The Phoenix School of Academic Excellence - Entity ID 6379
School: The Learning Institute

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

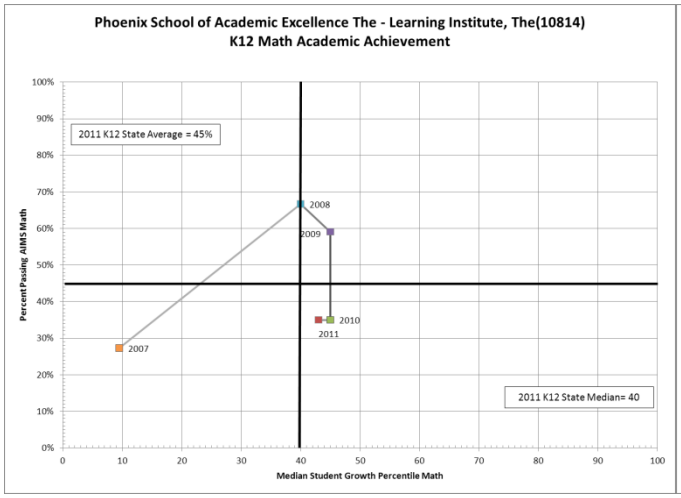
Evaluation of the charter holder's success in these three areas is based on a variety of information that will serve as sources of evidence in determining renewal of a charter. These sources include, but are not limited to:

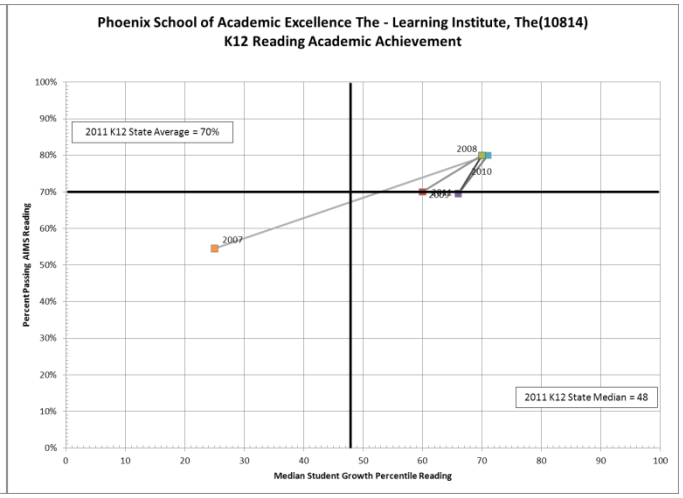
- Pupil achievement data
- Independent financial audits
- Five-year interval summary reviews
- Site visit reports
- Monitoring reports
- Application package for renewal

Profile

The Phoenix School of Academic Excellence operates one school serving grades 7-12. The Learning Institute is designated as an alternative school.

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 28 the charter holder submitted a PMP narrative, templates, and oversight documentation.

A leadership team discussion took place on May 21 at the business offices of Phoenix School of Academic Excellence with Nate Palma (Director/ Charter Representative), Julie Palma (Site Administrator/ Charter Representative), Joseph Perez (Senior Accountant – EdVantage Partners), Curt Porter (President - EdVantage Partners), and Jackie Zander (Curriculum Coordinator). The leadership team discussion focused on how the PMP will support the program of instruction and contribute to improving student achievement and how the budget will support the action steps. Beginning with the 2010-2011 school year, the program of instruction was amended from a model of individual student-paced computer assisted instruction to teacher led whole classroom instruction. The PMP reflects the continuation of this change while still integrating computer-based resources as appropriate to support instruction. In 2010, the Response to Intervention plan (RtI) was formalized to provide structured tiers of academic intervention for students. The PMP includes professional development for data analysis and differentiation of instruction to support the RtI plan. As part of the PMP, new instructional resources have been identified and are being adopted to align instruction to the 2010 Arizona Academic Standards. The discussion of the PMP budget revealed that reducing existing debt in the renewal budget plan was a priority. This was done so that over time the charter holder can increase funds available to support the academic plan. The leadership discussion supported the submitted PMP narrative and action steps.

