AGENDA ITEM: Interval Reviews – Compliance Issues

I. Issue

Legacy Education Group, Inc., a non-profit organization that operates East Valley High School, failed to demonstrate sufficient progress toward the Board's academic performance expectations and is not in compliance with its charter.

Background Information

In accordance with A.R.S. §15-183(I), the Board is required to review charters at five-year intervals. A.R.S. § 15-183.R requires the Board to ground its action in evidence of the charter holder's performance in accordance with the performance framework, which includes the academic performance expectations of the charter school and the measurement of sufficient progress toward the academic performance expectations. The Board's Academic Performance Framework and Guidance document includes an Academic Intervention Schedule that requires the submission of a Performance Management Plan (PMP) or a Demonstration of Sufficient Progress (DSP) when the charter holder fails to meet the Board's academic expectations.

Charter holders subject to a Five-Year Interval Review that failed to meet the Board's Academic Performance Expectations based on FY2013 and FY2014 performance data and who had previously been assigned a PMP at a prior Five-Year Interval Review were required to submit a Demonstration of Sufficient Progress (DSP) on January 7, 2015 and complete a DSP site visit. A DSP is used by the Board to determine whether a charter holder that fails to meet the Board's academic expectations has demonstrated sufficient progress toward the academic performance expectations. Through the DSP Report and site visit, Legacy Education Group, Inc. has failed to demonstrate it is making sufficient progress toward meeting the Board's the Academic Performance Expectations.

A.R.S. § 15-183.I.3 states, in part, that the Board may revoke a charter at any time if the charter school fails to meet or make sufficient progress toward the academic performance expectations set forth in the performance framework.

II. Performance Summary

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

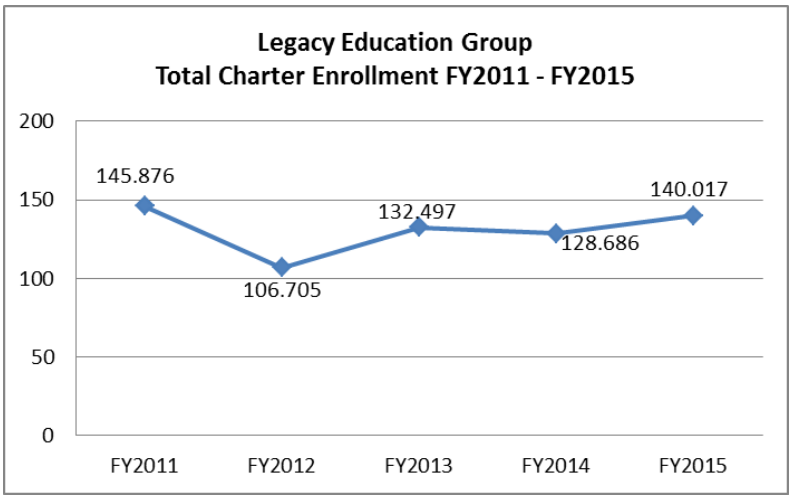
During the previous five-year interval review of the charter, Legacy Education Group was required to submit a Performance Management Plan as an intervention because East Valley High School operated by the Charter Holder did not meet the academic expectations set forth by the Board. At the subsequent five-year interval review of the charter Legacy Education Group did not meet the Academic Performance Expectations of the Board as set forth in the Performance Framework and was required to submit a Demonstration of Sufficient Progress. In the most recent fiscal year for which there is State assessment data available, East Valley High School received an overall rating of "Does Not Meet" the Board's academic standards.

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.

The Charter Holder does have compliance matters, which are described in the "Adherence to the Terms of the Charter" section of this report.

III. Profile

Legacy Education Group operates one school, East Valley High School, serving grades 9-12 in Mesa. The graph below shows the Charter Holder's actual 100th day average daily membership (ADM) for fiscal years 2011-2015.



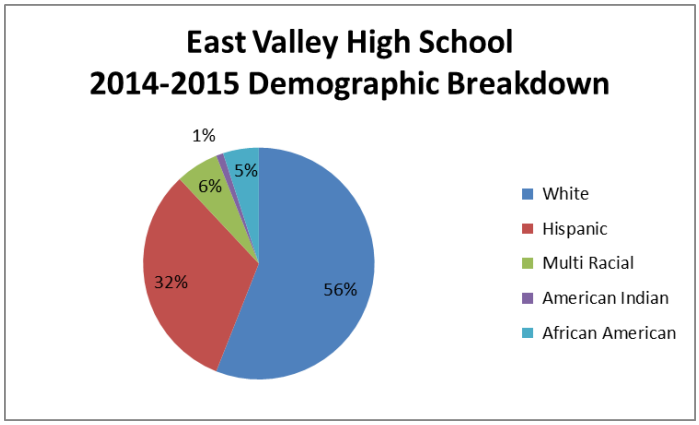
The academic performance of East Valley High School is represented in the table below. The Academic Dashboard for the school can be seen in the portfolio: c. Academic Dashboard– East Valley High School.

