Espiritu Community Development Corporation
Renewal Executive Summary Report

I. Sources of Evidence for this Document

A.R.S. 15-183.I states that "[a] charter school that elects to apply for renewal shall file an application for renewal…which shall include a detailed business plan for the charter school, a review of fiscal audits and academic performance data for the charter school and a review of the current contract between the sponsor and the charter school."

The Arizona State Board for Charter Schools (ASBCS) determined that renewal of a charter is based on affirmative evidence in three areas:

- Success of the academic program, including academic achievement
- Viability of the organization, including fiscal management and compliance
- 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. These sources include:

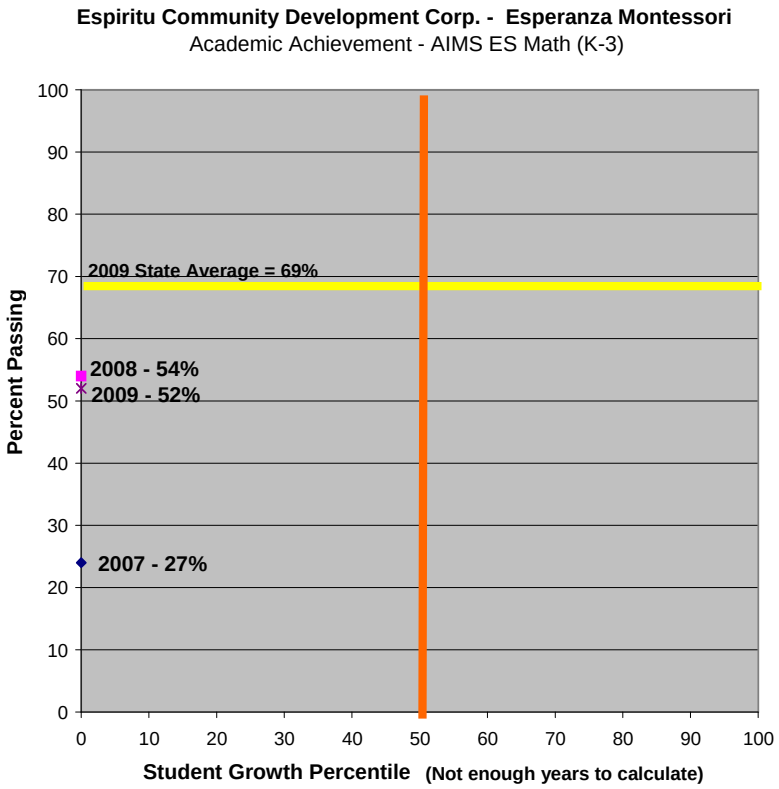
- Written application for renewal
- Student performance data
- Independent financial audits
- Five year interval summary reviews
- Site visit reports
- Monitoring reports

