
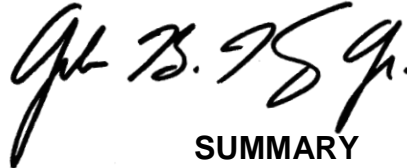




TO: P-12 Education Committee
FROM: Ken Slentz 
SUBJECT: Revisions to a Charter Authorized by the Board of Regents: Charter School for Applied Technologies (CSAT)
DATE: April 28, 2014

AUTHORIZATION(S):


SUMMARY

Issue for Decision

Should the Regents approve the proposed revisions to the charter for the Charter School for Applied Technologies (CSAT)?

Reason(s) for Consideration

Required by state statute.

Proposed Handling

This issue will be before the P-12 Education Committee for discussion and action, and before the Full Board for action at the April 2014 meeting of the Board of Regents.

Background Information

The Charter School for Applied Technologies requests to change the material terms of its charter:

1. to increase its maximum enrollment from 1675 students to 2365 students, and
2. to serve grades 6-8 in a building located within the Buffalo City School District, in close proximity to the Kenmore-Tonawanda School District, which is the district of location for the Charter School.

Charter School for Applied Technologies (CSAT)

| | |
|---|--|
| Name of Charter School | Charter School for Applied Technologies |
| Applicant | Robert Mikulec, BoT President |
| Management Company | N/A |
| Other Partner(s) | EST, LLC |
| District of Location | Kenmore-Tonawanda Union Free School District |
| Facility | |
| School Opened For Instruction | September 2003 |
| Current Charter Term | July 1, 2010 – June 30, 2015 |
| Current Grade Levels/ Approved Maximum Enrollment | Kindergarten-12, 1675 students |
| Proposed Revision | Increase maximum enrollment from 1675 to 2365 students (beginning with an additional 264 students in the 2014-15 school year); locating grades 6-8 in a building in the Buffalo City School District, in close proximity to the Kenmore Tonawanda School District |

The Board of Regents approved and chartered the Charter School for Applied Technologies (CSAT), located in the Kenmore-Tonawanda Union Free School District, in January 2001. CSAT opened in the fall of 2001 with 700 students in grades K through 6 and now serves 1675 students in grades K through 12. The Regents granted the School five year charter renewals in January 2006 and December 2010.

The School is now requesting an enrollment increase from 1675 students to 2365 students in grades K-12. The School has a large waitlist for available seats and would like to expand educational opportunities for more students in the area. If the enrollment increase is granted, CSAT would begin by enrolling an additional 264 students in the 2014-15 school year, which is the last year of the School's current charter term. If the Regents subsequently renew CSAT's charter, the School would continue to enroll additional students each year, reaching the new maximum enrollment of 2365 in the 2019-2020 school year.

Similar to the charter revision that the Regents approved for the Syracuse Academy of Science Charter School in February 2014, CSAT also requests a charter revision that would allow it to locate its middle school students (grades 6-8) in a building just beyond the Kenmore-Tonawanda School District in the city of Buffalo.

This revision would not alter the official district of location of the Charter School for Applied Technologies, which would remain the Kenmore-Tonawanda School District. Students who are residents of the Kenmore-Tonawanda School District would continue to receive the enrollment preference for available seats all of the grades offered by the School. However, 80% of the students who attend CSAT are students from the Buffalo City School District.

Charter School for Applied Technologies is a school “In Good Standing”, and has never been identified for improvement under the federal Elementary and Secondary Education Act (ESEA), also known as the No Child Left Behind (NCLB) Act.

From 2010-2013, the School outperformed the Buffalo City School District as the sending district on the aggregate 3-8 State English Language Arts and Mathematics Assessments. From 2010-2012, the School has outperformed or nearly outperformed Buffalo, Kenmore and the State in ELA 11 at the high school level and consistently outperformed the districts and the State averages in Integrated Algebra (see Tables 1 & 2 on Attachment 1).

The School has strong cash reserves and other assets and a current debt to asset ratio of 0.71 which meets the standard for low risk. Please see Attachment 2 for the Fiscal Dashboard.

In February 2014, the Office of the State Comptroller issued an audit report of the School. The purpose of the audit was to examine the School’s relationship with its affiliated entities and any related payments for the period July 1, 2010 through January 11, 2013.

