



Athlos Academy

FINANCIAL SUSTAINABILITY

Athlos Academy's Notice of Concern



- Put on a Notice of Concern in June 2019.
- In FY2018, expenditures exceeded revenues by \$270,701, excluding depreciation; and from FY2017 to FY2018, total expenditures increased by about 35% while revenues increased by about 13%, excluding depreciation.
- Not posting budget reports publicly.
- Concerns with their long-term financial viability.
- Four terms were noted for the Notice of Concern to be removed.

Four Notice of Concern Terms



- By January 31, 2020, work with SCSB staff to determine the financial viability of Athlos Academy. SCSB will contact Athlos Academy prior to January 2020 to request pertinent financial data. **This term has not been met.**
- Charter School Accountability Framework (CSAF).

Athlos Academy	2017	2018	2019	
Unrestricted Days cash on hand	77	44	73	Looks good!
Material Audit Findings	0	0	0	Looks good!
Current ratio	2.91	1.9	1.95	Meets the metric but is trending down; Should be trending up.
Debt to asset ratio	0.99	1.05	1.09	Does not meet the metric and trending up; Should be trending down.
Change in Net Assets	(\$23,626)	(\$1,199,812)	(\$734,204)	Does not meet the metric; Should always be positive.

Four Notice of Concern Terms



- Starting July 2019, provide the SCSB staff with monthly status updates on the Management Services Agreement and lease. **This term has been met.**
- By July 1, 2019, make budget reports available to the public. Post detailed budget reports that include Restricted and Unrestricted fund balances and Budget to actual variance reports. **This term has been met.**

Four Notice of Concern Terms



- Keep expenditures below revenues for FY19. **This term has not been.**

	2017	2018	2019
Revenues	\$5,517,535	\$6,182,984	\$6,897,975
Expenses	\$5,541,161	\$7,353,604	\$7,632,179
Change in Net Assets	(\$23,626)	(\$1,170,620)	(\$734,204)

GAAP and Depreciation Addback



- Both FASB and GASB report using Generally Accepted Accounting Principles (GAAP) which requires depreciation.

	2017	2018	2019
Revenues	\$5,517,535	\$6,182,984	\$6,897,975
Expenses	\$5,541,161	\$7,353,604	\$7,632,179
Change in Net Assets	(\$23,626)	(\$1,170,620)	(\$734,204)
Depreciation addback	\$748,765	\$899,919	\$897,343
Adjusted Change in Net Assets	\$725,139	(\$270,701)	\$163,139

Short and Long-Term Liabilities



- Long-term debt from their facility lease has not gone down in 3 years.

	2017	2018	2019	2019 - 2017 difference
Current Liabilities	\$434,356	\$610,980	\$747,177	\$312,821 Increase
Long Term Liabilities	\$22,442,404	\$22,442,404	\$21,594,022	(\$848,382) Decrease

- 2019 Audited Financial Statement state that, “At May 31, 2019, the terms of the lease were amended to reduce to the future minimum lease payments. The effect of the reduction was to reduce the net present value of the lease payments by \$848,382.”

