Global Renaissance Academy of Distinguished Education - Entity ID 4324
School: Grand Canyon College Preparatory Charter School

Renewal Executive Summary

Sources of Evidence for this Document

Pursuant to A.R.S. 15-183(I), a charter may be renewed for successive periods of twenty years. The Arizona State Board for Charter Schools (Board) has established a process for the renewal of a charter that is based on affirmative evidence in three areas:

I. Success of the academic program, including academic achievement
II. Viability of the organization, including fiscal management and compliance
III. Adherence to the terms of the charter, including contract and legal compliance

Evaluation of the charter holder's success in these three areas is based on a variety of information that will serve as sources of evidence in determining renewal of a charter. These sources include, but are not limited to:

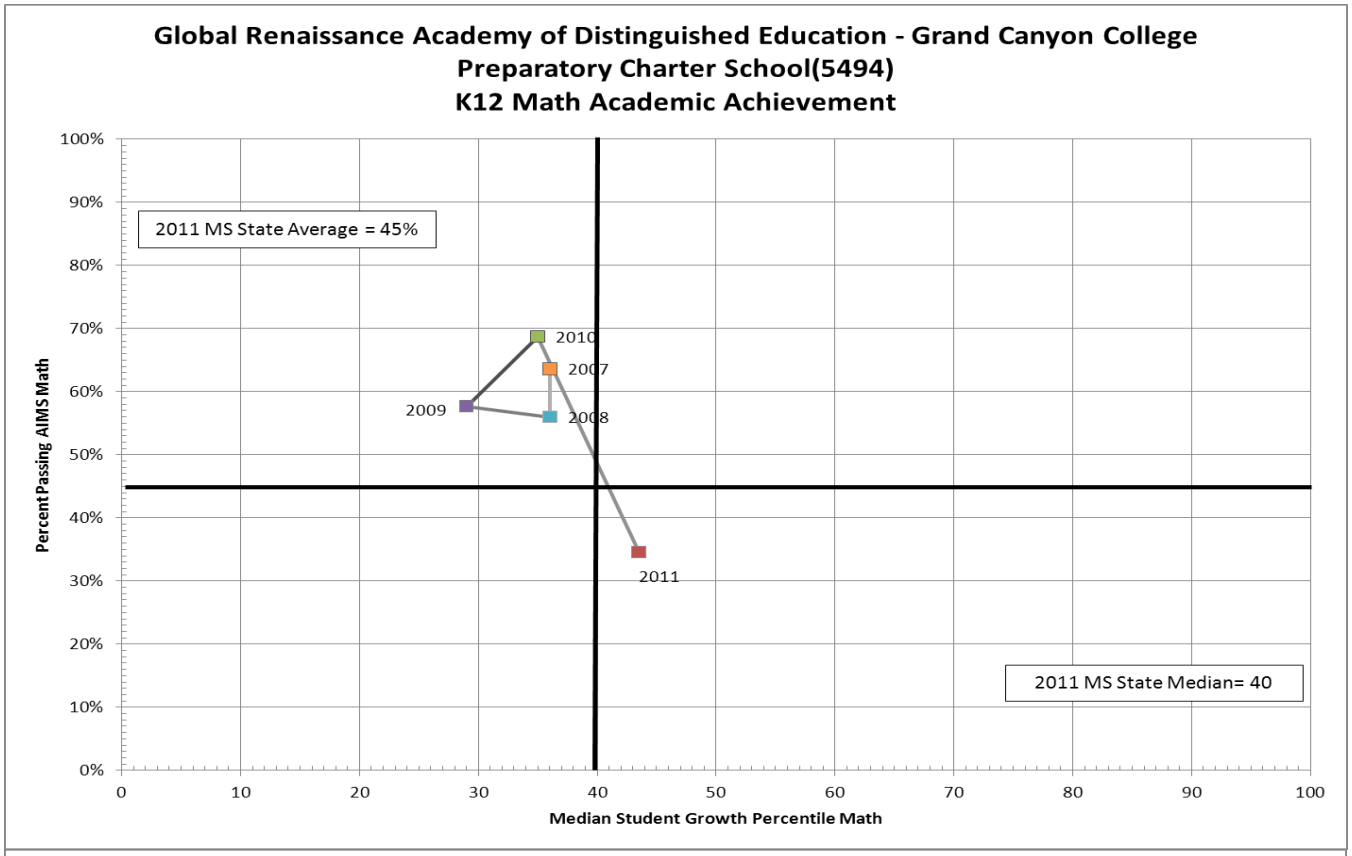
- Pupil achievement data
- Independent financial audits
- Five-year interval summary reviews
- Site visit reports
- Monitoring reports
- Application package for renewal