Key Findings

- The Board approved transfers of School funds totaling \$425,000 to capitalize two wholly-owned private entities which the Board caused to be established for the purpose of enabling the School to engage in what are essentially commercial ventures. We question whether the Board had authority to approve the transfers. Even if the Board had authority to approve the transfers, we were not able to assess the level of risk involved with the School’s participation in these ventures because School officials refused to provide us access to either entity’s financial records.
- The School made payments for services to one of the entities without a written contractual obligation to do so.

In response to the first key finding (above), the school provided information about the decisions to authorize the two affiliate entities and how they were in the best interests of the School and its students. In response to the second key finding, the School indicated that it would assess whether any additional contractual agreements are advisable or necessary and would make any necessary adjustments.

In order to follow up on the findings in the Comptroller’s audit report, the Department’s Audit Services Office conducted an additional audit and has preliminarily concluded that the School is operating in good faith. A formal report will be issued to the School later in the month.

Recommendation

VOTED: That the Board of Regents finds that the proposed revised charter: (1) meets the requirements set out in Article 56 of the Education Law, and all other applicable laws, rules and regulations; (2) will operate in an educationally and fiscally sound manner; (3) is likely to improve student learning and achievement and materially further the purposes set out in subdivision two of section twenty-eight hundred fifty of Article 56 of the Education Law; and (4) will have a significant educational benefit to the students expected to attend the charter school, and the Board of Regents therefore approves the charter revision for the Charter School for Applied Technologies and amends the provisional charter accordingly.

Timetable for Implementation

The Regents actions for the Charter School for Applied Technologies will become effective immediately.

Attachment

Attachment 1

Table 1: Charter School for Applied Technologies 3-8 Proficiency Compared to Sending District, District of Location and State Averages

