



# **2014-15 Charter Renewal Report**

## **Integrated Design and Electronics Academy Public Charter School**

**March 23, 2015**

DC Public Charter School Board  
3333 14th Street, NW, Suite 210  
Washington, DC 20010  
(202) 328-2660  
[www.dcpsb.org](http://www.dcpsb.org)

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## **RENEWAL AND KEY FINDINGS**

After reviewing the renewal application<sup>1</sup> submitted by Integrated Design and Electronics Academy Public Charter School (“IDEA PCS”), as well as the school’s record established by the DC Public Charter School Board (“PCSB”), the PCSB Board concluded that IDEA PCS met the standard for charter renewal set out in the District of Columbia School Reform Act of 1995, D.C. Code §§ 38-1802 *et seq.* (the “SRA”). As such, on March 23, 2015, the PCSB Board voted 5-0 to approve the school’s renewal application and renew the school’s charter for a second fifteen-year term.

The PCSB Board denied IDEA PCS’s renewal application in the 2012-13 school year, finding that the school had not met its goals and student academic achievement expectations (“academic expectations”) it committed to in its charter. However, given that the school was undergoing a PCSB-approved restructuring, the PCSB Board voted, pursuant to the SRA,<sup>2</sup> to recommend to the Mayor that “the school be put on probation, subject to the terms and conditions recommended by PCSB.”<sup>3</sup> The Mayor approved PCSB’s recommendation and granted IDEA PCS probationary status for a maximum of three years subject to PCSB’s terms and conditions.<sup>4</sup>

PCSB and IDEA PCS agreed to five terms of probation for the school, including that IDEA PCS meet progressively higher scores on PCSB’s Performance Management Framework (“PMF”) over the course of its probation. IDEA PCS’s academic turnaround has been remarkable – in the school’s second year of probation, the school scored a 54.4% on the PMF, exceeding its third-year probation target of 50.0%. Indeed, in 2013-14 IDEA PCS had the largest increase in math proficiency among all public charter high schools. Given this, the Mayor approved a request from the school to exit probation a year early.

While IDEA PCS’s academic turnaround has been impressive, PCSB is concerned about the school’s 2012-13 and 2013-14 mid-year withdrawal rates. At 16.1% and 15.1%, respectively, the 2012-13 rate was the highest and the 2013-14 rate the second highest of all non-alternative DC charter high schools. While the school’s enrollment increased by 9% from 2012-13 to 2013-14 (from 199 to 217 students), 33 students left the school mid-year in 2013-14. Additionally, the school’s 24.6% 2013-14 suspension rate is higher than the public charter high school average of 18.5%. PCSB staff is concerned with such high withdrawal and suspension rates and will be monitoring this closely in the coming years.

Finally, PCSB has concern about IDEA PCS’s long-term economic viability. The school’s enrollment declined from 389 students in 2010-11 to 199 students in 2013-14 (in part due to the closure of its middle school program, in which 64 students were enrolled in 2012-13, the middle school’s last year in operation). This caused IDEA PCS’s financial position to decline, and the school defaulted on its facility

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<sup>1</sup> See IDEA PCS renewal application, attached to this report as Appendix A.

<sup>2</sup> DC Code § 38-1802(d) (5) (B). While the SRA specifies that only the DC BOE can grant probation upon nonrenewal, that agency was dissolved in 2007 by the Public Education Reform Amendment Act, and all of its education agency functions were transferred from the DC BOE to the Mayor.

<sup>3</sup> See March 2013 PCSB Board minutes, attached to this report as Appendix B.

<sup>4</sup> See letter from DC Mayor Vincent C. Gray to PCSB chairman John “Skip” McCoy and PCSB Executive Director Scott Pearson, dated April 12, 2013, and attached to this report as Appendix C.

mortgage. During this renewal process, IDEA PCS reported to PCSB that it is in the process of refinancing the debt with another lender, at a lower rate. It is imperative that IDEA PCS's fiscal position improve over the next two fiscal years so that the school remains economically viable.

## **CHARTER RENEWAL STANDARD**

The standard for charter renewal is established in the SRA: PCSB shall approve a school's renewal application, except that PCSB shall not approve the application if it determines one or both of the following:

- (1) The school committed a material violation of applicable laws or a material violation of the conditions, terms, standards, or procedures set forth in its charter, including violations relating to the education of children with disabilities; or
- (2) The school failed to meet the goals and student academic achievement expectations set forth in its charter.<sup>5</sup>

Separate and apart from the renewal process, PCSB is required by the SRA to revoke a school's charter if PCSB determines that the school (1) has engaged in a pattern of non-adherence to generally accepted accounting principles ("GAAP"); (2) has engaged in a pattern of fiscal mismanagement; and/or (3) is no longer economically viable.<sup>6</sup>

Given the SRA's standard for charter renewal, as well as PCSB's obligation to revoke a school's charter if it has engaged in the above types of fiscal misconduct, this report is organized into three sections. Sections One and Two are analyses of the school's academic performance and legal compliance, respectively, and serve as the basis for PCSB staff's renewal recommendation. Section Three is an analysis of the school's fiscal performance – included so that in the case that a school is found to have met the standard for charter renewal but has also engaged in fiscal mismanagement, PCSB can advise the PCSB Board accordingly.

## **SCHOOL OVERVIEW**

IDEA PCS began operating in 1998 under the authority of the District of Columbia Board of Education ("DC BOE") and is currently in its seventeenth year of operation. In 2007, after the passage of the Public Education Reform Amendment Act dissolved the DC BOE, PCSB became the authorizer for the school. IDEA PCS's current mission is:

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<sup>5</sup> D.C. Code §38-1802.12(c).

<sup>6</sup> D.C. Code §38-1802.13(b).

To prepare students with the academic, social, leadership and occupational skills for post-secondary opportunities and to be responsible citizens who contribute to the community.<sup>7</sup>

IDEA PCS originated within DCPS’s Phelps High School, as a “school-within-a-school” focused on preparing ninth through twelfth grade students for technical careers. Since its inception, two focal points of the school have been its Junior Reserve Officers’ Training Corp (“JROTC”) and Career Technical Education (“CTE”) programs.

In 2002-03, the DC BOE approved the school’s charter amendment petition to expand to serve students in grades seventh and eighth grades.<sup>8</sup> However, in 2013-14, IDEA PCS discontinued these middle school grades, as part of a turnaround process (described further below), and now operates a high school serving only ninth through twelfth grade students. JROTC and CTE programming remain a central part of the school, although since the turnaround effort starting in 2012-13, IDEA PCS has scaled back these programs, decreasing the required number of JROTC credits from eight to four, and reducing its CTE offerings. The school currently offers Microsoft Office Specialist certification, and students can enroll in AutoCAD classes, in which students learn how to design and draft engineering and architectural blueprints using AutoCAD computer software.

The school’s overall performance on PCSB’s PMF – which incorporates many indicators, including academic growth, proficiency, attendance, and reenrollment – is summarized in the table below.

<b>Grade Levels</b>	<b>Ward</b>	<b>Year Opened</b>	<b>2014-15 Student Enrollment</b>	<b>2010-11 PMF</b>	<b>2011-12 PMF</b>	<b>2012-13 PMF</b>	<b>2013-14 PMF</b>
7 – 8	4	2003	N/A	29.3% <b>Tier 3</b>	14.3% <b>Tier 3</b>	N/A	N/A
9 – 12		1998	217	30.9% <b>Tier 3</b>	28.4% <b>Tier 3</b>	43.7% <b>Tier 2</b>	54.4% <b>Tier 2</b>

### **Previous Charter Reviews and Renewal**

In 2002-03, the DC BOE conducted a five-year review of IDEA PCS, finding that “the percentage of students performing below basic in both reading and mathematics remains critically high, and the

<sup>7</sup> In 2010-11, the school updated its mission without petitioning for an amendment to its charter. The mission of the school as detailed in its charter application is “to develop young people with the academic, social, leadership and occupational skills to compete successfully in post secondary education/training and enter challenging careers in the technical fields of work.” See IDEA PCS charter application, attached to this report as Appendix D. While the school removed reference to technical education from its mission, this remains a primary focus of its programming, with the school offering several Career Technical Education courses.

