Center for Creative Education, Inc. - Entity ID 79457

Schools: Montessori Children's House, Verde Valley Montessori School – A Center for Creative Education

Renewal Executive Summary

I. Performance Summary

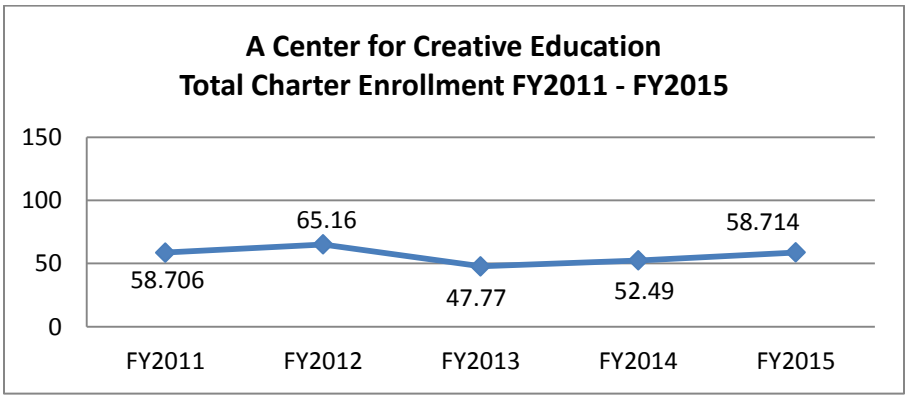
Area	Acceptable	Not Acceptable
Academic Framework	☒	☐
Financial Framework	☐	☒
Operational Framework	Not Yet Rated See Section V	Not Yet Rated See Section V

Center for Creative Education, Inc. met the Board's Academic Performance Expectations as set forth in the Performance Framework adopted by the Board and was waived from submitting the Academic Performance Section of the renewal application.

The Charter Holder did not meet the Financial Performance Expectations of the Board as set forth in the Performance Framework and was required to submit a Financial Performance Response.

II. Profile

Center for Creative Education, Inc. operates two schools serving grades K-6. The graph below shows the Charter Holder's actual 100th day average daily membership (ADM) for fiscal years 2010-2015.

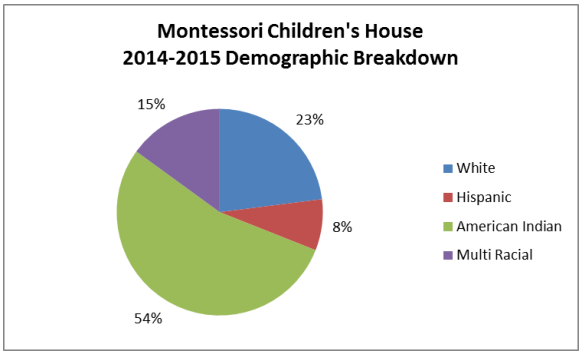


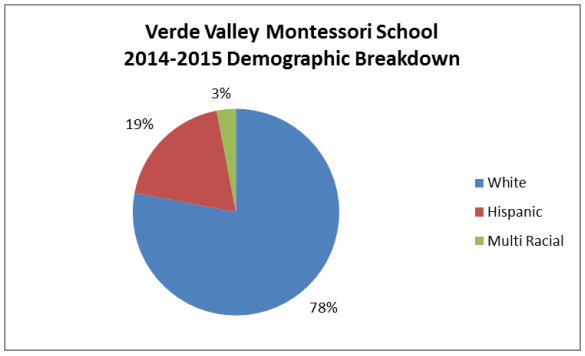
The academic performance of Montessori Children's House, Verde Valley Montessori School – A Center for Creative Education is represented in the table below. Academic Dashboards for each school can be seen in the portfolio: c. Academic Dashboards, i. Academic Dashboard – Montessori Children's House and ii. Academic Dashboard – Verde Valley Montessori School – A Center for Creative Education.

School Name	Opened	Current Grades Served	2012 Overall Rating	2013 Overall Rating	2014 Overall Rating
Montessori Children's House	08/14/2003	K – 1	N/A	NR	N/A
Verde Valley Montessori School – A Center for Creative Education	08/11/2003	K-6	72.5 / B	78.75 / A	79.39 / C

The website for Verde Valley Montessori School – A Center for Creative Education states that the main objective of the school is to provide a stimulating environment and a nurturing relationship which assists students in developing independence, responsibility, initiative, self-discipline and a strong self-esteem there by, encouraging creative thinking, fostering a love of learning and an appreciate of the diversity of the human spirit.