Profile

At its November 21, 2011 meeting, the Board approved the transfer of sponsorship of Global Renaissance Academy of Distinguished Education's (GRADE) charter from the State Board of Education to the Charter Board. An audio recording of the discussion regarding GRADE's transfer during the November 21 meeting is available at http://www.asbcs.az.gov/board_information/meeting_info/2011/November.asp

Global Renaissance Academy of Distinguished Education operates one school serving grades 6-12 with a total FY11 average daily membership (ADM) of 71.060. Additional information can be found in the Summary Review.

Graphs displaying the academic achievement for the past five years, if available, are provided on the next page.


Global Renaissance Academy of Distinguished Education - Grand Canyon College Preparatory Charter School(5494)
K12 Math Academic Achievement
2011 MS State Average = 45%
2011 MS State Median= 40
2010
2007
2009
2008
2011
Percent Passing AIMS Math
Median Student Growth Percentile Math
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
0
10
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30
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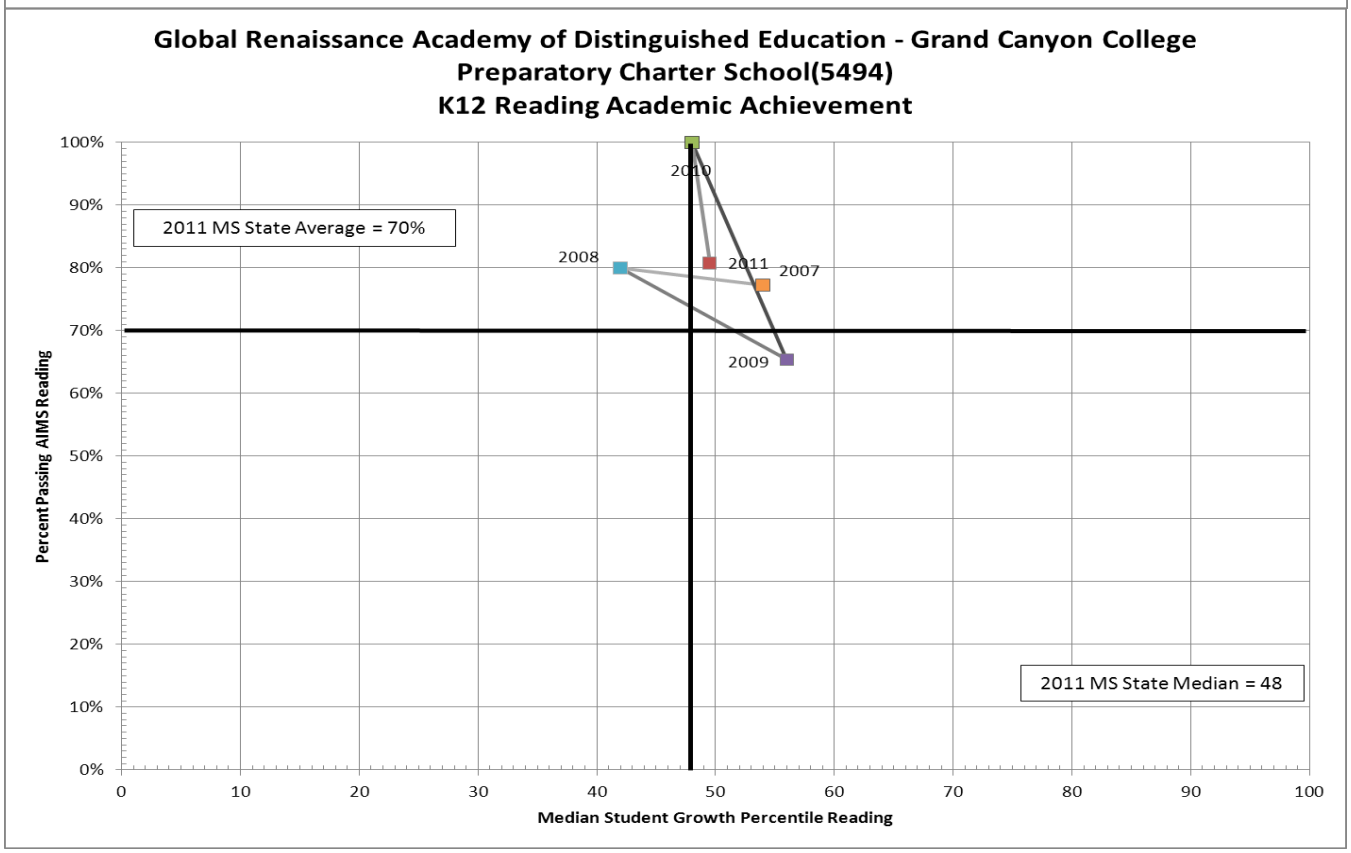

