

Alison Henken

From: Wenger, Allen <awenger@k12.com>
Sent: Monday, April 28, 2014 11:30 AM
To: Edginton, Kelly
Cc: Alison Henken
Subject: RE: Performance Certificate
Attachments: 2013 Idaho Virtual Academy LEA No. 452 Audit.pdf

I calculated our scores using our 2013 CPA audit numbers. Here are the results and an explanation:

Near term 1a = 10 points, it will always be 10 points because the ratio will always be 1.0 due to year end closure procedures.

Near term 1b = 0 points, unrestricted days of cash was 13 days. Keeping large amounts of cash on hand is not needed because of K12 guaranteeing all invoice payments.

Sustainability measure 2a = ?, our net income will always be zero, so the equation does not work. K12 agreement wipes out deficit and brings net income to \$0 every year end.

Sustainability measure 2b = 0 points. Our debt to asset ratio will always be 1.0 due to a zero balance required in our K12 agreement.

Sustainability measure 2c = 0 points. Our multi-year cash flow will always equal zero. Credit invoice from K12 remove deficit and bring us to zero at year end.

Note: Our K12 agreement guarantees that the school will not have a deficit. When we close the K12 invoices that cannot be paid are credited causing our net income to rise up to \$ 0.00 and our Debt ratio to rise up to 1.0. I have attached last year's audit from Bailey and Company. Please let me know if you need any additional information.



Allen L. Wenger
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From: Wenger, Allen
Sent: Friday, April 18, 2014 10:55 AM
To: Edginton, Kelly

Cc: Alison Henken; Wenger, Allen
Subject: Re: Performance Certificate

I will go through last years audited statements and explain a little better.

Sent from my Verizon Wireless 4G LTE DROID

"Edginton, Kelly" <kedginton@k12.com> wrote:

Hi Alison,

Allen is the best person to answer your questions. I am including him here, so he can see your questions.

Thank you,
Kelly

And thanks for the meeting today. It was very helpful.

From: Alison Henken [<mailto:Alison.Henken@osbe.idaho.gov>]
Sent: Friday, April 18, 2014 10:08 AM
To: Edginton, Kelly
Subject: RE: Performance Certificate

Kelly,

I still need additional information from Alan. We would like to see a specific reason for each measure (rather than one reason for all measures). We also noted that Alan's most recent reasoning stated that the financial statements during the year show a deficit before they are corrected at the end of the year, but we use the financial audits (at the end of the year) for our evaluation, so this does not feel like a valid / logical reason for IDVA to be exempt from the measures. There may be other reasons that are valid and will make sense to us, but we need more detail so we can understand and examine the request. Please send more information so we can understand the exact reason(s) that IDVA / K-12 feels the school should be exempt for each of the measures you've identified.

If you or Alan need additional clarification on what I'm looking for or want to chat, let me know. I'll be happy to provide as much information as I can.

Thanks,
Alison

Alison Redman Henken, MPP
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From: Edginton, Kelly [<mailto:kedginton@k12.com>]
Sent: Friday, April 18, 2014 8:52 AM
To: Wenger, Allen
Cc: Alison Henken
Subject: RE: Performance Certificate

Allen,
Please see below.

Thanks,
Kelly

From: Alison Henken [<mailto:Alison.Henken@osbe.idaho.gov>]
Sent: Friday, April 18, 2014 8:46 AM
To: Edginton, Kelly
Subject: RE: Performance Certificate

Kelly,

More detail would be helpful, particularly since the financial framework uses the school's audits (after the end of the year), rather than the financial statements during the school year.

Thanks,
Alison

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From: Edginton, Kelly [<mailto:kedginton@k12.com>]
Sent: Friday, April 18, 2014 8:44 AM
To: Alison Henken
Cc: Wenger, Allen; Dave Malnes
Subject: RE: Performance Certificate

Hi Alison,

Allen Wenger, our Business Manager, is unable to join us for this morning's meeting. He sent me the following reasoning.

It all comes down to the debt forgiveness part of the agreement. During the year we show a huge deficit and financial unsustainability, but it all goes away at the end of the year when we receive credit invoices which erase the deficit and reverse the accounts payable amounts in our financial statements.

I have cc'd Allen here in case you would like more information. His agenda is busy today, but he should be able to answer further questions you may have via email. Allen will be on vacation next week and will be back in his office on Monday, April 28th if you need to speak with him.

Thank you,
Kelly

From: Alison Henken [<mailto:Alison.Henken@osbe.idaho.gov>]
Sent: Thursday, April 17, 2014 3:33 PM
To: Edginton, Kelly
Subject: RE: Performance Certificate

Kelly,

It would be helpful for us to know the reasoning behind the request for each measure – please explain why you feel IDVA should be exempt from each of those individual measures (1a, 1b, 2a, 2b, and 2c).

Thanks,
Alison

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From: Edginton, Kelly [<mailto:kedginton@k12.com>]
Sent: Thursday, April 17, 2014 11:12 AM
To: Alison Henken
Cc: Dave Malnes
Subject: RE: Performance Certificate

Hi Alison,

In regards to the measures in the Financial Framework that we feel IDVA should not be held accountable to:

- 1) We would like you to review the financial framework and tell us which measures you feel IDVA should not be held accountable to and why. Please send this list to us via e-mail no later than 8:00am on Monday, April 28th.

Due to the accounting our school uses in conjunction with the K12 Service Agreement and debt forgiveness, IDVA should not be held accountable to the following measures in the Performance Certificate Financial Framework: 1a and 1b under near term measures and 2a, 2b, and 2c under Sustainability measures. If you need more information on how our K12 Agreement impacts our financial statements, our Financial manager would be happy to discuss it with you.

Thank you,
Kelly

From: Alison Henken [<mailto:Alison.Henken@osbe.idaho.gov>]
Sent: Tuesday, April 08, 2014 3:09 PM
To: Edginton, Kelly
Subject: RE: Performance Certificate

Kelly,

That is a valuable question; thanks for bringing it up.

Our staff intentionally left this language vague, because we wanted to make sure it left room for varying situations and contracts. If you would like to have this clarified during your performance certificate process, we would be happy to do so and to note the specific measures that the school will or will not be held accountable to in the Notes section of each measure in the Financial Framework.

Here is the process we recommend using for discussing and determining which financial measures are appropriate for IDVA:

- 1) We would like you to review the financial framework and tell us which measures you feel IDVA should not be held accountable to and why. Please send this list to us via e-mail no later than 8:00am on Monday, April 28th.

- 2) We will review your list of concerns prior to our second meeting with you and will ensure that our second meeting includes a discussion about the financial measures.

Does that plan work for you?

Best,
Alison

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From: Edginton, Kelly [<mailto:kedginton@k12.com>]
Sent: Tuesday, April 08, 2014 9:47 AM
To: Alison Henken
Subject: Performance Certificate

Hi Alison,

We are looking at the Performance Certificate and Framework and trying to figure out where our school stands under our current performance. I have a question for you. From Section 4. Authorizer Role and Responsibilities (pp. 3-4):

D. School Performance - The School shall achieve an accountability designation of Good Standing or Honor on each of the three sections of the Performance Framework. In the event the School is a party to a third party management contract which includes a deficit protection clause, the School shall be exempt from some or all measures within the financial portion of the Performance Framework. In accordance with Charter School Law, the Authorizer shall renew any charter in which the public charter school met all of the terms of its performance certificate at the time of renewal.

Can you, please, clarify this? Is IDVA exempt from *some* or exempt from *all* of the measures within the financial portion of the framework?
Thanks for your help,
Kelly



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We are IDVA: Expect Excellence



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