Financial Performance Response Evaluation Instrument

Charter Holder Name: Tucson Preparatory School
Charter Holder Entity ID: 6374

Required for: Academic Intervention Schedule
Audit Year: 2014

Arizona State Board for Charter Schools (Board) staff completed the Financial Performance Response Evaluation Instrument for 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	Reason(s) for "Not Acceptable" Rating
1a. Going Concern Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
1b. Unrestricted Days Liquidity Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
1c. Default Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	
2a. Net Income Acceptable ☐ Not Acceptable ☐ Not Applicable ☒	

Measure	Reason(s) for "Not Acceptable" Rating
2b. Cash Flow Acceptable ☐ Not Acceptable ☒ Not Applicable ☐	The charter holder projects cash flow of $100,939 and that it will meet the Board's target for this measure. While the cash flow analysis submitted by the charter holder provides a reasonable estimate of cash at June 30, 2015 (assuming all of the receivables are realized, the $725,030 of expenses were paid in cash, and the loan refinancing and net income identified in the fixed charge coverage ratio section are realized), it does not provide an estimate of cash flow. Using $100,939 as total cash for 2015, the charter holder will have negative cash flow of $31,657 for 2015 and a negative three-year cumulative cash flow.
2c. Fixed Charge Coverage Ratio Acceptable ☐ Not Acceptable ☒ Not Applicable ☐	The charter holder projects a change of net assets of $23,148 and interest expense of $36,512 at June 30, 2015, but does not provide support for those figures. The charter holder states "Projected increase in revenues: $1,420,078 will adequately cover the revised projected expenses of $1,348,254 – Net Assets: $23,148." Support was not provided for the revenues or expenses. In addition, to project performance on this measure after refinancing with the bank loan, the charter holder uses a change of net assets of $45,730. This figure is the same as the 2014 change in net assets. Since the charter holder's change in net assets varies from year to year, it is not supported that the current or subsequent year will be the same as the audited fiscal year. Had the charter holder provided internal management reports or interim financial statements ending June 30, 2015, these would have been considered in Board staff's evaluation. The charter holder states that it has sufficient cash "to augment cash flow to fund fixed charges for the foreseeable future. (Even without refinancing the mortgage loan)." The charter holder projects the amount of cash at the end of fiscal year 2015 at approximately $41,000 without refinancing the mortgage loan. However, fixed charges for the first half of 2015 include over $73,000 for facilities, equipment leases, and interest, not including principal payments on the charter holder's loans. The response includes a printout of the charter holder's annual budget. Please note that the adopted 2015 annual budget provided with the response shows incorrect total revenues and expenses figures for fiscal year 2014.