The demographic data for Montessori Children's House and Verde Valley Montessori School – A Center for Creative Education from the 2014-2015 school year is represented in the charts below.[1]





The percentage of students who were eligible for Free and Reduced Lunch, classified as English Language Learners, and classified as students with disabilities in the 2014-2015 school year is represented in the table below.[2]

Category	Montessori Children's House	Verde Valley Montessori School – A Center for Creative Education
Free and Reduced Lunch (FRL)	*	50
English Language Learners (ELLs)	*	*
Special Education	*	10

III. Success of the Academic Program

For the past three years, the academic performance of Verde Valley Montessori School – A Center for Creative Education, a school operated by the Charter Holder, has met the Board's academic performance standards set forth in the Performance Framework adopted by the Board. However, the Charter Holder does not meet the Board's Academic Performance Expectations set forth in the performance framework adopted by the Board because Montessori Children's House, a K-1 school operated by the Charter Holder, does not serve grade levels that are tested and therefore has received an overall rating of No Rating for the past two years. The Charter Holder was not required to submit a Demonstration of Sufficient Progress as part of the renewal application package, however, because the Charter Holder has submitted a School Closure Notification Request, indicating that it will close the operations of Montessori Children's House on May 22, 2015. Upon the closure of Montessori Children's House, the Charter Holder will meet the Board's Academic Performance Expectations set forth in the Performance Framework adopted by the Board.

[1] Information provided by the Research and Evaluation Division of the ADE.
[2] Information provided by the Research and Evaluation Division of the ADE. If the percentage of students in a non-ethnicity-based demographic group is not reported to ADE, or is 0% or 100%, the percentage for that demographic group was redacted.

IV. Viability of the Organization

The Charter Holder was required to submit a Financial Performance Response because it did not meet the Board's Financial Performance Expectations, as reflected in the table below which includes the Charter Holder's financial data and financial performance for the last three audited fiscal years.

Financial Data				
Statement of Financial Position	**2014**	**2013**	**2012**	**2011**
Cash	$27,291	$35,498	$48,638	$65,503
Unrestricted Cash	$576	$15,047	$26,884	
Other Liquidity	$15,000	$15,000		
Total Assets	$32,217	$40,479	$63,571	
Total Liabilities	$9,928	$5,537	$10,931	
Current Portion of Long-Term Debt & Capital Leases	-	-	-	
Net Assets	$22,289	$34,942	$52,640	
Statement of Activities	**2014**	**2013**	**2012**	
Revenue	$445,062	$409,783	$546,154	
Expenses	$457,715	$427,481	$577,251	
Net Income	($12,653)	($17,698)	($31,097)	
Change in Net Assets	($12,653)	($17,698)	($31,097)	
Financial Statements or Notes	**2014**	**2013**	**2012**	
Depreciation & Amortization Expense	$1,099	$849	$2,582	
Interest Expense	-	-	-	
Lease Expense	$62,450	$63,638	$71,400	
Financial Performance				
	2014	**2013**	**2012**	**3-yr Cumulative**
Near-Term Indicators				
Going Concern	No	No	No	N/A
Unrestricted Days Liquidity*	12.42	25.66	17.00	N/A
Default	No	No	No	N/A
Sustainability Indicators				
Net Income	($12,653)	($17,698)	($31,097)	N/A
Cash Flow	($8,207)	($13,140)	($16,865)	($38,212)
Fixed Charge Coverage Ratio	0.81	0.74	0.60	N/A

* For fiscal year 2012, the field reflects the charter holder's performance under the financial framework's previous "Unrestricted Days Cash" measure.

The Charter Holder's Financial Performance Response has been provided in the meeting materials (portfolio: e. Supplemented Financial Response).[3] Staff's final evaluation of the Financial Performance Response resulted in four "Acceptable" and zero "Not Acceptable" determinations (portfolio: d. Financial Response Evaluation). An analysis of the Charter Holder's financial performance, focusing on

[3] On March 3, 2015, Board staff emailed a copy of staff's initial evaluation and provided a deadline by which the Charter Holder could supplement its financial performance response to address areas evaluated as "Not Acceptable". By the deadline, the Charter Holder submitted supplemental information.

those measures where the Charter Holder failed to meet the Board's target and using information from the Charter Holder's Financial Performance Response and related documents, is provided below.

Unrestricted Days Liquidity

Although the Charter Holder ended 2014 with approximately $27,000 in cash, a substantial portion of the cash represented Classroom Site Funds (CSF) dollars and, therefore was considered restricted (see table above). In addition, the Charter Holder indicated the net losses in 2013 and 2014 put it at a "disadvantage" for meeting the measure's 30-day target. According to the estimated cash flow report and CSF report provided by the Charter Holder, the Charter Holder plans to reduce its CSF balance by approximately $9,000 in 2015 and projects meeting the measure's target in 2015.

Net Income

The Charter Holder indicated that although total revenues increased by approximately $35,000 from 2013 to 2014, total expenses also increased by approximately $30,000. Going forward, the Charter Holder stated it has a better understanding of how negative net income in prior years affects subsequent years. Also, the Charter Holder indicated the negative net income reported in 2014 will not occur in future periods "because budgets will be created, monitored, and updated more thoroughly".