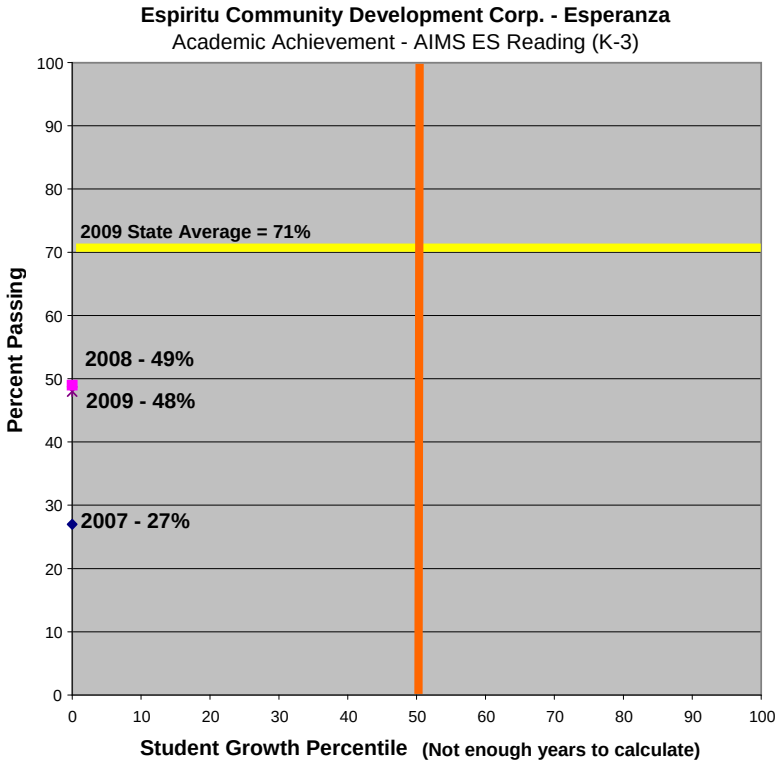
II. Profile

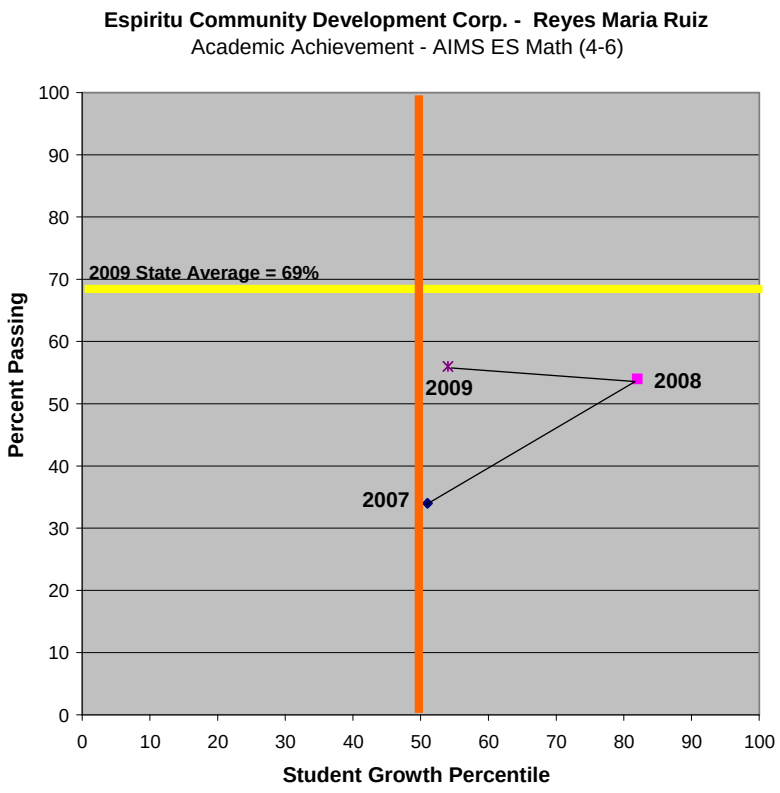
Espiritu Community Development Corporation was granted a charter by the ASBCS, effective on August 8, 1995. Espiritu Community Development Corporation is a non-profit corporation in good standing with the Arizona Corporation Commission. The charter representative is Armando Ruiz. The charter holder operates three schools: Esperanza Montessori Academy (K-3), NFL YET College Prep Academy (7-12), and Reyes Maria Ruiz Leadership Academy (4-6). The schools are located in the Phoenix area and had a FY10 100th day ADM of 795.170.

Mission Statement (as provided in the contract):
Esperanza Montessori Academy will provide a Montessori program of study designed to serve children in grades kindergarten through twelfth grade, in realization of each child's academic goals and abilities to be self-sufficient. ESPIRITU Community Development Corporation's mission is to: Develop the human capital of a community by self-empowering our youth and families; Form partnerships between private and government sectors and low-income communities; Spiritually and economically uplift communities.