School Name	Opened	Current Grades Served	2012 Overall Rating	2013 Overall Rating	2014 Overall Rating
East Valley High School	08/15/2005	9 – 12	65 / C	43.33 / D	53.12 / C

The Charter Holder's stated mission is "To provide an educational program that challenges each student to attain his or her highest academic and character potential through a coordinated Humanities curriculum, an integrated performing and fine arts program, community service program and a traditional approach to education." The school's website also indicates that the school provides "Online Courses designed for Students who desire to complete credits at their own pace for a quicker graduation" and identifies the school as a "school of 2nd changes, for students who need them." The school is not classified as an Alternative School by the Arizona Department of Education and has not submitted an application for this classification for FY2015.

The demographic data for East Valley High School from the 2014-2015 school year is represented in the charts below.[1]

[1] Information provided by the Research and Evaluation Division of the ADE.



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	East Valley High School
Free and Reduced Lunch (FRL)	44%
English Language Learners (ELLs)	*
Special Education	18%

IV. Additional School Choices

East Valley High School is located in Mesa near E. Main Street and N. Sossaman Road. The following information identifies additional schools within a five mile radius of the school and the academic performance of those schools.

There are nine public schools serving grades 9-12 within a five mile radius of East Valley High School. The table below provides a breakdown of those schools. Schools are grouped by the A - F letter grade assigned by the ADE. For each letter grade, the table identifies the number of schools assigned that letter grade, the number of those schools that are charter schools, the number of the charter schools that are meeting the Board's academic performance standard for FY14, and the number of schools serving a comparable percentage of students (± 5%) in the identified subgroups.[3]

East Valley High School				44%	*	18%
Letter Grade	Within 5 miles	Charter Schools	Meets Board's Standard	Comparable FRL (± 5%)	Comparable ELL (± 5%)	Comparable SPED (± 5%)
A	5	1	1	0		0
B	2	0		0		1
C	2	0		0		2

[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 is redacted.
[3] 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 is redacted.

V. Success of the Academic Program

The academic performance of East Valley High School has fluctuated over the past three years. In FY2012 the school was evaluated as "Meets" the Board's academic performance standards and earned an A-F letter grade of C from ADE. In the following year the school demonstrated a dramatic decrease in academic performance. The Overall Rating declined by 21.56 points resulting in the school being evaluated as "Does Not Meet" the Board's academic performance standards. The individual measures for the school in FY2013 showed that 3 of 12 measures were evaluated as Falls Far Below and only one evaluated as Meets. The decline in performance was reflected in the D letter grade earned by the school for FY2013.

The academic dashboard for FY2014 shows mixed results. The Overall Rating improved by 9.68 points. However the school still "Does Not Meet" the Board's academic performance standards and is 9.88 points short of "Meets". Two individual measures improved from Falls Far Below to Does Not Meet. However the school has 4 of 12 measures evaluated as Falls Far Below, three of which were previously Does Not Meet.

The following is a timeline of activities that have occurred related to the academic performance of Legacy Education Group:

July, 2010: Legacy Education Group was notified that the Charter Holder was required to submit a Performance Management Plan on or before September 1, 2010 for the five-year interval review because East Valley High School, a school operated by the Charter Holder, did not meet the Academic Expectations set forth by the Board.

August, 2010: Legacy Education Group timely submitted a Performance Management Plan (portfolio: g. Prior Academic Intervention Submissions and Evaluations – i. PMP).

February, 2013: The Board released FY2012 Academic Dashboards; East Valley High School received an overall rating of "Meets" the Board's academic standards. In accordance with the Board's academic framework intervention schedule at that time, the Charter Holder was waived from any specific monitoring requirements.

September, 2013: The Board released FY2013 Academic Dashboards; East Valley High School received an overall rating of "Does Not Meet" the Board's academic standards. Therefore, Legacy Education Group did not meet the Board's Academic Performance Expectations.

December, 2013: The Charter Holder was assigned a FY2014 DSP as part of an annual reporting requirement. (portfolio: g. Prior Academic Intervention Submissions and Evaluations – ii. FY2014 DSP).

February, 2014: The Charter Holder submitted the FY2014 DSP two days after the due date.

September, 2014: The Board released FY2014 Academic Dashboards; East Valley High School received an overall rating of "Does Not Meet" the Board's academic standards. Therefore, Legacy Education Group did not meet the Board's Academic Performance Expectations.

December, 2014: Board staff provided the Charter Holder, through its authorized representative, Kathy Tolman, with notification of the Five-Year Interval Review, including the deadline date on which the submissions would be due to the Board, January 7, 2015, and notification of the requirement to submit a FY2015 DSP as a component of its Five-Year Interval Review submission because the Charter Holder did not meet the Academic Performance Expectations set forth by the Board.

