



HAMILTON INTERNATIONAL ACADEMY

MISSION STATEMENT

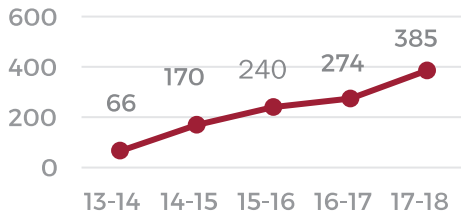
The mission of Hamilton International Academy is to provide a safe educational community for children and their families committed to providing students with a rigorous educational program. This program is based on national and international standards and helping students attain the social skills needed to compete in a global society while fostering a love of technology and the arts.

GRADES OFFERED **K-8**
YEAR OPENED **2013**
ESP **LAVAREUS GROUP, INC.**

Free & Reduced Price Lunch Eligibility
FREE 84.4% **REDUCED 3.9%**

ENGLISH LANGUAGE LEARNERS **22.8%**
SPECIAL EDUCATION **10.9%**

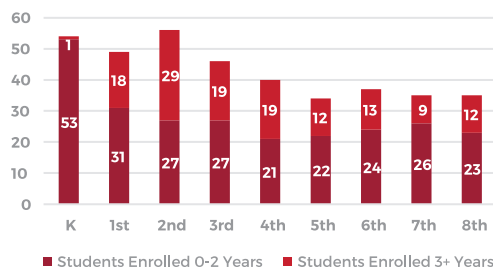
TOTAL ENROLLMENT 2017-18



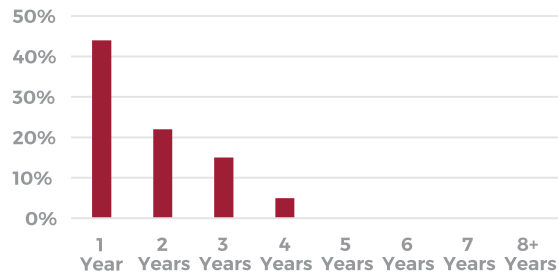
BOARD OF DIRECTORS

| Board Member | Office | Term Expiration | Length of Service | Employer |
|-------------------|----------------|-----------------|-------------------|-----------------------------------|
| Mr. John Smith | Vice President | 9/30/2020 | 5 years | Retired, General Motors Corp. |
| Mr. Charlie Grove | Treasurer | 9/30/2020 | 4 years | Retired, Sears Holding |
| Ms. Andrea Harper | Board Director | 9/30/2020 | 3 Years | Retired, Archdiocese of Littleton |
| VACANT | | | | |
| VACANT | | | | |

STUDENTS PER GRADE 2017-18



LENGTH OF STUDENT ENROLLMENT 2017-18



| | Your School | Authorizer Average | State Average |
|------------------|-------------|--------------------|---------------|
| American Indian | 0.0% | 0.4% | 0.6% |
| Asian | 0.0% | 3.3% | 3.4% |
| African American | 43.6% | 43.8% | 17.8% |
| Hawaiian | 0.3% | 0.0% | 0.1% |
| White | 4.7% | 40.7% | 66.5% |
| Hispanic | 48.1% | 7.6% | 7.8% |
| Multiracial | 3.4% | 4.1% | 3.9% |

Composite Resident District Top 5

| Student's Resident District | Number of Students from Resident District | Percent of Students from Resident District |
|----------------------------------|---|--|
| Poway City School District | 361 | 93.5% |
| Watertown School District | 21 | 5.4% |
| West Bloomington School District | 2 | 0.5% |
| Pacific Ocean Community Schools | 2 | 0.5% |

MDE Top-to-Bottom List 2015-16

| Grade Range | Percentile Rank | Indicator |
|-------------|-----------------|-----------|
| K-8 | 21 | No Status |