III. Academic Performance






Espiritu Community Development Corp. - Reyes Maria Ruiz
Academic Achievement - AIMS ES Math (4-6)
2009 State Average = 69%
2009
2008
2007
Percent Passing
Student Growth Percentile
0
10
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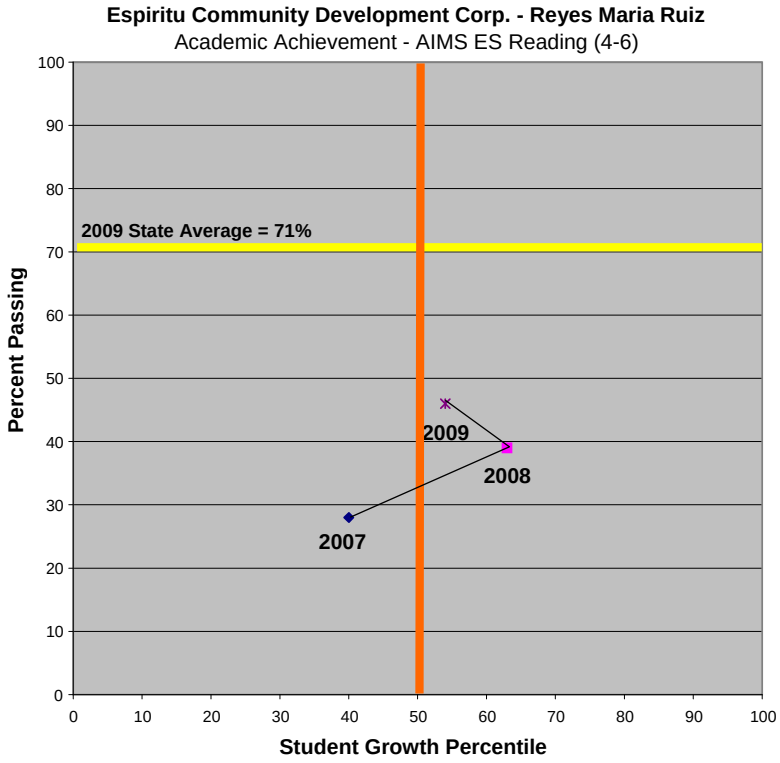
Espiritu Community Development Corp. - Reyes Maria Ruiz
Academic Achievement - AIMS ES Reading (4-6)
2009 State Average = 71%
2009
2008
2007
Percent Passing
Student Growth Percentile
0
10
20
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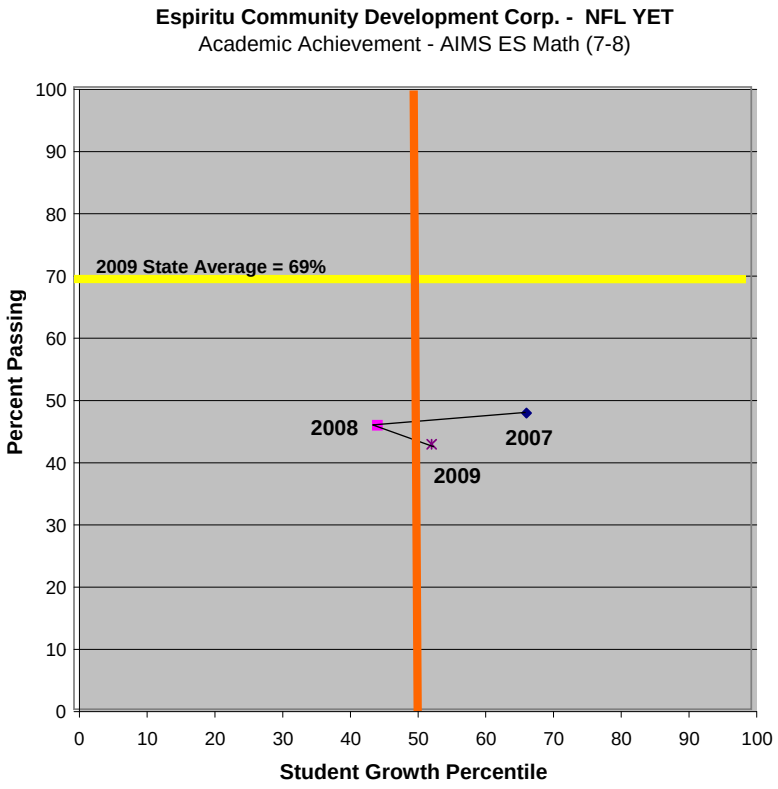
Espiritu Community Development Corp. - NFL YET
Academic Achievement - AIMS ES Math (7-8)
2009 State Average = 69%
2008
2007
2009
Percent Passing
Student Growth Percentile
0
10
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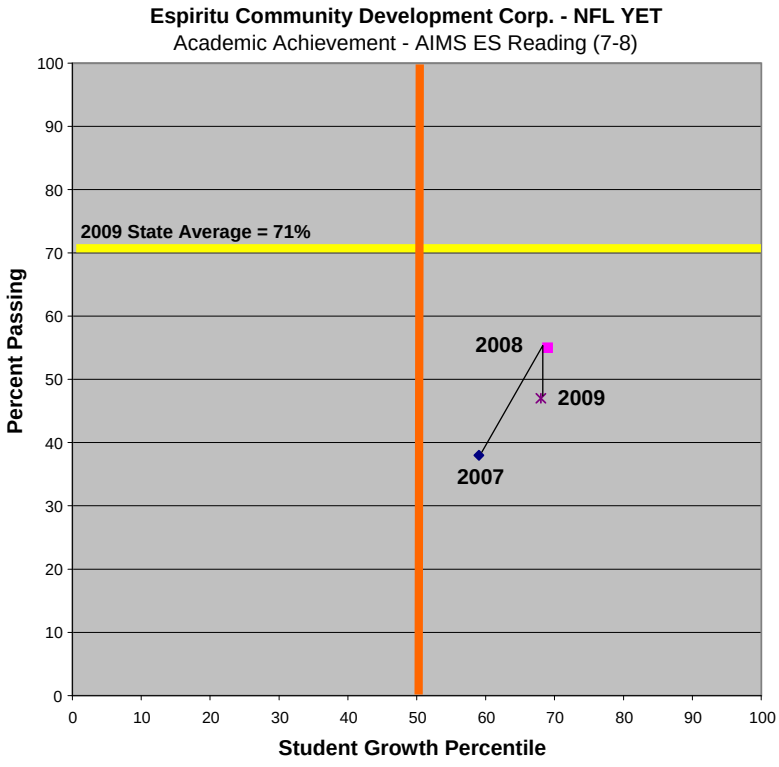
100