January, 2015: Board staff provided the Charter Holder with an evaluation of the FY2014 DSP. In areas that were evaluated as not acceptable, Board staff provided the Charter Holder with technical guidance (portfolio: g. Prior Academic Intervention Submissions and Evaluations – ii. FY2014 DSP).The findings contained in the final evaluation of the FY2014 DSP was grounded in a limited evaluation of the school's submitted narrative.

The Charter Holder failed to timely submit a FY2015 DSP report and financial performance response, as required for the Five-Year Interval Review. On January 8, Board staff provided the Charter Holder, through its authorized representative, Kathy Tolman, with notification of the failure and potential Board consideration if the Charter Holder did not submit the required information. The Charter Holder submitted a FY2015 DSP report on January 12, one day prior to the Board's scheduled consideration of the Charter Holder's non-compliance. (portfolio: f. FY2015 DSP)

February, 2015: The Charter Holder submitted a FY2015 financial performance response on February 20, 2015. (portfolio: i. Financial Response)

March, 2015: On March 24, 2015, Board staff provided the Charter Holder, through its authorized representative, Kathy Tolman, with notification of the final requirement of its Five-Year Interval Review. Specifically, Board staff notified the Charter Holder that the its officers and directors as identified in information publicly available through the Arizona Corporation Commission do not align with its officers and directors as identified in the charter contract and provided instructions on how to correct this reporting. The Charter Holder was notified to complete the required filings, and provide copies to the Board, no later than April 6, 2015.

VI. Demonstration of Sufficient Progress

Legacy Education Group submitted a FY2015 DSP report on January 12, 2015 (portfolio: f. FY2015 DSP). The Charter Holder was provided a copy of the initial evaluation of the DSP Report prior to the site visit and informed that areas initially evaluated as not acceptable must be addressed with additional evidence and documentation at the time of the visit.

Following a preliminary evaluation of the DSP, staff conducted a site visit to meet with the school's leadership, as selected by the school, to confirm evidence of the processes described in the DSP and review additional evidence to be considered in the final evaluation of the Charter Holder's DSP submission. The following representatives of Legacy Education Group were present at the site visit:

Name	Role
Kathy Tolman	Director
Brittany Verlei	Data & RTI Coordinator
Vance L. Danzy	Principal

At the site visit, Board staff completed a document inventory for all evidence presented by the Charter Holder (portfolio: e. DSP Site Visit Inventory Forms). The Charter Holder was provided a copy of the document inventory at the end of the site visit. Following the site visit, Board staff completed a final evaluation of the DSP (portfolio: d. FY2015 DSP Final Evaluation). The following is a summary of the final DSP Evaluation:

Evaluation Summary			
Area	DSP Evaluation		
	Meets	Does Not Meet	Falls Far Below
Data	☐	☐	☒
Curriculum	☐	☒	☐
Assessment	☐	☐	☒
Monitoring Instruction	☐	☒	☐
Professional Development	☐	☐	☒
Graduation Rate	☐	☒	☐

After considering information in the DSP Report and evidence provided at the time of the site visit, the Charter Holder did not demonstrate evidence of a sustained improvement plan that includes implementation of a comprehensive curriculum system, a comprehensive assessment system, a comprehensive instructional monitoring system, a comprehensive professional development system, and a system for ensuring students in grades 9-12 graduate on time. Additionally, the data provided by the Charter Holder failed to show improvement year-over-year for the two most recent school years in 11 out of the 11 measures required by the Board, and demonstrated declines in academic performance in some of those measures.

Based on the findings summarized above and described below, staff determined that the Charter Holder did not demonstrate sufficient progress towards meeting the Board's Academic Performance Expectations.

Data

The area of Data is evaluated as Falls Far Below. As evidenced at the DSP site visit, the data provided by the Charter Holder failed to show improvement year-over-year for the two most recent school years in 11 out of the 11 measures required by the Board, and demonstrated declines in academic performance in some of those measures. For more detailed analysis see Curriculum Inventory (portfolio: e. DSP Site Visit Inventory Forms, i. Site Visit Inventory – Data).

Question	Valid and Reliable Data	Comparative Data provided for Current Fiscal Year	Comparative Data Demonstrates Growth	Document Inventory Item
Student Median Growth Percentile (SGP) - Math	Yes	No	No	D1
Student Median Growth Percentile (SGP) - Reading	Yes	No	No	D2
Student Median Growth Percentile Bottom 25% - Math	No	No	No	D3
Student Median Growth Percentile Bottom 25% - Reading	No	No	No	D4
Percent Passing - Math	Yes	No	No	D5
Percent Passing - Reading	Yes	No	No	D6
Subgroup, ELL - Math	N/A	N/A	N/A	D7
Subgroup, ELL - Reading	N/A	N/A	N/A	D8
Subgroup, FRL - Math	No	No	No	D9
Subgroup, FRL - Reading	No	No	No	D10
Subgroup, students with disabilities - Math	No	No	No	D11
Subgroup, students with disabilities - Reading	No	No	No	D12
High School Graduation Rate	Yes	No	No	D13

Curriculum

The area of Curriculum is evaluated as Does Not Meet. As demonstrated by the evidence provided at the DSP site visit, the Charter Holder has consistently implemented a limited curriculum approach. At the DSP site visit, the Charter Holder sufficiently demonstrated some of the components of these required elements, but failed to sufficiently demonstrate all of the components of the required elements. For more detailed analysis see Curriculum Inventory (portfolio: e. DSP Site Visit Inventory Forms, ii. Site Visit Inventory – Curriculum).

