East Valley Educational Services, LLP

The Arizona State Charter School Board staff has evaluated the financial performance of East Valley Educational Services, LLP using the current Financial Performance Framework and has found them "falling below" or "does not meet" in one or more areas. Following is our response to these financial measures.

Since inception fourteen years ago, and by design, the two partners of East Valley Educational Services, LLP have intentionally kept capitalization of the Limited Liability Partnership at a minimum. One of the numerous advantages of a Limited Liability Partnership is the ease of adding or withdrawing capitalization as necessary. The partners seem to have struck a perfect balance as to the level of capitalization of the school in that over fourteen years of ever fluctuating enrollments they have never been delinquent in their financial responsibilities. Should a time come when additional capitalization is needed the members have substantial personal resources at their disposal to infuse into the school.

GOING CONCERN – *(falls far below)*

East Valley Academy is a small charter school with an average of 19 students over the past three enrollment years. The school has experienced limited enrollment since its inception and has been able to sustain its operations and provide quality education for over fourteen years due to low expense overhead. As a result, should enrollment decrease and funding decrease, the school has the ability to control costs to sustain the entity. The school currently has no outstanding debt and has had none since inception. The partners have never had to subsidize the schools operations with personal funds. The school has increased advertising efforts and a website has been created. Inquiries have increased and it is expected that enrollment will increase as well as a result of these efforts.

UNRESTRICTED DAYS CASH –*(falls far below)*

There is currently a line of credit in place in the amount of $20,000 through Desert Schools Federal Credit Union and this line could be increased if necessary. The partners have substantial personal assets and there is equity in the facility that could be accessed. The members have an excellent credit record. A savings account is maintained as well as a separate account under East Valley Academy. For consideration purposes, a monthly expense budget is attached. The line of credit would cover the operating expenses for two months if equalization were delayed. Given the fact that both instructors are the owners of the school, expenses could be adjusted without any change in the quality of education currently being offered to the students.

The school's current facility is owned personally by the partners of East Valley Educational Services, LLC. This building has doubled in value since its purchase in 2002. In the unlikely event the school should require funds in excess of monthly equalization payment; equity could be accessed from the real estate and infused into the school.

CASH FLOW – *(does not meet)*

East Valley Educational Services, LLC cash flows from operations for the fiscal years ended June 30, 2010, 2011 and 2012 in the aggregate were negative by the amount of ($871). In each of these years there were unusual and non-recurring expenditures. In 2010, one air conditioning unit was replaced in the amount of $6,200, in 2011 leasehold improvements and repairs were needed for the facilities in the amount of $3,900 and in 2012 the second air conditioning unit was replaced. Without these items cash flows would have been positive is each of the years as follows: 2010- $5,346, 2011- $7,029 and 2012- $3,054. These capital expenditures have replacement lives of 7 – 15 years. The aggregate cash flows from operations allowing for these items would have been $15,429, thus resulting in positive cash flows from operations.

SUMMATION

Though cash flow of the LLP does not meet the standard for the Arizona State Board for Charter Schools, this has been by design so as to maximize the partners' financial resources and minimize tax consequences. The partners have been successful in their financial and tax planning while at the same time meeting all the financial obligations of the school in a timely manner for the last fourteen years. The partners agree to meet the cash flow standards of the Arizona State Board for Charter Schools in future years.

East Valley Educational Services, LLC
Current monthly operating budget
Fiscal year ended 6/30/2013

Partner Draws (teachers)	$	4,268
Benefits		1,791
Liability Insurance		301
Bookkeeping Services		25
Audit fees		375
Rent		1,648
Utilities		450
Office expense		54
Grounds and maintenance		365
Total	$	9,277