<sup>8</sup> See IDEA PCS 2002-03 annual report, p. 2, attached to this report as Appendix E.

percentage of students performing on the proficient level in reading and mathematics remains extremely low.”<sup>9</sup> Notwithstanding, the DC BOE voted to continue the school’s charter.

In December 2011, PCSB conducted a charter review of IDEA PCS, finding that it had “failed to adequately address its academic targets on the DC CAS and...failed to establish a trend of appreciable improvement in [its] academic performance.”<sup>10</sup> Based on this review, the PCSB Board voted to initiate the process to revoke the school’s charter.<sup>11</sup> However, in February 2012, the PCSB Board voted to forgo revocation, and agreed to the terms of “mutually agreed upon conditions between PCSB and [IDEA PCS] to address IDEA [PCS]’s poor academic performance and violation of their charter.”<sup>12</sup> One of these conditions, among others, was that IDEA PCS would create a Restructuring Team that would conduct a thorough review of “IDEA [PCS]’s current systems and processes including: staffing, governance, academic program and performance, finances, and operations” and then submit a report to the PCSB Board detailing its findings and recommendations for school improvement.<sup>13</sup> After entering into this agreement, IDEA PCS discontinued its seventh and eighth grades as part of the turnaround process.<sup>14</sup>

On January 7, 2013, IDEA PCS submitted an application to renew its charter for a second fifteen-year term. Based on PCSB staff’s finding that the school had not met its goals and academic expectations, the PCSB Board voted to deny the school’s renewal application.<sup>15</sup> However, given that the school was undergoing a PCSB-approved restructuring, the PCSB Board also voted, pursuant to the SRA,<sup>16</sup> to recommend to the Mayor that “the school be put on probation, subject to the terms and conditions recommended by PCSB.”<sup>17</sup> The Mayor approved PCSB’s recommendation and granted IDEA PCS probationary status for a maximum of three years subject to PCSB’s terms and conditions.<sup>18</sup>

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<sup>9</sup> See IDEA PCS Five-Year Charter Review, attached to this report as Appendix F.

<sup>10</sup> See IDEA PCS Ten-Year Review board memorandum, dated December 19, 2011, attached to this report as Appendix G.

<sup>11</sup> See Letter to Colonel Joseph Stull, dated December 21, 2011, attached to this document as Appendix H.

<sup>12</sup> See Letter to Colonel Joseph Stull, dated March 15, 2012, attached to this document as Appendix I. See “Conditions for Continuance Agreement,” attached to this document as Appendix J.

<sup>13</sup> See IDEA PCS May 15th 2013 report, attached to this document as Appendix K.

<sup>14</sup> The school writes in a March 8, 2013 letter that “[PCSB] staff indicated that [they] would modify [their] recommendation and decouple the PMF scores of the middle school and the high school if IDEA elected to close the middle school at the end of SY 12-13 and announce the decision in sufficient time for the current seventh graders to participate in ongoing middle school lotteries...The IDEA Board of Trustees subsequently considered this option and reluctantly elected to close the middle school at the end of SY 12-13 in order to concentrate all of its resources on improving the performance of the high school.” See March 8, 2013 letter from Mr. David Owens, IDEA Board Chair, and Mr. John Goldman, IDEA Executive Director to Mr. Skip McKoy, PCSB Chair, and Mr. Scott Pearson, PCSB Executive Director, attached to this report as Appendix L.

<sup>15</sup> See the Goals and Academic Expectations section of IDEA PCS 2012-13 Charter Renewal Report, Appendix M.

<sup>16</sup> DC Code § 38-1802(d) (5) (B). While the SRA specifies that only the DC BOE can grant probation upon nonrenewal, that agency was dissolved in 2007 by the Public Education Reform Amendment Act, and all of its education agency functions were transferred from the DC BOE to the Mayor.

<sup>17</sup> See Appendix B.

<sup>18</sup> See Appendix C.

## **SECTION ONE: GOALS AND ACADEMIC ACHIEVEMENT EXPECTATIONS**

The SRA provides that PCSB shall not approve a charter renewal application if the school has failed to meet its goals and academic expectations in its charter agreement.<sup>19</sup>

The table below summarizes PCSB's determinations regarding the school's terms of probation, which were adopted as the school's goals and academic expectations for renewal. These determinations are further detailed in the body of this report.

	<b>Probationary Terms</b>	<b>Met?</b>
1	The school is required to continue executing the restructuring plan as enumerated in the May 2012 Report.	<b>Yes</b>
2	The school must show progressive improvement on its PMF score for three years, achieving 40.0% in 2012-13; 45.0% in 2013-14; and 50.0% in 2014-15.	<b>Yes</b>
3	IDEA PCS must not commit any material violations of state and/or federal special education law during the course of the probation.	<b>Yes</b>
4	For the duration of IDEA PCS's probation, the school must submit regular reports to PCSB detailing its turnaround effort, which must include results from interim assessments the school conducts to gauge student progress towards mastery of standards and readiness for the DC-CAS.	<b>Yes</b>
5	Throughout the probationary term, IDEA PCS must annually report on its progress in a March public hearing before the PCSB Board.	<b>Yes</b>

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<sup>19</sup> SRA §38-1802.12(c)(2).

1. Probationary Term: **The school is required to continue executing the restructuring plan as enumerated in the May 2012 Report.**

Assessment: **IDEA PCS met this probationary term.** During its first year of probation, IDEA PCS met all benchmarks described in its restructuring plan. The school has continued to execute its turnaround strategies.

<b>SCHOOL ORGANIZATION</b>	
<b>Recommendation from May 2012 Report</b>	<b>Implemented Recommendation?</b>
Create clear job descriptions/evaluations for each position. Update offer letters.	The school updated hiring documents for leadership positions in 2012-13, and for all other positions in 2014-15  In 2013-14, the school’s organizational structure included a principal, assistant principal, department leaders, and grade level leaders.
Eliminate duplicative positions.	
Reduce number of direct reports to Executive Director – Principal, Chief Operating Officer, Development Director	
Simplify organization chart.	
<b>GOVERNANCE</b>	
<b>Recommendation from May 2012 Report</b>	<b>Implemented Recommendation?</b>
Add board members with deep experience and expertise in organizational management, school turnaround, data-driven school improvement, and supporting effective leadership.	The majority of the school’s board was recruited as part of the school’s turnaround, and the school now has members with expertise in academics, operations, and finance, among other things. <sup>20</sup>
Remove disengaged board members.	
Overhaul board operations to follow best practice for charter school boards.	The school voted to implement an updated Board Policy Manual on July 26, 2014. <sup>21</sup>
Set clear board goals and put in place a system for tracking progress towards those goals.	IDEA PCS’s board members discuss their goals for the school during their board meetings, as well as establishing strategic plans for improving academic achievement, increasing enrollment, and fundraising. <sup>22</sup>
Lay the groundwork for a strategic planning process.	
Develop an evaluation plan for the new school leader.	The school submitted to PCSB an affidavit that it conducted an evaluation of its principal during the 2013-14 school year. <sup>23</sup>
Refocus board to place top priority on raising academic achievement and installing and supporting effective	There are numerous examples in IDEA PCS’s board meeting minutes that indicate the school’s board is focused on raising academic achievement. <sup>24</sup>

<sup>20</sup> See IDEA PCS 2010-11 and 2014-15 board rosters, attached to this report as Appendix N.