| | Charter School for Applied Technologies | | Buffalo CSD | | Kenmore SD | | New York State | | Buffalo CSD | Kenmore SD | State |
|----------------|---|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|--------------|--------------|--------------|
| | Tested Students | Average Proficiency | Tested Students | Average Proficiency | Tested Students | Average Proficiency | Tested Students | Average Proficiency | Variance +/- | Variance +/- | Variance +/- |
| 2010-11 | | | | | | | | | | | |
| Grade 3 ELA | 133 | 46.6% | 2,406 | 26.4% | 588 | 54.8% | 202,087 | 56.1% | 20.2 | -8.1 | -9.5 |
| Grade 3 Math | 133 | 48.9% | 2,472 | 27.7% | 579 | 59.6% | 204,348 | 59.7% | 21.2 | -10.7 | -10.8 |
| Grade 4 ELA | 134 | 42.5% | 2,417 | 28.2% | 558 | 58.6% | 215,270 | 57.4% | 14.3 | -16.1 | -14.9 |
| Grade 4 Math | 133 | 67.7% | 2,483 | 35.2% | 560 | 77.7% | 217,407 | 66.6% | 32.5 | -10.0 | 1.1 |
| Grade 5 ELA | 135 | 59.3% | 2,391 | 24.9% | 581 | 54.9% | 205,608 | 54.0% | 34.3 | 4.4 | 5.2 |
| Grade 5 Math | 135 | 65.9% | 2,445 | 31.1% | 583 | 74.4% | 208,081 | 66.3% | 34.8 | -8.5 | -0.3 |
| Grade 6 ELA | 134 | 51.5% | 2,394 | 35.3% | 612 | 61.3% | 213,676 | 56.4% | 16.2 | -9.8 | -5.0 |
| Grade 6 Math | 133 | 71.4% | 2,435 | 32.4% | 613 | 63.9% | 215,848 | 62.9% | 39.0 | 7.5 | 8.5 |
| Grade 7 ELA | 126 | 38.9% | 2,378 | 23.8% | 580 | 52.1% | 204,920 | 48.1% | 15.0 | -13.2 | -9.2 |
| Grade 7 Math | 125 | 58.4% | 2,417 | 32.2% | 582 | 74.2% | 207,099 | 64.6% | 26.2 | -15.8 | -6.2 |
| Grade 8 ELA | 127 | 54.3% | 2,306 | 23.2% | 587 | 51.8% | 219,392 | 48.3% | 31.2 | 2.5 | 6.1 |
| Grade 8 Math | 127 | 64.6% | 2,391 | 27.8% | 586 | 69.3% | 221,129 | 60.0% | 36.8 | -4.7 | 4.5 |
| Aggregate ELA | 789 | 48.9% | 14,292 | 27.0% | 3,506 | 55.6% | 1,260,953 | 53.4% | 21.9 | -6.7 | -4.5 |
| Aggregate Math | 786 | 62.8% | 14,643 | 31.1% | 3,503 | 69.9% | 1,273,912 | 63.3% | 31.7 | -7.1 | -0.5 |
| 2011-12 | | | | | | | | | | | |
| Grade 3 ELA | 135 | 36.3% | 2,360 | 27.3% | 578 | 59.0% | 204,434 | 55.6% | 9.0 | -22.7 | -19.3 |
| Grade 3 Math | 132 | 50.0% | 2,418 | 26.9% | 581 | 73.1% | 206,284 | 61.2% | 23.1 | -23.1 | -11.2 |
| Grade 4 ELA | 133 | 55.6% | 2,380 | 30.9% | 585 | 56.4% | 212,875 | 60.0% | 24.8 | -0.8 | -4.3 |
| Grade 4 Math | 133 | 85.0% | 2,424 | 37.1% | 583 | 70.2% | 214,713 | 69.3% | 47.8 | 14.8 | 15.7 |
| Grade 5 ELA | 134 | 47.8% | 2,423 | 26.6% | 578 | 55.5% | 202,521 | 57.6% | 21.1 | -7.8 | -9.9 |
| Grade 5 Math | 134 | 65.7% | 2,479 | 28.4% | 581 | 70.2% | 204,640 | 66.7% | 37.3 | -4.6 | -1.0 |
| Grade 6 ELA | 133 | 36.8% | 2,361 | 31.5% | 576 | 61.6% | 215,746 | 56.3% | 5.4 | -24.8 | -19.4 |
| Grade 6 Math | 133 | 65.4% | 2,411 | 33.9% | 576 | 65.8% | 217,966 | 64.9% | 31.5 | -0.4 | 0.5 |
| Grade 7 ELA | 129 | 45.0% | 2,424 | 26.4% | 623 | 54.6% | 203,916 | 52.5% | 18.6 | -9.6 | -7.6 |
| Grade 7 Math | 129 | 54.3% | 2,476 | 29.8% | 627 | 68.6% | 205,799 | 65.1% | 24.4 | -14.3 | -10.8 |
| Grade 8 ELA | 128 | 33.6% | 2,258 | 24.7% | 575 | 59.8% | 216,102 | 51.0% | 8.9 | -26.2 | -17.4 |
| Grade 8 Math | 128 | 48.4% | 2,311 | 23.6% | 576 | 70.7% | 217,628 | 61.3% | 24.9 | -22.2 | -12.9 |
| Aggregate ELA | 792 | 42.5% | 14,206 | 27.9% | 3,515 | 57.8% | 1,255,594 | 55.5% | 14.6 | -15.3 | -13.0 |
| Aggregate Math | 789 | 61.5% | 14,519 | 30.0% | 3,524 | 69.8% | 1,267,030 | 64.7% | 31.5 | -8.3 | -3.3 |
| 2012-13 | | | | | | | | | | | |
| Grade 3 ELA | 135 | 14.1% | 2,297 | 11.9% | 505 | 28.9% | 202,709 | 31.3% | 2.1 | -14.8 | -17.2 |
| Grade 3 Math | 135 | 14.8% | 2,350 | 13.3% | 508 | 29.9% | 204,173 | 34.1% | 1.5 | -15.1 | -19.3 |
| Grade 4 ELA | 132 | 16.7% | 2,335 | 10.7% | 571 | 31.5% | 213,393 | 30.8% | 5.9 | -14.9 | -14.1 |
| Grade 4 Math | 133 | 39.1% | 2,393 | 10.2% | 572 | 37.9% | 215,124 | 35.7% | 28.9 | 1.2 | 3.4 |
| Grade 5 ELA | 135 | 17.0% | 2,367 | 9.9% | 584 | 22.4% | 200,800 | 30.3% | 7.2 | -5.4 | -13.3 |
| Grade 5 Math | 134 | 24.6% | 2,408 | 9.3% | 583 | 21.3% | 202,256 | 29.7% | 15.3 | 3.4 | -5.1 |
| Grade 6 ELA | 133 | 20.3% | 2,400 | 12.4% | 554 | 36.6% | 211,011 | 30.0% | 7.9 | -16.3 | -9.7 |
| Grade 6 Math | 133 | 21.8% | 2,467 | 10.8% | 554 | 27.1% | 212,559 | 30.0% | 11.0 | -5.3 | -8.2 |
| Grade 7 ELA | 130 | 10.0% | 2,438 | 10.5% | 562 | 33.8% | 205,441 | 31.5% | -0.5 | -23.8 | -21.5 |
| Grade 7 Math | 128 | 15.6% | 2,483 | 7.5% | 564 | 25.2% | 206,887 | 27.7% | 8.2 | -9.6 | -12.0 |
| Grade 8 ELA | 130 | 12.3% | 2,278 | 13.6% | 618 | 36.4% | 213,729 | 34.3% | -1.3 | -24.1 | -22.0 |
| Grade 8 Math | 128 | 18.8% | 2,350 | 6.8% | 609 | 27.3% | 214,575 | 26.9% | 12.0 | -8.5 | -8.2 |
| Aggregate ELA | 795 | 15.1% | 14,115 | 11.5% | 3,394 | 31.6% | 1,247,083 | 31.4% | 3.6 | -16.6 | -16.3 |
| Aggregate Math | 791 | 22.5% | 14,451 | 9.6% | 3,390 | 28.1% | 1,255,574 | 30.7% | 12.8 | -5.7 | -8.2 |