Global Renaissance Academy of Distinguished Education - Grand Canyon College Preparatory Charter School(5494)
K12 Reading Academic Achievement
2011 MS State Average = 70%
2011 MS State Median = 48
2010
2008
2011
2007
2009
Percent Passing AIMS Reading
Median Student Growth Percentile Reading
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
0
10
20
30
40
50
60
70
80
90
100

I. Success of the Academic Program

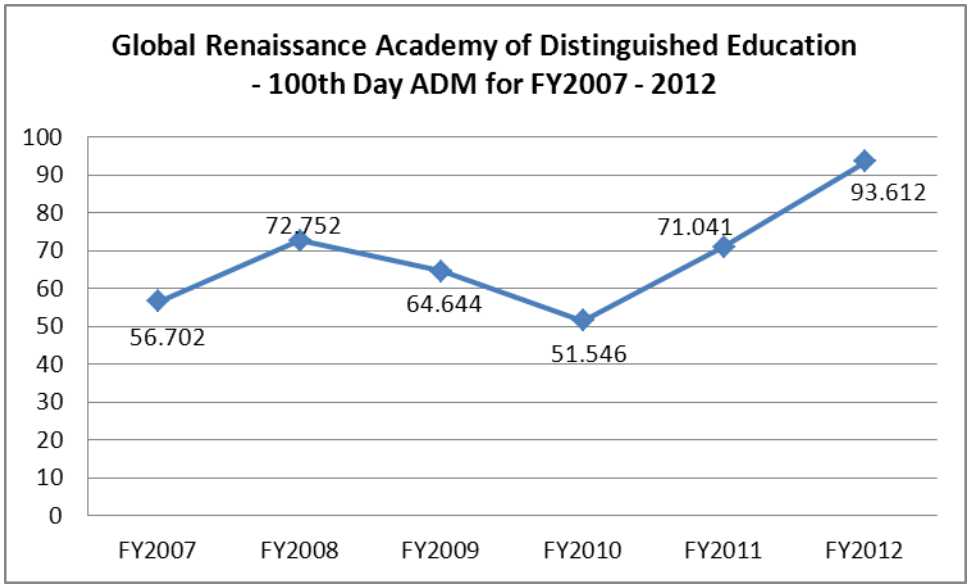
At the time the charter became eligible for renewal, the academic performance of the school operated by the charter holder met or demonstrated sufficient progress toward the Board's level of adequate academic performance. The charter holder was not required to submit a Performance Management Plan. However, based upon additional academic data and as agreed to in the Transfer Settlement Conference, the charter holder has submitted a Performance Management Plan which is included in the renewal portfolio.

