**Luz Academy of Tucson, Inc. - Entity ID 4427**
School: Luz Guerrero Early College High 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

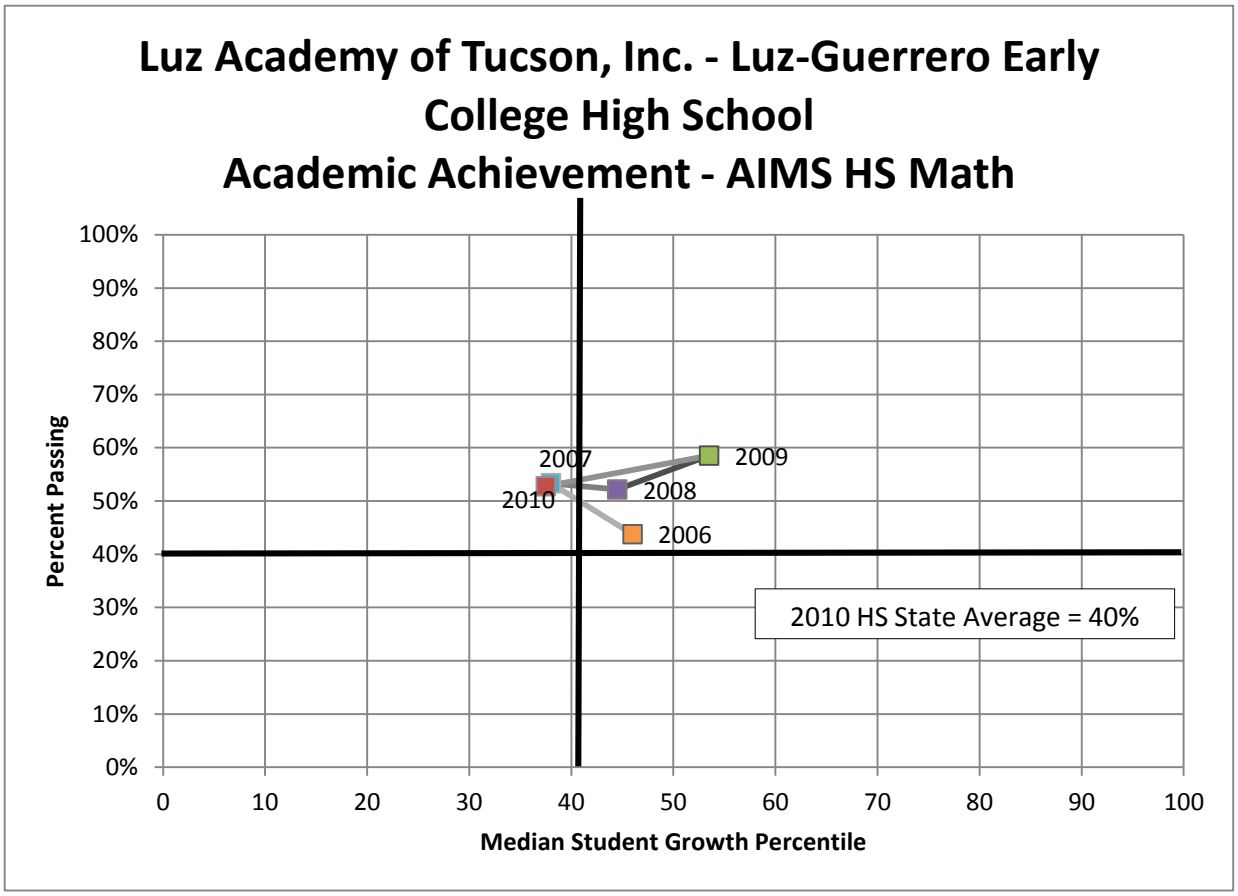
Evaluation of the charter holder's success in these three areas is based on a variety of information that will serve as sources of evidence in determining renewal of a charter. These sources include, but are not limited to:

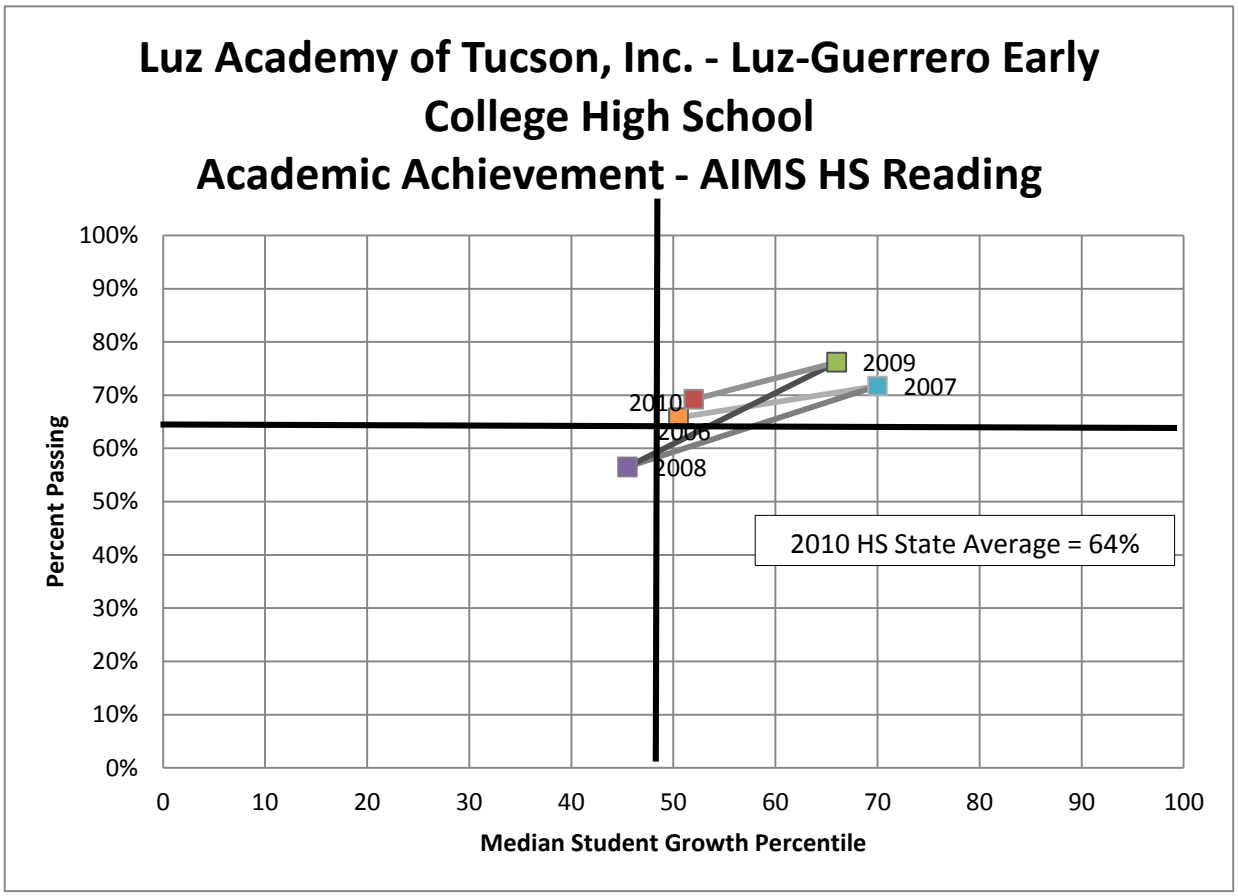
- Pupil achievement data
- Independent financial audits
- Five-year interval summary reviews
- Site visit reports
- Monitoring reports
- Application package for renewal

## Profile

Luz Academy of Tucson, Inc. operates one (1) school serving grades 9-12 with a total FY11 average daily membership (ADM) of 158.710. 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.


Luz Academy of Tucson, Inc. - Luz-Guerrero Early College High School
Academic Achievement - AIMS HS Math
Percent Passing
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
0
10
20
30
40
50
60
70
80
90
100
Median Student Growth Percentile
2007
2009
2010
2008
2006
2010 HS State Average = 40%


Luz Academy of Tucson, Inc. - Luz-Guerrero Early College High School
Academic Achievement - AIMS HS Reading
Percent Passing
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
0
10
20
30
40
50
60
70
80
90
100
Median Student Growth Percentile
2009
2007
2010
2006
2008
2010 HS State Average = 64%