Note: Though the Charter School for Applied Technologies is physically located in the Kenmore School District, the majority of students who attend the school are sent from the Buffalo CSD.

Table 2: Charter School for Applied Technologies Regents Proficiency Compared to the Sending District, District of Location and State Averages

| | Charter School for Applied Technologies | | | Buffalo CSD | | | Kenmore SD | | | New York State | | | Buffalo CSD | Kenmore SD | State | |
|-----------------------|---|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|-------|-----|-------------|------------|----------|----------|
| | Tested Students | Average Proficiency | Tested Students | Average Proficiency | Tested Students | Average Proficiency | Tested Students | Average Proficiency | Tested Students | Average Proficiency | +/- | +/- | +/- | Variance | Variance | Variance |
| 2010-11 | | | | | | | | | | | | | | | | |
| Algebra2/Trigonometry | 79 | 72.2% | 2,252 | 17.9% | 812 | 53.4% | 120,387 | 64.0% | 54.3 | 18.7 | 8.2 | | | | | |
| English | 103 | 88.3% | 4,304 | 74.6% | 1,410 | 92.5% | 238,357 | 84.0% | 13.8 | -4.1 | 4.3 | | | | | |
| Global History | 135 | 80.0% | 5,758 | 50.3% | 1,426 | 77.6% | 252,363 | 69.0% | 29.7 | 2.4 | 11.0 | | | | | |
| Integrated Algebra | 116 | 96.6% | 7,732 | 44.7% | 1,552 | 86.6% | 283,446 | 73.0% | 51.8 | 10.0 | 23.6 | | | | | |
| Living Environment | 124 | 91.1% | 5,606 | 60.8% | 1,260 | 91.1% | 236,323 | 81.0% | 30.4 | 0.0 | 10.1 | | | | | |
| Phy Set/Chemistry | 54 | 77.8% | 1,352 | 53.3% | 772 | 87.3% | 108,466 | 78.0% | 24.5 | -9.5 | -0.2 | | | | | |
| Phy Set/Earth Sci | 111 | 84.7% | 4,098 | 36.7% | 1,564 | 71.9% | 165,998 | 72.0% | 48.0 | 12.8 | 12.7 | | | | | |
| US History&Gov't | 106 | 86.8% | 4,774 | 62.1% | 1,270 | 89.1% | 221,732 | 80.0% | 24.7 | -2.3 | 6.8 | | | | | |
| 2011-12 | | | | | | | | | | | | | | | | |
| Algebra2/Trigonometry | 82 | 56.1% | 2,016 | 21.6% | 714 | 55.5% | 115,327 | 64.0% | 34.5 | 0.6 | -7.9 | | | | | |
| English | 120 | 94.2% | 4,370 | 71.0% | 1,316 | 90.0% | 235,462 | 82.0% | 23.2 | 4.2 | 12.2 | | | | | |
| Global History | 133 | 86.5% | 5,786 | 48.3% | 1,476 | 80.1% | 251,051 | 71.0% | 38.1 | 6.4 | 15.5 | | | | | |
| Integrated Algebra | 139 | 84.9% | 7,592 | 43.3% | 1,514 | 82.6% | 283,530 | 71.0% | 41.6 | 2.3 | 13.9 | | | | | |
| Living Environment | 129 | 95.3% | 5,652 | 55.4% | 1,238 | 90.5% | 233,369 | 79.0% | 39.9 | 4.9 | 16.3 | | | | | |
| Phy Set/Chemistry | 41 | 65.9% | 1,362 | 50.2% | 526 | 90.5% | 102,578 | 78.0% | 15.6 | -24.6 | -12.1 | | | | | |
| Phy Set/Earth Sci | 113 | 78.8% | 3,172 | 38.0% | 1,474 | 72.7% | 161,637 | 73.0% | 40.8 | 6.0 | 5.8 | | | | | |
| US History&Gov't | 123 | 90.2% | 4,854 | 61.8% | 1,258 | 88.4% | 231,071 | 79.0% | 28.4 | 1.8 | 11.2 | | | | | |