II. Viability of the Organization

Because the charter holder's fiscal years 2009 and 2010 financial statements were prepared assuming the organization will continue as a going concern[1] and because the fiscal years 2009 and 2010 audit identified negative net assets at the end of each year, the charter holder was required to complete the Budget Plan and submit the Financial Sustainability Narrative and supporting evidence. Required submissions for the charter holder's Financial Sustainability portion of the Detailed Business Plan Section of the application and the applicable checklist are included in the charter holder's portfolio. " Exhibit 3 – list of all enrollment inquiries for 2011/12" contained information for 65 students, but was excluded from the portfolio as it includes names and other identifying information. The checklist completed by staff identifies whether the required elements of the Detailed Business Plan were addressed.

The graph below shows the charter holder's actual 100th day average daily membership (ADM) for fiscal years 2007 through 2011 and the fiscal year 2012 ADM as of January 11, 2012. The ADM included in the Budget Plan for fiscal years 2010 and 2011 was in line with reports available through the Arizona Department of Education's website.

[1] Going concern is the idea that an organization will continue to engage in its activities for the foreseeable future. If the auditor doubts that the organization will continue for the next year, the audit opinion would include a paragraph explaining this concern as was the case with Global Renaissance Academy of Distinguished Education. The charter holder's fiscal years 2006, 2007 and 2008 financial statements were also prepared assuming the organization will continue as a going concern.



As demonstrated in the graph above, the charter holder's ADM has fluctuated up and down during the past six fiscal years. After two consecutive years of declining ADM, the charter holder's ADM grew by nearly 20 (or approximately 38%) from fiscal year 2010 to 2011 and by more than 22 (or approximately 32%) from fiscal year 2011 to 2012. The current fiscal year 2012 ADM exceeds the projected ADM included in the Budget Plan for fiscal years 2012 and 2013.

In reviewing the five most recent audits (2007-2011), the financial statements all five show deficits resulting from liabilities in excess of assets ranging from a low of $217,328 in fiscal year 2011 to a high of $774,546 in fiscal year 2010. Additionally, as of June 30, 2011, the charter holder did not have sufficient cash or other readily available resources [$30,679] to satisfy obligations due within the next year [$71,523]. Further, in each fiscal year between 2007 and 2010, the charter holder ended the year with zero cash. However, at June 30, 2011, GRADE had cash and cash equivalents of $25,649. The fiscal years 2008, 2009 and 2010 audits reported " excessive bank fees" of $10,622, $5,475 and $10,218, respectively that were due primarily to overdraft fees on cash disbursements. This issue was not identified in the fiscal year 2011 audit. Finally, in the fiscal years 2007 through 2010 audits, the charter holder experienced deficits, resulting from expenses exceeding revenues. For the year ended June 30, 2011, GRADE experienced a surplus of $55,141, resulting from revenues exceeding expenses. When other income (including the bankruptcy reorganization items) and expenses are factored in, the change in unrestricted net assets for fiscal year 2011 was $557,218. The Renewal Budget Plan projects surpluses in fiscal years 2012 and 2013.

In May 1999 near the close of its second year of operation, the charter holder filed for Chapter 11 protection. The court accepted the plan for payment of all submitted claims in the bankruptcy proceedings in November 2001. Terms of the bankruptcy settlement required the charter holder to repay all liabilities not discharged as a result of the filing beginning on January 15, 2002 through January 15, 2006. The fiscal year 2010 audit reflects that as of June 30, 2010, the charter holder had not made payments as required and as of June 30, 2010 owed approximately $265,400. As of the fiscal year 2010 audit date, no creditor had filed a motion to initiate court proceedings due to nonpayment.

