FREEDOM
PREP ACADEMY

Dear Members of the Utah State Charter School Board,

Please find for your review an in-depth overview of Freedom Preparatory Academy's (FPA) excellent financial operations over the past 20 years, with a particular emphasis on the achievements of the past three years. We are proud to highlight our consistent adherence to sound financial principals and matrix for the Utah State Charter School Board (SCSB), demonstrating our commitment to fiscal responsibility, transparency, and sustainability.

1. **Debt Ratio Coverage:** FPA has consistently maintained a debt ratio coverage, exceeding 105%. This accomplishment underscores our strategic financial management between FPA's governing board and administration, and dedication to ensuring the long-term sustainability and growth of our schools.
2. **Financial Viability:** Our commitment to financial viability is evident through reviewing our AFR/APR reports and our audited financial statements.
3. **Net Lease-Adjusted Debt Burden Ratio:** For each of the last three years, FPA has maintained a net lease-adjusted debt burden ratio of under 25%, further illustrating our prudent financial management practices and commitment to maintaining a healthy financial position.
4. **Revenues Exceeding Expenditures:** Over the past four years, Freedom Preparatory Academy's financial statements have consistently reported revenues in excess of expenditures. This achievement demonstrates our ability to operate efficiently, carefully manage taxpayer dollars (and generate outside revenues from private sources) and allocate resources effectively to support the educational mission and the students at all FPA campuses.

In summary, Freedom Preparatory Academy's financial operations over the past four years, (not to mention the last two decades), exemplify our unwavering commitment to the students, faculty, parents, and taxpayers in the State of Utah. We take great pride in our accomplishments and remain dedicated to upholding the highest standards of educational and financial integrity.

We sincerely appreciate the Utah State Charter School Board's continued support, guidance, oversight, and new satellite application process, allowing great charter schools like Freedom Preparatory Academy to bring our educational model to the students in Utah. This has contributed to our school's success.

We look forward to our continued collaboration and partnership with the SCSB.

Sincerely,

C. Helvey

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**Part (iii) Debt Burden Ratio:** the charter school has maintained a net lease-adjusted debt burden ratio of under 25% for each of the last three years

Net lease adjusted debt burden ratio means a school's cumulative annual debt service payments, inclusive of loans and facility lease payments, divided by the school's unrestricted annual operating revenue

| | **2023** | **2022** | **2021** |
|---|---|---|---|
| Bond interest expense | 3,397,770 | 3,447,610 | 3,005,098 |
| Bond principal redemption | 1,122,966 | 1,004,831 | 1,174,525 |
| Rental of land and buildings | 0 | 4,600 | 18,400 |
| Total Facility related expenditures | 4,520,736 | 4,457,041 | 4,198,023 |
| Operating revenue | 26,435,798 | 22,230,985 | 19,577,541 |
| **Net lease adjusted debt burden ratio** | **17.10%** | **20.05%** | **21.44%** |

The mechanics of this ratio measures the percentage of annual revenues committed to facilities costs.

**Part(i) Debt Service Coverage:** For each of the schools under the charter agreement, the charter school meets the following: (D)for a school with more than 750 students enrolled in the school, at least a 105% debt coverage ratio* for each of the three years before the request for a satellite;

**Bond Covenant Debt Service Coverage Ratio as Reported to Bondholder**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Computation: | | | |
| Total Revenues and Support -Audited report -Page 12 | 26,434,172 | 22,213,905 | 19,577,542 |
| Total expenses for year -Audited report -Page 12 | 25,241,120 | 23,746,975 | 19,952,020 |
| Change in net position - Audited report -Page 12 | 1,193,052 | -1,533,070 | -374,478 |
| Add: Bond interest expense - Audited report -Page 12 | 3,400,585 | 3,451,619 | 3,453,432 |
| Add: depreciation expense - Audited report -Page 12 | 1,745,517 | 1,585,925 | 1,493,324 |
| Add: One-time supplies for St. George school | | 1,112,063 | |
| **Adjusted net revenue avaulable for debt service** | **6,339,154** | **4,616,537** | **4,572,278** |
| Debt Service Requirement: | | | |
| Interest expense from above | 3,400,585 | 3,451,619 | 3,453,432 |
| Change in accrued interest - Audited Report page 16 | (2,091) | (1,819) | 26,392 |
| Less Interest paid from bond proceeds (capitalized interest) | | 655,125 | |
| Total Bond interest requirement | 3,398,494 | 2,794,675 | 3,479,824 |
| Principal paid - Audited report - Note 5 | 1,122,966 | 970,000 | 606,225 |
| **Total Debt Service Requirement** | **4,521,460** | **3,764,675** | **4,086,049** |
| **Debt Service Coverage Ratio** | **1.40** | **1.23** | **1.12** |