Note: Though the Charter School for Applied Technologies is physically located in the Kenmore School District, the majority of students who attend the school are sent from the Buffalo CSD.

| | |
|------------------------|--|
| Charter School: | Charter School for Applied Technologies |
| Report as of: | 2013 |



| General Information: | | | |
|------------------------|--------------------------|----------------------------|-------------|
| Contact Info: | 0 | Years in Operation: | 13 |
| Region: | Kenmore-Tonawanda | Grades Served: | K-12 |
| Enrollment: | | | 1655 |
| Max Enrollment: | | | 1675 |

| Income Statement: | | Balance Sheet & Cash Flow: | | Key Performance Metrics: | |
|-------------------------------|----------------------|--------------------------------------|----------------------|-----------------------------|----------------------|
| Revenues: | | Assets: | | Near-Term Metrics: | |
| State/Local Operating | \$19,356,441 | Cash | \$5,707,539 | Current Ratio | 3.0x |
| Federal Sources | 2,815,103 | Total Current Assets | 7,237,300 | Unrestricted Days Cash | 85.1 |
| State/Local Grants | 42,268 | Investments & PP&E | 24,014,025 | Enrollment Stability | 100.0% |
| Other | 1,242,017 | Total Assets: | \$32,345,604 | Total Revenue Per Student: | \$14,173 |
| Total Revenues: | \$23,455,829 | | | Total Expenses Per Student: | \$14,793 |
| Expenses: | | Liabilities: | | Sustainable Metrics: | |
| Total Program Services | \$20,573,418 | Current Liabilities | \$2,439,841 | Total Margin | (4.4%) |
| Management and General | 3,909,231 | Total Debt | 20,246,366 | Debt to Asset Ratio | 0.71x |
| Fundraising | 0 | Total Liabilities: | 22,871,207 | Cash Flow | (\$2,360,514) |
| Total Expenses: | \$24,482,649 | Net Assets: | 9,474,397 | Debt Service Coverage Ratio | (5.6) |
| | | Total Liab. & Net Assets: | \$32,345,604 | Composite Score | 1.90 |
| Ops. Surplus/(Deficit) | (\$1,026,820) | Change in Cash | (\$2,360,514) | Composite Strength | Strong |



Performance Evaluation Master

Symbol Legend:

| | |
|--|-----------------------------|
| | Meets Standard (Low Risk) |
| | Adequate (Moderate Risk) |
| | Requires Review (High Risk) |

Key Inputs:

| | |
|----------------|---|
| Target School: | Charter School for Applied Technologies |
| Time Period: | 2013 |

Financial Indicator:

Target: Charter School for Applied Technologies

Near-Term Indicators:

| | |
|-----|------------------------|
| 1a. | Current Ratio |
| 1b. | Unrestricted Days Cash |
| 1c. | Enrollment Stability |

| Current Metric: | Performance: | | |
|-----------------|--------------|--|--|
| 3.0x | | | |
| 85.1 | | | |
| 100.0% | | | |

Financial Composite Score:

| | |
|-----|-----------------|
| 1d. | Composite Score |
|-----|-----------------|

| Current Metric: | Performance: | | |
|-----------------|--------------|--|--|
| 1.9x | | | |

Long-Term Indicators:

| | |
|-----|-----------------------------|
| 2a. | Total Margin |
| 2b. | Debt to Asset Ratio |
| 2c. | Cash Flow |
| 2d. | Debt Service Coverage Ratio |

| Current Metric: | Performance: | | |
|-----------------|--------------|--|--|
| (4.4%) | | | |
| 0.71x | | | |
| (\$2,360,514) | | | |
| -5.6x | | | |