In April 2010, the charter holder again filed for Chapter 11 protection under the federal bankruptcy laws. The charter holder's portfolio includes copies of the Debtor's Disclosure Statement Dated December 23, 2010 and the Debtors' First Plan of Reorganization. Documents filed as part of the bankruptcy proceeding reflect that the charter holder is in arrears to the Internal Revenue Service in excess of $300,000; in arrears to the Arizona Department of Revenue in excess of $6,000; in arrears to the Arizona Department of Economic Security in excess of $3,500; and in arrears in member and employer contributions to the Arizona State Retirement System in excess of $12,000. The plan of reorganization proposed to the bankruptcy court will last six years. On September 13, 2011, the U.S. Bankruptcy Court approved the plan of reorganization and ordered the plan be put into effect. As a result, certain prepetition liabilities were discharged. As of January 3, 2012, GRADE has provided proof that the first five payments under the plan were timely made.

In the Financial Sustainability Narrative, the charter holder discusses the recent bankruptcy filing and status. Additionally, the narrative discusses the primary factors contributing to the current financial situation, including high building lease costs and poor location/visibility at its former location, and four steps the charter holder has taken to improve its financial condition. The four steps are moving to a new facility beginning in 2010/11, decreasing overall lease costs by approximately one-third, reducing payroll related expenses, and entering into a provisional contract (pending court approval) with a business services provider to help the charter holder better manage its cash flow and increase compliance with its charter contract. The charter holder provided evidence, which is included in the portfolio, for each of the steps it has taken.

III. Adherence to the Terms of the Charter

A. Compliance Matters Requiring Board or Other Agency Action[2]

In March 2011, the State Board of Education (SBE) voted to withhold 5% of the charter holder's monthly state aid apportionment for failure to comply with state and federal law regarding payroll tax requirements, employer unemployment contributions requirements, and Arizona State Retirement System (ASRS) member and employer contribution requirements. The withholding began with the May 2011 payment and continues. In order to have the withholding returned, the SBE established six items that the charter holder must complete. The charter holder has submitted sufficient documentation to address five of the six items. The sixth item requires the charter holder to demonstrate six months of timely payments in accordance with the approved Plan of Reorganization. As of January 3, 2012, GRADE has provided proof that the first five payments under the plan were timely made.

Further, during fiscal years 2007 through 2010, the charter holder failed to timely submit member and employer contributions to the ASRS, which resulted in the ASRS garnishing the charter holder's monthly state aid as follows:[3]

- April 2007 – $7,498.03
- May 2007 – $5,474.02
- June 2007 – $5,447.58

[2] For more information about the areas of compliance reviewed for this section, please see the "Renewal Guide".
[3] Since the charter holder is now contracting its employees, it is no longer an Arizona State Retirement System member.

- July 2007 – $2,703.03
- July 2008 – $8,121.92
- December 2008 – $18,035.07
- July 2009 – $15,032.05
- November 2009 – $6,814.99
- January 2010 – $7,210.76

B. Other Compliance Matters[4]

The updated Renewal Summary Review included in the portfolio indicates that the fiscal year 2011 audit has not been reviewed because Board staff has not yet sent the audit letter to the charter holder. However, Board staff has reviewed GRADE's fiscal year 2011 audit and determined that:

- GRADE submitted all required federal and state payroll taxes and forms for fiscal year 2011.
- No issues were identified that would require the submission of a corrective action plan to the Board.

The fiscal year 2010 audit identified issues that required a corrective action plan (CAP). For the third year in a row, the audit identified noncompliance with federal payroll tax requirements. Not including penalties and interest, the charter holder's federal payroll tax liability has grown from approximately $81,250 in fiscal year 2008 to nearly $102,250 in fiscal year 2010, according to information disclosed in the annual audits. Additionally, the fiscal year 2010 audit identified repeat noncompliance with employer unemployment contribution requirements and first-time noncompliance with state payroll tax requirements. Please see the " Compliance Matters Requiring Board or Other Agency Action" section above for more information regarding the status of these three issues.

In addition to the payroll tax and employer unemployment contribution issues addressed above, the fiscal year 2010 identified two other issues that required a CAP. First, the audit indicated that one staff member did not have a fingerprint clearance card. Second, the audit indicated that the charter holder suffered a catastrophic failure to its server that housed student attendance data. According to the audit, all computerized records were lost. The charter holder did not have any backup copies to use to restore the data, but did have the manual attendance reports and some of the daily printouts from the computerized attendance system. The charter holder submitted a satisfactory CAP.