Espiritu Community Development Corp. - NFL YET
Academic Achievement - AIMS ES Reading (7-8)
2009 State Average = 71%
2008
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2007
Percent Passing
Student Growth Percentile
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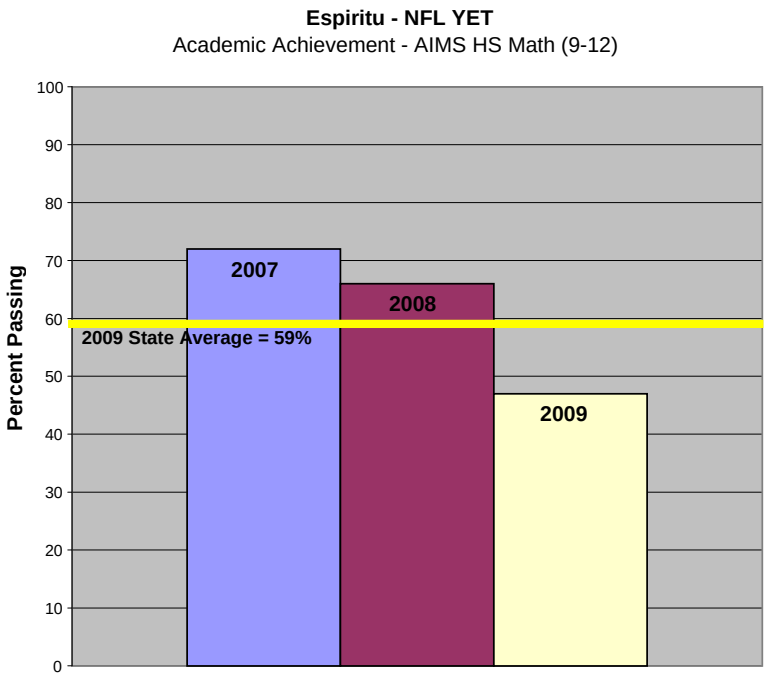
Espiritu - NFL YET
Academic Achievement - AIMS HS Math (9-12)
Percent Passing
100
90
80
70
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40
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10
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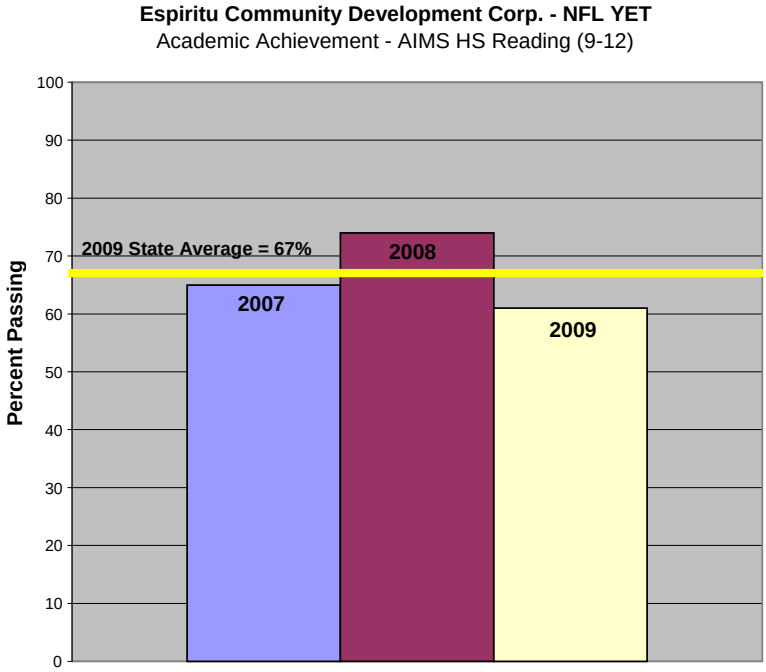
2007
2008
2009
2009 State Average = 59%