Near-Term Performance Evaluation: Charter School for Applied Technologies

| | 2013 | 2012 | 2011 | Average |
|--------------------------|-------|-------|---------|---------|
| 1a. Current Ratio | 2.97x | 4.69x | #DIV/0! | #DIV/0! |

Explanation: Current Ratio (CR) is a measure of operational efficiency and short-term financial health. CR is calculated as current assets divided by current liabilities.

| | |
|-------------------------------------|--|
| | Meets Standard - Low Risk (if satisfies any of the following two): |
| <input checked="" type="checkbox"/> | CR is greater than or equal to 1.1 |
| <input type="checkbox"/> | CR is between 1.0 and 1.1 and one-year trend is positive (current year ratio is higher than last year's) |
| | Adequate - Moderate Risk (if satisfies any of the following two): |
| <input type="checkbox"/> | Current Ratio is between 0.9 and 1.0 or equal to 1.0 |
| <input type="checkbox"/> | CR is between 1.0 and 1.1 and one-year trend is negative |
| | Requires Review - High Risk: |
| <input type="checkbox"/> | Current ratio is less than or equal to 0.9 |

| | 2013 | 2012 | 2011 | Average |
|-----------------------------------|------|-------|---------|---------|
| 1b. Unrestricted Days Cash | 85.1 | 127.4 | #DIV/0! | #DIV/0! |

Explanation: The unrestricted days cash on hand ratio indicates how many days a school can pay its expenses without another inflow of cash. Calculated as Unrestricted Cash divided by (Total Expenses/365).

| | |
|-------------------------------------|---|
| | Meets Standard - Low Risk (if satisfies any of the following two): |
| <input checked="" type="checkbox"/> | 30 days or more of cash |
| | Adequate - Moderate Risk (if satisfies any of the following two): |
| <input type="checkbox"/> | Days Cash is between 15 and 30 days |
| | Requires Review - High Risk: |
| <input type="checkbox"/> | Less than 15 Days Cash |

| | 2013 | 2012 | 2011 | Average |
|---------------------------------|--------|--------|---------|---------|
| 1c. Enrollment Stability | 100.0% | 100.0% | #DIV/0! | #DIV/0! |

Explanation: Enrollment stability tells authorizers whether or not the school is meeting its enrollment projections, thereby generating sufficient revenue to fund ongoing operations. Actual Enrollment divided by Enrollment Projection in Charter School Budget.

| | |
|-------------------------------------|--|
| | Meets Standard - Low Risk: |
| <input checked="" type="checkbox"/> | Enrollment Variance equals or exceeds 95% in most recent year |
| | Adequate - Moderate Risk (if satisfies any of the following two): |
| <input type="checkbox"/> | Enrollment Variance is between 85% and 95% in the most recent year |
| | Requires Review - High Risk: |
| <input type="checkbox"/> | Enrollment Variance is equal to or less than 85% in most recent year |

Financial Composite Score: Charter School for Applied Technologies

| | |
|------------------------------------|----------------|
| 2 Financial Composite Score | Current |
| | 1.90 |

Accounting for an Institution's Total Financial Condition. We evaluate the financial health of schools using a blended score that measures institutions' performances on key financial indicators. The blended score allows an institution's sources of financial strength to offset areas of financial weakness. To calculate: Step 1: Calculate Three Financial Ratios from Financial Statements (Primary Reserve Ratio, Equity Ratio, and Net Income Ratio). Step 2: Convert Ratio Results to Strength Factor Scores. Step 3: Multiply the Strength Factor Scores by a Weighting Factor. Step 4: Add the Weighted Strength Factor Scores to Obtain the Composite Score.

| | |
|-------------------------------------|---|
| | Meets Standard: Fiscally Strong |
| <input checked="" type="checkbox"/> | Composite Score Range of 1.5-3.0. |
| | Fiscally Adequate |
| <input type="checkbox"/> | Composite Score Range of 1.0-1.4. |
| | Requires Review: Fiscally Needs Monitoring |
| <input type="checkbox"/> | Composite Score Range of -1.0-0.9. |

Long-Term Performance Evaluation: Charter School for Applied Technologies

| | 2013 | 2012 | 2011 | Average |
|-------------------------|--------|--------|---------|---------|
| 2a. Total Margin | (4.4%) | (1.8%) | #DIV/0! | #DIV/0! |

Explanation: Total margin measures the deficit or surplus a school yields out of its total revenues; in other words, whether or not the school is living within its available resources. Calculated as Net Income divided by Total Revenue.