<sup>21</sup> See IDEA PCS July 26, 2014 meeting minutes, attached to this report as Appendix O.

<sup>22</sup> See August 21 2014 IDEA PCS board meeting minutes, attached to this report as Appendix P.

<sup>23</sup> See affidavit regarding principal evaluation, attached to this report as Appendix Q.

<sup>24</sup> See Appendix O.

school leadership.	
Revise board meeting agendas to ensure that the board's time is focused on its top priorities.	The board's meeting minutes indicate that the board's meetings are focused on academics, operations, and finances. <sup>25</sup>
Convene a mission review committee to revisit the school's mission statement and lead the Board's work in developing a new mission statement; vote on a revised mission by June 30, 2012.	IDEA PCS's Board voted on a revised mission at a June 2012 meeting. If the PCSB Board votes to renew the school's charter, IDEA PCS will update its charter with the new mission. <sup>26</sup>
ACADEMIC PROGRAM	
Recommendation from May 2012 Report	Implemented Recommendation?
Establish new graduation requirements.	The school decreased the number of credits needed to graduate from 28 (in 2010-11) to 24 (in 2014-15), by eliminating four elective credits (two JROTC credits, 1.5 CTE credits, and .5 general elective credit). <sup>27</sup>
Revise community service policy.	The school updated its student handbook to clearly define what qualified as community service. <sup>28</sup>
Revise promotion policy.	The school's updated promotion policy has been streamlined and updated to reflect the reduced credits required to graduate. <sup>29</sup>
Establish policies for transferring credits.	Information unavailable.
Develop a four-year course sequence.	IDEA PCS has updated its student handbook to include the required four-year course sequence. <sup>30</sup>
Establish school-wide grading policy.	IDEA PCS implemented a school-wide grading policy in which each academic quarter is weighed equally in determining a final grade, which is based on performance assessments, demonstrated course content mastery, and homework completion. <sup>31</sup>
Revise attendance policy and practices.	The school improved its morning check-in process and communicates with parents more frequently about attendance issues. Also, the school implemented incentives for good attendance. <sup>32</sup>
Establish various academic policies.	The academic policies included in the school's student handbook have been updated from previous versions. <sup>33</sup>

<sup>25</sup> See Appendices O, P, and Q.

<sup>26</sup> The school's updated mission is "to prepare students with the academic, social, leadership and occupational skills for post-secondary opportunities and to be responsible citizens who contribute to the community."

<sup>27</sup> See 2011-12 and 2014-15 IDEA PCS Academic Handbooks, attached to this report as Appendices R and S.

<sup>28</sup> See Appendix S, p. 12.

<sup>29</sup> See Appendix S, p. 18.

<sup>30</sup> See Appendix S.

<sup>31</sup> See Appendix S, p. 15.

<sup>32</sup> See Probation Report #3, p. 5, attached to this report as Appendix T.

<sup>33</sup> See Appendix S.

<b>MILITARY AND CAREER PROGRAM</b>	
Update JROTC policies, program, and curriculum.	The required number of JROTC credits has been reduced from four to two. The school uses the U.S. Army's JROTC curriculum.
Establish outcomes for the ASVAB exam.	Information unavailable
Revise career course programming and curriculum	<p>IDEA PCS currently has two OSSE-certified career pathways in place.</p> <p>One is Microsoft Academy, a training program created by Microsoft, through which students earn Microsoft Office Specialist certification based on their proficiency in Microsoft Office skills.</p> <p>The school also offers AutoCAD classes, in which students learn how to design and draft engineering and architectural blueprints using AutoCAD computer software.</p>
<b>CURRICULUM</b>	
<b>Recommendation from May 2012 Report</b>	<b>Implemented Recommendation?</b>
Align math curriculum to Common Core standards.	The school reported in its Probation Report #3 that it had aligned its math curriculum to the Common Core. <sup>34</sup>
Develop essential questions, measurable objectives, and higher order objectives for each unit.	The school is aligning its curriculum with the Common Core standards, which includes higher order objectives among other things.
Develop unit summative assessments, mid-term and end-year exams for all subject areas.	The school developed interim and end-of-year assessments in partnership with TenSquare. <sup>35</sup>
Develop school-wide rubric elements to align rubrics across content and grade levels.	In its probation reports, IDEA PCS references school-wide assessment rubrics that it uses when grading the students' interim exams. <sup>36</sup>
Develop US government curriculum.	This curriculum was developed in the 2012-13 school year and is updated periodically.
Align course descriptions in course catalog to curriculum.	The course catalog was updated in 2012-13 to ensure alignment with the curriculum.
Develop textbook policy and review whether to update textbooks.	IDEA PCS purchases textbooks as needed, but the school reports that teachers often use teacher-produced materials.
<b>INSTRUCTION</b>	
<b>Recommendation from May 2012 Report</b>	<b>Implemented Recommendation?</b>
Adopt school-wide instructional model.	The school's probation reports detail that IDEA PCS is

<sup>34</sup> See Appendix T, p. 3.

<sup>35</sup> See Appendix T.

<sup>36</sup> See Appendix T.

	executing a school-wide instructional model. <sup>37</sup>
Implement five school-wide teaching strategies.	A TenSquare consultant conducted a professional development session where all teachers learned five classroom strategies.
Develop expectations for key instructional areas and provide professional development accordingly.	The school developed professional development objective, and the school executes an intensive two-week teaching institute, weekly professional development for faculty, and full-school Data Days. <sup>38</sup>
Implement school-wide reading strategy.	The school implemented the Accelerated Reader program at all grade levels. <sup>39</sup>
<b>BEHAVIOR</b>	
<b>Recommendation from May 2012 Report</b>	<b>Implemented Recommendation?</b>
Develop and enforce clear uniform policy.	The school has created and implemented a detailed uniform policy. <sup>40</sup>
Update school handbook.	The school has updated its handbook. <sup>41</sup> It presented the updated handbook at its 2012 board retreat. <sup>42</sup>
Update Code of Conduct.	The school updated its discipline policies and behavior management support team. It also implemented five “guiding principles” for the school. <sup>43</sup>
Implement schoolwide rules.	
Establish behavior intervention plan.	
Update discipline policies.	
Create three Dean positions to assist with behavior management.	The school created one Dean position, given its reduced enrollment after closing its middle school program.
Update detention system.	IDEA PCS did not issue any detentions in 2012-13 as school administration redesigned the school’s approach to student discipline. In 2013-14, detentions were introduced, and were primarily issued by teachers. Starting in 2014-15, the Vice Principal also issues detentions as necessary.
Track discipline data.	The school tracks and analyzes discipline data.
Establish visitor policies.	The school now has a visitor policy in place. <sup>44</sup>
Position security guards strategically; ensure guards have proper training.	The school security detail has been outsourced to an outside security company.
Teachers should develop classroom management skills.	Teachers receive professional development in classroom management skills.
Create a merit system that includes incentives for students to modify behavior.	The school has positive incentives in place for students to attend school.

<sup>37</sup> See Appendix T.

<sup>38</sup> See Appendix T, Probation Report # 3, p. 2.

<sup>39</sup> See Appendix T, Probation Report #1, p. 3.

<sup>40</sup> See Appendix R, p. 32.