Espiritu Community Development Corp. - NFL YET
Academic Achievement - AIMS HS Reading (9-12)
Percent Passing
100
90
80
70
60
50
40
30
20
10
0
2009 State Average = 67%
2007
2008
2009

Fiscal Year	AZ LEARNS	Adequate Yearly Progress (AYP)
2009	Esperanza Montessori - Performing Plus NFL YET College Prep - Performing Plus Reyes Maria Ruiz - Performing	No No Yes
2008	Esperanza Montessori - Performing NFL YET College Prep - Performing Plus Reyes Maria Ruiz - Performing Plus	Yes Yes Yes
2007	Esperanza Montessori - Underperforming NFL YET College Prep - Performing Plus Reyes Maria Ruiz - Performing	No Yes No

IV. Fiscal Compliance

As detailed in the Audit and Fiscal Compliance section of the *Renewal Summary Review*:

- The charter holder has failed to timely submit its annual audit for one or more years.
- The fiscal years 2006 and 2007 audits each identified one or more issues which required a corrective action plan.
- The fiscal years 2007 and 2009 audits each identified a repeat issue. For fiscal year 2009, the repeat issue was that no written documentation was maintained as required of the governing board's determination for sole source procurements. According to the Board's matrix, this repeat issue does not rise to the level of a corrective action plan.

Espiritu Community Development Corp. must follow the Uniform System of Financial Records for Charter Schools and adhere to State procurement regulations.