- Meets Standard - Low Risk** (if satisfies any of the following two):
 Most recent year Total Margin is positive
- Adequate - Moderate Risk:**
 Most recent Total Margin is less than 0 but greater than -10%
- Requires Review - High Risk** (if satisfies any of the following two):
 Current year Total Margin is less than -10%

| | 2013 | 2012 | 2011 | Average |
|--------------------------------|-------|-------|---------|---------|
| 2b. Debt to Asset Ratio | 0.71x | 0.68x | #DIV/0! | #DIV/0! |

Explanation: Measures the extent to which the school relies on borrowed funds to finance its operations. Calculated as Total Liabilities divided by Total Assets.

- Meets Standard - Low Risk:**
 Debt to Asset Ratio is less than 0.90
- FOR SCORE (car Adequate - Moderate Risk:**
 Debt to Asset Ratio is between 0.90 and 1.0
- Requires Review - High Risk:**
 Debt to Asset Ratio is greater than 1.0

| | 2013 | 2012 | 2011 | Average |
|----------------------|---------------|---------------|------|---------------|
| 2c. Cash Flow | (\$2,360,514) | (\$1,623,631) | \$0 | (\$1,328,048) |

Explanation: Cash flow is an assessment of change in cash from operations, financing, and investing over a given period.

- Meets Standard - Low Risk:**
 Three-year cumulative cash flow is positive and cash flow is positive in recent year
- Adequate - Moderate Risk:**
 Three-year cumulative cash flow is positive but cash flow is negative in most recent year
- Requires Review - High Risk:**
 Three-year cumulative cash flow is negative

| | 2013 | 2012 | 2011 | Average |
|--|-------|-------|------|---------|
| 2d. Debt Service Coverage Ratio | -5.55 | -2.44 | N/A | (3.99) |

Explanation: Debt service coverage ratio indicates a school's ability to cover its debt obligations in the current year. Calculated as: (Net Income + Depreciation + Interest Expense)/(Principal and Interest Payments).

- Meets Standard - Low Risk:**
 Debt Service Coverage Ratio is equal to or exceeds 1.10
- Adequate - Moderate Risk:**
 Debt Service Coverage Ratio is less than 1.10
- Requires Review - High Risk:**
 Debt Service Coverage Ratio is less than 0.90



| School | | Charter School for Applied Technologies | |
|---|--|---|-----------------|
| COMPOSITE SCORE: | | | 1.9 |
| PRIMARY RESERVE RATIO | Unrestricted Net Assets | \$ | 9,474,397.00 |
| | ADD: Temporarily Restricted Net Assets | \$ | - |
| | LESS: Net Property, Plant and Equipment | \$ | (20,303,532.00) |
| | ADD: Long-term debt | \$ | 20,303,532.00 |
| | EXPENDABLE NET ASSETS | \$ | 9,474,397.00 |
| | DIVIDE BY: TOTAL EXPENSES | \$ | 24,482,649.00 |
| PRIMARY RESERVE RATIO: | | | 0.387x |
| EQUITY RATIO | Unrestricted Net Assets | \$ | 9,474,397.00 |
| | ADD: Temporarily Restricted Net Assets | \$ | - |
| | MODIFIED NET ASSETS | \$ | 9,474,397.00 |
| | DIVIDE BY: MODIFIED ASSETS | \$ | 32,345,604.00 |
| EQUITY RATIO: | | | 0.293x |
| NET INCOME RATIO: | CHANGE IN UNRESTRICTED NET ASSETS | \$ | (1,026,820.00) |
| | DIVIDE BY: TOTAL UNRESTRICTED REVENUE | \$ | 23,455,829.00 |
| NET INCOME RATIO: | | | -0.044x |
| STRENGTH FACTOR SCORE (cannot be <-1 or >3) | PRIMARY RESERVE strength factor score = 10 x Primary Reserve ratio result | 10 | 3.000 |
| | EQUITY strength factor score = 6 x Equity ratio result | 6 | 1.758 |
| | Net Income strength factor score = 1 + (25 x Net Income Ratio Result) IF Negative Net Inc. | 25 | (0.094) |
| | Net Income strength factor score = 1 + (50 x Net Income Ratio Result) IF Positive Net Inc. | 50 | 0.000 |
| NET INCOME Strength Factor: | | | (0.094) |
| WEIGHTED AND COMPOSITE SCORE | Primary Reserve Weighted Score = 40% x Primary Reserve Strength Factor Ccore: | 40.0% | 1.200 |
| | Equity Weighted Score = 40% x Equity Strength Factor Score: | 40.0% | 0.703 |
| | Net Income Weighted Score = 20% x Net Income Strength Factor: | 20.0% | (0.019) |
| | Composite Score = Sum of ALL Weighted Scores | | 1.884 |
| Round to one digit after the decimal to determine the final score: | | | 1.9 |
| Performance Based on Composite Score | | | Strong |

