Financial Performance Response Evaluation Instrument

Charter Holder Name: American Basic Schools LLC
Charter Holder Entity ID: 79215
Date Submitted: March 2, 2014

Required for: Renewal
Audit Year: 2013
Evaluation Completed: March 12, 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	
1c. Default			X	
2a. Net Income		X		The financial performance response indicates while the charter holder did not have a positive net income in fiscal year 2013, the three-year average is $75,503 net profit per year. This statement is supported by the charter holder's audits. The response indicates the fiscal year 2013 net loss can be explained by "some unusual non-recurring costs", including renovation of the restroom facilities that improved handicap accessibility and decreased maintenance costs, higher than normal bus maintenance expenses, and high costs to prepare for PARCC by improving the student/computer ratio. The charter holder's response did not include any support for this statement. The charter holder's audits did not include sufficient detail to support this statement. The response also states, "Summer months are used to perform maintenance and obtain materials for the coming year and perform staff training so profitability can fluctuate when there are unexpected or non-recurring expenses during those months. Although accounting attempts to not distort the presentation for any given year, the

Measure	Acceptable	Not Acceptable	Not Applicable	Comments
				actual year of the expenditure may cause a distortion of profit." The financial performance response states, "The first six months of the 2013/2014 school year is showing a net profit of $206,656.00. This was created by an increase in funding and decreasing expenses to meet the requirements in the future." The charter holder's response did not include any support for these statements. Arizona Department of Education (ADE) reports show the charter holder experienced an increase in state equalization assistance and state Structured English Immersion funding from fiscal year 2013 to fiscal year 2014.
2b. Cash Flow		X		The financial performance response indicates the charter holder has historically generated positive cash flow each year until 2013. This statement is supported by the charter holder's audits. The response also indicates the negative cash flow in fiscal year 2013 resulted from a member of the charter holder withdrawing $338,627 and converting it to a short-term note payable to be reimbursed from a construction loan. This statement is supported by the charter holder's fiscal year 2013 audit, which indicates the loan will be repaid in fiscal year 2016. The financial performance response states, "The current half year ending on December 31 2013 is showing positive cash increase of $85,760.00 after reduction of receivables and current debt of $173,160. … The school has seen an increase in Federal and State funding and has been able to reduce expenses so that a positive cash flow is expected in the next fiscal year." The charter holder's response did not include any support for these statements. ADE reports show the charter holder experienced an increase in state equalization assistance and state Structured English Immersion funding from fiscal year 2013 to fiscal year 2014. The financial performance response indicates the charter holder has sufficient cash to service its obligations for the foreseeable future. Based on the fiscal year 2013 audit, the charter holder has 41 days of unrestricted liquidity.
2c. Fixed Charge Coverage Ratio			X	