Question	Sufficient Evidence	Document Inventory Item
Evaluating Curriculum		
What is the Charter Holder's process for evaluating curriculum? How does the Charter Holder evaluate how effectively the curriculum enables students to meet the standards?	No	C1
How does the Charter Holder identify gaps in the curriculum?	No	C2
Adopting/Revising Curriculum		
What is the Charter Holder's process for adopting or revising curriculum based on its evaluation processes?	No	C3
Who is involved in the process for adopting or revising curriculum?	No	C4
When adopting curriculum, how does the Charter Holder evaluate curriculum options to determine which curriculum to adopt?	No	C5
Implementing Curriculum		
What is the Charter Holder's process for ensuring consistent implementation of the curriculum across the school(s) operated by the Charter Holder?	No	C6
What tools exist that identify what must be taught and when it must be delivered? How does the Charter Holder ensure that all grade-level standards are covered within the academic year?	No	C7
What is the expectation for consistent use of these tools? How are these expectations communicated?	No	C8
What evidence is there to demonstrate usage of these tools in the classroom and alignment with instruction?	No	C9
Alignment of Curriculum		
How does the Charter Holder know the curriculum is aligned to standards?	No	C10
Adapted to Meet the Needs of Subgroups		
How has the Charter Holder ensured that the curriculum addresses the needs of students with proficiency in the bottom 25%/non-proficient students?	Yes	C11
How has the Charter Holder ensured that the curriculum addresses the needs of English Language Learners (ELLs)?	N/A	C12
How has the Charter Holder ensured that the curriculum addresses the needs of Free and Reduced Lunch (FRL) students?	Yes	C13
How has the Charter Holder ensured that the curriculum addresses the needs of students with disabilities?	Yes	C14

Assessment

The area of Assessment is evaluated as Falls Far Below. As demonstrated by the evidence provided at the DSP site visit, the Charter Holder has implemented fragmented, ad hoc efforts to assess student performance on expectations for student learning, and to evaluate and adjust curriculum and instruction based on analysis of student assessment data. The efforts lack intentionality and prior planning, and are not consistently implemented. For more detailed analysis see Assessment Inventory (portfolio: e. DSP Site Visit Inventory Forms, iii. Site Visit Inventory – Assessment).

Question	Sufficient Evidence	Document Inventory Item
Assessment System		
What types of assessments does the Charter Holder use?	No	A1
What was the process for designing or selecting the assessment system?	No	A2
How is the assessment system aligned to the curriculum and instructional methodology?	No	A3
What intervals are used to assess student progress? How does the assessment plan include data collection from multiple assessments, such as formative and summative assessments and common/benchmark assessments?	Yes	A4
Analyzing Assessment Data		
How does the assessment system provide for analysis of assessment data? What intervals are used to analyze assessment data?	No	A5
How is the analysis used to evaluate instructional and curricular effectiveness?	No	A6
How is the analysis used to adjust curriculum and instruction in a timely manner? What intervals are used to adjust curriculum and instruction?	No	A7
Adapted to Meet the Needs of Subgroups		
How is the assessment system adapted to meet the assessment needs of students with proficiency in the bottom 25%/non-proficient students?	No	A8
How is the assessment system adapted to meet the assessment needs of English Language Learners (ELLs)?	N/A	A9
How is the assessment system adapted to meet the assessment needs of Free and Reduced Lunch (FRL) students?	No	A10
How is the assessment system adapted to meet the assessment needs of students with disabilities?	No	A11

Monitoring Instruction

The area of Monitoring Instruction is evaluated as Does Not Meet. As demonstrated by the evidence provided at the DSP site visit, the Charter Holder has consistently implemented a limited instructional monitoring approach. At the DSP site visit, the Charter Holder sufficiently demonstrated the some of the components of these required elements, but failed to sufficiently demonstrate all components of these required elements. For more detailed analysis see Monitoring Instruction Inventory (portfolio: e. DSP Site Visit Inventory Forms, iv. Site Visit Inventory – Monitoring Instruction).