REVENUE OVER EXPENDITURES

| | 2013-2014 | | 2014-2015 | | 2015-2016 | | 2016-2017 | |
|----------------------------|-----------|-------------------------|-------------|-------------------------|-------------|-------------------------|-------------|-------------------------|
| | Amount | Percent of Expenditures | Amount | Percent of Expenditures | Amount | Percent of Expenditures | Amount | Percent of Expenditures |
| Total Revenues | \$839,594 | | \$1,818,730 | | \$2,468,869 | | \$2,935,743 | |
| Expenditures | | | | | | | | |
| Instruction | \$352,676 | 41% | \$834,701 | 49% | \$1,214,172 | 50% | \$1,461,087 | 49% |
| Supporting Services | \$487,589 | 58% | \$865,525 | 51% | \$1,215,214 | 50% | \$1,501,612 | 51% |
| Community Services | \$6,937 | <1% | \$6,082 | <1% | \$301 | <1% | \$513 | <1% |
| Total Expenditures | \$837,202 | | \$1,706,307 | | \$2,429,688 | | \$2,963,212 | |
| Revenues Over Expenditures | \$2,392 | <1% | \$112,423 | 7% | \$39,182 | 2% | (\$27,469) | <0% |
| Ending Fund Balance | \$2,392 | <1% | \$114,817 | 7% | \$153,833 | 6% | \$126,364 | 4% |

BORROWING HISTORY

| | Academy Short-Term Borrowing | | | | Authorizer Average Short-Term Borrowing | | Total Outstanding Long-Term Debt |
|------------------|------------------------------|--------------------|--------------------|--------------------|---|-----------------|----------------------------------|
| | Borrowed Amount #1 | Percentage Rate #1 | Borrowed Amount #2 | Percentage Rate #2 | Borrowed Amount | Percentage Rate | |
| 2014-2015 | \$270,000 | 2.80% | NA | NA | \$854,710 | 3.06% | A |
| 2015-2016 | \$312,000 | 3.20% | NA | NA | \$847,250 | 3.87% | NA |
| 2016-2017 | \$377,000 | 3.30% | NA | NA | \$961,348 | 3.92% | NA |

M-STEP/SAT RESULTS

| Subject/Grade | 2016-2017 | 2015-2016 | Change | Composite Resident District | State Average |
|---------------|-----------|-----------|--------|-----------------------------|---------------|
| ELA 3 | 22.5% | 31.8% | -9.3% | 17.1% | 44.1% |
| ELA 4 | 37.5% | 27.3% | 10.2% | 19.6% | 44.2% |
| ELA 5 | 36.4% | 16.7% | 19.7% | 27.1% | 51.1% |
| ELA 6 | 21.1% | 23.5% | -2.4% | 17.3% | 43.6% |
| ELA 7 | 27.8% | 30.8% | -3.0% | 19.8% | 44.8% |
| ELA 8 | * | - | - | 18.7% | 48.0% |
| Math 3 | 20.0% | 13.0% | 7.0% | 23.4% | 46.8% |
| Math 4 | 25.0% | 27.3% | -2.3% | 21.9% | 42.0% |
| Math 5 | 9.1% | 0.0% | 9.1% | 13.3% | 35.0% |
| Math 6 | 10.5% | 0.0% | 10.5% | 9.7% | 34.2% |
| Math 7 | 16.7% | 31.8% | -7.7% | 9.0% | 36.2% |
| Math 8 | * | - | - | 7.1% | 33.5% |

DOCUMENT SUBMISSIONS

| | On-Time | Within 5 Days of Due Date | More than 5 Days After Due Date | Performance Status |
|---------|---------|---------------------------|---------------------------------|--------------------|
| 2014-15 | 96% | 3% | 1% | |
| 2015-16 | 87% | 10% | 3% | |
| 2016-17 | 91% | 6% | 3% | |
| 2017-18 | 83% | 14% | 3% | |



STUDENT ACHIEVEMENT RESULTS

MAP SPRING RESULTS

Students enrolled for three or more years as compared to the achievement targets:

READING

2017-2018



2016-2017



28% Students Met Target
72% Students Did Not Meet Target

2015-2016



31% Students Met Target
69% Students Did Not Meet Target

MATH

2017-2018



2016-2017

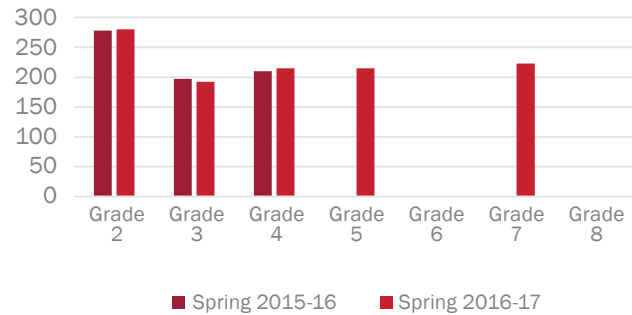
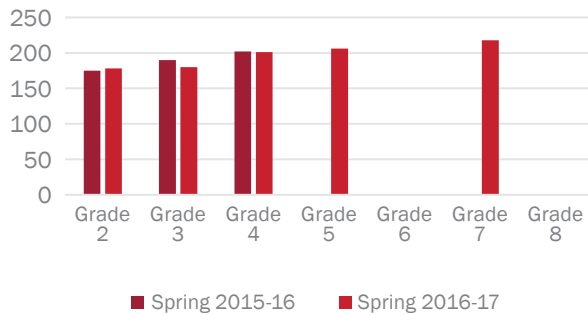


