**Choice Education and Development Corporation - Sequoia Village School- Entity ID 79211**
School:
Sequoia Village 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

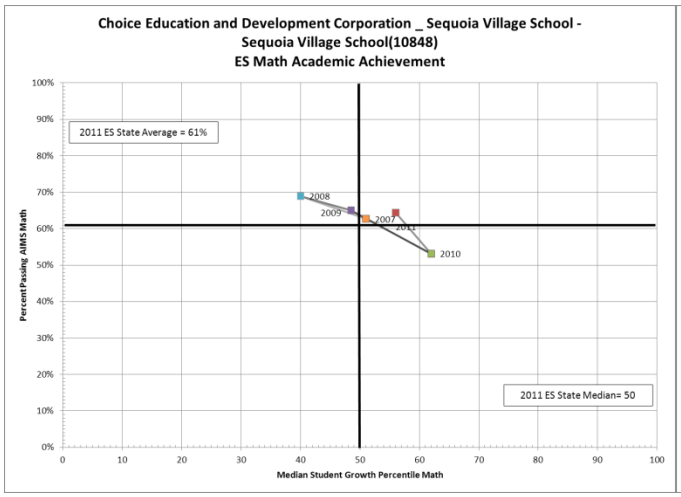
Evaluation of the charter holder's success in these three areas is based on a variety of information that will serve as sources of evidence in determining renewal of a charter. These sources include, but are not limited to:

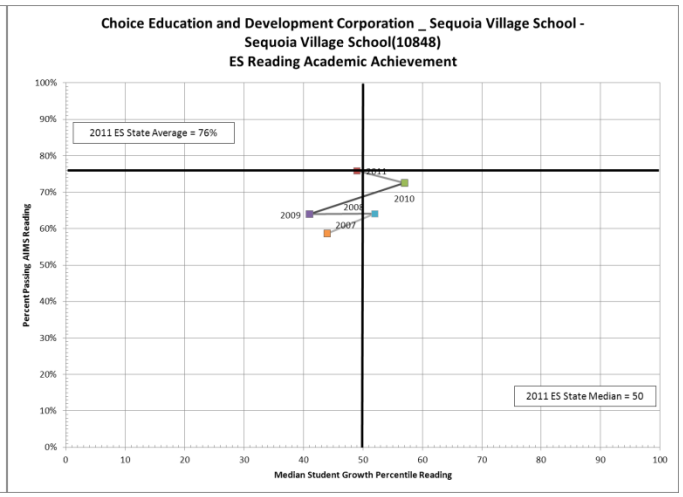
- Pupil achievement data
- Independent financial audits
- Five-year interval summary reviews
- Site visit reports
- Monitoring reports
- Application package for renewal

## Profile

Choice Education and Development Corporation - Sequoia Village School operates one school serving grades K-8.

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




## I. Success of the Academic Program

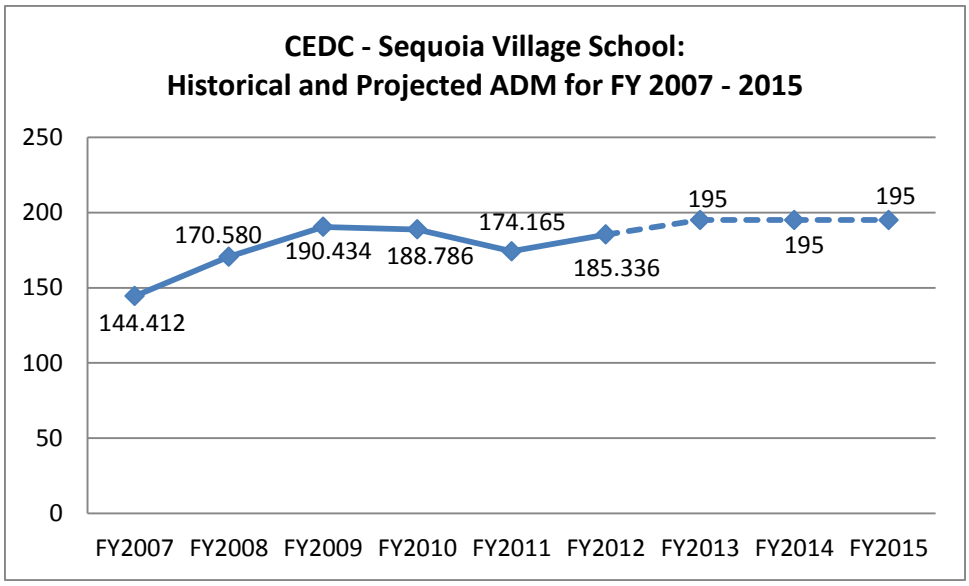
The academic performance of the school operated by the charter holder meets or demonstrates sufficient progress toward the Board's level of adequate academic performance. Therefore, the charter holder was not required to submit a Performance Management Plan.