<sup>41</sup> See Appendix R.

<sup>42</sup> See board retreat minutes, August 2012, attached to this report as Appendix V.

<sup>43</sup> See <http://www.ideapcs.org/five-guiding-principles>, attached to this report as Appendix U.

<sup>44</sup> See Appendix S.

<b>FINANCES</b>	
<b>Recommendation from May 2012 Report</b>	<b>Implemented Recommendation?</b>
Develop conservative budget for 2012-13.	A member of the board’s finance committee discussed the school’s FY2013 fiscal results at the board’s July 26, 2014 meeting, noting that the school’s “ending cash on hand exceeded projections, revenues exceeded budget and expenses were below budget, which resulted in a lower actual net loss than projected.” <sup>45</sup>
Ensure loan does not enter technical default.	IDEA PCS defaulted on the loan for its facility. The school received a forbearance agreement from the bank, which retains the right to demand repayment of the loan at any time. The school is working to refinance the debt with a new lender, which may result in the loan interest payments decreasing.
Establish new finance committee.	The school established a finance committee that actively works towards improving the school’s fiscal position. <sup>46</sup>
Execute reenrollment/enrollment plan with targets.	In the school’s Probation Report #1, it set a 300 student enrollment target for the 2013-14 school year. <sup>47</sup> However, given that the school closed its middle school program, only 199 students enrolled in 2013-14. The school set a goal of 215 students enrolling for the 2014-15 school year, and it met that goal with 217 students enrolling. <sup>48</sup>
<b>OPERATIONS</b>	
<b>Recommendation from May 2012 Report</b>	<b>Implemented Recommendation?</b>
Consider adding librarian, college counselor, and programs position.	The school now employs the following student support personnel (1) Student Support Specialist; (2) Dean of Academic Affairs; (3) Director of Special Education; (4) School Psychologist; (5) Attendance Monitor; and (6) Clinical Counselor. <sup>49</sup>
Consider requiring Deans to serve as summer school principal and/or Dean.	For the last two years, two teachers have served as co-principals of summer school.
Revise staff pay scale.	The school revised its staff pay scale.
Revise staff leave policies.	These policies have been revised. <sup>50</sup>
Revise retirement policy.	These policies have been revised. <sup>51</sup>
Further analyze health benefits.	These policies have been revised. <sup>52</sup>
Improve recruitment/application	The school participates in the Common Lottery, and updated

<sup>45</sup>See Appendix O.

<sup>46</sup> See Appendix O.

<sup>47</sup> See Appendix T, Probation Report #1, p. 6.

<sup>48</sup> See Appendix O.

<sup>49</sup> See Appendix U.

<sup>50</sup> See Appendix V.

<sup>51</sup> See Appendix V.

<sup>52</sup> See Appendix V.

process.	its admission information on its website. <sup>53</sup>
Consider expanding down through sixth grade so recruitment can begin at a traditional education transition.	IDEA PCS closed its middle school at the end of the 2013-14 school year; as such recruitment begins at a traditional education transition of 9 <sup>th</sup> grade.
Outsource security.	The school now has a contract with a security company to provide security services. <sup>54</sup>
Review whether facility management positions are necessary.	The school employs a custodian and carpenter on staff (previously it employed facilities manager, maintenance engineer, and building engineer. <sup>55</sup>

2. **Probationary Term: The school must show progressive improvement on its PMF score for three years, achieving 40.0% in 2012-13; 45.0% in 2013-14; and 50.0% in 2014-15.**

**Assessment: IDEA PCS met this probationary term.** The school exceeded the target over the past two academic years. Its 2013-14 PMF score exceeded its 2014-15 target by 4.2 percentage points.

	2012-13	2013-14	2014-15
IDEA PCS	43.7% <b>Tier 2</b>	54.2% <b>Tier 2</b>	N/A
Probationary PMF Requirement	40.0%	45.0%	50.0%

3. **Probationary Term: IDEA PCS must not commit any material violations of state and/or federal special education law during the course of the probation.**

**Assessment: IDEA PCS met this probationary term.** The school has not committed any material violation of the law or its charter, although at times it was not in compliance with federal special education law (the school has since cured these issues when possible). An analysis of IDEA PCS’s compliance performance can be found on page 13 of this report.

4. **Probationary Term: For the duration of IDEA PCS’s probation, the school must submit regular reports to PCSB detailing its turnaround effort, which must include results from interim**

<sup>53</sup> See printout of <http://www.ideapcs.org/admissions-enrollment>, attached to this report as Appendix W.

<sup>54</sup> The school submitted a copy of the contract with this security company.

<sup>55</sup> See 2010-11 IDEA PCS annual report, pp. 3-5; see 2013-14 IDEA PCS annual report, attached as Appendix X.

**assessments the school conducts to gauge student progress towards mastery of standards and readiness for the DC-CAS.**

Assessment: IDEA PCS met this probationary term. IDEA PCS submitted three reports detailing its academic turnaround effort over the 2012-13 and 2013-14 school year.<sup>56</sup> Reports detail turnaround efforts around in many areas. A selection of updates reported by IDEA PCS is detailed in the below table.

January-March 2013 Probation Report

The school reported on its students’ progress on internally created interim assessments, as follows.<sup>57</sup>

IDEA PCS – 2012-13 Tenth Grade Performance on Reading Interim Assessment				
	Interim 1	Interim 2	Interim 3	Interim 4
# of students scoring less than 50%	11	13	7	5
# of students scoring 50%-59%	21	20	16	9
# of students scoring 60%-69%	11	4	8	11
# of students 70% and above	11	23	24	29
Total students tested	54	60	55	54

IDEA PCS – 2012-13 Tenth Grade Performance on Math Interim Assessment <sup>59</sup>				
	Interim 1	Interim 2	Interim 3	Interim 4
# of students scoring less than 40%	16	29	26	20
# of students scoring 40-45%	7	15	12	14
# of students scoring 46-50%	4	3	9	7
# of students 51% and above	4	9	7	13
Total students tested	33	56	54	54

<sup>56</sup> See Appendix T.

<sup>57</sup> See Appendix T, Probation report 1, pp. 5-6.

<sup>58</sup> IDEA PCS notes that the percentage bands are different in its math interim analysis because proficiency cut-offs on the exam are set at 50%. The school also notes that approximately half of the students did not take the first interim math assessment.

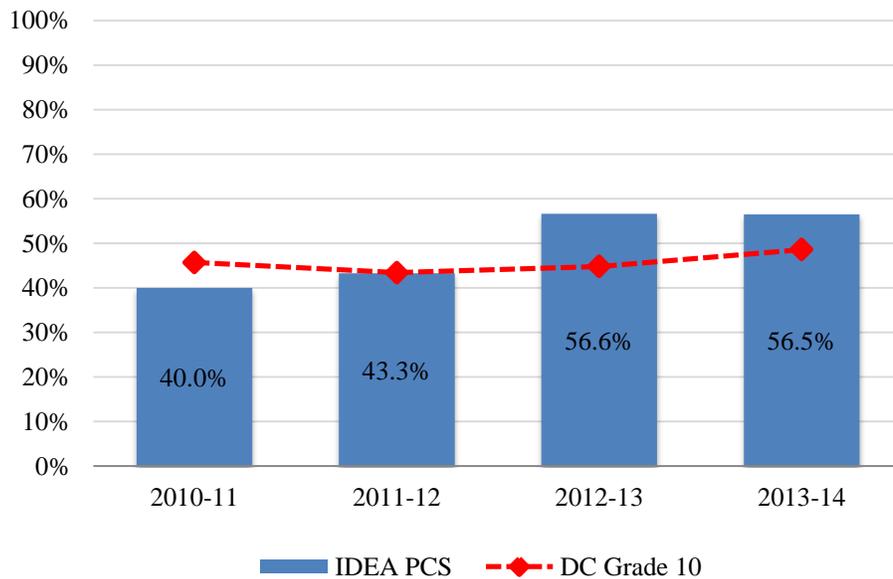
The school also reported on the following additional outcomes:

- As of March 2013, its 2012-13 middle school average daily attendance was 94%, and its high school attendance 90%.
- 47 of 50 twelfth grade students were on track to graduate. The other three students all lacked one credit to graduate, and the school planned for these students to make up the credit during summer school.
- As of April 10, 2013, 100% of the school's twelfth grade students had applied to at least one college, with 46% of students applying to three or more colleges.
- 95% of teachers and over 80% of students expressed intent to return the next school year.