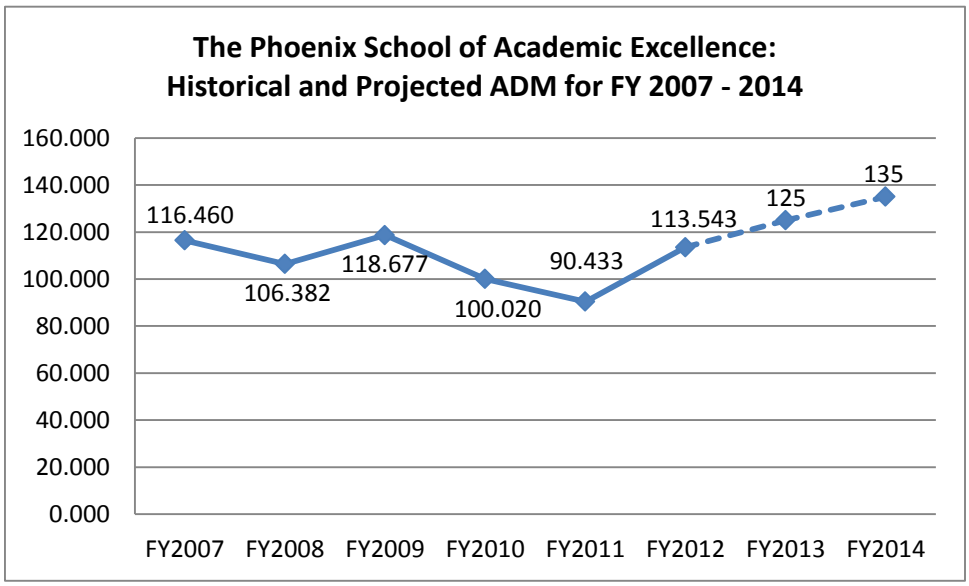
Required submissions for the Academic Performance Section and the Renewal Budget Plan, as well as the applicable evaluation instrument and checklist, are included in the charter holder's portfolio. The evaluation instrument completed by staff identifies whether the required information provided included

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

Because the charter holder's fiscal years 2010 and 2011 financial statements were prepared assuming the organization will continue as a going concern[1] and because the fiscal years 2010 and 2011 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 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 2014. The ADM included in the graph for fiscal years 2009, 2010 and 2011 has been adjusted to remove overstatement of ADM identified by the Arizona Department of Education (ADE) through an ADM audit. (For additional information regarding the ADM audit, please see the "Compliance Matters Requiring Board or Other Agency Action" section of this report.) Projections were provided by the charter holder as part of the submitted Renewal Budget Plan. The ADM included in the Renewal Budget Plan for fiscal year 2012 is in line with reports available through the ADE website.



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

[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 Arizona Academy of Science and Technology.

25.5%. The projected ADM included in the Renewal Budget Plan for fiscal years 2013 and 2014 anticipates growth of approximately 10% and 8%, respectively.

In reviewing the five most recent audits (2007-2011), with the exception of fiscal year 2009, the financial statements in each year were prepared assuming the organization will continue as a going concern. As of June 30, 2011, the charter holder did not have sufficient cash or other readily available resources [$41,597] to satisfy obligations due within the next year [$155,970]. This situation also existed in the other fiscal years in the five-year period. Over the past five years, the charter holder's ending cash has gone from a low of $5,780 in fiscal year 2007 to a high of $108,411 in fiscal year 2009. As of June 30, 2011, the charter holder had cash of $27,139. Related to the going concern, the fiscal year 2011 audit states, " …the School is dependent on continued financing from notes and other debt financing for operations; these matters, as well as the School's recurring deficit in net assets and the State's budget cuts, raises substantial doubt about the School's ability to continue as a going concern." While four of the past five years' financial statements were prepared assuming the organization will continue as a going concern, it is only in the two most recent audits where the charter holder ended the year with negative net assess. The charter holder began fiscal year 2010 with positive net assets of $53,427 and ended fiscal year 2011 with negative net assets of $57,591. The Renewal Budget Plan projects positive net assets at the end of fiscal year 2013.

