Sequoia Choice Schools, LLLP - Entity ID 4329
Schools: Sequoia Choice School Arizona Distance Learning School
Sequoia Choice – Star Performing Arts
Sequoia Choice - Village

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

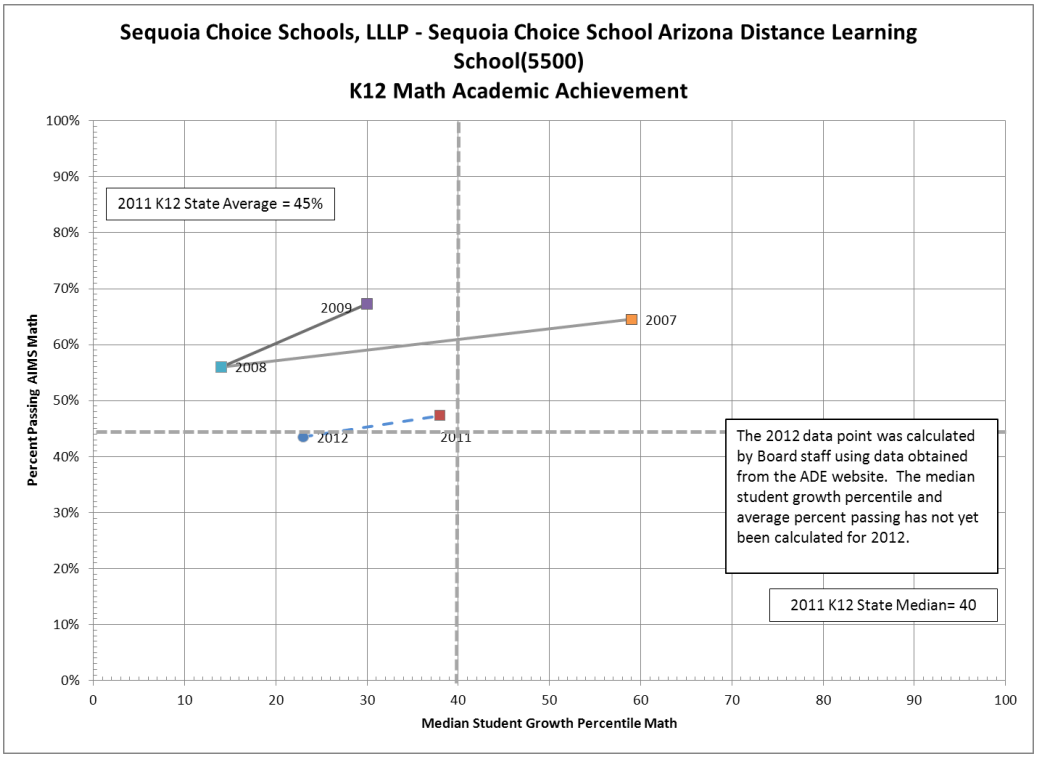
Evaluation of the charter holder's success in these three areas is based on a variety of information that will serve as sources of evidence in determining renewal of a charter. These sources include, but are not limited to:

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

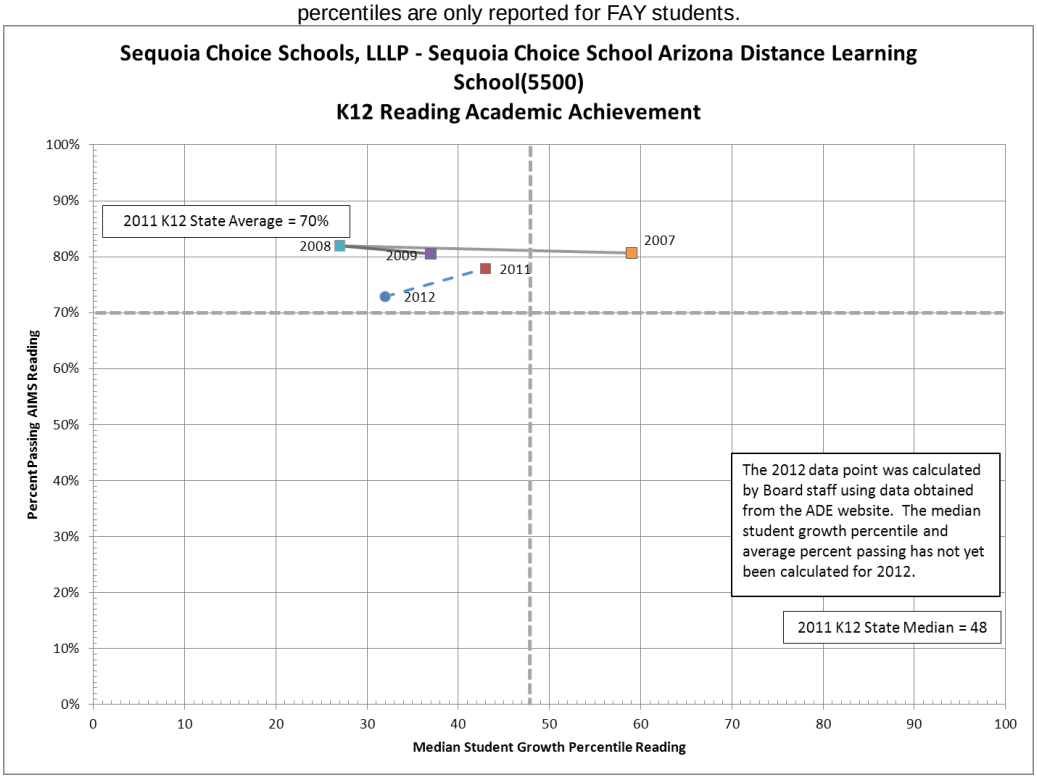
Profile

Sequoia Choice Schools, LLLP operates three schools serving grades K-12.

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



Note: Except for the 2012 data point, this chart is based on data obtained from the ADE in Oct. 2011. Proficiency and growth percentiles are only reported for FAY students.



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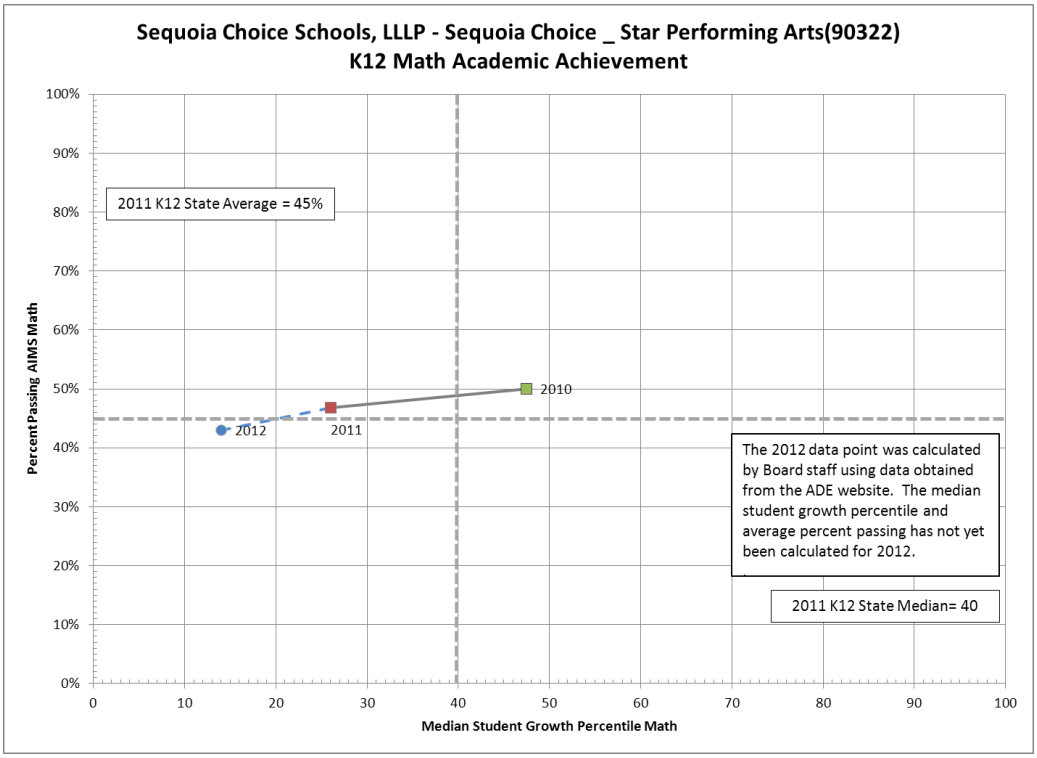