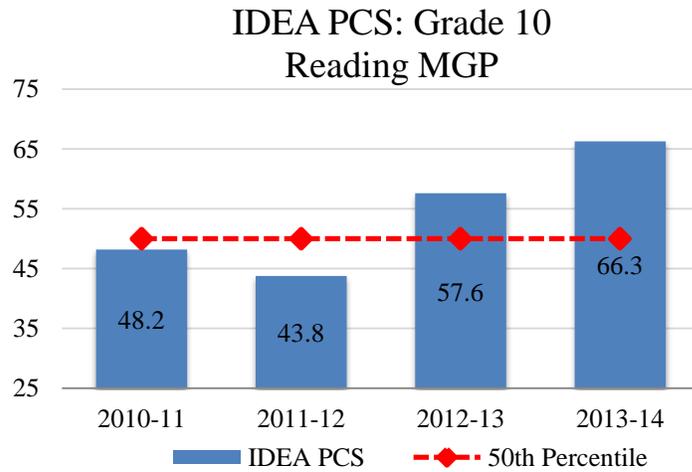
#### April-June 2013 Probation Report

In this report, IDEA reported that its students' DC CAS performance had increased significantly in 2013-14, but because the scores were embargoed at that time, the school did not publish the results. Below are the school's 2013-14 DC CAS results, as well as results from prior years to provide context. The school's reading proficiency has increased by 16.5 proficiency points from 2010-11 to 2013-14.

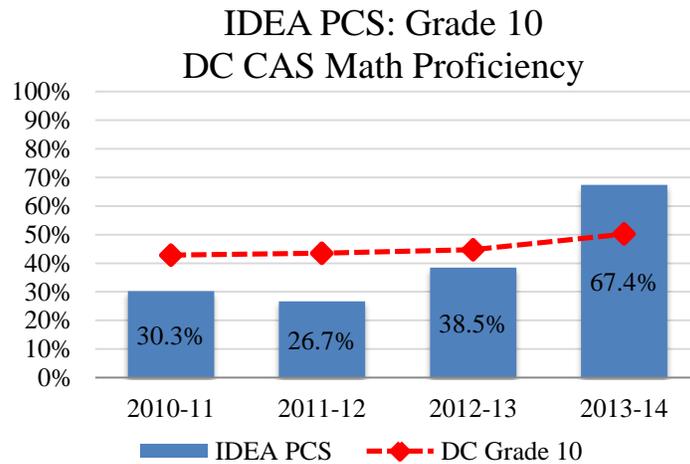
IDEA PCS: Grade 10  
DC CAS Reading Proficiency



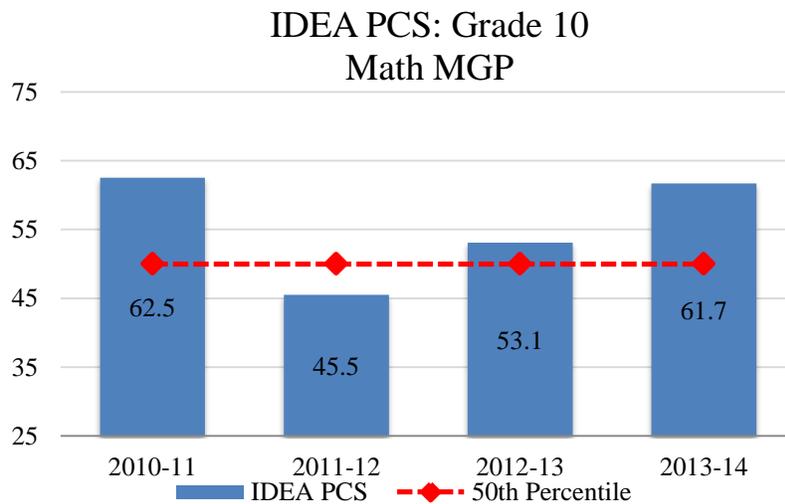
The school's reading MGP increased by 22.5 percentage points from 2011-12 to 2013-14.



The school's math proficiency increased by 40.7 percentage points from 2011-12 to 2013-14.



The school's math MGP increased by 16.2 percentage points from 2011-2 to 2013-14.



### September-November 2013 Probation Report

IDEA PCS joined the Achievement Network in 2013-14, a non-profit organization that compares the interim assessment performance of students across all DC schools participating in the Achievement Network program. Ninth and tenth grade students averaged 35% on the first Achievement Network reading interim assessment (administered in October 2014), compared to the network average of 32%. IDEA PCS ninth grade students<sup>59</sup> averaged 25% on the first Achievement Network math interim assessment compared to the network average of 27%.

#### **5. Probationary Term: Throughout the probationary term, IDEA PCS must annually report on its progress in a March public hearing before the PCSB Board.**

**Assessment: IDEA PCS met this probationary term.** The school's board chair, executive director, and principal reported its findings to the PCSB Board at its March 17, 2014 meeting, and appeared again before the board at its December 15, 2014 meeting, when it exited probation.<sup>60</sup> The following excerpts from PCSB's meeting minutes summarize some of this presentation.

Mr. Goldman noted that the school was one of ten charter schools to obtain "Reward" status, the top ranking from the Office of the State Superintendent ("OSSE") for its DC CAS testing performance, and the middle and high schools were ranked the highest in performance growth. He added that the school has the highest reading and math scores in Ward 7, and that the school had a 100% teacher return rate. He noted that the school intends to have a ninth grade class of 75 students, and because only 76 students ranked the school among their top three preferences in the MySchoolDC system, the school will likely continue to make an enrollment push this summer. He stated that the school is striving to receive a Tier 1 ranking, and would be the only Tier 1 school in Ward 7 primarily serving students east of the river.<sup>61</sup>

...

Mr. Rydstrom stated that the school implemented professional development programming to improve school culture, including early dismissal for students each Wednesday so that teachers have time to focus on professional development. He noted that the school implemented a school-wide Positive Behavior Intervention and Support ("PBIS") model to reward students for consistent attendance, and that the school revised its office discipline referral system. He stated that these changes foster a positive relationship among students and teachers, and that the school has improved communication with families.<sup>62</sup>

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<sup>59</sup> Tenth grade students took the school's internally created math internal assessment in place of the Achievement Network first interim math assessment.

<sup>60</sup> See PCSB March 17, 2014 meeting minutes, attached to this report as Appendix Y.

<sup>61</sup> See Appendix Y.

<sup>62</sup> See Appendix Y.

