Southgate Academy, Inc. - Entity ID 79085
School: Southgate Academy

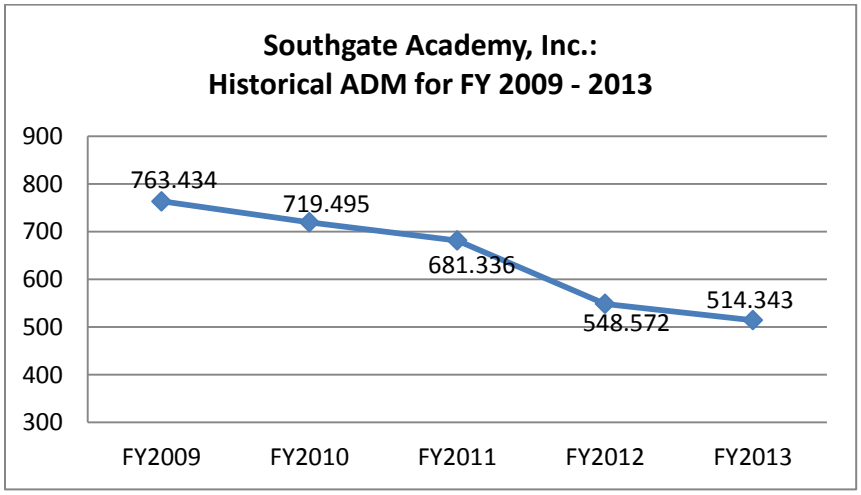
Renewal Executive Summary

Performance Summary

Southgate Academy, Inc. 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 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" rating for fiscal year 2011. The charter holder did have compliance matters. The charter holder's organizational membership on file with the Board was consistent with the information on file with the Arizona Corporation Commission.

Profile

Southgate Academy, Inc. operates one school serving grades K-12. Southgate Academy, Inc. is designated as an alternative school. The graph below shows the charter holder's actual 100th day average daily membership (ADM) for fiscal years 2009-2013.



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

Academic Performance Rating FY 2012

Charter Holder: Southgate Academy, Inc.
Entity ID 79085

Charter School: Southgate Academy
Entity ID 79091, Grades K-12

1. Growth

Alternative K-12		1a. SGP		1b. SGP Bottom 25%		1b. Improvement	
School	**School Year**	**Math**	**Read**	**Math**	**Read**	**Math**	**Read**
Southgate Academy	2011-2012	32	34	33	41	36.5	46
Points Assigned		**50**	**50**	**50**	**50**	**75**	**75**
Weight		**7.5**	**7.5**	**6.25**	**6.25**	**12.5**	**12.5**

2. Proficiency

Alternative K-12		2a. Percent Passing		2b. Subgroup ELL		2b. Subgroup FRL		2b. Subgroup SPED	
School	**School Year**	**Math**	**Read**	**Math**	**Read**	**Math**	**Read**	**Math**	**Read**
Southgate Academy	2011-2012	27/24	48/47	23/17	35/32	26/24	48/47	6/8	22/21
Points Assigned		**75**	**75**	**75**	**75**	**75**	**75**	**50**	**75**
Weight		**7.5**	**7.5**	**1.666667**	**1.666667**	**1.666667**	**1.666667**	**1.666667**	**1.666667**

3. State Accountability & Overall Rating

Alternative K-12		3a. State Accountability	4a. Graduation Rate	4b. Academic Persistence	Overall Rating
School	**School Year**	**Grade**	**GradRate**	**Persist**	
Southgate Academy	2011-2012	50	met	98	70.208
Points Assigned		**50**	**75**	**100**	
Weight		**5**	**15**	**15**	**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

4/26/2013

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 73.333 including points received for the FY 2012 letter grade of C-ALT 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 two or more "Does Not Meet Standard" in fiscal year 2011. The following table includes the charter holder's financial data and financial performance for the last three audited fiscal years. Please note that at the time the charter holder was notified of its opportunity to apply for renewal, the charter holder's fiscal year 2012 audit had not yet been submitted due to the charter holder being

subject to a single audit. Subsequent to the charter holder's notification date, the Board received Southgate Academy's fiscal year 2012 audit. The information from the fiscal year 2012 audit is reflected in the following table.

Southgate Academy, Inc.

Financial Data				
	2012	2011	2010	
Statement of Financial Position				2009
Cash	$1,114,855	$1,267,449	$999,583	$815,098
Unrestricted Cash	$305,092	$295,594	$125,205	
Total Assets	$16,745,580	$15,758,684	$15,990,796	
Total Liabilities	$13,948,985	$14,360,925	$14,840,936	
Current Portion of Long-Term Debt & Capital Leases	$1,154,239	$401,683	$435,308	
Net Assets	$2,796,595	$1,397,759	$1,149,860	
Statement of Activities				
Revenue	$9,790,303	$5,709,144	$6,195,435	
Expenses	$8,391,467	$5,461,245	$5,697,412	
Net Income	$1,398,836	$247,899	$498,023	
Change in Net Assets	$1,398,836	$247,899	$498,023	
Financial Statements or Notes				
Depreciation & Amortization Expense	$403,487	$584,409	$567,294	
Interest Expense	$813,931	$892,160	991,301	
Lease Expense	$17,645	-	-	

Financial Performance				
	2012	2011	2010	3-yr Cumulative
Near-Term Indicators				
Going Concern	No	No	No	N/A
Unrestricted Days Cash	13.27	19.76	8.02	N/A
Default	No	No	No	N/A
Sustainability Indicators				
Total Liabilities to Equity Ratio	4.99	10.27	12.91	N/A
Net Income	$1,398,836	$247,899	$498,023	N/A
Cash Flow	($152,594)	$267,866	$184,485	$299,757
Fixed Charge Coverage Ratio	1.33	1.33	1.44	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" rating in fiscal year 2011. In its response, the charter holder identifies losses suffered as

a result of a microburst. For fiscal year 2012, the above table includes approximately $5.2 million in revenues and approximately $3.2 million in expenses associated with the microburst event.

III. Adherence to the Terms of the Charter

A. Compliance Matters Requiring Board or Other Agency Action

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

B. Other Compliance Matters

The fiscal year 2011 audit identified an issue that required a corrective action plan (CAP). Specifically, the audit indicated that the charter holder did not have student sign in and sign out logs for the fiscal year ended June 30, 2011. The audit also indicated that in September 2011 the school was damaged by a microburst which led to significant water damage and lost documentation, including the logs. The charter holder submitted a satisfactory CAP.

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

In April 2009, 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 April 2010.

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 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 Southgate Academy, Inc.

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 Southgate Academy, 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: (Board member must specify reasons the Board found during its consideration.)