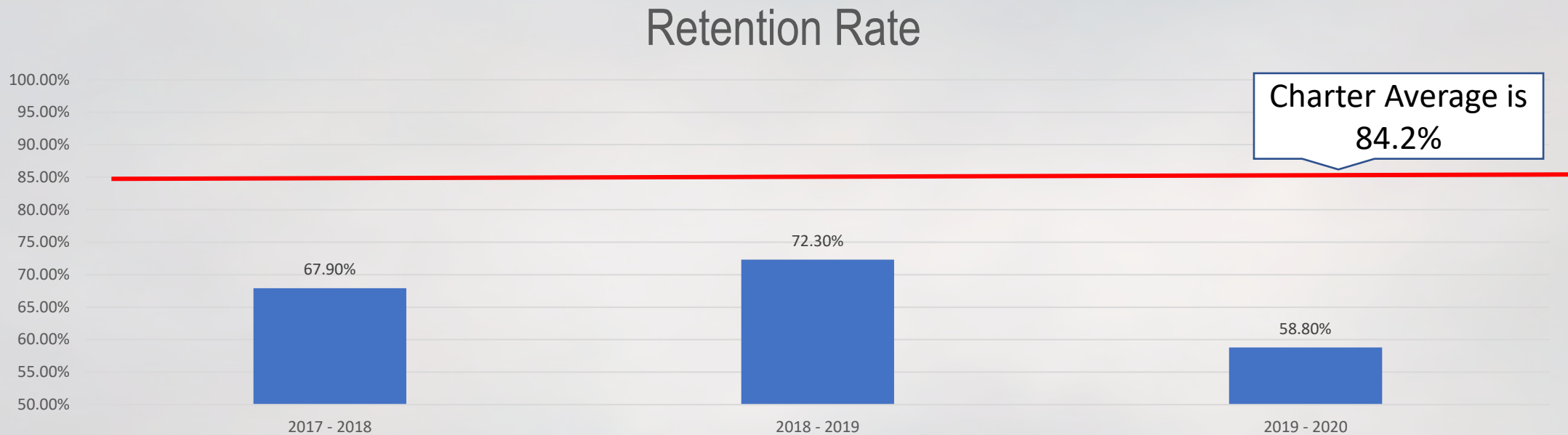
Enrollment Trend



	2017	2018	2019	2020	2021 unofficial as of 9/30/20
Enrollment	840	875	953	814	609
YoY % Change		4%	9%	-15%	-25%
% of Max @ 1,040 students	81%	84%	92%	78%	59%
Building Utilization @ 1,150 students	73%	76%	83%	71%	53%

- Unofficial enrollment extracted on 9/30/20 shows 609 students.
- Largest numeric decrease in enrollment for a single charter school this year.

Athlos Academy's Retention Rate



- Retention rate is the % of students that re-enrolled in the same school from the prior school year.

Athlos Academy's Lease Burden



- Based on 2019 Audited Financial Statements.
- If Athlos were to enroll 90% of their max enrollment (936 students):
 - Lease burden would be about 24%.
 - Bond debt-service burden is about 22%.
- At their current enrollment:
 - Lease burden is about 36%.
 - Bond debt-service burden is about 33%.



Bond Financing



- Bond Credit Presentation draft.
- Received after we invited the school to come before the SCSB.



Bond Financing



Charter Agreement

- Athlos operates under a charter agreement with the Utah State Charter School Board (the "Charter School Board"), which acts as the Borrower's "authorizer"
- Athlos initially entered into its Charter Agreement with the Charter School Board on July 14, 2016
- Charter agreement imposes a maximum enrollment limit of 1,040 students
- Charter does not expire and is in good standing with its Authorizer



Bond Financing



Enrollment and Retention

Grade	Historical ⁽¹⁾				Current	Projected			
	2016-17	2017-18	2018-19	2019-20	2020-21 ⁽²⁾	2021-22	2022-23	2023-24	2024-25
Kindergarten	107	106	148	115	111	115	115	115	115
1st Grade	128	126	128	129	93	100	100	100	100
2nd Grade	127	117	123	114	104	100	100	100	100
3rd Grade	131	127	118	108	74	110	110	110	110
4th Grade	131	120	115	91	95	90	100	100	100
5th Grade	129	124	121	105	71	95	95	100	100
6th Grade	85	117	121	92	71	85	90	90	90
7th Grade	-	38	48	26	40	50	55	60	65
8th Grade	-	-	31	34	21	40	45	50	55
Total	838	875	953	814	680	785	810	825	835

(1) October 1st Enrollment Counts

(2) As of August 24th (first day of school)

Student Retention Rates			
Percent Retention from			
2016-17 to 2017-18	2017-18 to 2018-19	2018-19 to 2019-20	2019-20 to 2020-21
69.41%	72.49%	63.40%	60.75%

- Starting in SY 2018-19 there was a leadership change and an announcement that the school will not offer 9th grade as intended
 - Local middle schools offer 7th – 9th grades
- Parent feedback showed concerns with leadership changes and lack of 9th grade offered
- Like most schools in the region, enrollment has been impacted with COVID restrictions and parent concerns about the safety of sending their child back on-campus during a pandemic

- With an average retention rate of 66.33%, Athlos would need to enroll 334 new students to move from 680 to 785.