## **SECTION TWO: COMPLIANCE WITH CHARTER AND APPLICABLE LAWS**

The SRA requires PCSB to determine whether a school has “committed a material violation of applicable laws or a material violation of the conditions, terms, standards, or procedures set forth in its charter, including violations relating to the education of children with disabilities.”<sup>63</sup> The SRA contains a non-exhaustive list of applicable laws, and PCSB also monitors charter schools for compliance with additional laws in annual compliance reviews. Below is a summary of the school’s compliance record.<sup>64</sup>

<b>Compliance Item</b>	<b>Description</b>	<b>School’s Compliance Status 2011-12 to present</b>
<b>Fair enrollment process</b> D.C. Code § 38-1802.06	DC charter schools must have a fair and open enrollment process that randomly selects applicants and does not discriminate against students.	Compliant since 2012-13
<b>Notice and due process for suspensions and expulsions</b> D.C. Code § 38-1802.06(g)	DC charter school discipline policies must afford students due process <sup>65</sup> and the school must distribute such policies to students and parents.	Compliant since 2012-13
<b>Student health and safety</b> D.C. Code §§ 38-1802.04(c)(4), 4-1321.02, 38-651	The SRA requires DC charter schools to maintain the health and safety of its students. <sup>66</sup> To ensure that schools adhere to this clause, PCSB monitors schools for various indicators, including but not limited to whether schools: <ul style="list-style-type: none"> <li>- have qualified staff members that can administer medications;</li> <li>- conduct background checks for all school employees and volunteers; and</li> <li>- have an emergency response plan in place and conduct emergency drills as required by DC code and regulations.</li> </ul>	Compliant since 2012-13
<b>Equal employment</b> D.C. Code § 38-1802.04(c)(5)	A DC charter school’s employment policies and practices must comply with federal and local employment laws and regulations.	Compliant since 2012-13
<b>Insurance</b> As required by the school’s charter	A DC charter school must be adequately insured.	Compliant since 2012-13

<sup>63</sup> SRA § 38.1802.12(c).

<sup>64</sup> See IDEA PCS compliance reports, attached to this report as Appendix Z.

<sup>65</sup> See *Goss v. Lopez*, 419 U.S. 565 (1975).

<sup>66</sup> SRA § 38.1802.04 (c)(4)(A).

<b>Facility licenses</b> D.C. Code § 47-2851.03(d); D.C. Mun. Regs., tit. 14, §§ 14-1401 et seq.	A DC charter school must possess all required local licenses.	Compliant since 2012-13
<b>Highly Qualified Teachers</b> Elementary and Secondary Education Act (“ESEA”)	DC charter schools receiving Title I funding must employ “Highly Qualified Teachers” as defined by ESEA.	Compliant since 2012-13
<b>Proper composition of board of trustees</b> D.C. Code § 38-1802.05	A DC charter school’s Board of Trustees must have: an odd number of members that does not exceed 15; a majority of members that are DC residents; and at least two members that are parents of a student attending the school.	Compliant since 2012-13
<b>Accreditation Status</b> D.C. Code § 38-1802.02(16)	A DC charter school must maintain accreditation from an SRA-approved accrediting body approved by the SRA.	Compliant since 2012-13

**Procurement Contracts**

SRA §38-1802.04(c)(1) requires DC charter schools to utilize a competitive bidding process for any procurement contract valued at \$25,000 or more, and within three days of awarding such a contract, to submit to PCSB all bids received, the contractor selected, and the rationale for which contractor was selected. The below table details IDEA PCS’ compliance for the past four school years. The school was out of compliance with this requirement in 2010-11 and 2011-12, but since the school’s 2012-13 turnaround it has been in compliance.

<b>Year</b>	<b>Qualifying contracts executed by IDEA PCS</b>	<b>Corresponding documentation submitted to PCSB</b>
2010-11	6	0
2011-12	8	2
2012-13	2	2
2013-14	1	1

**Special Education Compliance**

Charter schools are required to comply with all federal and local special education laws, including,

among others, the Individuals with Disabilities Education Act<sup>67</sup> (“IDEA”) and the Rehabilitation Act of 1973.

OSSE monitors charter schools’ special education compliance and publishes three types of reports detailing these findings: (1) Annual Determinations; (2) On-Site Monitoring; and (3) Quarterly Findings (also called Special Conditions Reports). OSSE’s findings of IDEA PCS’ special education compliance are summarized below.

Annual Determinations

As required by IDEA’s implementing regulations, OSSE annually analyzes each LEA’s compliance with 20 special education compliance indicators, and publishes these findings in an Annual Determination report.<sup>68</sup> Each year’s report is based on compliance data collected several years earlier. As such, OSSE does not require schools to cure any compliance issues detailed in these reports.

IDEA PCS’s Annual Determination compliance performance is detailed in the table below.<sup>69</sup>

Year	Percent compliant with audited special education federal requirements	Determination Level
2010	80%	Needs Assistance
2011	68%	Needs Assistance
2012	81%	Meets Requirements

On-Site Monitoring Report

OSSE periodically conducts an on-site assessment of an LEA’s special education compliance with student-level and LEA-level indicators, and publishes its findings in an On-Site Monitoring Report. If a school is less than 100% compliant with a student-level and/or LEA-level indicator, it must implement corrections and report these corrections to OSSE.<sup>70</sup>

In 2013, OSSE published an on-site Compliance Monitoring Report of IDEA PCS based on the school’s performance in the 2011-12 school year.<sup>71</sup> The school was required to implement corrections as indicated in the following table. **OSSE has since verified that IDEA PCS has implemented corrections for all identified student- and LEA-level findings.**

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<sup>67</sup> 20 USC §1413(a)(5).

<sup>68</sup> As required by federal regulation 34 C.F.R. § 300.600(c).

<sup>69</sup> See IDEA PCS annual determination reports, attached to this report as Appendix AA.

<sup>70</sup> If OSSE finds that the school is less than 100% compliant with a student-level indicator that was impossible for the school to cure retroactively, OSSE would identify the point of noncompliance as an LEA-level violation.

<sup>71</sup> See 2012-2013 On-Site Monitoring Report Attachments, attached to this report as Appendix BB.

On-Site Monitoring Report 2011-12 LEA-Level Compliance		
Compliance Area	Noncompliant indicators	Corrected?
Extended School Year	N/A (compliant)	N/A
Least Restrictive Environment	Providing a continuum of Alternative Placements	Yes
Individualized Education Program (“IEP”)	N/A (compliant)	N/A
Data	Entering new special students into state database	Yes
Fiscal	Having LEA code of conduct for employees administering grants	Yes

On-Site Monitoring Report – 2010-11 Student-Level Compliance			
Compliance Area	Compliant?	Noncompliant indicators	Corrected?
Initial Evaluation and Reevaluation	Compliant in four of eight indicators	<ul style="list-style-type: none"> <li>• Providing procedural safeguards to parents</li> <li>• Attaining parent consent for reevaluation</li> <li>• IEP team reviewing existing data</li> <li>• Using a variety of sources to determine continued eligibility</li> </ul>	Yes
IEP	Compliant in four of sixteen indicators	<ul style="list-style-type: none"> <li>• Inviting parent and student to IEP meeting</li> <li>• Notifying parent/student of meeting</li> <li>• Ensuring that the person identified as student’s parent meets definition in IDEA regulations</li> <li>• General education teacher attending IEP meeting</li> <li>• LEA designee attending IEP meeting</li> <li>• Including effect of disability in general curriculum/appropriate activities in student’s PLAAFP<sup>72</sup></li> <li>• Including in IEP a description of how student progress is measured</li> <li>• Including in IEP a statement of measurable annual related services goals</li> <li>• Extending school year for students as determined necessary on individual basis</li> <li>• Transferring rights at age of majority</li> <li>• Implementing related services</li> <li>• Conducting Annual IEP review</li> </ul>	Yes
Least Restrictive Environment	Compliant in two of two indicators	N/A (Compliant)	N/A

<sup>72</sup> Present level of academic achievement and functional performance.