Question	Sufficient Evidence	Document Inventory Item
Monitoring the Integration of Standards		
What is the Charter Holder's process for monitoring the integration of standards into classroom instruction? How does the Charter Holder monitor whether or not instructional staff implements an ACCRS-aligned curriculum with fidelity?	No	M1
How does the Charter Holder monitor the effectiveness of standards-based instruction throughout the year?	No	M2
Evaluating Instructional Practices		
What is the Charter Holder's process for evaluating the instructional practices? How does this process evaluate the quality of instruction?	Yes	M3
How does this process identify individual strengths, weaknesses, and needs?	Yes	M4
Providing Analysis and Feedback to Further Develop Instructional Quality		
How does the Charter Holder provide feedback on strengths, weaknesses, and learning needs based on the evaluation of instructional practices?	No	M5
How does this Charter Holder analyze this information? What does the data about quality of instruction tell the Charter Holder? What has the Charter Holder done in response?	No	M6
Adapted to Meet the Needs of Subgroups		
How does the Charter Holder monitor instruction to ensure it is meeting the needs of students with proficiency in the bottom 25%?	No	M7
How does the Charter Holder monitor instruction to ensure it is meeting the needs of English Language Learners (ELLs)?	N/A	M8
How does the Charter Holder monitor instruction to ensure it is meeting the needs of Free and Reduced Lunch (FRL) students?	No	M9
How does the Charter Holder monitor instruction to ensure it is meeting the needs of students with disabilities?	No	M10

Professional Development

The area of Professional Development is evaluated as Falls Far Below. As demonstrated by the evidence provided at the DSP site visit, the Charter Holder has implemented no efforts to provide professional development that is aligned with instructional staff learning needs, focuses on areas of high importance, addresses the needs of relevant subgroup populations, and supports high quality implementation; and monitoring follow-up to support and develop implementation of the strategies learned. For more detailed analysis see Professional Development Inventory (portfolio: e. DSP Site Visit Inventory Forms, v. Site Visit Inventory – Professional Development).

Question	Sufficient Evidence	Document Inventory Item
Professional Development System		
What is the Charter Holder's professional development plan?	No	P1
How was the professional development plan developed?	No	P2
How is the professional development plan aligned with instructional staff learning needs?	No	P3
How does this plan address areas of high importance?	No	P4
Supporting High Quality Implementation		
How does the Charter Holder support high quality implementation of the strategies learned in professional development sessions?	No	P5
How does the Charter Holder provide the resources that are necessary for high quality implementation?	No	P6
Monitoring Implementation		
How does the Charter Holder monitor the implementation of the strategies learned in professional development sessions?	No	P7
How does the Charter Holder monitor and follow-up with instructional staff to support and develop implementation of the strategies learned in professional development?	No	P8
Adapted to Meet the Needs of Subgroups		
How does the professional development plan ensure that instructional staff receives the type of development required to meet the needs of students with proficiency in the bottom 25%?	No	P9
How does the professional development plan ensure that instructional staff receives the type of development required to meet the needs of English Language Learners (ELLs)?	N/A	P10
How does the professional development plan ensure that instructional staff receives the type of development required to meet the needs of Free and Reduced Lunch (FRL) students?	No	P11
How does the professional development plan ensure that instructional staff receives the type of development required to meet the needs of students with disabilities?	No	P12

Graduation Rate

The area of Graduation Rate is evaluated as Does Not Meet. As demonstrated by the evidence provided at the DSP site visit, the Charter Holder has consistently implemented a limited approach to ensure students in grades 9-12 graduate on time. At the DSP site visit, the Charter Holder sufficiently demonstrated the some of the components of these required elements, but failed to sufficiently demonstrate all components of the required elements. For more detailed analysis see Graduation Rate Inventory (portfolio: e. DSP Site Visit Inventory Forms, vi. Site Visit Inventory – Graduation Rate).

Question	Sufficient Evidence	Document Inventory Item
Ensuring Students in Grades 9-12 Graduate On Time		
How does the Charter Holder monitor and follow up on student progress toward completing courses to meet graduation requirements?	Yes	G1
How does the Charter Holder identify students that are not successfully progressing through required courses?	Yes	G2
How does the Charter Holder provide additional academic supports to remediate academic problems for struggling students?	Yes	G3
What data can the Charter Holder provide to demonstrate that these strategies are effective?	No	G4