28% Students Met Target
72% Students Did Not Meet Target

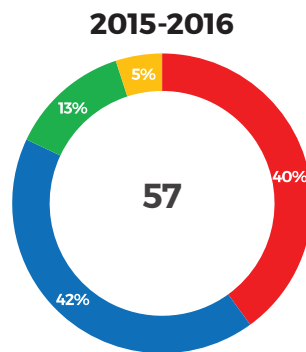
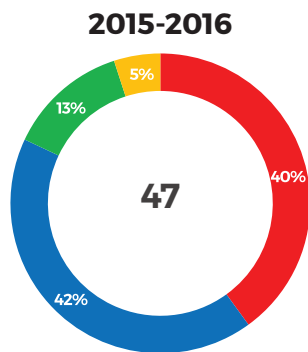
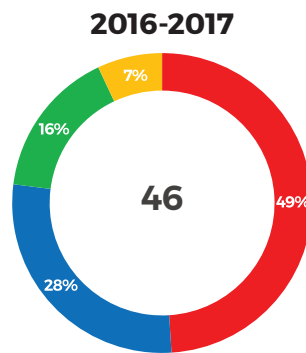
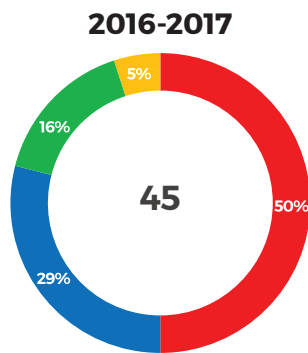
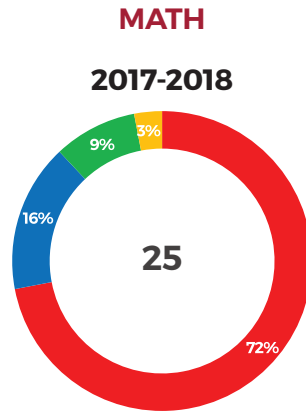
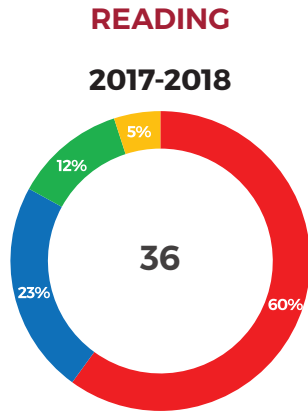
2015-2016



23% Students Met Target
77% Students Did Not Meet Target



STUDENT GROWTH RESULTS

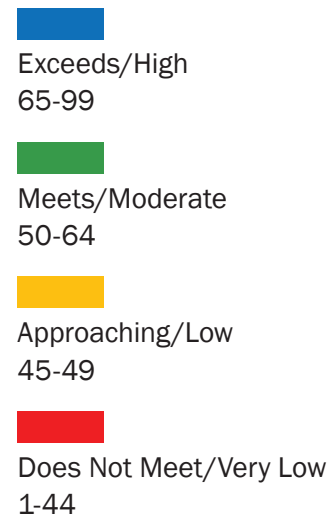


Median Growth Percentile

The number in the middle of each donut chart indicates the median growth percentile for all students in the school in grades three through eight.

Percent of Students

The percent of students in each of the four percentile cut-point categories.





QUESTIONS

a) Identify the key points of information that are relevant to making your renewal decision.

| SUCCESES | RED FLAGS |
|----------|-----------|
| | |

b) What additional information would you like to have to make an informed decision?

c) Make your preliminary recommendation for renewal or non-renewal:

- Grant an expansion.
- Provide additional monitoring
- Revoke.
- Grant a renewal.
- Non-renew.

d) Based on your choice above, what would you communicate with Hamilton International Academy's Board?



Subject: FW: HIA Reauthorization Letter **RESPONSE REQUESTED**

Attachments: HIA Letter PDF

From: Monica Mann

Date: May 1, 2018 at 4:41:38 PM EST

To: HIA Board

Dear Hamilton International Board Members,

Please find attached a letter from our Deputy Director regarding reauthorization and the Academy's recently submitted viability plan. As you'll see, the letter includes a request to meet with the Center so you may provide any additional information regarding your viability plan. In order to expedite this meeting, I am providing some availabilities. Please confirm directly with me the preferred date and time.