In the Financial Sustainability Narrative, the charter holder discusses its efforts to retire debt, reduce operating expenses and increase student enrollment. The narrative indicates that by June 30, 2012, the charter holder will have paid off $81,816 of the outstanding notes payable with the remaining $1,814 being paid in full in September 2012. The narrative also addresses steps taken by the charter holder beginning in September 2011 to reduce current operating expenses, " primarily in the non-instructional areas" . Further, the narrative discusses the charter holder's efforts to increase student enrollment.

III. Adherence to the Terms of the Charter

A. Compliance Matters Requiring Board or Other Agency Action[2]

On May 15, 2012, the Arizona Department of Education (ADE) issued an ADM audit report. ADE's audit reviewed fiscal years 2009, 2010 and 2011 and identified that some enrollment and withdrawal dates had been inaccurately reported by the charter holder. The ADE audit identified both instances of overstatement and understatement of ADM, but overall determined that the errors resulted in a net ADM overstatement of 4.35 for the three fiscal years audited. According to ADE's audit report, the net ADM overstatement and corresponding funding adjustment by fiscal year are as follows:

Fiscal Year	ADM Adjustment	Funding Adjustment
2009	(0.57)	($4,195.27)
2010	(0.49)	($3,179.27)
2011	(3.29)	($22,572.50)
TOTAL	(4.35)	($29,947.04)

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

The ADE audit report indicates that the audit becomes final 30 days after issuance, unless an appeal is filed. The Renewal Budget Plan submitted by the charter holder indicates that the equalization assistance included for fiscal years 2013 and 2014 reflects adjustments due to correction of state aid calculations.

B. Other Compliance Matters[3]

In November 2007, ADE Exceptional Student Services notified the charter holder of partial compliance 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 November 2008.

The fiscal year 2011 audit identified an issue that required a corrective action plan (CAP). Specifically, the audit indicated that the charter holder had used Classroom Site Fund (CSF) monies to supplant other funds. According to the audit, during the year, the school lost three teachers. The new teachers that were hired had a larger portion of their salaries charged to the CSF. Prior to using a larger portion of the CSF for the new teachers' salaries, the charter holder contacted Board staff. Since Board staff did not identify any issues with what the charter holder was proposing, Board staff believes the charter holder proceeded thinking that its plan to use the CSF monies in this way would meet statutory requirements. During audit fieldwork, the audit firm contacted Board staff, who in turn contacted the Office of the Auditor General which provided further guidance related to supplanting. The fiscal year 2011 audit indicates that the audit firm proposed an adjustment of $52,614, which was subsequently recorded by the charter holder to correctly record the use of the CSF during the fiscal year. This resulted in the charter holder not having enough cash at year end to cover its CSF cash carryover ($62,128). The charter holder submitted a satisfactory CAP.

Additionally, the fiscal year 2010 audit identified a repeat issue that required a CAP. Specifically, the audit indicated that one individual performs all job functions related to cash receipts and disbursements. The audit also indicated that the charter holder noted that compensating controls were in place to address this issue. However, adequate documentation was not maintained to support the compensating controls. A similar issue was identified in the fiscal year 2009 audit. The charter holder submitted satisfactory CAPs in both fiscal years.

Further, the fiscal year 2007 audit identified a repeat issue that required a CAP. Specifically, the audit indicated that the charter holder did not have sufficient cash at year-end to cover the CSF carryover. At June 30, 2007, the charter holder had a cash balance of $5,780 and a CSF carryover balance of $90,850. The charter holder submitted a satisfactory CAP.

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

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

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 Phoenix School of Academic Excellence 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 Phoenix School of Academic Excellence. 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. Other specific reasons the Board may have found during its consideration including…