V. Legal and Contractual Compliance

For the previous five fiscal years –

- The charter has failed to timely submit the Annual Financial Report for one or more years.
- The charter holder has failed to timely submit the Budget for one or more years.
- All Declarations of Curricular and Instructional Alignment were submitted to the Arizona Department of Education (ADE) in a timely manner.
- The Highly-Qualified Teacher report, updated on May 7, 2010, indicated 35 core teachers with nine being reported as non-highly qualified.
- No Child Left Behind (NCLB) Compliance Monitoring for Cycle 5 (2004-05) met compliance. In 2005, ADE Academic Achievement Division conducted an on-site review and found areas of concern or non-compliance. Cycle 6 (2006-07) and Cycle 1 (2007-08) had identified findings to be resolved. A notice of noncompliance letter for failure to comply with the monitoring requirements of NCLB was sent to the charter holder in July of 2008 (high risk subgrantee).

- In 2010 ADE Exceptional Student Services determined the school was not in compliance with the Individuals with Disabilities Education Act (IDEA) and required a corrective action plan be submitted in May.

In February 2008, the Board determined that Espiritu Community Development Corp. failed to comply with statutory fingerprinting requirements and that the four occurrences identified during the January 16, 2008 site visit constituted the charter school's first time for civil penalty purposes under A.R.S. 15-185(I). However, no civil penalty was imposed since the charter school provided the required proof within 48 hours.

In November 2009, the Board imposed a civil penalty of $1,000 after the Board determined that the charter school failed to comply with statutory fingerprinting requirements when its contracted special education aide provided instruction to students at the charter school without having a valid fingerprint clearance card and that under the law, this failure constituted a subsequent violation of the fingerprinting requirements by the charter school. The $1,000 civil penalty was assessed with the charter holder's February 2010 payment.

Additionally, in October 2005, the Board voted to withhold 10% of the charter holder's monthly State aid apportionment for failure to submit the School Report Card. No withholding occurred as the issue was addressed prior to the November 2005 payment.

VI. Renewal Application

A. Education Plan

Performance management plans are intended to assist schools in addressing academic performance deficiencies with a plan that clearly articulates the academic achievement area in need of improvement, the tools intended to measure improvement, and the degree of improvement to be achieved.

The Charter Holder was required to submit a Performance Management Plan in the academic section of the renewal application.

The introductory narrative for the Performance Management Plan describes the process the school community undertook for data examination and analysis. Data reviewed included results from AIMS (status and growth). Based upon the data analysis, the school determined to focus the plan on curriculum, instruction, student monitoring, and intervention.

Indicator: **Math (District Level)**
Duration of the Plan: May 2010 to June 2014
Strategies:

- Identify mathematics achievement by student per classroom per teacher.
- Establish an effective Mentor (Master) Teacher Council to provide feedback on Mathematics instruction and interventions.
- Investigate, adopt and purchase mathematics curriculum.
- Create a Remediation Program (9th-10th grade).

- Sustain an effective data tracking system (9th-10th grade).
- Improve the academic program for 7th - 8th grades to reduce student mobility.

ANNUAL BENCHMARK TARGETS: % of students who score meets or exceeds on AIMS.

CURRENT STATE	Year 1 2010-11	Year 2 2011-12	Year 3 2012-13	Year 4 2013-14	Target For This Plan 2013-14
Esperanza Primary Grades K-3 – 52%	Grades K-3 – 55%	Grades K-3 – 60%	Grades K-3 – 65%	Grades K-3 - 70%	Grades K-3 – 70%
RMR Elementary Grades 4-6 – 54%	Grades 4-6 -57%	Grades 4-6 – 62%	Grades 4-6 – 67%	Grades 4-6 – 70%	Grades 4-6 - 70%
NFL Jr. High– Grades 7/8 - 43%	Grades 7/8 -49%	Grades 7/8 – 58%	Grades 7/8 – 69%	Grades 7/8 – 70%	Grades 7-8 – 70%
NFL High School Grades 9-12 – 43%	Grades 9-12 – 46%	Grades 9-12 - 52%	Grades 9-12 - 59%	Grades 9-12 - 60%	Grades 9-12 - 60%

Indicator: **Reading (District Level)**
Duration of the Plan: May 2010 to June 2014
Strategies:

- Identify reading achievement by student per classroom per teacher.
- Establish an effective Mentor (Master) Teacher Council to provide feedback on Reading instruction and interventions.
- Investigate, adopt and purchase a reading curriculum.
- Create a Remediation Program (9th-10th grade).
- Sustain an effective student data tracking system (9th-10th grade).
- Implement an effective College Readiness Program (9th-12th grade).

