the fees for student transportation and extracurricular activities. This resulted in a projected increase in annual revenue of approximately $4500
- secured a lease contract with a church, increasing annual revenue by $8280
- developed and implemented a marketing plan to increase enrollment. As noted in the slight increase in enrollment from SY 2011, this was only marginally successful & is currently being revised for SY 2013.

Evidence supporting that the steps described have been taken by the charter holder

Please see the projected budget for SY 2012 on the budget worksheet. These numbers are based on SY 2012 actual amounts through March 2012, prorated through June 2012.