According to the estimated cash flow report, the Charter Holder projects positive net income of approximately $29,000 in 2015. The Charter Holder made an effort to improve in 2015 mainly by implementing an expense reduction plan for March through June. By implementing the plan, the Charter Holder projects to reduce rent expenditures in 2015 by approximately $20,000, reduce supplies and furniture by approximately $5,000, and eliminate tech services for $4,000. The Charter Holder leases its facility from a related party which may provide some flexibility to reduce monthly rental costs as needed. Overall, the Charter Holder anticipates reducing approximately $2,000 in expenditures from the prior year and expects revenue to increase approximately $39,000 in 2015.

Fixed Charge Coverage Ratio (FCCR)

The Charter Holder indicated the net loss contributed to its 2014 performance on the FCCR. As supported by the table above, for the last three fiscal years, the FCCR calculation has been primarily based on two items – the Charter Holder's lease expense, which the table shows has declined annually, and the change in net assets (net income). Calculations made by Board staff using the Charter Holder's estimated cash flow report indicate the Charter Holder should meet the FCCR target in 2015.

Cash Flow

The Charter Holder indicated that it did not meet the measure's target because in 2011, the Charter Holder began to use its cash reserves to cover expenses. According to the estimated cash flow report, the Charter Holder projects positive cash flow in 2015 for the first time since 2010. Although the Charter Holder projects a three-year cumulative cash flow of approximately $7,000, the Charter Holder will not meet the measure's target in 2015 due to negative cash flows in 2013 and 2014.

V. Adherence to the Terms of the Charter

Does the delivery of the education program and operation reflect the essential terms of the educational program as described in the charter contract?
Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder's education program, in operation, reflects the essential terms as described in the charter contract.

Does the Charter Holder adhere with applicable education requirements defined in state and federal law?
Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder adheres with applicable education requirements defined in state and federal law.

Do the Charter Holder's annual audit reporting packages reflect sound operations?
Yes. As reported in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to the fiscal years 2012, 2013 and 2014 annual audit reporting packages, respectively.

Is the Charter Holder administering student admission and attendance appropriately?
Yes. Based on the available information and as reported in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to administering student admission and attendance.

Is the Charter Holder maintaining a safe environment consistent with state and local requirements?
Based on the available information and as reported in the current fiscal year and fiscal year 2014, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to maintaining a safe environment.

Based on the available information and as reported in fiscal year 2013, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to maintaining a safe environment, except that the fiscal year 2012 audit reporting package identified that for one existing employee, the fingerprint clearance card expired May 31, 2012 and a new card was not obtained as of the testing date of June 21, 2012.

Is the Charter Holder transparent in its operations?
Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to transparency of operations.

Is the Charter Holder complying with its obligations to the Board?
Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to its obligations to the Board.

Is the Charter Holder complying with reporting requirements of other entities to which the Charter Holder is accountable?
Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to operational requirements monitored by other entities to which the Charter Holder is accountable.

Is the Charter Holder complying with all other obligations?
Yes. Based on the available information in fiscal years 2013 and 2014 and the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to all other obligations.

VI. Board Options

Option 1: The Board may approve the renewal. Staff recommends the following language provided for consideration: Renewal is based on consideration of academic, fiscal and contractual compliance of the Charter Holder. In this case, the Charter Holder meets the Academic Performance Expectations set forth in the Board's performance framework. The Board has reviewed a record of past contractual noncompliance and the Charter Holder's failure to meet the Board's financial expectations. With that taken into consideration as well as all information provided to the Board for consideration of this renewal application package and during its discussion with representatives of the Charter Holder, I move to approve the request for charter renewal and grant a renewal contract to Center for Creative Education, Inc.

Option 2: The Board may deny the renewal unless certain provisions are included. The following language is provided for consideration: I move that, based upon a review of the information provided by the representatives of the Charter Holder and the contents of the application package which includes the academic performance, the fiscal compliance, and legal and contractual compliance of the Charter Holder over the charter term, the Board has sufficient basis to deny the request of Center for Creative Education, Inc. for the renewal of its charter on the grounds that: (*Board member must specify reasons the Board found during its consideration*.)

That taken into consideration, there is an expectation that the Charter Holder can [*identify corrective action that can be taken*]. Therefore, the Board will grant a renewal contract so long as [*identify corrective action requirements*] are completed by the close of business on [*identify date*]. If Center for Creative Education, Inc. fails to submit the [*identify corrective action requirements*] by the [*date*], deadline, then it is the Board's decision that Center for Creative Education, Inc.' request for renewal of its charter be denied for the reasons already specified.

Option 3: The Board may deny the renewal. The following language is provided for consideration: Based upon a review of the information provided by the representatives of the Charter Holder and the contents of the application package which includes the academic performance, the fiscal compliance, and legal and contractual compliance of the Charter Holder over the charter term, I move to deny the request for charter renewal and to not grant a renewal contract for Center for Creative Education, Inc.. Specifically, the Charter Holder, during the term of the contract, failed to meet the obligations of the contract or failed to comply with state law when it: (*Board member must specify reasons the Board found during its consideration*.)