ANNUAL BENCHMARK TARGETS: % of students who score meets or exceeds on AIMS.

CURRENT STATE	Year 1 2010-11	Year 2 2011-12	Year 3 2012-13	Year 4 2013-14	Target For This Plan 2013-14
Esperanza Primary Grades K-3 - 48%	Grades K-3 - 51%	Grades K-3 - 58%	Grades K-3 - 65%	Grades K-3 - 72%	Grades K-3 - 72%
RMR Elementary Grades 4-6 - 46%	Grades 4-6 – 50%	Grades 4-6 - 57%	Grades 4-6 - 65%	Grades 4-6 - 72%	Grades 4-6 - 72%
NFL Jr. High Grades 7-8 –	Grades 7-8 – 51%	Grades 7-8 - 58%	Grades 7-8 - 65%	Grades 7-8 - 72%	Grades 7-8 - 72%

48% NFL High School Grades 9-12 – 48%	Grades 9-12 – 51%	Grades 9-12 - 56%	Grades 9-12 - 62%	Grades 9-12 - 68%	Grades 9-12 - 68%

In the Performance Management Plan, Espiritu Community Development Corporation scored 27 points out of a possible 40 points. Seventy percent of the sections scored at Meets or Exceeds level.

B. Detailed Business Plan

Organization

The narrative for the organizational structure includes information on the corporate structure, including officers of the corporation[1]; committees of the governing board, including compensation committee, corporate compliance committee, finance and independent audit committee, fundraising and solicitation committee, and nominating committee; and, administrative personnel and staff, including CEO/Servant Leader, business and operations manager, and leadership development manager. The application package also included an organizational chart which shows the relationship of the various entities in the organization.

Sustainability

Fiscal Viability

Espiritu Community Development Corp. has established a Finance and Independent Audit Committee. The Committee is comprised of senior organizational officials who meet bi-monthly to evaluate and ensure controls over financial affairs to enhance the mission and goals established by the board of directors. The Committee also assures that the organization adheres to State and Federal rules and regulations. It reviews all internal and external financial reports, authorized expenses, cash position among other financial activities. During times of financial hardship the Committee meets on a weekly basis, acts as fiscal decision maker and is accountable to the board of directors. It also makes all the expenditure decisions until such time as the organization's fiscal health has been restored. The accounting department has the primary responsibility to alert the organization of any potential financial inadequacies. Espiritu utilizes a decentralized fiscal decision making structure where departmental budgets and normal operating expenditures (not including overhead) are the responsibility of the department heads, except during times of financial hardship (see above). The Business and Operations Manager, in conjunction with the CEO/Servant Leader and the Committee, has the ultimate responsibility for monitoring administrative overhead costs. The CEO/Servant Leader submits an annual organizational budget to the board of directors for their approval. The Business and Operations Manager and CEO/Servant Leader, along with the Committee, are responsible for enforcing the approved budget throughout the year and when necessary take actions to rectify the situation.

[1] In August 2009, the charter holder began a series of amendments/notifications to reflect the changes in the organization. The final notifications were processed during the renewal process.

During the year regular audits are conducted to ensure departments are operating within their approved budget. During its monthly meetings, the Board of Directors reviews the organization's monthly financial statement and makes necessary recommendations. The Board also reviews the annual financial statements prepared and presented by the external auditor. (For additional information, please see the application's "Sustainability" narrative.)