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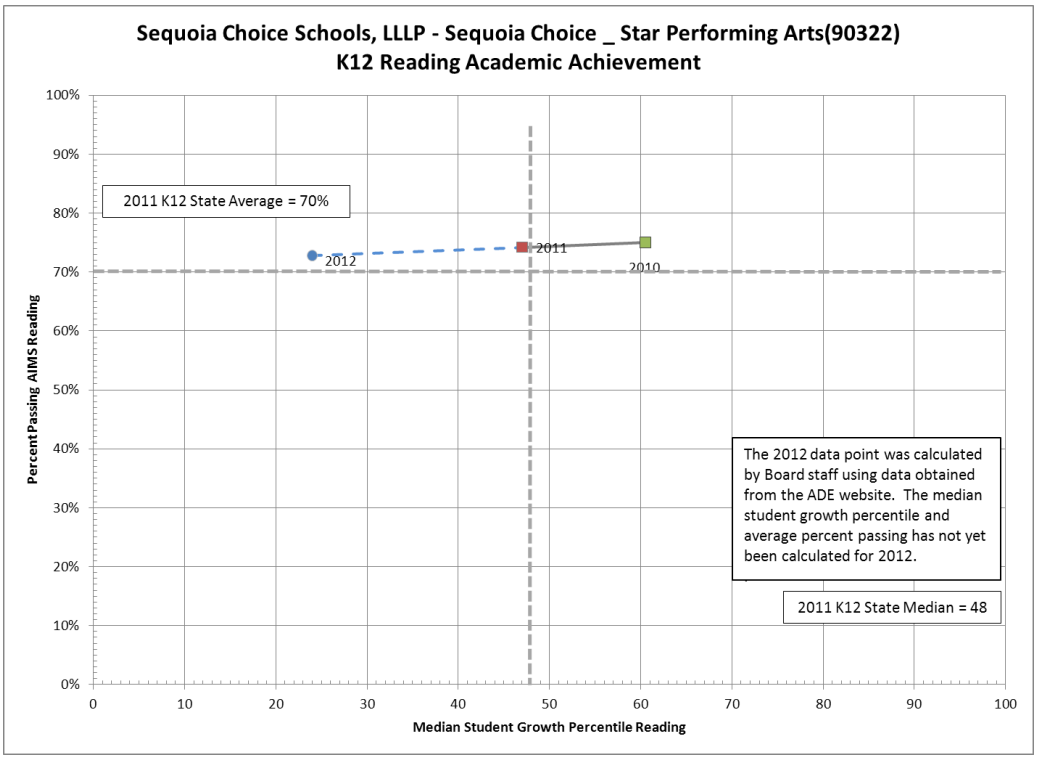

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I. Success of the Academic Program

At the time the charter holder became eligible for renewal, FY 2011 academic data for two of the schools operated by the charter holder met or demonstrated sufficient progress toward the Board's level of adequate academic performance. The graphs for both schools are included with this report. The third school operated by the charter holder, opened in FY 2010, did not have any students who met the full academic year criteria and, as a result, the school did not have graphs for reading and math. The charter holder was not required to submit a Performance Management Plan as a part of the renewal application.