VII. 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	$74,984	$72,157	$14,056	$0
Unrestricted Cash	$32,423	$62,019	$14,056	
Other Liquidity	-	-		
Total Assets	$355,231	$341,112	$331,980	
Total Liabilities	$1,855,864	$1,288,712	$738,576	
Current Portion of Long-Term Debt & Capital Leases	-	-	-	
Net Assets	($1,500,633)	($947,600)	($406,596)	
Statement of Activities	**2014**	**2013**	**2012**	
Revenue	$1,396,395	$1,422,139	$1,376,159	
Expenses	$1,949,428	$1,963,143	$1,877,836	
Net Income	($553,033)	($541,004)	($501,677)	
Change in Net Assets	($553,033)	($541,004)	($501,677)	
Financial Statements or Notes	**2014**	**2013**	**2012**	
Depreciation & Amortization Expense	$68,231	$72,103	$79,251	
Interest Expense	-	-	-	
Lease Expense	$720,978	$659,161	$659,161	
Financial Performance				
	2014	**2013**	**2012**	**3-yr Cumulative**
Near-Term Indicators				
Going Concern	Yes	Yes	Yes	N/A
Unrestricted Days Liquidity*	6.07	11.53	2.73	N/A
Default	No	No	No	N/A
Sustainability Indicators				
Net Income	($553,033)	($541,004)	($501,677)	N/A
Cash Flow	$2,827	$58,101	$14,056	$74,984
Fixed Charge Coverage Ratio	0.33	0.29	0.36	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: i. Financial Response).[4] Staff's final evaluation of the financial performance response resulted

[4] The Charter Holder failed to submit the financial performance response by the January 7, 2015 deadline. Board staff sent follow-up emails to the charter representative on January 12, 2015 and January 30, 2015. Since the response had not yet been received, Board staff sent an email to the charter representative on February 10, 2015 stating, in part, "Charter holders that timely submit their financial performance response receive feedback on their responses and the opportunity to supplement

in zero "Acceptable" and four "Not Acceptable" determinations (portfolio: h. Financial Response Evaluation). An analysis of the Charter Holder's financial performance, focusing on 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.

Going Concern

Based on the information disclosed in the Independent Auditors' Report, the Charter Holder received a "Falls Far Below" on this measure for 2014. According to the audit, the Charter Holder "suffered recurring significant deficits in unrestricted net assets and has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern." The 2013 audit included a similar disclosure.

In its response, the Charter Holder did not explain the recurring net losses of more than $500,000 experienced annually for the last three fiscal years or the 2014 net asset deficit of approximately $1.5 million (see table above), which were the basis for the going concern disclosure. The response addressed various significant deficiencies and material weaknesses identified in the 2013 and 2014 audits and improvements that have been made or are in process, but the Charter Holder did not explain how these internal control weaknesses affected its financial performance. According to the response, "Management at EVHS continues to work hard at improving its financial performance." The 2014 audit indicated that "Management plans to institute cost reduction programs, delay payments to vendors, and increase marketing to improve enrollment. Management has vowed to stand behind the operations of the School with continued infusions of funds as needed in the form of related party loans."

Unrestricted Days Liquidity

The Charter Holder did not explain the circumstances that resulted in less than 30 days liquidity in 2014. For 2015, the response identified a more than $150,000 increase in state equalization assistance and a lower worker's compensation contract, which is estimated to save the Charter Holder between $5,000 and $6,000. The response did not indicate how these two items would improve the Charter Holder's performance on this measure.

Net Income

The Charter Holder did not explain the circumstances that resulted in the net loss in 2014. The Charter Holder experienced a similar net loss in the prior year (see table above). In its response, the Charter Holder indicated that both enrollment and state funding improved in 2015. The Charter Holder anticipates bringing a proposal to its board reducing related party debt. If approved by the Charter Holder's board, 2015 revenue would increase by over $30,000, according to the response.

Fixed Charge Coverage Ratio (FCCR)

The Charter Holder did not explain the circumstances that resulted in not meeting the measure's target in 2014. The Charter Holder experienced a similar FCCR in the prior year (see table above). In its response, the Charter Holder anticipates increased enrollment, increased revenue, expense reduction, and debt forgiveness will improve its FCCR in 2015, but did not explain how this would be accomplished.

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their responses should their academic performance result in them being placed on a Board agenda for consideration. Because you have refused to submit your financial performance response, you have forfeited your opportunity to provide any supplemental information." On February 20, 2015, the Charter Holder submitted its financial performance response.

VIII. 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?
Based on the available information in fiscal years 2013, 2014, and in 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?
As reported in the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to the fiscal year 2014 annual audit reporting package ("audit"), except that:

> The Charter Holder failed to timely submit the fiscal year 2014 audit (see below).
>
> The audit included a qualified auditors' opinion on the financial statements for the second year in a row, resulting in a repeat medium impact finding. Specifically, the auditors' report stated the Charter Holder did not have adequate controls to allocate the costs that are shared between the Charter Holder and a related charter holder. In addition, the payable balance recorded by the Charter Holder does not match the receivable balance recorded by the related entity as of June 30, 2014. As part of a corrective action plan (CAP) submitted for the fiscal year 2013 audit, the Charter Holder had provided its policy for the determination of shared costs. In communications with the auditor subsequent to the audit's submission, Board staff was told that the Charter Holder did not implement this policy. This matter required the Charter Holder to submit a CAP. The CAP process has not yet been completed.
>
> The Charter Holder had not remitted all payroll taxes for fiscal year 2014 to the appropriate entities. As of June 30, 2014, the Charter Holder owed $16,449 to the Internal Revenue Service (IRS), $4,482 to the Arizona Department of Revenue (ADOR), and $11,940 to the Arizona Department of Economic Security (ADES). Subsequent to June 30, 2014, the Charter Holder paid the outstanding balance owed to the ADOR in full. These matters required the Charter Holder to submit a CAP. The CAP process has not yet been completed.
>
> The Charter Holder did not reconcile all of its bank accounts each month. This matter required the Charter Holder to submit a CAP. The CAP process has not yet been completed.