May 7; 1:00 p.m. – 7:00 p.m.

May 8; 1:00 p.m. – 7:00 p.m.

May 9; 1:00 p.m. – 7:00 p.m.

May 11; 9:00 a.m. – 11:30 a.m.

Regards,

Monica

Attachment Below:

Re: Pre-Condition for Consideration for Reauthorization – Fiscal Viability Plan

Dear Academy Board:

On March 5, 2018, we issued a letter to the Hamilton International Academy (“Academy”) citing concerns about the Academy’s ability to maintain ongoing viability. As of that time, the Academy had yet to amend its 2017-2018 budget or approve a long-term viability plan. The letter requested a board approved Fiscal Viability Plan (“Plan”) that “should clearly demonstrate that the Academy has the financial wherewithal to maintain viability while supporting a quality educational program” be submitted in order to be considered for reauthorization.

On March 28, 2018, the Academy Board amended its 2017-2018 budget and submitted its Plan to us. After conducting a thorough analysis, we have concluded that the Plan does not appear to reflect clear and convincing evidence necessary to expeditiously move the Academy out of its current fiscal crisis and establish a foundation for long-term viability. A detailed analysis of the Academy’s Plan is attached to this letter.

We are requesting a meeting where members of the Academy Board and management may present any additional information regarding its Plan. This meeting must be conducted no later than May 11, 2018. Please work directly with Monica Mann, Director of Fiscal Performance and Accountability, for scheduling of this meeting you may contact our director at (312)867-5309 or director@authorizer.org.

Sincerely,

Robert Munson

Enclosure: Fiscal Viability Plan – Center Review Summary



HAMILTON INTERNATIONAL ACADEMY

Fiscal Viability Plan – Authorizer Review Summary

Updated: May 1, 2018

BACKGROUND

Pursuant to the letter, dated 03/05/2018, from the authorizer, the Hamilton International Academy (Academy) Board of Directors (Board) submitted its Fiscal Viability Plan (Viability Plan) on 03/28/2018. The information contained herein represents the authorizer’s review comments and concerns as of the date reflected in the header above:

ACADEMY ENROLLMENT - ACTUAL AND PROJECTED

| | Academy Enrollment | # Student Increase from Prior Year | # Re-enrolled Students from Prior Year | # New Students in Current Year | % of Prior Year K-7 Students Re-enrolled in Current Year |
|--------------------------|--------------------|------------------------------------|--|--------------------------------|--|
| Fall 2015-16 (Actual) | 240 | 68 | 110 | 130 | 64% |
| Fall 2016-17 (Actual) | 274 | 34 | 163 | 111 | 68% |
| Fall 2017-18 (Actual) | 386 | 112 | 186 | 200 | 70% |
| Fall 2018-19 (Projected) | 475 | 89 | 245 | 230 | 70% |
| Fall 2019-20 (Projected) | 525 | 50 | 298 | 227 | 70% |
| Fall 2020-21 (Projected) | 550 | 25 | 334 | 216 | 70% |

- The Academy’s Plan had differing enrollment projections included within the narrative when compared to the budget projections. The enrollment numbers included in the table above align to the budget projections provided; they are lower than the Viability Plan narrative. Had the Viability Plan narrative numbers been used, the calculation of the “# New Students in Current Year” column would increase significantly.
- The enrollment projects (beginning with 2018-2019 through 2020-2021) are based on each classroom at its maximum capacity (25 students) for 100% of the year. The Academy’s current 2017-2018 enrollment does not even meet the 25 student/classroom/section number. Based on the Academy’s current enrollment and an average 30% student attrition rate, the Academy would be required to enroll the exact mix of new students across all grade levels to meet the 25 students per classroom section projections. This assumption appears highly unlikely to occur.
- The number of new students in 2017-2018 (200) is abnormally high and is largely attributed to the closing of State School for the Arts at the end of 2016-2017. This school previously resided at the Academy’s current Golf Drive site.
- The Academy’s Viability Plan cited student re-enrollment history of 75-80% which does not align with the authorizer’s calculations (noted above). Additionally, figures provided in the Viability Plan include re-enrollment of current 8th grade students but that is not possible since those students would expect to matriculate to the 9th grade at a different school since the grade range offered at the Academy is limited to K-8. These errors in the Viability Plan create doubt that the Academy Board and its administration has a clear understanding of its re-enrollment trends.