The FY 2012 letter grades, available through the Arizona Department of Education, are as follows for Sequoia Choice, LLLP:

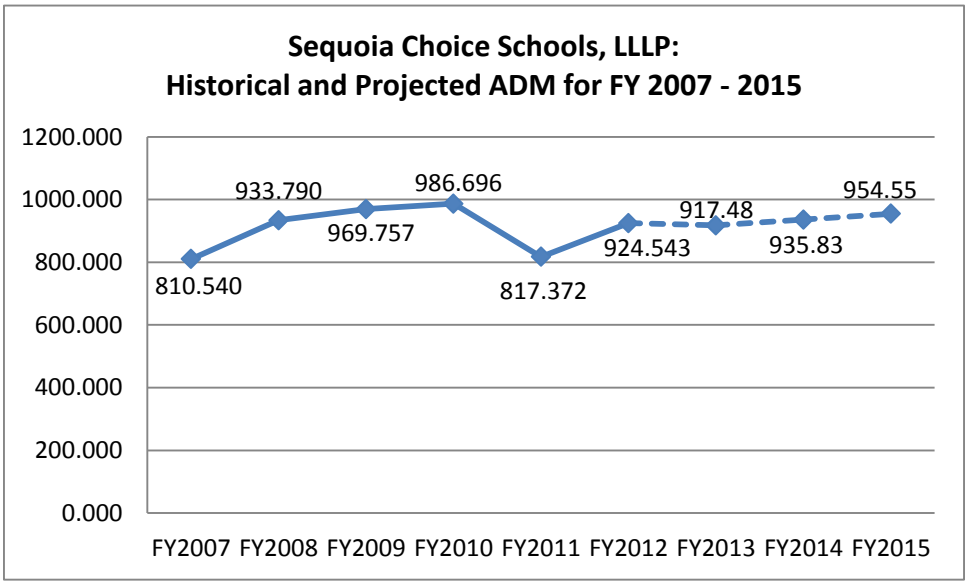
Local Education Agency (LEA): D
Sequoia Choice School Arizona Distance Learning School: D
Sequoia Choice - Star Performing Arts: Small School: D
Sequoia Choice - Village: Small School: C

II. Viability of the Organization

Because the charter holder's fiscal year 2011 financial statements were prepared assuming the organization will continue as a going concern[1] and because the fiscal year 2011 audit identified negative partners' capital 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, the fiscal year 2012 ADM as of June 11, 2012 and projected ADM through 2015. Projections were provided by the charter holder as part of the Renewal Budget Plan. The ADM included in the Renewal Budget Plan for fiscal year 2012 is approximately 92.5 ADM lower than reports available through the Arizona Department of Education's (ADE) 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 Sequoia Choice Schools, LLLP.



As indicated in the graph above, after four years of increases, the charter holder's ADM declined in fiscal year 2011. In fiscal year 2012, the charter holder experienced an approximately 13% increase in its ADM. Although the Renewal Budget Plan projects an increase in ADM from fiscal year 2012 to fiscal year 2013, using the actual ADM obtained through ADE's website, the projected ADM for fiscal year 2013 is about 1% lower than the current fiscal year 2012 ADM. For fiscal years 2014 and 2015, the charter holder is projecting annual ADM growth of 2%.

In reviewing the five most recent audits (2007-2011), the fiscal year 2011 audit was the only one in which the charter holder ended the year with negative partners' capital. In the previous four years, the charter holder's revenue had exceeded expenses by amounts ranging from $8,317 to $118,187. In fiscal year 2011, expenses exceeded revenues by $453,139. After a decrease in fiscal year 2012, the Renewal Budget Plan projects partners' capital to increase annually in fiscal years 2013 and 2015. Between fiscal years 2007 and 2011, the charter holder's ending cash has grown from $181,696 to $1,876,867. As of June 30, 2011, the charter holder did not have sufficient cash or other readily available resources [$2,237,403] to satisfy obligations due within the next year [$2,917,702]. Approximately 90% [$2,665,998] of the charter holder's current liabilities represents an amount due to the ADE based on adjustments identified through the annual statewide recalculations.[2] For a summary of the overpayments identified in fiscal years 2010 and 2011 and the charter holder's arrangements with ADE to repay the funds, please see the table below:

Fiscal Year	Total Statewide Recalculation Adjustment	Repaid in FY2011	Repaid in FY2012	To Be Repaid in FY2013
2010	$1,165,097.54	$400,000	$765,097.54	n/a
2011	$1,900,900.50	n/a	$380,180.10	$1,520,720.40

In the Financial Sustainability Narrative, the charter holder discusses recent efforts to reduce expenses, which have included reducing staff and lease costs for school and office space, and

[2] The statewide recalculation is a process that ADE performs to provide final ADM figures for the fiscal year.

to increase marketing efforts. Additionally, the narrative states, " A foundational challenge facing Sequoia Choice in recent years has been that the school was owned 50% / 50% by two partners whose visions for the mission and direction of the school had become very different over time." The partners have entered into an agreement for one partner to purchase the other partner's interest. According to the narrative, this transaction will allow the school to " move more efficiently towards additional cost-cutting and revenue-creating measures" , including changing the school from a for-profit entity to a 501(c)(3).

III. Adherence to the Terms of the Charter

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

On April 14, 2010, the Arizona Department of Education (ADE) issued an ADM audit report for Sequoia Choice – Arizona Distance Learning. ADE's audit reviewed fiscal years 2006, 2007 and 2008 and identified that the charter holder incorrectly reported attendance hours and improperly classified dual enrollment classes. The audit identified both instances of overstatement and understatement of ADM, but overall determined that the errors resulted in the charter holder's ADM being understated by a total of 7.057 and the charter holder not receiving the appropriate amount of funding for the three fiscal years audited. According to ADE's audit report, the net understatement and corresponding funding adjustment by fiscal year are found in the table below. During fiscal year 2011, the charter holder received the $32,987.92 from ADE.

	FY2006		FY2007		FY2008		Total	
	Overstated ADM	Amount	Overstated ADM	Amount	Overstated ADM	Amount	Overstated ADM	Amount
Hours	6.353	$34,940.62	33.394	$188,741.64	(57.345)	($317,655.88)	(17.598)	($93,973.62)
Dual Enrollment	1.404	$7,602.20	4.133	$23,741.21	5.004	$29,642.29	10.541	$60,985.70
Totals	7.757	$42,542.82	37.527	$213,482.85	(52.341)	($288,013.59)	7.057	($32,987.92)

B. Other Compliance Matters[4]

In November 2011, 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 January, 2012.

The fiscal year 2008 audit identified an issue that required a corrective action plan (CAP). Specifically, 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 (CSF) 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 and Budget for one or more years.

[3] For more information about the areas of compliance reviewed for this section, please see the "Renewal Guide".
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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 that does not meet the Board's level of adequate academic performance. 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 Sequoia Choice Schools, LLLP.

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 Sequoia Choice Schools, LLLP. 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 improves pupil achievement in accordance with A.R.S. §15-181;
2. Other specific reasons the Board may have found during its consideration including…

Option 3: The Board may deny the renewal unless certain provisions are included. Staff recommends the following language provided for consideration:
I move that, 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, the Board has sufficient basis to deny the request of Sequoia Choice Schools, LLLP for the renewal of its charter on the following grounds:

1. Failed to provide a learning environment that improves pupil achievement in accordance with A.R.S. §15-181;
2. Other specific reasons the Board may have found during its consideration including…

All that taken into consideration, the Board will grant a renewal contract that includes a performance management plan that, when reviewed by staff using the evaluation instrument, demonstrates a well described plan with a timeline that includes implementation beginning in the fall of the 2012-2013 school year.

If Sequoia Choice Schools, LLLP is unwilling to agree to these provisions and a performance management plan as described is not received within 20 business days of today's date, then it is the Board's decision that Sequoia Choice Schools, LLLP's request for renewal of its charter be denied for the reasons already specified.