Special Conditions Quarterly Reports

OSSE submits quarterly reports to the U.S. Department of Education’s Office of Special Education Programs detailing District of Columbia LEA’s compliance in three areas: (1) Initial and Reevaluation Timelines; (2) Early Childhood Transition Timelines; and (3) Secondary Transition Requirements. **The school has since cured all points of noncompliance, and its compliance in these areas has improved from April 2012 to the time of this report’s publication.**

Quarterly Findings – April 2012 through March 2013				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<b>Initial Evaluation Timeline</b>	0 of 1 indicator compliant	Compliant	Compliant	Compliant
<b>Reevaluation Timeline</b>	Compliant	0 of 1 indicator compliant	Compliant	0 of 1 indicator compliant
<b>Secondary Transition</b>	7 of 8 indicators compliant	Compliant	7 of 8 indicators compliant	Compliant

Quarterly Findings – April 2013 through March 2014				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<b>Initial Evaluation Timeline</b>	0 of 1 indicator compliant	0 of 1 indicator compliant	Compliant	Compliant
<b>Reevaluation Timeline</b>	0 of 1 indicator compliant	Compliant	0 of 1 indicator compliant	Compliant
<b>Secondary Transition</b>	7 of 8 indicators compliant	Compliant	Compliant	Compliant

Quarterly Findings – April 2014 through March 2015				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<b>Initial Evaluation Timeline</b>	Compliant	Compliant	Compliant	TBD
<b>Reevaluation Timeline</b>	Compliant	Compliant	Compliant	TBD
<b>Secondary Transition</b>	Compliant	7 of 8 indicators compliant	Compliant	TBD

### Blackman Jones Implementation Review

With compliance requirements pursuant to IDEA and the 2006 Blackman Jones Consent Decree,<sup>73</sup> OSSE manages and oversees the Blackman Jones database that tracks each LEA's timely implementation of Hearing Officer Determinations ("HODs") and Settlement Agreements ("SAs").

As of the time of this report's publication, Idea PCS has no open HODS or SAs.

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<sup>73</sup> The 2006 Blackman Jones Consent Decree is the settlement entered into between DCPS and the class action group of D.C. students receiving special education from DCPS in *Blackman v. District of Columbia* (2006).

## **SECTION THREE:** **FISCAL MANAGEMENT AND ECONOMIC VIABILITY**

### **INTRODUCTION**

The SRA requires PCSB to revoke a school's charter if PCSB determines that the school:

- Has engaged in a pattern of non-adherence to generally accepted accounting principles (“GAAP”);
- Has engaged in a pattern of fiscal mismanagement; and/or
- Is no longer economically viable.<sup>74</sup>

As part of the charter renewal process, PCSB reviewed IDEA PCS's financial record regarding these areas.<sup>75</sup> At the time of this report's publication, the school has met the above standard. However, PCSB staff has concerns about the school's economic viability.

### **SUMMARY OF FINDINGS**

The school's financial position has declined since 2011, largely due to two factors: a significant decline in enrollment following the closure of its middle school program, and oversized debt on its facility, which originally housed and was funded from the per pupil allocation of almost twice as many students. While some of IDEA PCS's key financial metrics are within a normal or stable range, the school's finances have weakened significantly over the past four years. FY2014 was particularly weak for several reasons. First, because IDEA PCS fell out of compliance with certain debt covenants related to its mortgage, it entered into a forbearance agreement that suspends principal and interest payments through October 15, 2015, and gives the lender the right to call the debt at any time. Second, given that IDEA PCS did not have sufficient funds to repay the debt in full at the time of the school's FY2014 audit, it was noted then as a going concern. The school is working to refinance the debt on the school facility with a new lender, which may result in lower interest payments and a stronger financial outlook for the school overall.

### **FINANCIAL OVERVIEW**

The following table provides an overview of IDEA PCS's financial information over the past four fiscal years. The school's enrollment has declined from 389 in 2010-11 to 199<sup>76</sup> in 2013-14. This is in part due to the closure of its middle school, which enrolled 64 students in 2012-13, its last year in operation. As enrollment decreased, the strength of the school's balance sheet declined as well. The school's cash balance has declined significantly, and the school's current obligations now far exceed its current assets. The school's current obligations exceeds \$10MM due to the bank's ability to demand payment on the school's outstanding debt at any time.

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<sup>74</sup> See D.C. Code § 38-1802.13(b).

<sup>75</sup> See IDEA PCS Fiscal Audits, attached to this report as Appendix CC.

<sup>76</sup> Out of those 199 students, 33 withdrew mid-year.

	Audit Year			
	2011	2012	2013	2014
Total Personnel Salaries and Benefits	\$ 5,856,275	\$ 5,444,791	\$ 4,661,183	\$ 3,532,601
Total Direct Student Costs	\$ 1,368,215	\$ 1,365,647	\$ 457,269	\$ 420,540
Total Occupancy Expenses	\$ 385,069	\$ 426,262	\$ 845,072	\$ 1,088,982
Total Office Expenses	\$ 222,634	\$ 295,674	\$ 409,198	\$ 250,574
Total General Expenses	\$ 650,856	\$ 851,937	\$ 1,105,171	\$ 1,002,882
Operating Surplus/(Deficit)	\$ 26,288	\$ (97,967)	\$ (872,025)	\$ (1,491,971)
	as a percent of revenue			
Total Personnel Salaries and Benefits	69%	66%	71%	74%
Total Direct Student Costs	16%	16%	7%	9%
Total Occupancy Expenses	5%	5%	13%	23%
Total Office Expenses	3%	4%	6%	5%
Total General Expenses	8%	10%	17%	21%
Operating Surplus/(Deficit)	0%	-1%	-13%	-31%

### **SPENDING DECISIONS**

The following table provides an overview of the school's spending decisions over the past four years. For the most part, the school has reduced expenses to be more aligned with its smaller student population. However, occupancy expenses rose in the most recent fiscal year due to increased spending for interest on the school's mortgage, as well as higher spending for contractors to support the facilities. Despite reduced spending on salaries and benefits, direct student costs, and general expenses, the school has been unable to achieve long-term stability. The school continues to run deficits, and those deficits have grown. If the school cannot increase enrollment or reduce expenses, particularly the interest on its debt, the trend will continue.

	Audit Year			
	2011	2012	2013	2014
Audited Enrollment	389	359	298	199
Total DC Funding Allocation	\$ 5,879,463	\$ 6,206,309	\$ 5,125,861	\$ 3,620,032
Total Federal Entitlements and Funding	\$ 2,532,687	\$ 1,811,884	\$ 1,299,860	\$ 1,082,849
Unrestricted Cash and Cash Equivalents on 6/30/14	\$ 1,073,071	\$ 1,054,762	\$ 634,237	\$ 668,738
Total Assets	\$ 8,896,749	\$ 13,331,470	\$ 13,286,075	\$ 12,202,776
Total Current Assets	\$ 1,465,052	\$ 1,431,261	\$ 1,478,146	\$ 934,928
Total Liabilities	\$ 4,275,722	\$ 8,808,410	\$ 9,635,040	\$ 10,122,789
Total Current Liabilities	\$ 942,011	\$ 841,553	\$ 9,635,040	\$ 10,122,789
Net Asset Position	\$ 4,621,027	\$ 4,523,060	\$ 3,651,035	\$ 2,079,987
Total Revenues	\$ 8,509,337	\$ 8,286,344	\$ 6,605,868	\$ 4,803,608
Total Expenses	\$ 8,483,049	\$ 8,384,311	\$ 7,477,893	\$ 6,295,579
Change in Net Assets	\$ 26,288	\$ (97,967)	\$ (872,025)	\$ (1,491,971)

## **ADHERENCE TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

**Audits of IDEA PCS establish that the school has adhered to GAAP.** The auditor expressed unqualified/unmodified opinions on the financial statements. While the school’s internal controls generated findings in the past, the most current audits yielded no findings.