As reported in fiscal year 2014, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to the fiscal year 2013 audit, except that:

> The Charter Holder failed to timely submit the fiscal year 2013 audit (see below).
>
> The audit included a qualified auditors' opinion on the financial statements. Specifically, the auditors' report stated that auditors were unable to obtain complete records supporting the Charter Holder's accounts payable balance and the "payable to other agencies balances" as of June 30, 2013.
>
> The audit included a serious impact finding resulting from the Charter Holder's failure to retain financial records (see below). Specifically, the audit found 5 of 30 non-payroll cash

disbursements tested did not have supporting documentation on file and 4 of 12 bank statements sampled from the fiscal year were not on file. A similar issue involving failure to retain supporting documentation was identified in the fiscal years 2010 and 2011 audits.

As reported in fiscal year 2013, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to the fiscal year 2012 audit, except that audit included a minimal impact finding that has been identified in three or more consecutive audits. The minimal impact finding involved the Charter Holder not preparing interim financial statements that are complete, including note disclosures in conformity with Generally Accepted Accounting Principles.

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?
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 maintaining a safe environment.

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?
Based on the available information in 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, except that:

On August 11, 2014, the Board considered the Charter Holder's failure to comply with state financial record retention requirements which contributed to the Charter Holder's fiscal year 2013 audit, including a qualified opinion on the financial statements, and approved the terms and provisions of a consent agreement in lieu of issuing a Notice of Intent to Revoke the charter contract and withholding 10% of the Charter Holder's monthly state aid apportionment. The Charter Holder approved the consent agreement and, to date, has complied with its terms and provisions.

On November 21, 2014, the Board voted to issue a Notice of Intent to Revoke the charter contract and to withhold 10% of the Charter Holder's monthly state aid apportionment because of the Charter Holder's failure to timely submit the fiscal year 2014 audit. No withholding occurred as the Board's meeting occurred after the Arizona Department of Education's deadline for the December payment. The audit was submitted on November 24, 2014, which was prior to the deadline for the January payment.

On January 13, 2015, the Board voted to adopt a consent agreement with the Charter Holder rather than proceed to a revocation hearing for the untimely submission of the fiscal year 2014 audit. The consent agreement requires the Charter Holder to timely submit its annual audit for all subsequent fiscal years of operation.

The Charter Holder failed to timely submit the FY2015 DSP Report (see "Success of the Academic Program" section of this report) and financial performance response required as part of the Board's Five-Year Interval Review process (see footnote 4).

Based on the available information in fiscal year 2014, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to its obligations to the Board, except that on November 21, 2013, the Board voted to withhold 10% of the Charter Holder's monthly state aid apportionment because of the Charter Holder's failure to timely submit the fiscal year 2013 audit. The withholding occurred for one month.

Based on the available information in fiscal year 2013, 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?
Based on the available information and as reported in the current fiscal year, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to the reporting requirements of other entities to which the Charter Holder is accountable, except that the fiscal year 2014 audit identified that the Charter Holder had not remitted all payroll taxes for the audited fiscal year to the IRS, ADOR and ADES (see above).

Based on the available information and as reported in fiscal year 2014, the Charter Holder complies with applicable laws, rules, regulations and provisions of the charter contract relating to the reporting requirements of other entities to which the Charter Holder is accountable, except that the fiscal year 2013 audit identified issues of nonpayment of certain payroll taxes to the IRS and ADOR and late payment (subsequent to fiscal year end) of state unemployment contributions to ADES. During fiscal year 2013, the Charter Holder leased its employees from a related charter holder. According to the audit, the Charter Holder paid the full amount due to the related entity under the agreement and the payroll taxes (as related expenses) are the responsibility of the related entity. Therefore, the Charter Holder was not required to submit a CAP.

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 the reporting requirements of other entities to which the Charter Holder is accountable, except that the Charter Holder failed to timely submit its fiscal year 2013 Budget to the Arizona Department of Education.

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.