In addition to the payroll tax and employer unemployment contribution issues addressed above, the fiscal year 2009 audit identified internal control issues related to segregation of duties and the disbursement of cash. Specifically, the audit indicated: a) The charter holder designed a procedure for its board to review all cash disbursements during its meeting. It was noted during the review of board minutes that this policy was not consistently applied and its documentation was limited when mentioned in the minutes; b) The charter holder was unable to provide adequate supporting documentation for 1 out of 40 cash disbursements tested; c) The charter holder reimbursed a related party $70 over the supported amount; and d) The charter holder booked a check into the check register in an amount that was $10 over the amount supported and written on the check. The charter holder submitted a satisfactory CAP.

[4] For more information about the areas of compliance reviewed for this section, please see the "Renewal Guide".

Further, the fiscal year 2007 audit identified an issue that required a CAP. Specifically, the audit indicated that the charter holder under-reported payroll expense to the Internal Revenue Service and the Arizona Department of Revenue on its quarterly payroll tax reports for the fourth quarter of 2006 and the second quarter of 2007. According to the audit, during these periods, the charter holder paid certain employees and did not report these wages to the third-party organization contracted by the charter holder to handle payroll preparation. The charter holder submitted a satisfactory CAP.

Finally, the audits have identified repeat audit issues. The fiscal years 2009 and 2010 audits indicated that the charter holder did not ensure that sufficient cash and budget capacity were available before authorizing disbursements, which resulted in, according to the audits, " excessive bank fees" .[5]

In November 2008, ADE Exceptional Student Services notified the charter holder of partial compliance in some areas with regard to specific regulations for Part B, Individuals with Disabilities Education Act (IDEA), and the Arizona Revised Statutes. The compliance issues were reported by ADE as resolved in November 2009.

For the previous five fiscal years, the charter holder has failed to timely submit its annual audit for one or more years.

C. Charter Holder's Organizational Membership

Because the organizational membership on file with the Board was consistent with the information on file with the Arizona Corporation Commission, the charter holder was not required to submit the charter holder's Organizational Membership portion of the Detailed Business Plan Section.

Officers and Directors: David Gordon, Gwyneth Gordon, Magaret Palmer, Stephen Harmon, Anne Marshall, and Matthew Smith.

Board Options

Option 1: The Board may approve the renewal. Staff recommends the following language for consideration: Renewal is based on consideration of academic, fiscal and contractual compliance of the charter holder. In this case, there is a record of academic performance below the Board's level of adequate academic performance, which has been addressed by the charter holder through the inclusion of a performance management plan as part of the renewal application package and can be incorporated in the charter contract. There is also a record of past contractual noncompliance which has been reviewed. 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

[5] The Procurement Compliance Questionnaire, which the charter holder is subject to since it is sponsored by the State Board of Education, requires the school to ensure that sufficient cash and budget capacity are available before authorizing disbursements.

Global Renaissance Academy of Distinguished Education that incorporates the performance management plan.

Option 2: The Board may deny the renewal. 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 deny the request for charter renewal and to not grant a renewal contract for Global Renaissance Academy of Distinguished Education. 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:

1. Failed to comply with federal laws requiring the charter holder to pay taxes required to be deducted and withheld from wages of its employees and related taxes into the Treasury of the United States;
2. Failed to comply with state laws requiring the charter holder to submit Arizona income tax required to be deducted and withheld from the wages of its employees to the Arizona Department of Revenue;
3. Failed to comply with state laws regarding employer unemployment contributions;
4. Failed to comply with state laws regarding member and employer contributions to the Arizona State Retirement System;
5. Failed to comply with fingerprinting requirements in accordance with A.R.S. §15-183.C.5;
6. Failed to maintain and retain financial records as required by Arizona's Public Records Law and in accordance with the General Retention Schedule for School Districts and Charter Schools published by the Arizona State Library, Archives and Public Records.
7. Other specific reasons the Board may have found during its consideration including…