COMPOSITE SCORE EXPLANATION:

- ➔ Accounting for an Institution's Total Financial Condition. We evaluate the financial health of charter schools using a blended score that measures institutions' performances on key financial indicators. The blended score allows a school's sources of financial strength to offset areas of financial weakness.
- ➔ **How the Rule Works.** Charter schools are measured on three financial ratios that are blended to produce a single composite score. The ratios and composite scores address and adjust for differences across business sectors. The model used by NYSED is weighted for "private, non-profit" institutions. The formula may be modified to analyze schools using different financial models.
- ➔ Institutions earning a high composite score are considered financially responsible and may continue to operate without additional monitoring from CSO.
- ➔ Institutions with low composite scores are not financially responsible and may be subjected to additional monitoring and oversight from CSO.
- ➔ Schools between high and low scores are considered to be "in the zone" of uncertain financial responsibility. They are financially responsible but are subject to additional monitoring and closer scrutiny to protect the interests of students and taxpayers. The zone alternative may only be used for three consecutive years.
- ➔ The ratio methodology combines elements from the audited financial statement into a single blended composite score. The regulatory result depends on the composite score, as illustrated in the following table.

Understanding COMPOSITE SCORES

| Regulatory Result | Composite Score Range | Interpretation of Score Range |
|-----------------------------|-----------------------|---|
| Financially Responsible | 1.5 to 3.0 | School is financially healthy enough to operate without additional monitoring |
| | 1.0 to 1.4 | In the zone, additional monitoring needed by CSO |
| Not Financially Responsible | -1.0 to 0.9 | School is not financially healthy enough to be considered financially responsible |

4 Steps to Calc. COMPOSITE SCORES

| Step 1: Calculate Three Financial Ratios from Financial Statements | | |
|--|---------------------------------------|--|
| Primary Reserve Ratio | Equity Ratio | Net Income Ratio |
| Expendable Net Assets / Total Expenses | Modified Net Assets / Modified Assets | Change in Unrestricted Net Assets / Total Unrestricted Revenue |

| Step 2: Convert Ratio Results to Strength Factor Scores | | | | | | | |
|---|--|-----------------------|-----------------|--------------------|-----------------|--------------------|-----------------|
| Strength Factor Score | Interpretation of Score | Primary Reserve Ratio | | Equity Ratio | | Net Income Ratio | |
| | | Private Non-profit | Pro- prie- tary | Private Non-profit | Pro- prie- tary | Private Non-profit | Pro- prie- tary |
| -1 | Liabilities exceed resources | (0.10) | (0.05) | (0.17) | (0.17) | (0.08) | (0.06) |
| 0 | No demonstrable net resources | 0.00 | 0.00 | 0.00 | 0.00 | (0.04) | (0.03) |
| 1 | Minimal resources, but not enough for clear financial health | 0.10 | 0.05 | 0.17 | 0.17 | 0.00 | 0.00 |
| 1.5 | Minimal level of resources to indicate financial health | 0.15 | 0.08 | 0.25 | 0.25 | 0.01 | 0.02 |
| 3 | Clearly financially healthy on that resource | 0.30 | 0.15 | 0.50 | 0.50 | 0.04 | 0.06 |

| Step 3: Multiply the Strength Factor Scores by a Weighting Factor | | | |
|---|---------------------------------|------------------------|----------------------------|
| Charter School Educational Sector | Primary Reserve Strength Factor | Equity Strength Factor | Net Income Strength Factor |
| Private Non-profit | 40% | 40% | 20% |
| Proprietary | 30% | 40% | 30% |

Step 4: Add the Weighted Strength Factor Scores to Obtain the Composite Score