Patagonia Montessori Elementary School Financial Performance Response

Financial Performance

Patagonia Montessori Elementary School

Near-Term Measures	Fiscal Year 2014		Fiscal Year 2015	
Going Concern	No	Meets	No	Meets
Unrestricted Days Liquidity	52.80	Meets	53.95	Meets
Default	No	Meets	No	Meets

Sustainability Measures (Negative numbers indicated by parentheses)						
Net Income	($63,872)	Does Not Meet		($6,334)	Does Not Meet	
Fixed Charge Coverage Ratio	–			–		
Cash Flow (3-Year Cumulative)	$2,729	Does Not Meet		($36,972)	Does Not Meet	
Cash Flow Detail by Fiscal Year	FY 2014	FY 2013	FY 2012	FY 2015	FY 2014	FY 2013
	($24,983)	($14,553)	$42,265	$2,564	($24,983)	($14,553)

Does Not Meet Board's Financial Performance Expectations

Net Income: The school made cuts to expenses in fiscal year 2015 and this had a very positive effect on the net income of the school compared to the last two years. There was a net increase of over $57,500 in fiscal year 2015 compared to fiscal year 2014.The school is committed to improving and is following the same plan as last year to increase net income for fiscal year 2016.

Cash Flow (3-Year Cumulative): The cash flow for the fiscal year 2015 (3-Year Cumulative) showed a decrease from the 2014 evaluation. In fiscal year 2012 the $42,000 balance helped to offset the negative balance in 2013 and 2014. The cash flow balance for just 2015 was positive and this was due to the cuts in expenses that were made. This plan is being followed again this year to bring the cash flow for 2016 into a positive balance.

Patagonia Montessori Replication Application
Financial Performance Additional Information

- The charter holder asserts, but does not support "The school made cuts to expenses in fiscal year 2015 and this had a very positive effect on the net income of the school compared to the last two years. There was a net increase of over $57,500 in fiscal year 2015 compared to fiscal year 2014." While net income improved in 2015 as compared to the last two years, the audit shows the charter holder's total expenses increased in 2015 which has had a negative effect on net income in the audited fiscal year. If the charter holder is indicating the school made cuts to expenses in 2015, but not enough to result in an excess of revenues over expenses, the response does not provide support. The audit shows a significant increase in revenue in 2015 which suggests that ADM and the resulting revenue had the most positive effect on net income. Had the charter holder provided additional explanation for its performance on this measure, along with supporting documentation, this would have been considered in Board staff's evaluation.

The charter saw in increase in ADM in fiscal year 14-15. This lead to increased expenses in salaries, benefits and areas that directly support the education of the students. According to the audit there were decreases in the areas of purchase property services and other expenses and losses. This amounted to a decrease of $22,500 from fiscal year 13-14. There is also the entry of depreciation of $15,471 that attributes to the $6,334 net income deficit in the 14-15 audit. This does show in increase in fiscal performance from 13-14 to 14-15. A copy of the page from the audit has been submitted to support this.

- The charter holder states, but does not support "The school is committed to improving and is following the same plan as last year to increase net income for fiscal year 2016." If the charter holder is indicating the plan going forward is to continue to make cuts to expenses that will result in an increase in net income for fiscal year 2016, the response does not provide support for or address the feasibility of this plan. Furthermore, since the Arizona Department of Education reports show that the 40th day ADM and the resulting revenue are on track to each decrease by approximately 23% in 2016, it does not appear that increasing net income using existing revenue sources may be attainable in 2016. Had the charter holder provided a description of the plan and clarification as to how it is being implemented along with internal management reports or projected financial statements showing the plan's impact on net income in the current or subsequent fiscal years, this would have been considered in Board staff's evaluation.

The charter has seen a decrease in ADM for the 40th day in fiscal year 15-16 from the 100th day ADM in fiscal year 14-15. This is primarily due to families in Nogales relocating and not attending the school this year. Cuts have been made to salaries and benefits accordingly to account for the decrease in ADM. The charter is committed to continuing to improve the financial position of the charter. We are attaching a profit and loss and balance sheet as of October 31, 2015 to show that the charter is on track for a continued positive financial position. The cuts in areas that were made in the prior fiscal year are being continued as much as allowed in fiscal year 15-16.

- The charter holder asserts, but does not support “The cash flow balance for just 2015 was positive and this was due to the cuts in expenses that were made. This plan is being followed again this year to bring the cash flow for 2016 into a positive balance.” While cash flow was positive in 2015, the audit shows that expenses increased that year. In addition, the plan and support for its feasibility were not provided with the response (see net income). If expenses had decreased in the audited fiscal year, which the audit does not support, it would still not be possible to determine that cash flow would necessarily increase as a result. Had the charter holder provided a description of the plan and clarification as to how it is being implemented along with internal management reports or projected financial statements showing the plan’s impact on cash flow in the current or subsequent fiscal years, this would have been considered in Board staff’s evaluation.

The profit and loss and balance sheet that is attached as support shows a positive balance on the profit and loss and a cash balance of nearly $23,000 as of the end of October, 2015. The cuts that were made in the areas described previously in the prior fiscal year are being continued as much as allowable in the current fiscal year. Staff and benefits have been reduced to reflect the lower ADM this fiscal year. The financial statements as of the end of October, 2015 show us to be on track for a continued improvement in our financial performance. There was a group that presented to the governing board in the month of November that is wanting to lease some ground for gardening. This will bring some additional revenue to the school with no additional expenses going out. The board will make in decision in December on the contract and this will be implemented in January, 2016.