Bond Financing

Sources & Use and Debt Payments* vs. Rental Payments

	Series 2020A (Tax-Exempt)	Series 2020A (Taxable)	Total
Sources			
Principal	23,000,000	75,000	23,075,000
Premium	442,814	-	442,814
Total Sources	23,442,814	23,442,814	23,517,814
Uses			
Acquisition of Leased Facility	21,557,300	-	21,557,300
Reserve Fund	1,414,736	10,764	1,425,500
Costs of Issuance	470,778	64,236	535,014
Total Uses	23,442,814	75,000	23,517,814

	Property			Debt Service	Partial Year Payment	Total	Savings
	Lease	Tax	Total Rental				
FY 2021	1,584,636	233,100	1,817,736	770,000	605,912	1,375,912	441,824
FY 2022	1,584,636	234,266	1,818,902	1,154,685		1,154,685	664,217
FY 2023	1,584,636	235,437	1,820,073	1,449,685		1,449,685	370,388
FY 2024	1,584,636	236,614	1,821,250	1,445,230		1,445,230	376,020
FY 2025	1,584,636	237,797	1,822,433	1,450,285		1,450,285	372,148
FY 2026	1,584,636	238,980	1,823,622	1,450,000		1,450,000	373,622
FY 2027	1,584,636	240,181	1,824,817	1,450,000		1,450,000	374,817
FY 2028	1,584,636	241,382	1,826,018	1,450,000		1,450,000	376,018
FY 2029	1,584,636	242,589	1,827,225	1,450,000		1,450,000	377,225
FY 2030	1,584,636	243,802	1,828,438	1,450,000		1,450,000	378,438
FY 2031	1,584,636	245,021	1,829,657	1,450,000		1,450,000	379,657
FY 2032	1,584,636	246,246	1,830,882	1,450,000		1,450,000	380,882
FY 2033	1,584,636	247,477	1,832,113	1,450,000		1,450,000	382,113
FY 2034	1,584,636	248,714	1,833,350	1,450,000		1,450,000	383,350
FY 2035	1,584,636	249,958	1,834,594	1,450,000		1,450,000	384,594
FY 2036	1,584,636	251,208	1,835,844	1,450,000		1,450,000	385,844
FY 2037	1,584,636	252,464	1,837,100	1,450,000		1,450,000	387,100
FY 2038	1,584,636	253,726	1,838,362	1,450,000		1,450,000	388,362
FY 2039	1,584,636	254,995	1,839,631	1,450,000		1,450,000	389,631

*Estimated Debt Payments shown through FY 2039; Actual payments will be through FY 2055

Athlos Academy Utah
Rent vs. Debt Service Payments
5.50% - 6.50% Scenarios

Total savings over 3 years is \$4,892

Date	Rent Schedule	Debt Service* @ 5.5%		Debt Service* @ 6.0%		Debt Service* @ 6.5%	
		Debt Service	Savings	Debt Service	Savings	Debt Service	Savings
A	B	C	D=B-C	E	F=B-E	G	H=B-G
6/1/2021	1,584,636	1,583,900	736	1,582,200	2,436	1,582,100	2,536
6/1/2022	1,617,656	1,614,325	3,331	1,614,100	3,556	1,617,100	556
6/1/2023	1,658,100	1,657,275	825	1,653,600	4,500	1,654,825	3,275
6/1/2024	1,699,553	1,656,925	42,628	1,695,100	4,453	1,689,950	9,603
6/1/2025	1,742,042	1,655,475	86,567	1,738,300	3,742	1,737,475	4,567
6/1/2026	1,785,593	1,657,925	127,668	1,782,900	2,693	1,781,425	4,168
6/1/2027	1,830,232	1,659,000	171,232	1,798,600	31,632	1,826,800	3,432
6/1/2028	1,875,988	1,658,700	217,288	1,796,900	79,088	1,873,275	2,713
6/1/2029	1,922,888	1,657,025	265,863	1,798,700	124,188	1,920,525	2,363
6/1/2030	1,970,960	1,658,975	311,985	1,798,700	172,260	1,968,225	2,735
6/1/2031	2,020,234	1,659,275	360,959	1,796,900	223,334	2,011,050	9,184
6/1/2032	2,070,740	1,657,925	412,815	1,798,300	272,440	2,014,000	56,740
6/1/2033	2,122,508	1,654,925	467,583	1,797,600	324,908	2,014,350	108,158
6/1/2034	2,175,571	1,655,275	520,296	1,794,800	380,771	2,012,100	163,471
6/1/2035	2,229,960	1,658,700	571,260	1,794,900	435,060	2,012,250	217,710
6/1/2036	2,285,709	1,654,925	630,784	1,797,600	488,109	2,009,475	276,234
6/1/2037	2,342,852	1,659,225	683,627	1,797,600	545,252	2,013,775	329,077
6/1/2038	2,401,424	1,656,050	745,374	1,794,900	606,524	2,009,500	391,924
6/1/2039	2,461,459	1,655,675	805,784	1,799,500	661,959	2,011,975	449,484
6/1/2040	2,522,996	1,657,825	865,171	1,795,800	727,196	2,010,550	512,446
6/1/2041	2,586,071	1,657,225	928,846	1,799,100	786,971	2,010,225	575,846
6/1/2042	2,650,722	1,658,875	991,847	1,798,800	851,922	2,010,675	640,047
6/1/2043	2,716,990	1,657,500	1,059,490	1,799,900	917,090	2,011,575	705,415
6/1/2044	2,784,915	1,658,100	1,126,815	1,797,100	987,815	2,012,600	772,315
6/1/2045	2,854,538	1,655,400	1,199,138	1,795,400	1,059,138	2,013,425	841,113
6/1/2046	2,925,901	1,659,400	1,266,501	1,799,500	1,126,401	2,013,725	912,176
6/1/2047	2,999,049	1,659,550	1,339,499	1,798,800	1,200,249	2,013,175	985,874
6/1/2048	3,074,025	1,655,850	1,418,175	1,798,300	1,275,725	2,011,450	1,062,575
6/1/2049	3,150,876	1,658,300	1,492,576	1,797,700	1,353,176	2,013,225	1,137,651
6/1/2050	3,229,648	1,656,350	1,573,298	1,796,700	1,432,948	2,012,850	1,216,798
TOTAL	69,293,837	49,605,875	19,687,962	53,208,300	16,085,537	57,893,650	11,400,187

