CARDEN OF TUCSON

5260 N. Royal Palm Drive, Tucson, AZ 85705
(520) 293-6661

Introduction:

Carden of Tucson did not meet the standard in two areas of the financial framework in its charter renewal application. However, mitigating circumstances led to ending the fiscal year last audited with negative net income. Additionally, the school has taken corrective measures in the current period, and we now project a surplus and positive net income in the current fiscal year.

Background:

Carden of Tucson, Inc. was a victim of financial fraud uncovered in 2011 (see attached newspaper article). The school's business manager was convicted of theft, incarcerated and ordered to pay the school restitution of $150,280. As of this writing, less than 1% of the restitution has been paid.

Issue 1:

While the amount of restitution was based on documented losses, the school continued to incur legal and accounting fees of more than $20,000 during the 2012 fiscal year as a result of the criminal incident.

Corrective Measure:

The school is no longer incurring substantial legal fees as a result of the crime. Additionally, the outside accountant has trained a school staff member to process payroll and vendor payments under their supervision, substantially reducing accounting costs.

Issue 2:

Even after reducing these fees, school finances were still running at a minor deficit.

Corrective Measure:

In November, 2012, Carden formed a school finance committee consisting of the school's principal, a senior instructor and a parent/school board member with significant business finance experience. Over two months, the committee conducted a thorough review of the school's income and expenses, assessed its needs in properly carrying out its mission and reported its findings to the Carden Board of Trustees. As a result, the school reduced two staff positions from full- to part-time and cut overhead spending substantially.

The attached financial statement by month ("Carden of Tucson, Profit & Loss, July 2012 through February 2013") demonstrates a substantial turnaround in the school's financial position after these measures were enacted in October 2012. The trend is stark and dramatic when examined by month: The school operated at significant deficits during each of the four months before the changes; the school has

seen significant surpluses in each month since. In November, 2012, Carden hosted a mandatory parent meeting to share information about the school's finances with students' families. This has led to more parents volunteering to provide services for which the school previously paid vendors.

It also stoked a boost in parental financial support of the school. School supply and tax credit donations (see Line 1000 Revenue from local sources on attached report) increased 100% in the four months following the meeting compared to the four months preceding it ($13,624 in local support revenue in July '12 – October '12 versus $27,225 in November '12 – February '12.)

Conclusion:

The school is more financially stable than it has been over the last two years of turmoil caused by a serious crime. The included Profit and Loss statement is presented in cash format. The year-to-date deficit of $75,000 is solely caused by receiving only ***seven*** state equalization payments during ***eight*** months of operations. Receiving both the 11th and 12th month payments in June 2013 will erase the current fiscal year deficit and result in the school ending its fiscal year with positive net income.

Sincerely,

Bette F. Jeppson

Bette F. Jeppson
Charter Holder/Principal
3/26/13

9:18 AM

03/25/13

Accrual Basis

Carden of Tucson
Profit & Loss
July 2012 through February 2013

	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	TOTAL
Ordinary Income/Expense									
Income									
1000 Revenue from local sources	3,043.78	1,824.90	5,144.00	3,610.97	4,756.58	6,188.67	14,572.47	1,707.23	40,848.60
3000 Revenue from State Sources	5,124.06	63,808.06	64,985.29	64,468.41	71,989.24	66,483.67	69,006.57	63,218.80	469,084.10
4000 Rev from Federal Sources	0.00	0.00	2,500.00	1,000.00	2,000.00	0.00	4,500.00	0.00	10,000.00
Total Income	8,167.84	65,632.96	72,629.29	69,079.38	78,745.82	72,672.34	88,079.04	64,926.03	519,932.70
Gross Profit	8,167.84	65,632.96	72,629.29	69,079.38	78,745.82	72,672.34	88,079.04	64,926.03	519,932.70
Expense									
1000 Instruction	55,201.74	59,989.30	40,979.07	48,281.04	33,421.59	38,998.06	43,734.97	34,218.72	354,824.49
2100 Student Support Svcs	5,575.99	9,686.98	10,164.05	7,150.22	4,816.32	3,222.56	6,176.12	2,072.79	48,865.03
2200 Instructional Support Svcs	6,452.44	9,666.31	6,460.46	6,535.12	6,440.18	6,453.74	5,329.67	4,185.93	51,523.85
2300 General Admin Support Svcs	3,477.64	4,096.15	2,820.51	3,745.95	2,471.31	2,454.86	3,768.13	2,041.18	24,875.73
2400 School Admin Support Svcs	2,085.13	2,508.64	2,448.62	2,163.01	2,482.90	2,156.57	1,675.34	1,553.68	17,073.89
2500 Business Support Svcs	5,231.60	3,346.90	3,430.27	2,925.00	7,808.00	2,338.21	5,216.82	2,237.54	32,534.34
2600 Oper and Maint Plant Svc	7,127.29	11,317.12	7,235.36	16,011.45	5,119.80	7,970.81	5,964.51	4,062.61	64,808.95
3100 Food Service Program	67.47	-39.20	329.78	201.05	0.00	0.00	0.00	0.00	559.10
Suspense	517.00	0.00	0.00	0.00	0.00	0.00	0.00	1,101.00	1,618.00
Expenses	0.00	0.00	0.00	0.00	0.00	64.00	-64.00	0.00	0.00
Total Expense	85,736.30	100,572.20	73,868.12	87,012.84	62,560.10	63,658.81	71,801.56	51,473.45	596,683.38
Net Ordinary Income	-77,568.46	-34,939.24	-1,238.83	-17,933.46	16,185.72	9,013.53	16,277.48	13,452.58	-76,750.68
Other Income/Expense									
Other Income									
Dividend Income	9.20	0.00	0.00	0.00	0.01	0.00	11.39	0.00	20.60
K.Gall Fraud Reimbursement	30.00	125.00	0.00	90.00	150.00	861.00	125.00	25.00	1,406.00
Total Other Income	39.20	125.00	0.00	90.00	150.01	861.00	136.39	25.00	1,426.60
Net Other Income	39.20	125.00	0.00	90.00	150.01	861.00	136.39	25.00	1,426.60
Net Income	**-77,529.26**	**-34,814.24**	**-1,238.83**	**-17,843.46**	**16,335.73**	**9,874.53**	**16,413.87**	**13,477.58**	**-75,324.08**