Stepping Stones Academy - Entity ID 10966
School: Stepping Stones Academy

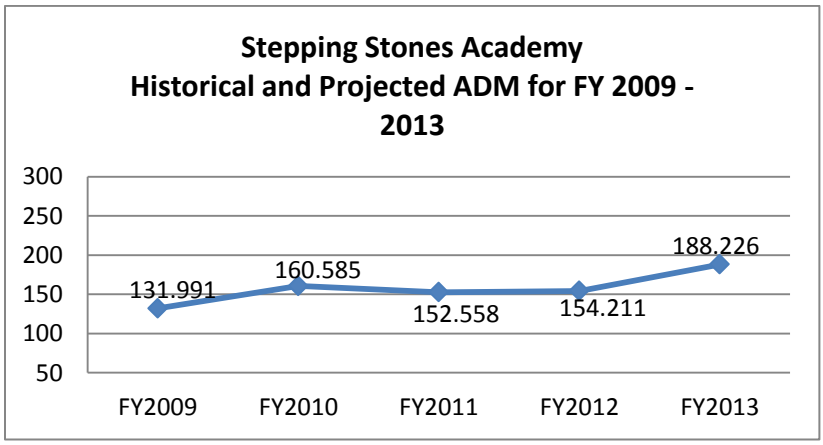
Renewal Executive Summary

Performance Summary

Stepping Stones Academy met the Board's academic performance expectations as set forth in the Performance Framework adopted by the Board and was waived from submitting the Academic Performance Section of the renewal application. The charter holder did not meet the Board's financial performance expectations as set forth in the Performance Framework and was required to submit the Financial Sustainability portion of the Detailed Business Plan Section of the renewal application. The charter holder's submission addressed those measures where the charter holder received a "Does Not Meet Standard" or "Falls Far Below Standard" rating. The charter holder did have compliance matters, including action taken by the Arizona State Retirement System (ASRS) in 2011. Since the charter holder began contracting for its employees during fiscal year 2012, it is no longer an ASRS member. The charter holder was required to submit the Organizational Membership portion of the Detailed Business Plan Section of the renewal application because the organizational membership on file with the Board was inconsistent with the information on file with the Arizona Corporation Commission. The charter holder submitted evidence of appropriate filings to align organizational membership on file with the Board and the Arizona Corporation Commission.

Profile

Stepping Stones Academy operates one school serving grades K-8. The graph below shows the charter holder's actual 100th day average daily membership (ADM) for fiscal years 2009-2013.



A dashboard representation of Stepping Stones Academy's academic outcomes, based upon the indicators and measures adopted by the Board, is provided below.

Academic Performance Rating FY 2012

Charter Holder: Stepping Stones Academy
Entity ID 10966

Charter School: Stepping Stones Academy
Entity ID 78818, Grades K-8

1. Growth

Traditional Elementary		1a. SGP		1b. SGP Bottom 25%	
School	**School Year**	**Math**	**Read**	**Math**	**Read**
Stepping Stones Academy	2011-2012	43	50	36	59.5
Points Assigned		**50**	**75**	**50**	**75**
Weight		**12.5**	**12.5**	**12.5**	**12.5**

2. Proficiency

Traditional Elementary		2a. Percent Passing		2b. Composite School Comparison		2c. Subgroup ELL		2c. Subgroup FRL		2c. Subgroup SPED	
School	**School Year**	**Math**	**Read**	**Math**	**Read**	**Math**	**Read**	**Math**	**Read**	**Math**	**Read**
Stepping Stones Academy	2011-2012	**69**/64	**86**/77	0.8	5.1	NR	NR	NR	NR	**28**/23	**39**/36
Points Assigned		**75**	**75**	**75**	**75**	**0**	**0**	**0**	**0**	**75**	**75**
Weight		**7.5**	**7.5**	**7.5**	**7.5**	**0**	**0**	**0**	**0**	**7.5**	**7.5**

3. State Accountability & Overall Rating

Traditional Elementary		3a. State Accountability	Overall Rating
School	**School Year**	**Grade**	
Stepping Stones Academy	2011-2012	75	68.75
Points Assigned		**75**	
Weight		**5**	**100**

Overall Rating	Point Range
Exceeds Standard	> or = to 89
Meets Standard	< 89, but > or = to 63
Does Not Meet Standard	< 63, but > or = to 39
Falls Far Below Standard	< 39

For additional information, see *Academic Performance Framework and Guidance*, available on the ASBCS webpage http://asbcs.az.gov

3/21/2013

I. Success of the Academic Program

The academic performance of the school operated by the charter holder meets the Board's academic performance expectations set forth in the performance framework adopted by the Board. Therefore, the charter holder was not required to submit a Demonstration of Sufficient Progress.

