Ha:sañ Educational Services - Entity ID 6369
School: Ha:sañ Preparatory & Leadership Charter 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

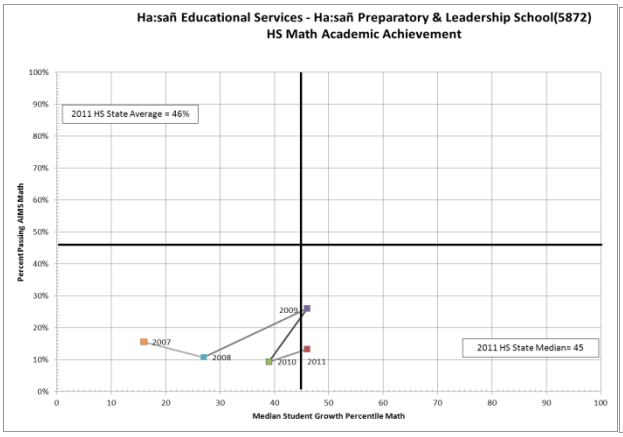
Evaluation of the charter holder's success in these three areas is based on a variety of information that will serve as sources of evidence in determining renewal of a charter. These sources include, but are not limited to:

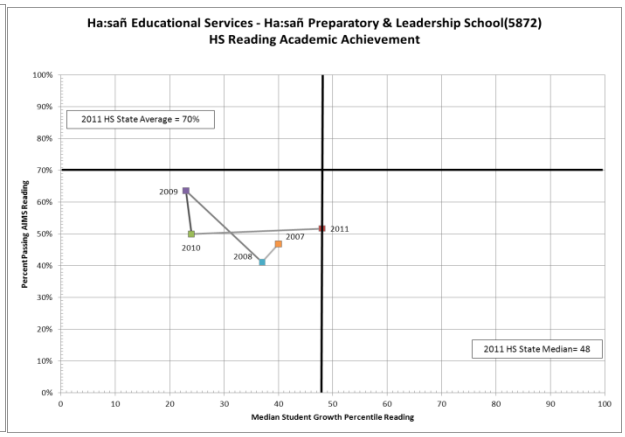
- Pupil achievement data
- Independent financial audits
- Five-year interval summary reviews
- Site visit reports
- Monitoring reports
- Application package for renewal

Profile

Ha:sañ Educational Services operates one school serving grades 9-12.

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 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.

On March 3, 2012 the charter holder submitted the PMP narrative, templates, and oversight documentation.

A leadership team discussion took place on April 10 at the school with Jessica Estrada (Charter Representative), Karol Basel (School Psychologist), Simon Escalada-Mastick (Spanish teacher/data analyst), Dana Wilcox (Assistant Director and Interim School Director), Frank Prezelski (Director of Finance and Operations and Interim School Director), and Robin Sorrell (Director Designee). The leadership team members confirmed information included in the PMP narrative, including a statement that the school's curriculum does not address concepts measured by the AIMS Math and Reading tests. In the past, teachers have developed their own curriculum, which was expected to be project-based and provide a multicultural perspective. The school is in the process of purchasing new textbooks for all core subjects in order to give a structure to the curriculum. The team also acknowledged that, in the past, the school has not used student achievement data to "drive educational decision-making" such as guiding curriculum development or selecting appropriate intervention strategies. The school did have a curriculum coach in 2010-2011 but did not continue that position this past year due to lack of available funding. Several PMP action steps focus on curriculum; one includes hiring a curriculum coach who, according to the plan, would be responsible for the implementation of many of the action steps.

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

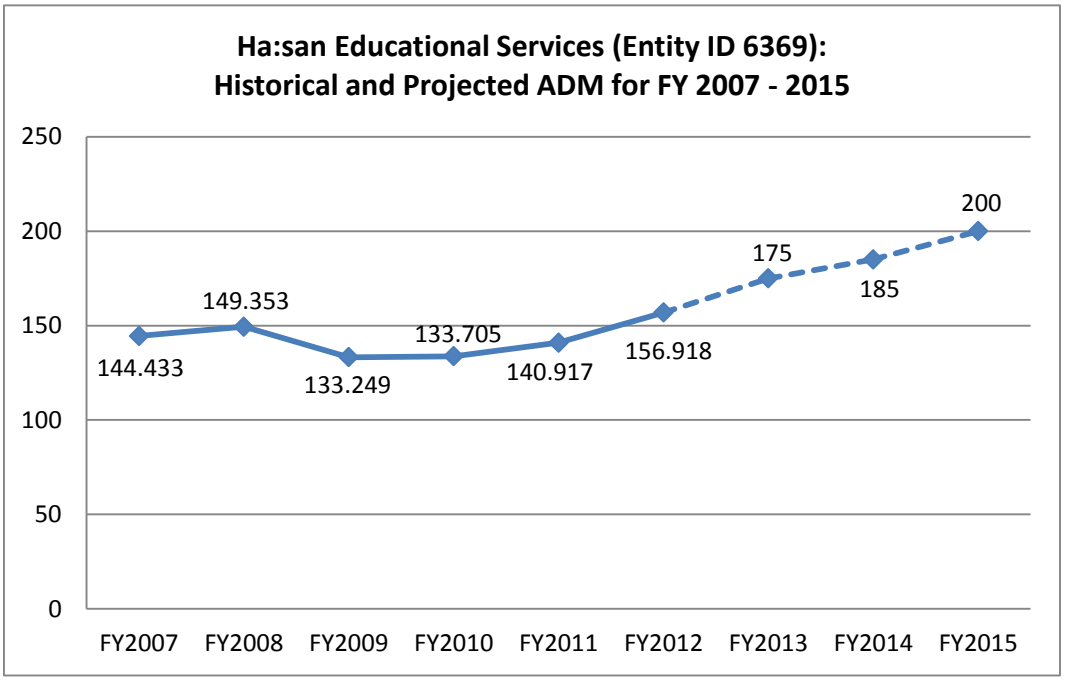
Since the following conditions were all true at the time the charter holder was notified of its opportunity to apply, the charter holder was not required to submit the Charter Holder's Financial Sustainability portion of the application's Detailed Business Plan Section:

- Neither of the two previous audits (fiscal years 2009 and 2010) identified a going concern.
- Neither of the two previous audits (fiscal years 2009 and 2010) identified that the charter holder ended the year with negative net assets (non-profit) or negative members'/shareholders' equity (for profit).