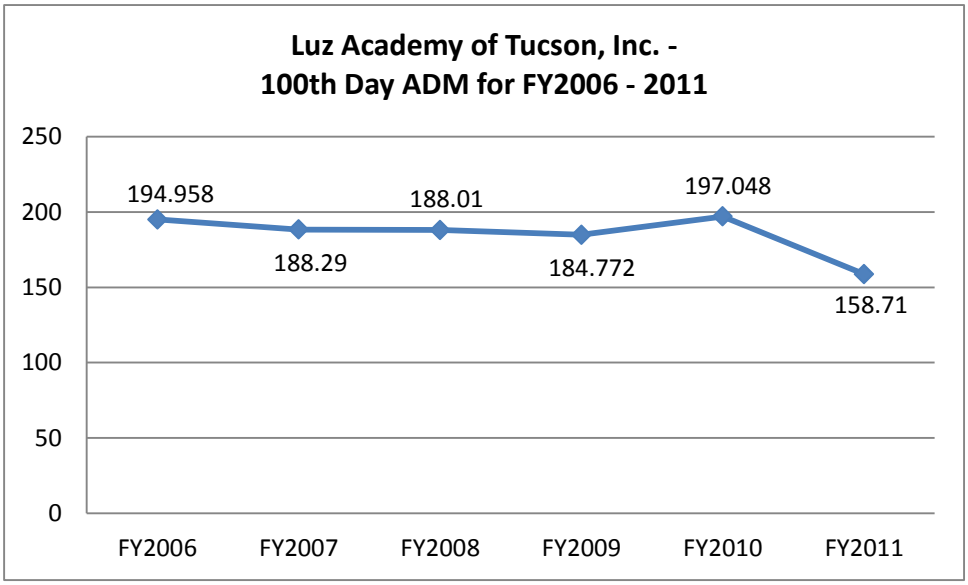
## I. Success of the Academic Program

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 years 2009 and 2010 audits identified negative net assets at the end of each 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 10, 2011. The ADM included in the Renewal Budget Plan for fiscal year 2011 was in line with reports available through the Arizona Department of Education's website.




As indicated in the graph above, the charter holder's ADM declined by a total of approximately 10 ADM between fiscal year 2006 and fiscal year 2009. In fiscal year 2010, the charter holder experienced approximately 6.5% growth in its ADM from the prior year followed by an ADM drop of approximately 19% from fiscal year 2010 to 2011. The projected ADM included in the Renewal Budget Plan for fiscal years 2012, 2013 and 2014 anticipates growth of approximately 7%, 6% and 11%, respectively.

In reviewing the five most recent audits (2006-2010), with the exception of fiscal year 2008, the financial statements show deficits at year-end resulting from liabilities in excess of assets ranging from a low of $21,393 in fiscal year 2007 to a high of $456,359 in fiscal year 2006. As of June 30, 2010, liabilities exceeded assets by $239,602. Additionally, as of June 30, 2010, the charter holder did not have sufficient cash or other readily available resources [$74,756] to satisfy obligations due within the next year [$314,358]. Finally, over the course of the previous five audits, the charter holder has fluctuated at year end between deficits, resulting from expenses exceeding revenues, and surpluses where revenues exceeded expenses. In fiscal year 2010,

the charter holder experienced a deficit of $210,964. The Renewal Budget Plan projects annual surpluses in fiscal years 2011 through 2014. The basis for amount included in the Renewal Budget Plan as " Net Assets, Beginning of the Year" for fiscal year 2011 is not readily ascertainable from the information provided.

In the Financial Sustainability Narrative, the charter holder mentions its efforts to maximize funding from state and federal sources, as well as its collaboration with El Centro for the Study of Primary and Secondary Education (a related charter holder) and Luz Social Services, Inc. to share common expenses and resources. Additionally, the charter holder has established an Audit Committee. According to the narrative, steps have been taken by the committee to review financials quarterly to monitor student enrollment, revenues, expenses and cash flow.

## III. Adherence to the Terms of the Charter

### A. Compliance Matters Requiring Board or Other Agency Action[1]

In April 2011, the Board voted to withhold 10% of the charter holder's monthly State aid apportionment for failure to timely submit the fiscal year 2010 single audit. The withholding occurred for two months.

In January 2008, the Board found that the charter holder failed to comply with statutory fingerprinting requirements for instructional and non-instructional personnel and voted to impose a civil penalty of $1,000 for each of the four occurrences since the charter holder failed to provide proof within 48 hours that the appropriate applications had been filed with the Department of Public Safety. The $4,000 civil penalty was imposed in March 2008.

In November 2006, the Board voted to withhold 10% of the charter holder's monthly State aid apportionment for failure to timely submit the fiscal year 2006 audit. The withholding occurred for one month.

### B. Other Compliance Matters[2]

In April 2007, the results of an on-site review of the *No Child Left Behind* (NCLB) programs identified noncompliance items in some areas. The noncompliance items were required to be corrected by September 2007. The noncompliance items were reported by ADE as resolved in February 2008.

The fiscal year 2008 audit identified an issue that required a corrective action plan (CAP). Specifically, the audit indicated that the charter holder did not have sufficient cash to cover its Classroom Site Fund carryover. The carryover amount equaled $73,356 and the cash shortfall equaled $14,529. The charter holder submitted a satisfactory CAP.

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

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

Required submissions for the charter holder's Organizational Membership portion of the Detailed Business Plan Section of the renewal application and the applicable checklist are included in the charter holder's portfolio.

On May 11, 2011 the charter holder submitted documentation from ACC that their records had been updated. The corporate board membership is in alignment with the records on file with ASBCS.

## 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 Luz Academy of Tucson, Inc.