Allen-Cochran Enterprises, Inc. - Entity ID 4347
School: Center for Educational Excellence Charter School

Renewal Executive Summary

Sources of Evidence for this Document

Pursuant to A.R.S. 15-183.I, 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

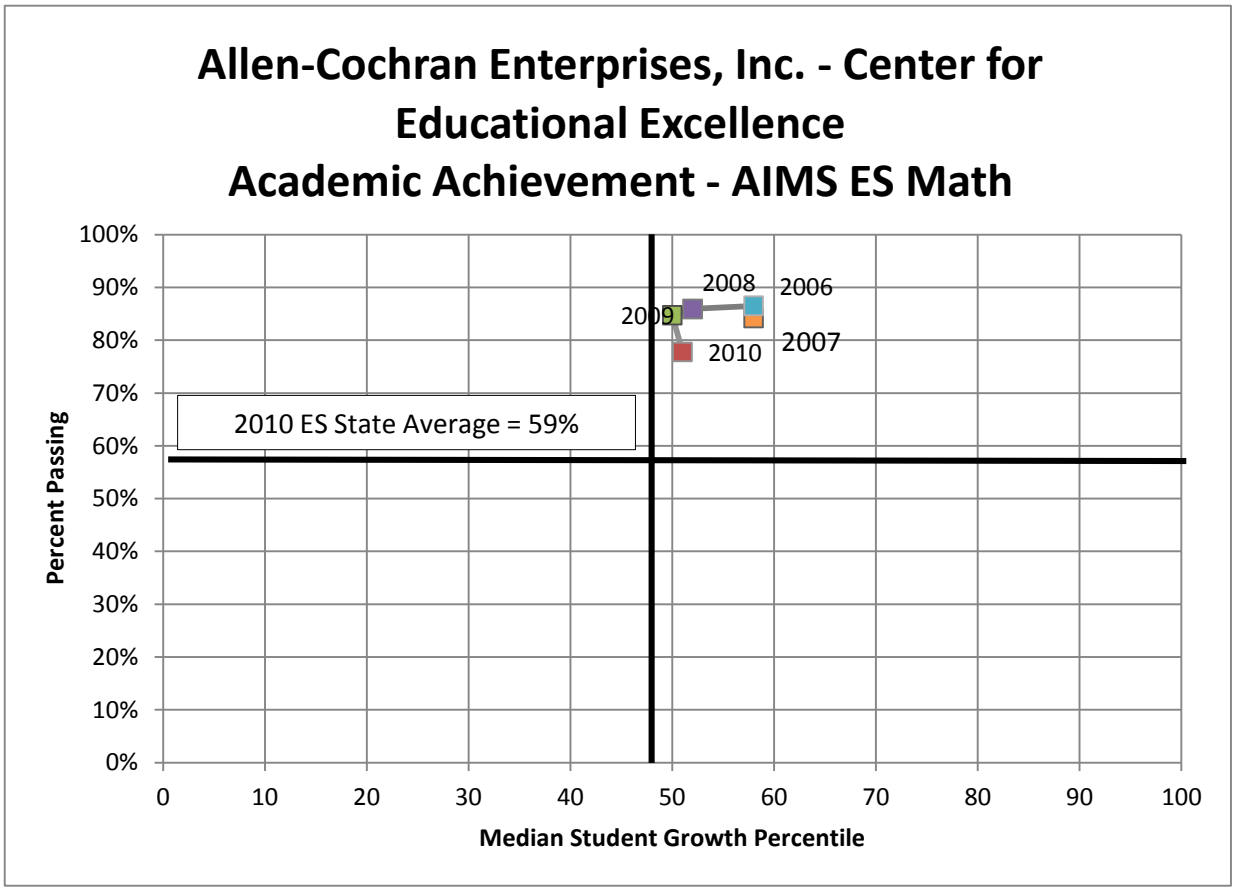
Evaluation of the charter holder's success in these three areas is based on a variety of information that will serve as sources of evidence in determining renewal of a charter. These sources include, but are not limited to:

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

Profile

Allen-Cochran Enterprises, Inc. operates one (1) school serving grades K-8 with a total FY11 average daily membership (ADM) of 312.122. Additional information can be found in the Renewal Summary Review.