- The percentage of K-7 students that re-enrolled with the Academy ranged between 64-70% from 2015-2016 to 2017-2018. Based on these historical figures, the authorizer utilized the top end of that range (70%) as the average on-going re-enrollment rate to estimate the number of students that would stay with the Academy from one year to the next. Using this estimate, it was possible to then calculate the number of new students that would be required to enroll at the Academy in each school year. That number ranges from 230 to 216 students, per year, beginning in 2018-2019 through 2020-2021. This estimate far exceeds any historical averages demonstrated by the Academy since its Contract began in 2013.
- To meet the enrollment projections, the Academy’s Viability Plan states that “an aggressive marketing and recruitment plan is under way.” The Viability Plan does not provide any information regarding marketing and recruitment strategies, and the Viability Plan’s budget projection only includes \$8,000 per year for advertising. Since a portion of that budget would be for other required advertising items, the amount available for the Academy’s “aggressive marketing” appears to be minimal.

The Viability Plan does not provide any kind of research or statistics on overall community population, trending of school-age population, other area schools, etc. to determine whether there is sufficient supply of students to even meet the Academy’s proposed enrollment projections.

ACADEMY BUDGET

| | Increase/(Decrease) to Fund Balance | Total Fund Balance | Fund Balance as % of Expenditures |
|--------------------------|--|--------------------|--------------------------------------|
| Fall 2015-16 (Actual) | \$39,182 | \$153,833 | 6.3% |
| Fall 2016-17 (Actual) | (\$27,469) | \$126,364 | 4.3% |
| Fall 2017-18 (Actual) | (\$20,275) | \$106,089 | 2.8% |
| Fall 2018-19 (Projected) | \$106,642 | \$212,731 | 4.7% |
| Fall 2019-20 (Projected) | \$65,604 | \$278,335 | 5.6% |
| Fall 2020-21 (Projected) | \$59,071 | \$337,406 | 6.9% |

- The Academy Board’s 2017-2018 budget was amended on 03/28/2018. This amendment included concessions received by multiple vendors that total approximately \$94,000. Without these concessions, the Academy Board’s budgeted fund balance would be reduced from \$106,089 to approximately \$12,000. No additional information was provided regarding whether these concessions are permanent, or whether they require future repayment to any of the affected vendors.
- Based on the authorizer’s review of the Academy Board-approved 2017-2018 budget amendment as compared to year-to-date (YTD) actual activity per the Academy’s Board’s March 2018 financial report, there appears to be multiple line-items where the actual expenditures are nearing, or have already exceeded, the annual budgeted amount. This raises serious questions about the validity of the amended budget and whether actual results will lead to the Academy Board reporting a 2017-2018 fund balance that is lower than projected in the amended budget.
- The Viability Plan budget for years 2018-2019 through 2020-2021 appears to understate the facility lease cost. The terms of the existing lease calls for “...**ten percent (10%) of any and all amounts of money actually received by Lessee with respect to, or for the benefit for, any student on the Leased Premises, including, but not limited to, the per pupil enrollment/state student aid grant/participation amount...**” Based on these terms, the Academy’s lease cost should be calculated on money received for all students; which includes both K-12 and GSRP students. The budget projections only base the



- lease cost on K-12 students and does not include GSRP students. This represents an expenditure underestimate of \$27,000 for each of the three years identified resulting in a further reduction to the fund balance by approximately \$81,000.
- The Viability Plan budgets for years 2018-2019 through 2020-2021 also appear to understate the short-term note interest expense. This is a result of assuming the Academy will qualify for borrowing through the State Finance Authority (SFA) Public School Academy (PSA) note program. This is an incorrect assumption (as further detailed under the cash flow section below) as it will be anticipated that fees and interest associated with any approved-Academy borrowing would likely be at least \$20,000 per year more than what is currently projected. For the three fiscal years identified, this represents an expenditure understatement that would result in a further reduction to the fund balance by approximately \$60,000.
- The Viability Plan noted an intent to renovate certain space at the charter site in 2019-2020. Although the Viability Plan budget includes approximately \$29,000 for the renovation, without understanding the full scope of the project it is difficult to determine whether the budgeted amount is sufficient.
- When the Academy moved into the additional site, only a portion of the building was painted, carpeted, etc. It is anticipated that additional work will need to be completed on the remainder of the building to meet the additional use required by the projected enrollment increases. That work does not appear to be included in the Viability Plan nor was it included in the budget provided.