PATAGONIA MONTESSORI ELEMENTARY SCHOOL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
UNRESTRICTED NET ASSETS		
Unrestricted Revenues and Gains:		
Revenue from local sources	$ 8,168	$ 13,330
Revenue from state sources	226,975	147,795
Revenue from federal sources	19,386	22,290
Total Unrestricted Revenues and Gains	254,529	183,415
Net Assets Released from Restrictions:		
Satisfaction of program restrictions	46	304
Total Net Assets Released from Restriction	46	304
Total Unrestricted Revenues, Gains, and Other Support	254,575	183,719
Expenses and Losses:		
Personal services - salaries	144,991	124,958
Personal services - benefits	30,283	24,223
Purchased professional and technical services	38,825	28,923
Purchased property services	1,129	6,295
Other purchased services	13,627	11,023
Supplies	14,015	13,012
Depreciation and amortization	15,471	20,526
Other expenses and losses	4,122	21,477
Total Expenses and Losses	262,463	250,437
CHANGES IN UNRESTRICTED NET ASSETS	(7,888)	(66,718)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions:		
Extracurricular activities fees tax credit	1,600	3,150
Net assets released from restrictions	(46)	(304)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	1,554	2,846
CHANGES IN NET ASSETS	(6,334)	(63,872)
NET ASSETS AT BEGINNING OF YEAR	1,682,527	1,746,399
NET ASSETS AT END OF YEAR	$ 1,676,193	$ 1,682,527

See accompanying notes to financial statements.

Patagonia Montessori Elementary School
Profit & Loss
July through October 2015

	Jul - Oct 15
Income	
1000 Revenue from local sources	
1900 Miscellaneous Revenue	3,919.09
9999 Suspense	4,087.17
Total 1000 Revenue from local sources	8,006.26
3000 Revenue from State Sources	
3110 State Equalization	56,200.55
3200 Prop 301 20% Base	583.27
3200 Prop 301 40% Menu	1,166.56
3200 Prop 301 40% Performance	1,166.56
Total 3000 Revenue from State Sources	59,116.94
4000 Rev from Federal Sources	
4100 REAP Grant	2,658.28
Total 4000 Rev from Federal Sources	2,658.28
Total Income	69,781.48
Expense	
1000 Instruction	
6120 Teachers	26,166.64
6210 Health Insurance	1,302.90
6221 Social Security	2,105.42
6222 Medicare	492.40
6230 Retirement	3,752.90
6231 LTD	39.67
6250 Unemployment Insurance	40.15
6251 Job Training Tax	5.21
6610 General Supplies	1,402.74
6810 Dues & Fees	120.00
Total 1000 Instruction	35,428.03
2100 Student Support Svcs	
6329 Misc Service Purchase	500.00
6341 Attendance System Services	2,100.00
6610 General Supplies	86.21
Total 2100 Student Support Svcs	2,686.21
2400 School Admin Support Svcs	
6531 Telephone Service	520.41
6533 Postage/Shipping	15.81
6540 Advertising	199.90
Total 2400 School Admin Support Svcs	736.12
2500 Business Support Svcs	
6102 Financial Manager	7,291.69
6330 Audit Services	4,450.00
6342 Financial Consulting	1,800.00
6610 General Supplies	311.09
6810 Dues & Fees	312.15
Total 2500 Business Support Svcs	14,164.93
2600 Oper and Maint Plant Svc	
6421 Disposal Services	221.40
6520 Prop/Liability Insurance	8,430.00

Patagonia Montessori Elementary School
Profit & Loss
July through October 2015

	Jul - Oct 15
6610 General Supplies	861.92
6622 Electricity	821.27
6810 Dues & Fees	226.52
Total 2600 Oper and Maint Plant Svc	10,561.11
2700 Transportation	
6151 Van Driver	500.00
6329 Transportation Purch. Serv	142.50
6610 Transportation Supplies	875.06
Total 2700 Transportation	1,517.56
Total Expense	65,093.96
Net Income	**4,687.52**

Patagonia Montessori Elementary School
Balance Sheet
As of October 31, 2015

	Oct 31, 15
ASSETS	
Current Assets	
Checking/Savings	
0000 Cash	22,895.31
Total Checking/Savings	22,895.31
Accounts Receivable	
0132 Account Receivable	14,000.00
Total Accounts Receivable	14,000.00
Other Current Assets	
Prepaid Expense	2,899.00
Total Other Current Assets	2,899.00
Total Current Assets	39,794.31
Fixed Assets	
0180 Fixed Assets	1,659,067.80
Total Fixed Assets	1,659,067.80
TOTAL ASSETS	**1,698,862.11**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
0240 Payroll Liabilities	0.00
Total Other Current Liabilities	0.00
Total Current Liabilities	0.00
Total Liabilities	0.00
Equity	
Unrestricted Net Assets	1,694,563.13
Net Income	4,687.52
Total Equity	1,699,250.65
TOTAL LIABILITIES & EQUITY	**1,699,250.65**