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


Allen-Cochran Enterprises, Inc. - Center for Educational Excellence
Academic Achievement - AIMS ES Math
2008
2006
2009
2007
2010
2010 ES State Average = 59%
Percent Passing
Median Student Growth Percentile
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
0
10
20
30
40
50
60
70
80
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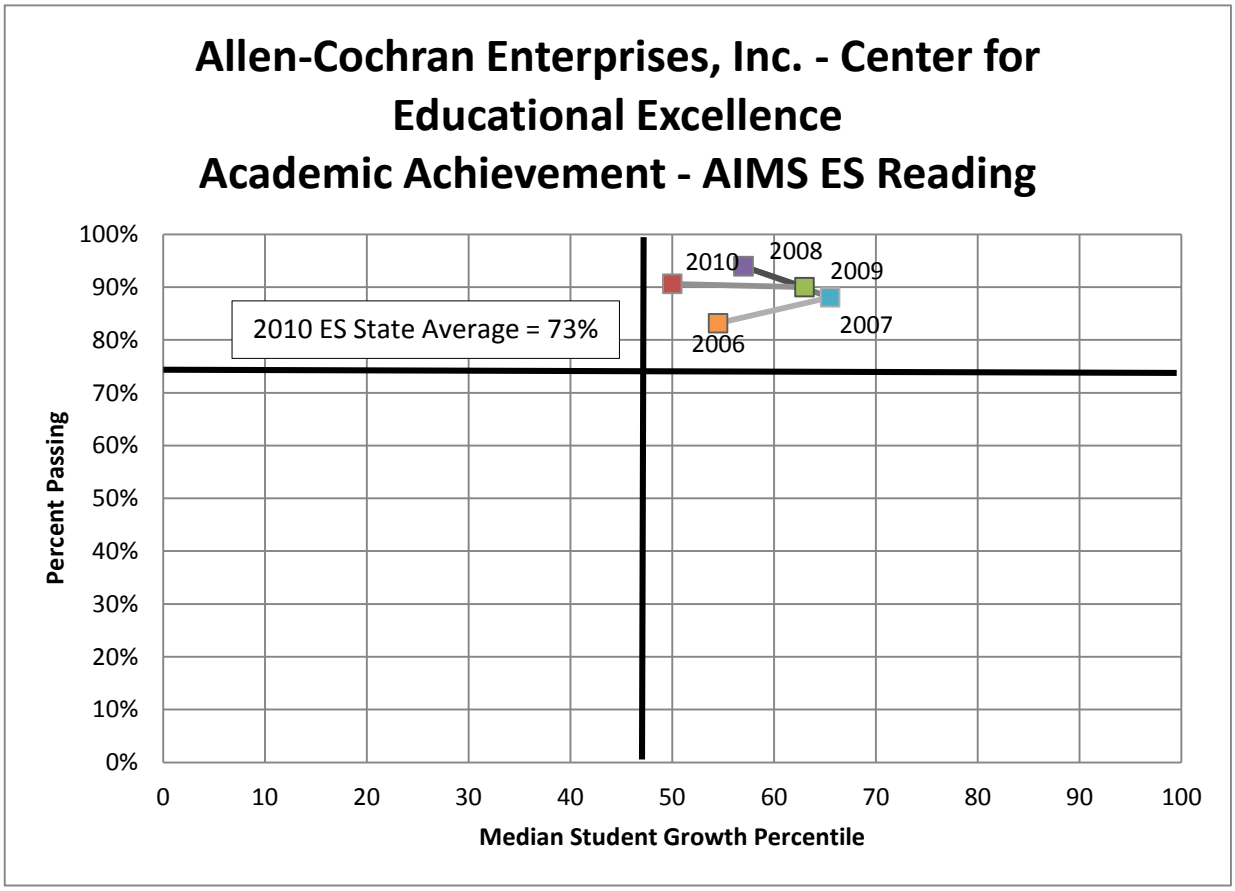

Allen-Cochran Enterprises, Inc. - Center for Educational Excellence
Academic Achievement - AIMS ES Reading
2010
2008
2009
2007
2006
2010 ES State Average = 73%
Percent Passing
Median Student Growth Percentile
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
0
10
20
30
40
50
60
70
80
90
100

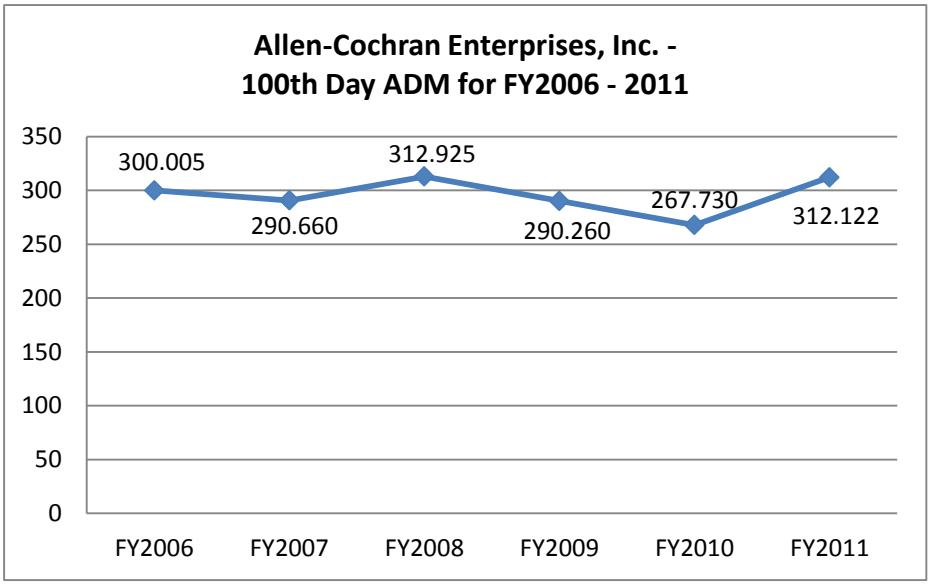
I. Success of the Academic Program

The academic performance of the school operated by the charter holder meets or demonstrates sufficient progress toward the Board's level of adequate academic performance. Therefore, the charter holder was not required to submit a Performance Management Plan.