The Viability Plan is solely based on the enrollment projections and use of two facilities as noted above. No other contingencies, guarantees or alternative operating scenarios are provided.

ACADEMY CASH FLOW

- The viability Plan did not contain information regarding cash flow. Academy Board minutes reference the belief that future short-term borrowing will occur through the MFA-PSA state aid note program. Based on the Academy's fiscal status, it is highly unlikely that the Academy will qualify for short-term borrowing through the MFA since the MFA has specific requirements that must be demonstrated, including:
 - » Projected positive cash flow throughout the fiscal year utilizing only one (1) borrowing. Based on the Academy's current financial condition, it does not appear the Academy can maintain positive cash flow throughout the 2018-2019 fiscal year.
 - » Limit the borrowing to 40% of available state aid based on the lesser of (1) the current year's enrollment or (2) the next year's budgeted state aid. Based on the information provided, it appears that the Academy would need to increase its borrowing amount in future years due to the proposed growth plan. Considering the typical timing of a school's cash flow, the amount that would be required to be borrowed would likely exceed 40% of the Academy's available state aid.
- In 2017-2018, the Academy did not borrow through the MFA as it could not get approved for the amount it needed. Financing was achieved through another lender, however, the cost incurred by the Academy was considerably higher than the MFA program. Despite the Academy's cash flow borrowing during 2017-2018, it has still faced considerable cash shortfalls throughout the year and has significant outstanding Accounts Payable leaving vendors unpaid. The Academy's Accounts Payable has continuously increased throughout 2017-2018; as of 03/31/2018 the balance was \$414,495 as reported in the 04/16/2018 Board meeting packet.
- Considering the fragile financial condition the Academy currently resides in there are no guarantees that they will be able to achieve short-term borrowing in future years. If they are able to secure borrowing the likely interest and fees associated will be extremely high which exacerbates their financial situation.

OVERALL ASSESSMENT

The Viability Plan, at best, provides a surface-level response and does not reflect the level of strategic thinking that is necessary to expeditiously move the Academy out of its current fiscal crisis. The aggressive enrollment and relatively conservative expenditure projections have a low likelihood for success. No contingencies or guarantees were provided in the event the proposed enrollment is not met; the Academy Board did not propose any alternative operating scenarios. Even if the Academy is able to achieve such enrollment growth, the overall improvement on fund balance and cash flow is relatively minimal. At this rate, the Academy would require multiple years of consistent and considerable enrollment growth to achieve a level of fund balance that would provide adequate assurance of fiscal viability to the authorizer.

The Academy's approach to the Viability Plan was likely the result of previous Academy Board decisions that created an operation in two, underutilized buildings. It is evident that the Academy cannot sustain its operations in buildings that are underutilized. When the Academy Board made this decision, it did not have the financial reserves to support a slow and methodical build-out of its enrollment over multiple years in both buildings. Because of this, the Academy Board has hedged its future viability on the unwavering need for substantial enrollment growth. Unfortunately, the Viability Plan does not demonstrate a deep-level of analysis or adequate justification as to how such enrollment growth would be achievable.

Of particular concern is without sufficient cash flow, the Academy remains at an increased risk for failure to make timely vendor or payroll payments which could severely impact the Academy's educational delivery to students or even result in an early school closure due to its inability to complete a full academic year. Based on the information presented in the Academy Board's Viability Plan, the authorizer's review concludes that there is an extremely high risk that the Academy is not fiscally viable and cannot support a quality educational program that meets the needs of its students.

NOTE: Subsequent to the Academy Board's approval and submission of its Viability Plan, the Academy's Educational Service Provider accountant informed the authorizer that *"there was discussion yesterday that the 18-19 projected student count may be a little aggressive, per Dr. Grove, she would feel more comfortable at around 230 instead of the projected 250 [at the additional site]. We will be continuing to revise these 3 year projections as we continue."* This type of omission provides additional justification that the authorizer's concerns that the Academy Board, its administration and management are not all operating with the same understanding of the strategy and plan for the Academy. This same concern was previously raised by the authorizer in its communication, dated 10/05/2017, wherein the authorizer identified that the Academy's Facility Expansion Plan submitted in May 2017 lacked a clear understanding between the Academy Board, management and leadership.



PART II QUESTIONS

- a) Based off the additional information provided, did your recommendation change?
If so, what is your new recommendation?

- b) What are your next steps as an authorizer to move forward with your recommendation?