## II. Viability of the Organization

Because the charter holder's fiscal years 2009 financial statements were prepared assuming the organization will continue as a going concern[1] and because the fiscal years 2009 and 2010 audits identified negative net assets at the end of each year, the charter was required to complete the Renewal Budget Plan and submit the Financial Sustainability Narrative and supporting evidence. Required submissions for the charter's Financial Sustainability portion of the Detailed Business Plan Section of the application and the applicable checklist are included in the charter'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's actual 100th day average daily membership (ADM) for fiscal years 2007 through 2011, the fiscal year 2012 ADM as of May 11, 2012 and projected ADM through 2015. Projections were provided by the charter as part of the submitted Renewal Budget Plan. The ADM included in the Renewal Budget Plan for fiscal year 2012 is approximately 9.5 ADM higher than 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 exist for at least the next year, the auditor's report would include a paragraph indicating this, as was the case for Choice Education and Development Corporation.




As indicated in the graph above, the charter holder's ADM has fluctuated up and down during the past six fiscal years. Between fiscal year 2011 and fiscal year 2012, the charter holder's ADM grew by approximately 11%. Although the Renewal Budget Plan uses approximately the same ADM (195) for fiscal years 2012 through 2015, the charter's actual fiscal year 2012 ADM is lower. Therefore, the projected ADM included in the Renewal Budget Plan for fiscal year 2013 anticipates growth of approximately 5%.

Choice Education and Development Corporation (CEDC) has five charter contracts with the Board – four of which are on the agenda for renewal consideration. In reviewing the five most recent audits (2007-2011) for CEDC, the financial statements for fiscal years 2007 through 2009 were prepared assuming the organization will continue as a going concern. While the audits show CEDC began each fiscal year with negative nets, CEDC ended fiscal year 2011 with positive net assets of $654,742. As of June 30, 2011, CEDC had sufficient cash and other readily available resources [$4,146,764] to satisfy obligations due within the next year [$1,834,718]. In three of the five years (2008, 2010 and 2011), CEDC's revenues exceeded expenses. Further, between fiscal years 2008 and 2011, CEDC ending cash has grown from $285,940 to $999,129. The Renewal Budget Plan submitted for CEDC – Sequoia Village School projects net assets to increase each year.

In the Financial Sustainability Narrative, which is the same for each of the four charters on the agenda, CEDC states, " The corporation had negative net assets in prior years but the growth of the schools and the stability provided by the bond which it participated has allowed it to grow out of that situation." The narrative indicates that on March 9, 2012, the board of directors for CEDC and Edkey, Inc. approved a merger of the two entities effective June 30, 2012.[2] CEDC submitted a memorandum explaining the merger and merger documents.

## III. Adherence to the Terms of the Charter

[2] One of Edkey's three charters with the Board is on the agenda for renewal consideration.

A. Compliance Matters Requiring Board or Other Agency Action[3]

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

B. Other Compliance Matters[4]

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. Additionally, the audit indicated that based on the schedules provided by the charter holder, it could not be determined whether base salaries for teachers have supplanted Classroom Site Fund monies. The charter holder submitted a satisfactory CAP.

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

**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. 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 Choice Education and Development Corporation - Sequoia Village School.

Option 2: The Board may deny the renewal. The following language is provided for consideration: 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, I move to deny the request for charter renewal and to not grant a renewal contract for Choice Education and Development Corporation - Sequoia Village School. 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. Specific reasons the Board may have found during its consideration including…

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