Destiny School, Inc. - Entity ID 6258
School: Destiny 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:

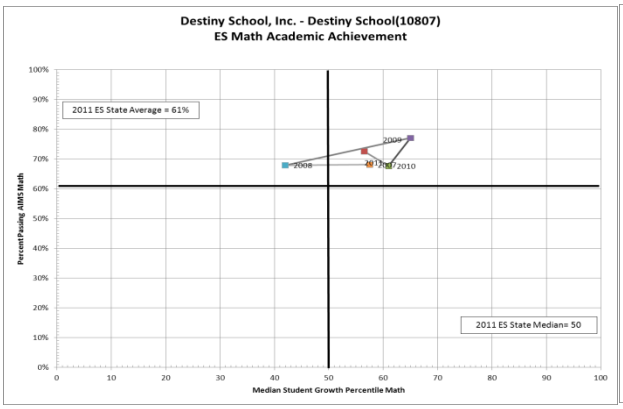
I. Success of the academic program, including academic achievement
II. Viability of the organization, including fiscal management and compliance
III. Adherence to the terms of the charter, including contract and legal compliance

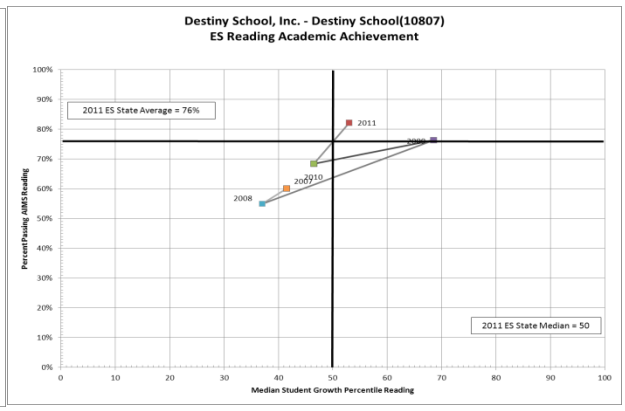
Evaluation of the charter holder's success in these three areas is based on a variety of information that will serve as sources of evidence in determining renewal of a charter. These sources include, but are not limited to:

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

Profile

Destiny School, Inc. operates one school serving grades K-8. Graphs displaying the academic achievement for the past five years, if available, are provided below.





I. Success of the Academic Program

The academic performance of the school operated by the charter holder did not meet or demonstrate sufficient progress toward the Board's level of adequate academic performance. Therefore, the charter holder was required to submit a Performance Management Plan in the academic section of the renewal application and to complete the Renewal Budget Plan.

The PMP narrative, template, and oversight documents were submitted on February 14, 2012.

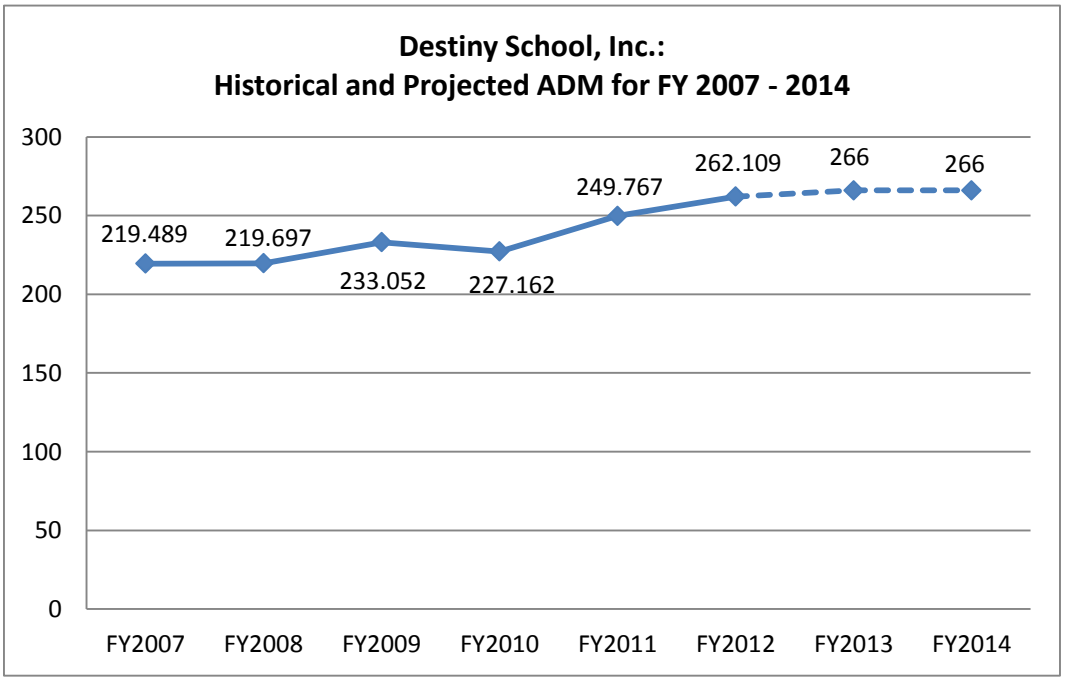
A leadership team discussion took place on Wednesday, February 29, 2012 with Nancy McLendon (Charter Representative), David McLendon, (Business Manager), Scott Williamson (Principal), and Risa Palmer (Special Education Director). Destiny School met the Board's level of adequate academic performance on AIMS in both reading and math for 2011. However, because the school did not meet the Board's level in reading for the previous four years, the school was assigned a PMP. The leadership team discussion focused on measures the school has taken to improve reading achievement including an emphasis on small group instruction and additional time for reading intervention for K-5 students that are underperforming. The school also has provided training for teachers in reading decoding strategies and other reading interventions. The leadership team discussion supported the Performance Management Plan narrative and templates submitted.