II. Viability of the Organization

Because the charter holder's fiscal year 2010 audit identified negative stockholders' equity at the end of the year, the charter holder was required to complete the Renewal 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. 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 2006 through 2010 and the fiscal year 2011 ADM as of June 13, 2011. The ADM included in the Renewal Budget Plan for fiscal years 2010 and 2011 is in line with reports available through the Arizona Department of Education's website.



As indicated in the graph above, the charter holder's ADM has fluctuated up and down during the past six fiscal years. After declines in recent years, the charter holder's fiscal year 2011 ADM returned to near its fiscal year 2008 level with the charter holder experiencing an increase of approximately 44 ADM between fiscal years 2010 and 2011. The projected ADM included in the Renewal Budget Plan for fiscal years 2012 and 2013 anticipates growth of approximately 1% and 1.5%, respectively.

In reviewing the five most recent audits (2006-2010), only the fiscal year 2010 financial statement show a deficit [$10,773] resulting from liabilities in excess of assets. As of June 30, 2010, the charter holder did not have sufficient cash or other readily available resources [$99,555] to satisfy obligations due within the next year [$179,262]. This situation also existed in the other fiscal years in the five-year period. Additionally, in the two most recent audits, the charter holder experienced deficits of $21,264 (2009) and $7,562 (2010) resulting from expenses exceeding revenues. The charter holder operates in Arizona as a for-profit entity. In fiscal year

2010, the deficit combined with corporate income taxes resulted in the charter holder ending the year with negative net assets. The Renewal Budget Plan projects that revenues will exceed expenses in fiscal years 2011 through 2013.[1]

In the Financial Sustainability Narrative, the charter holder discusses the enrollment decrease experienced in fiscal year 2010 " due to the negative impact on families' economic status with the downfall of Arizona's economy" . According to the narrative, a " conscious decision" was made not to cut the educational programs or teachers knowing that the results could be a net loss and negative equity. The narrative states that cash reserves were adequate to cover the net loss. The narrative concludes by discussing the steps taken by the charter holder to improve its financial situation, including increasing enrollment by 45 students and controlling expenses leading to increased cash reserves. The profit and loss statement included with the application package shows net income of approximately $25,600 for fiscal year 2011 as of April 30th.

III. Adherence to the Terms of the Charter

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

Over the past six years, there were no items to report.

B. Other Compliance Matters[3]

In March 2007, 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 June 2007.

The fiscal year 2009 audit identified a repeat issue that required a corrective action plan (CAP). Specifically, the audit indicated that there was a lack of segregation of duties over various account balances and transaction cycles. This issue was also identified in the fiscal year 2008 audit. The charter holder submitted satisfactory CAPs in both fiscal years. The fiscal year 2010 audit indicated that this issue had been addressed.

Further, the fiscal year 2006 audit identified issues that required a CAP. First, the audit identified that the occupational therapist's fingerprint clearance card expired on December 14, 2004. Additionally, the charter holder could not provide a fingerprint clearance card for a newly hired teacher nor could it demonstrate that it had complied with the statutory provisions that permit a school to hire a teacher prior to receiving the fingerprint clearance card. Second, the fiscal year 2006 audit identified that the charter holder fell short of providing the required annual instructional hours to its 7th and 8th grade students by 10.5 hours. The charter holder submitted a satisfactory CAP.

Finally, repeat audit issues were identified in the fiscal years 2009 and 2010 audits. In fiscal year 2010, the audit identified a repeat issue involving the charter holder not timely submitting its Annual Financial Report to the Arizona Department of Education. In fiscal year 2009, the audit identified a repeat issue involving the charter holder not having a process for ensuring that semi-monthly payroll information was correctly transferred from the school's payroll processing system to the financial accounting system.

[1] For fiscal years 2012 and 2013, the Renewal Budget Plan includes $62,000/year in "Kindergarten Tuition" revenue. However, as of this time, the Legislature has not authorized schools to charge tuition for full-day kindergarten in fiscal years 2012 and 2013. If this revenue is removed from fiscal years 2012 and 2013, the charter holder's revenues will still exceed expenses in each fiscal year.
[2] For more information about the areas of compliance reviewed for this section, please see the "Renewal Guide".
[3] For more information about the areas of compliance reviewed for this section, please see the "Renewal Guide".

For the previous five fiscal years, the charter holder has failed to timely submit its Annual Financial Report 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.

Staff Recommendation

Based upon the academic performance, fiscal compliance, legal and contractual compliance, and the information in the renewal application package, I move to approve the request for charter renewal and grant a renewal contract to Allen-Cochran Enterprises, Inc.