Financial Performance Response Evaluation Instrument

Charter Holder Name: West Gilbert Charter Elementary School, Inc. Required for: Renewal
Charter Holder Entity ID: 79497 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 ☐	The response does not explain the reason for not meeting the Board's target on this measure in the audited fiscal year as required by Appendix C of the Board's financial framework. The response affirms the operating company's financial support for the charter holder, which is supported by an operating company letter. The audit shows the charter holder had a Classroom Site Fund (CSF) cash carryover balance of $206,162 as of June 30, 2014. Calculations made using the response's 2015 Statement of Operations indicate the charter holder will reduce, but not eliminate, its CSF cash carryover balance from 2014. The June 2015 Monthly Cash Management Report does not identify as restricted cash the approximately $185,000 CSF cash carryover balance. The omission does not affect the charter holder's assertion that it will meet this measure's target in 2015.
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 ☒	
2c. Fixed Charge Coverage Ratio Acceptable ☐ Not Acceptable ☒ Not Applicable ☐	The response states, but does not support "we foresee continued improvements." Based on the audit and the documentation provided by the charter holder, the Board staff calculated a 2015 fixed charge coverage ratio of 0.55, which represents a decline from the charter holder's 2014 performance on this measure. The response states, but does not support, that "The campus has developed an extensive marketing plan to support and meet the enrollment target of 462 students…We are confident that our marketing approach, combined with the increased rigor and engagement of additional academic programs will yield results for new enrollments confirmed for next year and continuing into the following years." Based on the response, the charter holder reports approximately 335 students are currently enrolled in the school. For 2016, the charter holder is targeting 462 students (or 420 students after adjusting for the built-in over enrollment identified in the response) and provides support for 329 students having already enrolled. According to Arizona Department of Education reports, the charter holder's average daily membership (ADM) has declined by approximately 45 from 2013 to 2014 and by approximately 37 from 2014 to 2015 (as of April 13, 2015). With the recent declines in the charter holder's ADM, the basis for the increased student enrollment in 2016 is unclear. Had the charter holder provided further explanation and support, this would have been considered in Board staff's evaluation. According to the response, "The school is making strides to increase enrollment for fiscal year 2015-16 including the addition of a STEM focused curriculum with a project-based approach to instructional design." Should the charter holder decide to proceed with this change to its curriculum, the charter contract requires the charter holder to submit a Program of Instruction Amendment Request and for this request to be approved by the Board prior to implementation.