Required submissions for the Academic Performance Section and the Renewal Budget Plan, as well as the applicable evaluation instrument and checklist, are included in the charter holder's portfolio. The evaluation instrument completed by staff identifies whether the required information provided included a Full Description, a Partial Description, or a Very Limited Description. The checklist completed by staff identifies whether the required elements of the Detailed Business Plan were addressed.

II. Viability of the Organization

Because the charter holder's fiscal year 2009 audit identified negative net assets 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 2007 through 2011 and the fiscal year 2012 100th day ADM as of April 16, 2012. The ADM included in the Renewal Budget Plan for fiscal year 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 increased in each year since fiscal year 2010. For fiscal year 2012, the Renewal Budget Plan includes an ADM of 266, which approximates the charter holder's 40th day ADM as of April 16, 2012. For fiscal years 2013 and 2014, the Renewal Budget Plan assumes an ADM of 266.

In reviewing the five most recent audits (2007-2011), the charter holder began fiscal year 2007 with a net asset deficit of -$231,853 and ended fiscal year 2011 with net assets of $174,049. Additionally, as of June 30, 2011, the charter holder had sufficient cash and other readily available resources [$269,553] to satisfy obligations due within the next year [$187,882]. Further, although ending cash has fluctuated up and down in individual years, over the course of the five year period, the charter holder's ending cash balance has increased from $181,568 to $254,360. Finally, in all five fiscal years reviewed, the charter holder's revenues exceeded expenses. The Renewal Budget Plan projects that revenues will exceed expenses in fiscal years 2012 through 2014.

In the Financial Sustainability Narrative, the charter holder stated that its year-end current assets fluctuate due to carrying over large sums of federal grant money that arrives late in the fiscal year. The narrative also states that enrollment had been trending downward as all of the other schools in in the area had gone to a four-day schedule. According to the narrative, " This year we adopted a four day school week and our numbers are back to capacity." The charter holder's plan to improve the school's financial situation is to maintain enrollment at 266 students.

III. Adherence to the Terms of the Charter

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

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

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

B. Other Compliance Matters[2]

In February 2007, ADE Exceptional Student Services notified the charter holder of partial high compliance (partial compliance but should be able to meet compliance standards quickly) 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 January 2008.

In April 2007, ADE Academic Achievement Division (ADE/AAD) identified noncompliance items for the NCLB Programmatic Monitoring Cycle Four Packet for 2006-2007. The compliance issues were reported by ADE as resolved in September 2007.

The fiscal year 2008 audit identified weaknesses in internal controls that required a corrective action plan. Specifically, the audit indicated that the charter holder did not have adequate segregation of duties in the areas of purchases and bank reconciliations, payroll and journal entries. The charter holder submitted a satisfactory CAP. The fiscal year 2009 audit identified the same weaknesses in internal controls related to segregation of duties. However, prior to the fiscal year 2009 audit's release, the auditor indicated that the charter holder had corrected the deficiencies.

Further, the same issue was identified as a repeat issue in the fiscal years 2009 through 2011 audits. Specifically, each audit indicated that management is not comprised of individuals that possess the competencies required to prepare full disclosure financial statements in accordance with Generally Accepted Accounting Principles.

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. In this case, there is a record of academic performance below the Board's level of adequate academic performance, which has been addressed by the charter holder through the inclusion of a performance management plan as part of the renewal application package and can be incorporated in the charter contract. There is also a record of past contractual noncompliance which has been reviewed. 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

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

the request for charter renewal and grant a renewal contract to Destiny School, Inc. that incorporates the performance management plan.

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 Destiny School, Inc. 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. Failed to provide a learning environment to improve pupil achievement in accordance with A.R.S. § 15-181(A).
2. Other specific reasons the Board may have found during its consideration including…