IX. Board Options

Option 1: The Board may vote to issue a Notice of Intent to Revoke the Charter Holder's charter contract unless the Charter Holder enters into a Consent Agreement to restore the charter to acceptable performance. Staff recommends the following language provided for consideration: I move that, having considered the statements of the representatives of the Charter Holder today and the academic performance, the fiscal compliance, and legal and contractual compliance of the Charter Holder, the Board has sufficient basis to issue a Notice of Intent to Revoke the charter of Legacy Education Group on the grounds that the Charter Holder failed to meet or make sufficient progress toward the Academic Performance Expectations set forth in the Performance Framework as reflected in the Staff Report, the

Inventory Documents, and the DSP Final Evaluation. Data and analysis provided by the Charter Holder does not demonstrate improved academic performance based on data generated from valid and reliable assessment sources. Additionally, the Charter Holder was unable to provide evidence that it has consistently implemented a sustained improvement plan that includes a comprehensive curriculum system, a comprehensive assessment system, a comprehensive monitoring instruction system, a comprehensive professional development system, and a comprehensive system for ensure students in grades 9-12 graduate on time. Further, the Charter Holder has an egregious record of contractual non-compliance as is reflected in the materials provided.

All that taken into consideration, the Board directs staff to work with Legacy Education Group to create a Consent Agreement for the purpose of restoring the charter to acceptable performance using the Consent Agreement Template contained in the portfolio. The terms of the consent agreement to be negotiated include only the terms concerning the data that will be reported to the board and the methodology used to calculate that data. All other terms contained in the template must be accepted. Among other terms, these terms require that the Charter Holder shall complete and submit a Performance Management Plan that Meets the Board's evaluation criteria no later than June 30, 2015.

As an additional term, the Charter Holder must agree that upon any additional instance of contractual non-compliance, the Board shall notify the Charter Representative of the non-compliance and the Charter Holder shall submit a surrender agreement to be effective at the end of the fiscal year in which the non-compliance occurred.

I further move that if the terms of a Consent Agreement cannot be reached by June 30, 2015 the Board issue a Notice of Intent to Revoke the charter for the reasons previously stated and that:

- Within 48 hours of receipt of the Notice the charter operator shall notify staff and parents/guardians of registered students of the Notice of Intent to Revoke and the Notice of Hearing and provide a school location where the copy may be reviewed;
- Within 20 days of receipt of the Notice the charter operator shall provide copies of all correspondence and communications used to comply with the preceding provision; and
- Within 20 days of receipt of the Notice the charter operator shall provide the Board with the names and mailing addresses of parents/guardians of all students registered with the school.

Option 2: The Board may vote to implement heightened monitoring of this Charter Holder. The following language is provided for consideration: I move that, having considered the statements of the representatives of the Charter Holder today and the academic performance, the fiscal compliance, and legal and contractual compliance of the Charter Holder, the Board has sufficient basis to issue a Notice of Intent to Revoke the charter of Legacy Education Group on the grounds that the Charter Holder failed to meet or make sufficient progress toward the Academic Performance Expectations set forth in the Performance Framework as reflected in the Staff Report, the Inventory Documents, and the DSP Final Evaluation. Data and analysis provided by the Charter Holder does not demonstrate improved academic performance based on data generated from valid and reliable assessment sources. Additionally, the Charter Holder was unable to provide evidence that it has consistently implemented a sustained improvement plan that includes a comprehensive curriculum system, a comprehensive assessment system, a comprehensive monitoring instruction system, a comprehensive professional development system, and a comprehensive system for ensure students in grades 9-12 graduate on time. Further, the Charter Holder has an egregious record of contractual non-compliance as is reflected in the materials provided.

All that taken into consideration, the Board directs staff to implement heightened monitoring of Legacy Education Group. Specifically, the Charter Holder shall 1) submit a revised PMP that Meets the Board's evaluation criteria no later than June 30, 2015, using a template provided by Board staff and 2) submit evidence of the implementation of a sustained improvement plan that includes implementation of a comprehensive curriculum system, a comprehensive assessment system, a comprehensive instructional monitoring system, a comprehensive professional development system, and a system for ensuring students in grades 9-12 graduate on time along with data and analysis to demonstrate changes in academic performance at quarterly intervals (September 15, December 15, March 15, June 15) until the Charter Holder's Academic Dashboards demonstrate improved academic performance or until further consideration of the Charter Holder's academic performance by this Board. If Legacy Education Group does not submit an acceptable PMP, does not submit evidence of the implementation of comprehensive systems at the quarterly monitoring, or if the academic performance of the school operated by the Charter Holder does not improve as reported at quarterly monitoring or through the Academic Dashboard, the Board will again review the performance of this Charter Holder and may impose disciplinary action at that time.

Option 3: The Board may vote to continue monitoring the Charter Holder through the Academic Intervention Schedule as set out in the Academic Performance Framework and Guidance document. The following language is provided for consideration: I move that the board direct staff to continue monitoring Legacy Education Group through the Academic Intervention Schedule as set out in the Academic Performance Framework and Guidance document. If the academic performance of the school operated by the Charter Holder, as reported on the Academic Dashboard, does not improve, the Board will again review the performance of this Charter Holder and may impose disciplinary action at that time.