Eastpointe High School

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CHARTER RENEWAL – FINANCIAL PERFORMANCE FRAMEWORK

Eastpointe High School did not meet the standards in three areas in the Board's Financial Performance Framework. The purpose of this document is to discuss the reasons why Eastpointe did not meet the framework and to explain the actions that have been put into place to improve in each of these areas.

Background – Eastpointe is an alternative high school serving at-risk students on the eastside of Tucson. It started with 17 students in a converted restaurant and has grown to over 200 students in school buildings that equal 9,500 square feet. The school has helped over 700 students to reach their goal of graduation, when most of these students never thought they would.

In recent years, the school has taken deliberate and progressive steps to increase the rigor of our academic program. This has led to increasing academic performance and the school meeting the Board's Academic Framework. The school has hired a new principal and developed exciting course offerings that will position it to do great things for our students going forward.

1. **Unrestricted Days Cash** – Eastpointe High School, Inc. is a for-profit corporation that is subject to paying corporate income taxes. The school has adopted a tax strategy of not carrying large amounts of cash at the end of the fiscal year that would be subject to these corporate taxes. The school has access to multiple sources of liquidity, including access to credit of more than $50,000. Eastpointe also has the ability to obtain a cash-out refinance of their properties. There is well over $500,000 of equity in the buildings, allowing Eastpointe significant access to cash without endangering Eastpointe's Total Liabilities to Equity Ratio.

2. **Cash Flow –** Although Eastpointe's cash flow has been negative the last three years, the amounts have been very small. Much like many other schools in the State, the last three years has been a challenging financial time for Eastpointe due to the cuts in State funding. Even through these challenges, Eastpointe's cash flow has only been down $2,609, $350 and $243 over the last three years. In an effort to make sure that this trend does not continue, expenses have been reduced, including the elimination of an administrative position and other staff reductions.

3. **Fixed Charge Coverage Ratio –** As with Cash Flow, Eastpointe's Fixed Charge Coverage Ratio of 1.085 was very close to meeting the Board's required ratio of 1.1. With the cost saving measures described above, we feel certain that the school's net income will increase the necessary amount to meet the 1.1 ratio requirement.