Charitable support and fundraising activities amount to about 1% of Espiritu's total budget. During the past two fiscal years, the organization has received two donations from NFL Charities totaling $1.5 million. These donations are non-recurring and were used to make facilities improvements and to build a new multi-purpose athletic field.

For fiscal year 2008 and fiscal year 2009, the independent certified public accountant issued an unqualified (or "clean") opinion on Espiritu Community Development's financial statements. In each fiscal year, the charter holder ended the year with positive net assets. However, in fiscal years 2008 and 2009, expenses exceeded revenues by $291,028 and $445,053, respectively. The charter holder acknowledged this in its application and stated that the net losses resulted from increase in depreciation and bond interest payments. Additionally, the charter holder states in its application that cash flow from operations has consistently exceeded $250,000.[2] The Budget Plan submitted as part of the renewal application indicates that the charter holder's ending net assets will increase between fiscal years 2010 and 2012. The Budget Plan anticipates increases in ADM from 762.05 in fiscal year 2010 to 780.46 in fiscal year 2012. Based on information obtained from the Arizona Department of Education's website, Espiritu Community Development's current fiscal year 2010 ADM is 795.171. It is not clear from the information provided whether the Budget Plan includes known cuts to State funding in fiscal year 2011.[3]

Strength and Stability of the Governing Body
Strength and Stability of the Corporate Board

The Charter Holder is the same as the Governing Body and, according to the application package, is responsible for ensuring that the academic curriculum, instructional objectives and its evaluation are being adhered to by the administrative staff and personnel.

Espiritu Governing Board members:

Armando Ruiz – President and Director
Adrian Ruiz – Treasurer and Director
Jorge Ignacio Sandoval – Secretary and Director
Frances Castillo – Director
Margaret April – Director
Monica Ivana Rivera – Director

[2] For more information, including a comparative schedule of functional expense, please see the application's "Sustainability" narrative.

[3] In reviewing the month-by-month projection for fiscal year 2011, please note that under the State's new payment schedule, charter holders will not receive a July 2010 state equalization assistance payment, but will receive two payments in June 2011. The month-by-month projection submitted by Espiritu Community Development accurately reflects no July 2010 payment. However, instead of reflecting two payments in June 2011, the projection divides state equalization assistance into 11 equal payments.

Information in the application package also includes background information on each director and areas of expertise, recruitment, selection and training of board members, and governance structure and organization of the school's governing body. Information is included regarding the role of each of the board's committees in the work of the organization.

Succession Plan

Charter Holder: The applicant provides a succession plan for the governing board and corporate officers for the purpose of appointing and retaining directors that support the mission of the organization. The application package outlines conditions for replacement and the process for filling vacancies. The Board maintains a year round nominating committee in the event a vacancy would occur at any time. Officers of the corporation are appointed by the governing board, which also has the right to remove officers at any time. If an officer resigns, the governing board appoints a new officer.

Instructional Leadership: Espiritu has established procedures for identifying, developing and promoting potential academic leaders from within the organization. Once members become principals, they attend monthly administrative meetings where they participate in integrated professional development activities intended to complement the other information that they are receiving.

Succession considerations that are being implemented for instructional leadership include alignment with philosophy of the organization, identification of those with leadership potential, development through needs assessment and leadership development data tracking system, promotion, movement to qualified positions, and retention.

Facilities Plan

Espiritu presently occupies fifteen acres located near Central Avenue and Broadway in the South Phoenix area. Twelve acres are developed with school buildings, administrative offices, kitchen/cafeteria facilities, parking lots and athletic fields.

This school district currently has 825 students enrolled. All schools within the district are located on the 15 acre site. The total maximum capacity of the site is approximately 1,000 students. According to the applicant, these facilities meet the present needs of the school district adequately.

The application package states that the plans for future facility expansions or purpose-built buildings will depend on a dramatic increase in student population and an enhancement of the programmatic activities.

VII. Staff Recommendation

Based upon the information in the application, academic performance over the charter term, fiscal compliance, and legal and contractual compliance, I move to approve the renewal application and grant a renewal contract for Espiritu Community Development Corporation.