Pathways KM Charter Schools, Inc.
Rimrock Public High School
CTDS# 138702001
3705 Beaver Creek Road • PO Box 248
Rimrock, AZ 86335
928 567 9213

April 24, 2013

Elements of consideration concerning the Financial Performance Framework

Hello, My name is Kathleen McCabe and I am the President of the governing Board of Pathways KM Charter Schools, Inc. The only school we have right now is Rimrock Public High School. Rimrock is a rural community about 10 miles north of Camp Verde. I am the principal of RPHS and one of the teachers.

In the summer of 2005 I incorporated as a Not-for-Profit Entity and took over what was originally a For-Profit Charter. The original charter holder owed a debt to the state that was resolved by the sale of the school building that had been purchased with original charter start up revenue. When the building sold just one year after I took over the charter I was faced with finding a new location. I had about 35 students at the time that really needed a place to finish high school. So I moved the school from Camp Verde to Rimrock and changed the name to Rimrock Public High School.

I incorporated as a Non-profit entity so that the school could continue to acquire federal Title-one grants. During my first year I was faced with School Improvement. At one point during the school improvement process it was recommended that we be designated as an "alternative school". That designation would lower the academic accountability standard to within reach since a high percentage of our population has always been At-Risk students. I was not in favor of the "alternative" label and worked to gain credibility as a small high school of choice.

It was a very strenuous task to raise student achievement to a level that would meet state and federal standards of acceptable performance. We continued as a Title-one school for three years until the amount of revenue that we qualified for was not worth the time spent on accountability paperwork. During that time I wrote and acquired a 501©3 for the charter so that we would qualify for other grant revenue.

In the fall of 2006 I was able to lease some small classrooms from a very nice church in Rimrock. We opened the first year with 35 Rimrock Public High School students and on the 100th day of the year had 44. The Beaver Creek Baptist Church, who we were leasing space from, was very excited about the education program we were offering and determined to build an addition onto the existing building if we would continue to be the tenant. We agreed and by the time we moved into the beautiful new facility in late fall of 2007 we had 61 students.

I determined from the beginning that I would only hire Highly Qualified Certified teachers. In addition we maintained a student/teacher ratio of 20/1 and focused on a direct instruction model. For many parents this was a very pleasant alternative to the crowded classrooms of the local pubic high schools. I gave many students who had gotten into trouble at other schools a second chance. It turned out to be a 50/50 chance that they would graduate but it was worth sacrificing the graduation rate for the sake of the ones who took advantage of the opportunity and got a valid high school diploma.

In the spring of 2009 we had 21 seniors who received diplomas at graduation. We maintained a population of over 60 the following year and then each year since then the number declined. The reasons for the continued decline down to the present number of 42.5 are varied.
The following table reflects the actual number of students we were paid for each year.

Year	100th day	notes
06-07	41	Opened school
07-08	48	
08-09	59	New facility
09-10	55	
10-11	56	Low freshmen enrollment
11-12	46	No surge of new students between Nov & Jan from other schools
12-13	42.5	Low freshmen enrollment

Rimrock does not have a district high school. There is a K-8 district called Beaver Creek Elementary and students who graduate from there have a choice of two high schools that the Beaver Creek District provides transportation to; Camp Verde HS or Mingus Union HS. In the spring of 2009 I was made aware of the fact that faculty and administration of the Beaver Creek Elementary school were telling parents not to send their students to Rimrock Public HS. They told them it was a bad school, that their credits would not transfer, and that they would not be able to attend college if they did. This slander still continues. Our freshmen enrollment does not depend on Beaver Creek School alone.

Beaver Creek Elementary and Camp Verde HS sought ways to keep students in the district schools and the following changes occurred:
1. School policy changes that said if a student transferred from an unaccredited school then they would not honor the academic credits earned there.
2. Camp Verde Chartered an Alternative School that uses an on-line type of curriculum A++ and they are able to house 80 At-Risk students on computers with just 2 full time teachers.
3. Beaver Creek Elementary implemented an on-line high school curriculum through Mesa Unified Schools.

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The Camp Verde district alternative charter gave the regular district high school a place to put their At-Risk population so the academic accountability and the graduation rate of their regular high school and their revenue was protected. Our population went down and for the past two years has finished the 100th day in the 40's.

In an effort to stay in the political game I contacted North Central Accreditation and achieved accreditation in the Spring of 2010. We are not an "alternative" school and despite the odds have managed to help At-Risk students achieve success. Because our numbers are small we struggle with the ongoing expenses of operating a high school that meets the standards of AdvancEd.

For all of the responses in the Financial Performance Framework it is worth noting the following:
1. This year our lease agreement with Beaver Creek Baptist Church has been amended. It is now calculated on a specific amount based on the number of students enrolled instead of the flat fee that we started with in 2006. This is a significant reduction in our overhead.
2. In FY12 we experienced an unexpected drop in enrollment that exceeded the average annual loss of the three previous years. The school was forced to let two teachers go before beginning FY13.
3. The State of Arizona has continually decreased the amount of revenue per student paid.
4. We have very limited assets (most of the technology has fully depreciated) and the school is very liquid since we have yet to incur any long term debts.
I have reduced my personal teaching and administration salary to ensure that we maintain the current certified teachers for all four academic core content areas. The teachers are the most valuable asset to the school and they protect the integrity of our academic program.
5. Some members of the teaching staff will move to a part time basis for FY14.
6. All of the current staff has been teaching here for at least 5 years. All will be returning.

We feel confident based on the current parent and student surveys that our school will continue to attract a population of students who are looking for a small school with a small teacher/student ratio. Many of our survey comments pertain to the fact that the teachers really do care and that the students get the help they need to be academically successful.

Responses to the Financial Performance Framework

1b UNRESTRICTED DAYS CASH
The charter received a rating of Falls Far Below (fewer than 15 days cash)
Our score 14.1

The charter holder has access to other sources of cash through related parties. While it has not been necessary to access this cash to meet the expenses of the school there is approximately $25,000 available in the event of a shortfall.

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2b NET INCOME
The charter received a rating of Does Not Meet (net income is zero or negative)

This is due to the fact that there was, several years ago, a positive net income of over $30,000. This has been used up over the years. As of FY13 expenses have been significantly reduced since the excess is no longer available. The charter has experienced a significant decline in enrollment during the past three years that was not anticipated.

2c CASH FLOW
The charter received a rating of Does Not Meet (three year cumulative average is negative)

Over the past three years expenses have been steadily reduced and excess revenue from four years ago has been consumed. Significant changes in staff and lease amendments have helped to compensate for the decline in enrollment. Future expenditures have been adjusted to improve the cash flow situation in the coming fiscal year to a positive number.

2d FIXED CHARGE COVERAGE RATIO
The charter received a rating of Does Not Meet (fixed charge coverage is less than 1.0)
Our score .58

As of FY13 the fixed charges have been adjusted to compensate for the decline in enrollment.

Focused on Student Success,
Kathleen McCabe
Principal/Teacher & Charter Operator