*Principal amortizes to create positive savings every year.

Bond Financing



Projections – Stable Enrollment

	Actual -					
	Unaudited 2019-2020	Budgeted 2020-2021	Projected 2021-2022	Projected 2022-2023	Projected 2023-2024	Projected 2024-2025
Enrollment	814	680	725	725	725	725
Revenue						
Revenue from Local Sources	313,747	284,123	289,805	295,602	301,514	307,544
Revenue from State Sources	6,511,660	6,434,242	6,434,242	6,562,927	6,694,185	6,828,069
Revenue from Federal Sources	317,869	285,936	291,655	297,488	303,438	309,506
Total Revenue	7,143,276	7,004,301	7,015,702	7,156,016	7,299,137	7,445,119
Expense						
Salaries	3,373,638	3,444,761	3,479,209	3,548,793	3,619,769	3,692,164
Employee Benefits	603,307	588,247	605,894	624,071	642,793	662,077
Professional & Technical Services	825,530	772,506	774,824	777,148	779,479	781,818
Facility & Maintences	136,778	139,514	140,211	140,912	141,617	142,325
Other Purchased Services	64,447	55,558	55,836	56,115	56,396	56,678
Supplies & Materials	491,535	406,701	308,735	310,278	311,830	313,389
Property & Equipment						
Other Expenses	9,407	10,483	5,000	5,025	5,050	5,075
Interest Capital Lease	1,584,636	528,212	0	0	0	0
Debt Service		770,000	1,154,685	1,449,685	1,445,230	1,450,285
Total Expense	7,089,278	6,715,992	6,524,393	6,912,027	7,002,163	7,103,811
Net Income	53,998	288,319	491,309	243,989	296,973	341,309
Add: Interest Capital Lease	1,584,636	528,212				
Add: Debt Service	-	770,000	1,154,685	1,449,685	1,445,230	1,450,285
Net Income Available for Debt Service	1,638,634	1,586,531	1,645,994	1,693,674	1,742,203	1,791,594
Debt Service Coverage	n/a	1.22	1.43	1.17	1.21	1.24
Cash Balance	1,419,833	1,708,152	2,199,462	2,443,451	2,740,424	3,081,732
Days Cash on Hand	73.1	92.8	123.0	129.0	142.8	158.3

Bond Financing



- School is purchasing the facility for \$21,557,300 while it appraised for \$21,200,000.
- School is paying \$357,300 above its appraised value.
- Bonding will alleviate about \$240,000 in estimated property taxes.
- Since the school has not been paying property taxes, this does not reduce their past expenses.





Summary

- Issues were present before COVID.
- School has systemic issues with their enrollment (that keeps trending downward) and student retention.
- School has not operated a full year without getting landlord concessions.
- Savings from bonding may ease some of our financial concerns but we are not confident that it will eliminate all of them.



SCSB Action

- Schools can bond while on a Notice of Concern, Warning, or Probation status.
- 53G-5-205(2) states that Charter School Authorizers shall, “... review and evaluate the performance of charter schools authorized by the authorizer and hold a charter school accountable for the school's performance...”
- We recommend the SCSB take action and put Athlos Academy on a warning status or probation status.



THANK YOU

ADDITIONAL | CONTACT | INFO | HERE

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