The overall rating for the school on the Board's academic performance measures was 68.75 including points received for the FY 2012 letter grade of B as reported by the Arizona Department of Education.

II. Viability of the Organization

The charter holder did not meet the Board's financial performance expectations because the charter holder received one or more "Falls Far Below Standard" and two or more "Does Not Meet Standard" in fiscal year 2012. The following table includes the charter holder's financial data and financial performance for the last three completed fiscal years. Please note that a prior period adjustment was recorded, which increased the beginning net assets for fiscal year 2011 from ($227,930) to ($208,823).

Stepping Stones Academy

Financial Data				
	2012	2011	2010	
Statement of Financial Position				2009
Cash	$647,614	$587,725	$372,394	$364,363
Unrestricted Cash	$118,256	$57,934	$14,334	
Total Assets	$1,897,045	$1,926,180	$1,780,325	
Total Liabilities	$2,085,337	$2,085,466	$2,008,255	
Current Portion of Long-Term Debt & Capital Leases	$191,109	$81,779	$76,700	
Net Assets	($188,292)	($159,286)	($227,930)	
Statement of Activities				
Revenue	$1,209,974	$1,282,750	$1,337,154	
Expenses	$1,238,980	$1,233,213	$1,242,209	
Net Income	($29,006)	$49,537	$94,945	
Change in Net Assets	($29,006)	$49,537	$94,945	
Financial Statements or Notes				
Depreciation & Amortization Expense	$85,244	$84,858	$77,027	
Interest Expense	$129,183	$130,398	$105,344	
Lease Expense	$7,872	$7,872	$7,722	

Financial Performance				
	2012	2011	2010	3-yr Cumulative
Near-Term Indicators				
Going Concern	No	No	No	N/A
Unrestricted Days Cash	34.84	17.15	4.21	N/A
Default	No	No	No	N/A
Sustainability Indicators				
Total Liabilities to Equity Ratio	(11.08)	(13.09)	(8.81)	N/A
Net Income	($29,006)	$49,537	$94,945	N/A
Cash Flow	$59,889	$215,331	$8,031	$283,251
Fixed Charge Coverage Ratio	0.59	1.24	1.50	N/A

The charter holder was required to submit additional information regarding the charter holder's financial situation (presented in the charter holder's renewal portfolio: c. Financial Sustainability). The charter holder's submission addressed those measures where the charter holder received a "Does Not Meet Standard" or "Falls Far Below Standard" rating.

III. Adherence to the Terms of the Charter

A. Compliance Matters Requiring Board or Other Agency Action

The Arizona State Retirement System (ASRS) garnished $17,202.05 from the charter holder's April 2011 monthly state equalization assistance due to the charter holder's failure to timely deposit member and employer contributions. During fiscal years 2008 through 2011, the charter holder failed to timely deposit member and employer contributions with ASRS. Since the charter holder began contracting for its employees during fiscal year 2012, it is no longer an ASRS member.

B. Other Compliance Matters

Repeated audit issues were identified in the fiscal years 2012, 2010 and 2008 audits. The fiscal year 2012 audit identified a repeated audit issue involving material adjustments being proposed as part of the audit process. The fiscal year 2010 audit identified a repeated audit issue involving management requesting auditors prepare draft financial statements and related note disclosures to the financial statements. Finally, the fiscal year 2008 audit identified a repeated audit issue involving the fiscal year 2007 Annual Financial Report not being timely submitted.

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

C. Charter Holder's Organizational Membership

Because the organizational membership on file with the Board was not consistent with the information on file with the Arizona Corporation Commission, the charter holder was required to submit the charter holder's Organizational Membership portion of the Detailed Business Plan Section. The charter holder provided evidence of appropriate filings to align organizational membership on file with the Board and the Arizona Corporation Commission.

Board Options

Option 1: The Board may approve the renewal. Staff recommends the following language provided for consideration: Renewal is based on consideration of academic, fiscal and contractual compliance of the charter holder. In this case, the charter holder meets the academic performance expectations set forth in the Board's performance framework. There is 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 Stepping Stones Academy.

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 Stepping Stones Academy. 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: (Board member must specify reasons the Board found during its consideration.)