	2011	2012	2013	2014
<b>Statement Opinion.</b> Required when auditor finds areas of doubt/questionable matters.	Unqualified	Unqualified	Unqualified	Unmodified
<b>Statement Material Weakness.</b> A deficiency in internal control, indicating a reasonable possibility that a material financial misstatement will not be prevented.	No	No	No	No
<b>Statement Non-Compliance.</b> Auditor tests for compliance with certain provisions of laws, regulations, contracts, and grant agreements.	No	No	No	No
<b>Program Opinion (A133).</b> Review of compliance with federal requirements conducted when school receives \$500K+ in federal funds.	Unqualified	Unqualified	Unqualified	Unmodified
<b>Program Material Weakness (A133).</b> Lack of internal control over compliance with applicable laws, regulations, etc.	No	No	No	No
<b>Findings &amp; Questioned Costs.</b> Findings important enough to merit attention by those charged with governance, with documentation of corrective action plans noting the responsible party.	1	2	0	0
<b>Unresolved Prior Year Findings.</b> Disclosure of prior audit findings that have not been corrected.	0	0	0	0
<b>Going-Concern Issue.</b> Indicates the financial strength of the school is questioned.	No	No	No	Yes
<b>Debt-Compliance Issue.</b> School was not in compliance with certain debt covenants. A debt-compliance issue may prelude insolvency.	No	No	No	Yes

## **FISCAL MANAGEMENT**

**The school has not engaged in a pattern of fiscal mismanagement.** The challenges facing the school are driven by declining enrollment and outsized debt obligations. While the school has not been able to cut enough expenses to eliminate the deficits, the current trend does not indicate poor fiscal management, particularly when considering the school is working on refinancing its debt. The school has to continue to revise its operations to identify potential efficiencies and place the school on a sustainable path.

## **ECONOMIC VIABILITY**

**The school will not be economically viable unless it refinances its loan expeditiously.** As noted above, the school’s enrollment declined from 389 to 199 students from FY2011 to FY2014, in part due to the school’s middle school closing, which enrolled 64 students in 2012-13, its last year in operation. The school has been unable to decrease expenses at the same pace as its decreasing revenues, resulting in deficits the past three years. The following tables provide a summary of financial results for the past four fiscal years. Areas of concern are highlighted where applicable.

### **Financial Performance**

PCSB assesses a school’s financial performance with three key indicators. The first indicator is a school’s “operating result” – how much its total annual revenues exceed its total annual expenditures. In general, PCSB recommends that a school’s annual operating results are positive. Another indicator of a

school’s financial performance is its earnings before depreciation (“EBAD”)<sup>77</sup>, a financial performance measure of profitability. The final indicator is the aggregate three-year margin<sup>78</sup> – measuring the trends in the school’s operating result over the previous three years. **IDEA PCS has run a deficit in all three areas over the past two fiscal years.**

	Indicator of Concern	Audit Year			
		2011	2012	2013	2014
Operating Surplus/(Deficit)	< 0	\$ 26,288	\$ (97,967)	\$ (872,025)	\$(1,491,971)
Earnings Before Depreciation	< 0	\$ 394,767	\$ 188,640	\$ (498,979)	\$(1,128,294)
Aggregated 3-Year Total Margin	< -1.5%	0.2%	0.5%	-4.0%	-12.5%

### Liquidity

Liquidity refers to the school’s ability to meet its financial obligations. Too few assets or insufficient cash to pay vendors and/or creditors is a cause for concern and threatens the school’s viability in the short-term. Two indicators of a school’s liquidity are its current ratio<sup>79</sup> and its days of cash on hand.<sup>80</sup> The current ratio is indicative of a school’s ability to satisfy its immediate financial obligations. When the current ratio is less than one, the school’s ability to meet its obligations is in doubt. IDEA PCS’s current ratio has declined in the last four years to less than 0.1. If the school is able to restructure its debt, there will be improvement in this ratio.

Days of cash on hand reflects a school’s ability to continue to satisfy its financial obligations in the event of unexpected cash delays. Typically, 90 days or more of cash on hand is recommended. Less than 30 days of cash on hand is a liquidity concern. **While IDEA PCS’s cash on hand is above the 30-day threshold, its position has fluctuated over the past several years. This is a cause for concern and reflects the solvency issues facing the school.**

	Indicator of Concern	Audit Year			
		2011	2012	2013	2014
Current Ratio	< 0.5	1.56	1.70	0.15	0.09
Days of Cash On Hand	< 30	46	46	31	39
Cash Flow from Operations	< 0	\$ 286,018	\$ 879,172	\$ 412,638	\$ 1,181,397
Multi-Year Cumulative Cash Flow	< 0	\$ 979,107	\$ 990,295	\$ (438,834)	\$ (386,024)

<sup>77</sup> EBAD is the change in net assets plus amortization and depreciation.

<sup>78</sup> The aggregate three-year margin is equal to net income for a three-year period divided by total revenues over the same period.

<sup>79</sup> A school’s current ratio is its current assets divided by current liabilities.

<sup>80</sup> “Cash on hand” equals unrestricted cash and cash equivalents divided by total expenditures divided by 360 days. It is a measure of the school’s ability to pay debts and claims as they come due.

### Debt Burden

As part of the evaluation of a school's long-term viability, PCSB considers a school's debt ratio<sup>81</sup> and the debt service<sup>82</sup> ratio. The table below shows IDEA PCS's debt burden increasing over the past several years. This is not driven by new debts, but declines in cash and expected receivables.

The debt service ratio measures how much of a school's revenues are dedicated to making principal and interest payments. Anything greater than 10% is a cause for concern. While the school's debt service ratio declined in 2014, this is not an indicator of improvement in the school's finances, but instead because the bank agreed to suspend principal and interest payments beginning in September 2013. Had the school made payments throughout the year, the debt service ratio would have been higher.

	Indicator of Concern	Audit Year			
		2011	2012	2013	2014
Debt Ratio	> 0.92	0.48	0.66	0.73	0.83
Debt Service Ratio	> 10.0%	1.7%	4.3%	6.5%	2.7%

### Sustainability

A school's net assets<sup>83</sup> and primary reserve ratio<sup>84</sup> are indicators of its long-term sustainability. PCSB recommends that schools accrue net asset reserves equal to three to six months of operating expenditures and PCSB would be concerned with net assets reserves below zero. **IDEA PCS's metrics continue to meet the minimum criteria; however, the table shows a decline in both metrics. These declines reinforce the school's weak fiscal position.**

	Indicator of Concern	Audit Year			
		2011	2012	2013	2014
Net Asset Position	< 0	\$ 4,621,027	\$ 4,523,060	\$3,651,035	\$ 2,079,987
Primary Reserve Ratio	< 0.00	0.54	0.54	0.49	0.33

<sup>81</sup> Debt Ratio equals the total debt divided by the total assets.

<sup>82</sup> Debt Service Ratio equals the sum of principal and interest payments divided by the total revenues.

<sup>83</sup> Net Assets equals total assets minus total liabilities.

<sup>84</sup> Primary Reserve Ratio equals total net assets divided by total annual expenses.