STEPPING STONES ACADEMY

A PATHWAY TO SUCCESS

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CHARTER RENEWAL – FINANCIAL PERFORMANCE FRAMEWORK

Stepping Stones Academy fell below standards in three areas in the Financial Performance Framework. The school has taken deliberate and progressive action and made significant changes this year to improve in each of these areas.

1. **Total Liabilities to Equity Ratio** – Actions include:
   a. Stepping Stones Academy is in the process of refinancing its bonds at a lower interest rate with final payment occurring on the same date as the original bonds. This is beneficial because monthly payments are reduced, saving the school money and making more funds available for cash flow and repaying debts.
   b. In spring, 2012, Stepping Stones Academy obtained an $80,000 short-term loan, which was included in FY2012 liabilities. This loan was fully repaid in January, 2013; thus, the school's liability has been reduced.
   c. Stepping Stones Academy has repaid 75% of its loans, including interest, to related parties with a June 30, 2013 scheduled date of 100% of loans and interest repaid to related parties.
   d. Stepping Stones Academy eliminated one administrative position leading to reduction in administrative costs, including salary and benefits
   e. Stepping Stones Academy increased its student enrollment and attendance; thus, increasing its equalization payments.

2. **Net Income** –Actions include:
   a. Stepping Stones Academy increased its enrollment from 154 (FY2012) to its maximum enrollment number of 205 students. The school then increased its enrollment capacity from 205 to 225 students, so it is able to continue increasing its enrollment and revenue. This increase in enrollment has increased the school's equalization payments and revenue.
   b. Stepping Stones Academy increased the number of students on its waiting lists from 7 (FY2012) to 54 students.
   c. Open Enrollment shows 97% of current students returning for next school year with a waiting list of 54 students.
   d. Stepping Stones Academy eliminated one chief administrative position for FY2013 and did not replace this position; thus, reducing administrative costs including payroll and health care expenses.
   e. Stepping Stones Academy lowered its interest expenses by refinancing its bonds and repaying loans with interest to related parties.
   f. As a result of the aforementioned actions, Stepping Stones Academy increased its cash flow reserve in its bank account.

3. **Fixed Charge Coverage Ratio** - Actions taken by the school are explained in the previous two measures. By improving in the above-mentioned measures Stepping Stones Academy's cash flow will increase providing funds for fixed future charges, its income will improve and result in a "Meets," and the school's fixed charges will decline resulting in a "Meets."