**Part (ii) Financial Viability**: the charter school is financially viable, as evidenced by the charter school's financial records, including the charter school's most recent (School Year 2023): (A) annual financial report (AFR); (B)annual program report (APR); and (C)audited financial statements(AFS);

| | AFR | APR | AFS |
|---|---|---|---|
| **Measure: Audit findings or recommendations:** | | | |
| Number of unresolved material findings, financial condition findings, or significant findings. | | | None |
| Minimum standard: 0 | | | |
| **Measure: Unrestricted Days Cash:** | | | |
| Cash plus investments | 3,509,983 | | |
| Total annual operating expenses divided by 360 | 70,807 | | |
| Unrestricted Days Cash: | 50 | | |
| Minimum standard: 45 days as required by bond covenants | | | |
| **Measure: Current ratio:** | | | |
| Current assets | | | 12,240,243 |
| Current liabilities | | | 6,862,509 |
| Current ratio: Current assets divided by current liabilities | | | 1.78 |
| Minimum standard: ≥1.00 | | | |
| **Measure: Enrollment variance:** | | | |
| Oct 1 enrollment | 2,060 | | |
| Budgeted enrollment | 1,998 | | |
| Enrollment variance: Oct 1 enrollment divided by budgeted enrollment | 103.10% | | |
| Minimum standard: ≥95% | | | |
| **Measure: Debt to asset ratio:** | | | |
| Total assets | | | 65,545,272 |
| Total liabilities. | | | 70,857,703 |
| Debt to asset ratio - Total assets divided by total liabilities | | | 0.93 |
| Minimum standard: ≥.90 | | | |
| **Measure: Maintain applicable bond covenants:** | | | |
| Default certification noted in audited financial statements | | | No |
| Minimum standard: No default. | | | |
| **Measure: Multi-year cash flow:** | | | |
| Total Cash, end of School Year 2021 (Year 1) | | | 2,865,139 |
| Total Cash, end of School Year 2022 (Year 2) | | | 2,826,624 |
| Total Cash, end of School Year 2023 (Year3) | | | 3,509,983 |
| Year 3 total cash minus Year 1 total cash | | | 644,844 |
| Minimum standard: Positive cash flow | | | |

**Part (ii) Financial Viability**: the charter school is financially viable, as evidenced by the charter school's financial records, including the charter school's most recent (School Year 2023): (A) annual financial report (AFR); (B)annual program report (APR); and (C)audited financial statements(AFS);

| | AFR | APR | AFS |
|---|---|---|---|
| **Measure: Total Margin:** | | | |
| Net income | | | 1,193,052 |
| Total Revenue | | | 26,434,172 |
| Total Margin: Net income divided by Total Revenue | | | 0.05 |
| Minimum standard: Total margin is positive | | | |
| **Measure: Occupancy Costs:** | | | |
| Facility costs | | | |
| Purchased property services | 188,764 | | |
| Bond interest and principal | 4,520,736 | | |
| Total Facility Costs | 4,709,500 | | |
| Total Operating Revenues | 26,435,798 | | |
| Occupancy Costs: Facility costs divided by Total Operating Revenues | 17.81% | | |
| Minimum standard: This measure is similar to the Net lease adjusted debt burden ratio presented in Part (iv) Debt Burden Ratio. The standard for that ratio is 25%. | | | |
| **Measure: Liquid Resource Ratio** | | | |
| A Current assets excluding restricted cash, prepaid expenses and inventory | | | 6,923,616 |
| B Current liabilities excluding interest payable and the current portion of long-term debt principal liability. | | | 5,441,167 |
| Liquid Resource Ratio A divided by B | | | 1.27 |
| Minimum standard: ≥1.00. | | | |

This measure is primarily a liquidity ratio that identifies the dollar amount of liquid assets available for each dollar of immediate short-term liabilities. A ratio higher than 1.10 means that an entity has saved an amount that equals at least 10% of its end of year immediate liabilities. A higher ratio means a higher cash reserve, indicating the exercise of financial integrity and a reduction of the probability of financial failure.

**Part (iv) Excess Revenue:** the charter school's financial statements report revenues in excess of expenditures for at least three of the last four years;

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| Source: Audited Financial Report | | | | |
| Total Revenues | 26,434,172 | 22,213,905 | 19,577,542 | 16,301,229 |
| Total Expenditures (Total Expenses excluding depreciation expense | 23,495,603 | 22,161,050 | 18,458,696 | 15,617,463 |
| Total Revenues less Total Expenditures | 2,938,569 | 52,855 | 1,118,846 | 683,766 |

This measure identifies the amount of annual resources received which exceed the amount of resources expended during the same period.