Subsequent to the charter holder's notification date, the Board received Ha:san Educational Services' fiscal year 2011 audit, which disclosed negative net assets as of June 30, 2011. On April 24, 2012, Board staff sent a letter to the charter representative. The letter included the following:

> " Had the fiscal year 2011 audit been received prior to the Board's deadline for notifying Ha:san Educational Services of its eligibility to apply, the charter holder would have been required to submit Part B of the Charter Holder's Financial Sustainability section. As indicated in the Renewal Application Instructions, at the time the Board considers the application package, the most current audit information will be provided to the Board. This letter is being provided to you as a courtesy, so that you may be prepared should the Board have questions related to the charter holder's financial sustainability when it considers Ha:san Educational Services' request for renewal. No further response to the Board is required at this time nor will any additional documents be accepted."

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.



As indicated in the graph above, the charter holder's ADM has increased between fiscal year 2009 and fiscal year 2012. From fiscal year 2011 to 2012, the charter holder experienced an

approximately 11% increase in ADM. The ADM as reflected in the Renewal Budget Plan for fiscal years 2013 and 2014 anticipates growth of approximately 6.7% from fiscal year 2012 to 2013 and approximately 5.7% from fiscal years 2013 to 2014. However, the Renewal Budget Plan's fiscal year 2012 ADM of 164 is approximately 7 ADM higher than the fiscal year 2012 ADM reported by ADE as of April 16, 2012. Using ADE's ADM for fiscal year 2012, the charter holder's ADM would increase approximately 11.5% from fiscal year 2012 to 2013.

The fiscal year 2011 financial statements showed a deficit of $61,479 resulting from liabilities [$2,930,937] in excess of assets [$2,869,488]. As of June 30, 2011, the charter holder did not have sufficient cash or other readily available resources [$148,521] to satisfy obligations due within the next year [$1,503,082]. The current portion of notes and capital leases payable represented approximately 80% of the charter holder's approximately $1.5 million in current liabilities as of June 30, 2011. The audit indicates that in November 2011, the charter holder entered into a Deed in Lieu of Foreclosure on a loan payable of $770,000 secured by real property. According to the audit, in lieu of foreclosure, the charter holder surrendered land, improvements and buildings with a net book value of $936,701. The audit indicates that the mortgage holder forgave $38,500 in accrued interest. For fiscal year 2011, the charter holder also experienced a deficit of $220,907 resulting from expenses exceeding revenues. The Renewal Budget Plan projects revenues to exceed expenses each year in fiscal years 2012 through 2015.

III. Adherence to the Terms of the Charter

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

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

B. Other Compliance Matters[2]

In May 2008, the charter holder was informed by the Arizona Department of Education, Academic Achievement Division (ADE/AAD) that the Monitoring Cycle 2 Packet for 2007-2008 contained some unresolved compliance activities. In September 2008, ADE/AAD reported that all activities were completed and the charter holder met compliance standards.

The fiscal years 2008 through 2011 audits each identified noncompliance with fingerprinting requirements. In fiscal years 2009 and 2010, the charter holder was required to submit a corrective action plan (CAP). Specifically, the fiscal year 2009 audit indicated that as of the testing date, one office assistant and one third party food service vendor employee did not have their fingerprint checks done. In fiscal year 2010, the audit indicated that one teacher's fingerprint clearance card (FCC) was expired as of the testing date. For another teacher, the FCC was not available as of the testing date, but provided subsequent to testing. In fiscal year 2009 and fiscal year 2010, the charter holder submitted satisfactory CAPs. For fiscal years 2008 and 2011, the audits identified noncompliance, but indicated that the noncompliance was subsequently addressed. In fiscal year 2008, one employee had a FCC refused by the Arizona Department of Public Safety. The employee was terminated. In fiscal year 2011, one

[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".

instructional vendor did not have a FCC on file. This individual is no longer a vendor for the school.

In addition to the fingerprinting issue addressed above, the fiscal year 2008 audit identified weaknesses in the charter holder's internal controls. Specifically, the audit indicated that 1 of 30 purchase orders and 2 of 30 invoices were not on file. The charter holder submitted a satisfactory CAP.

Further, the fiscal year 2008 audit identified a repeated issue involving the charter holder recording " numerous" expenses and revenues from the audited fiscal year in the subsequent fiscal year.

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 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. The following language is provided 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 the request for charter renewal and grant a renewal contract to Ha:sañ Educational Services that incorporates the performance management plan.

Option 2: The Board may deny the renewal. Staff recommends the following language 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 Ha:sañ Educational Services. 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 that improved pupil achievement in accordance with A.R.S. § 15-181(A).

2. Failed to comply with the fingerprinting requirements in accordance with A.R.S. § 15-183(C)(5).
3. Other specific reasons the Board may have found during its consideration including...