

Global Education Resources, LLC

Due Diligence Report

Submitted to the NC Charter School Advisory Board






Agenda


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- Obligations of the Board of Starmount Charter Academy
- Fee Structure
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Introduction to Education Management Organization (EMO)

This report was compiled from the information received in the Starmount Charter Academy Application and Appendices.



Introduction to Education Management Company (EMO)

Global Education Resources, LLC (“GER”) is an education management firm located in Winston-Salem, NC.

Charter applicant **Starmount Charter Academy** in Mecklenburg County plans to contract services with GER.

According to the proposal, Starmount Charter Academy will serve 200 students in grades K-3 in year 1, and grow to serve 400 students in grades K-7 by year 5.



GER Responsibilities

Starmount's charter application states that

“GER will provide a turnkey operation which will include but not be limited to the following: Recruitment of teachers, students, and staff. Engage all new staff members in effective induction procedures and facilitate continued professional development through ongoing training. Facility acquisition. Advise in the facilities design and furnishings of equipment for all students and those with special needs such as audiology devices, and tools required for vision/hearing screenings...”



GER Responsibilities

“... Provide the experience for the planning, development, and oversight for EC student and programs. Conduct ongoing assessments, data collection, and analysis to refine and improve services to all students with the required emphasis for EC students. Review federal and state legislation related to special education. Apply for federal funds for our EC population in accordance with board mandates and applicable Federal and state laws. Provide accurate and timely data to the Department of Public Instruction EC division including but not limited to: CECAS management, annual maintained of effort (MOE) reporting, security of all EC files in accordance with federal and state law...”



Management Services Agreement

Note: The Executed EMO Contract (Appendix I) has been signed by Simon Johnson, a managing member of GER, and a representative of the chair of the Starmount board.

CONCERN: No printed name of the Starmount chair is listed in the contract, and the signature of the chair on the contract does not match the signature of the chair on her individual statement in Appendix F. It is unclear exactly who signed the contract on behalf of Starmount. Which board member(s) reviewed and/or negotiated the contract with GER?



Obligations of GER

Article IV of the service agreement states that the following items A through N shall be obligations of GER:

A. Manager at Risk

GER is responsible for providing Starmount services, whether or not actual revenue meets the level projected in the budget. GER assumes the risk of funding shortfalls during the term of the contract, however, GER is not required to spend funds on services beyond the amounts set in the budget.



Obligations of GER

CONCERN: The service agreement states, “Notwithstanding the forgoing, GER shall not be required to expend funds on Services in excess of the amount set forth in the Budget but may do so at its discretion.”

Does GER and/or the Board have a plan to cover expenses should the budget be incomplete?



Obligations of GER

B. GER Educational Program

GER will advise the school on educational and academic programs, and will offer training and resources on components of the GER educational program.

C. Services to Students with Disabilities

GER will provide special education services.



Obligations of GER

D. Educational and Administrative Services

Subject to the oversight of the Board, GER shall implement operational practices and procedures [...] that include, but are not limited to:

- Student recruitment and student admissions
- Student assessments, including testing, promotion, and retention
- The acquisition of instructional materials, equipment and supplies, and the administration of any and all extra-curricular and co-curricular activities and programs included in the budget.
- Employment of personnel working at the School and management of all personnel functions.



Obligations of GER

D. Educational and Administrative Services (continued)

- All aspects of the School's business administration
- All aspects of the School's accounting operation, including general ledger management, financial and audit reporting, payroll, employee benefits, and tax compliance
- All aspects of food services
- All aspects of facilities acquisition, administration, and maintenance
- All aspects of student discipline and student behavior
- All aspects of student transportation



Obligations of GER

E. Omitted from service agreement

F. Location of Services

Outside of instruction, and unless prohibited by the charter or applicable law, GER can perform duties including but not limited to purchasing, professional development and administrative services, off-site.

G. Subcontracts

GER has the right to subcontract any and all aspects of the services. GER will not subcontract oversight of the Educational Program, except as permitted in the agreement or with prior written approval of the Board.



Obligations of GER

CONCERN: Related to obligation G, the contract states that “TAS reserves the right to subcontract any and all aspects of the Services” except oversight of the Educational Program.

If GER has the ability to subcontract out all services except the educational program, what is the benefit to the school of contracting with the management company?



Obligations of GER

H. Student Performance Standards and Evaluation

GER shall “advise the School on pupil performance evaluations that permit evaluation of the academic progress of each student.” Further GER will ensure that all assessments required by charter and applicable law are carried out. The Board and GER will cooperate to identify academic goals and methods to assess academic performance.

I. Unusual Events

GER will alert the Board and school administration to any unusual event at the school.



Obligations of GER

CONCERN: Related to obligation H, student performance standards and evaluation.

What is the role of student performance evaluations in the overall progression of students? What will happen as a result of what is found in the performance evaluations? What happens if students are not meeting the performance standards?



Obligations of GER

J. School Records

All school records will be kept at the school campus and GER will follow applicable record keeping law.

K. Facility

GER will take all necessary steps to provide a ready-to-open facility in Charlotte, NC by August 2017 and extend a lease to the school. GER will fulfill any obligations of the Board under the terms of the lease.



Obligations of GER

CONCERN: Related to obligation K “facility”- The service agreement states that GER will “take all necessary steps to provide” a facility by August 2017 and will extend a lease to the school. The school has budgeted \$240,000 for rent/lease payments, however, no lease was appended to the Starmount application.

Exactly what role does GER play in “providing” a facility to Starmount and “extending a lease”? Is the school currently in a lease? How did school leaders/GER arrive at the budgeted amount?



Obligations of GER

L. Legal Compliance


GER will implement and enforce rules, regulations, and procedures consistent with Board policy and applicable law.

M. Rules and Procedures

GER will recommend reasonable rules, regulations, policies, and procedures applicable to the school.

N. Assistance to the Board

GER will furnish the Board with all documents and information necessary to properly perform its duties in a timely manner.



Obligations of the Starmount Academy Charter Board

A. Board Policies

The Board is responsible for fiscal and academic policies of the School.

B. Fee (outlined in greater detail in “Fee Structure and Financial Arrangements”)

GER will receive all revenue as its service fee, and will pay operating costs of the school out of this fee. GER can retain as compensation any difference in the fee and the amount expended by GER in operation/management of the school.



Obligations of the SCA Board

C. Assistance to GER

The Board will cooperate with GER and provide, in a timely manner, any documents or information necessary.

D. Unusual Events

The Board will alert GER of any unusual events in a timely fashion.

E. Retained Authority

The Board has the authority to adopt policies necessary for School operation.



Fee Structure and Financial Arrangements

Revenues

Service agreement outlines revenues as all funding for public school students, in addition to funding related to special education, gifted and talented, at-risk, Limited English Proficiency, Title I, Title II, and start-up.

Board Spending Account

GER will allocated an amount equal to the lesser of (i) 2% of state per pupil aid, or (ii) \$25,000 to the Board. These funds are property of the school and may be used at the discretion of the Board. Unused funds will carryover to the next school year.

Fund Balance

Unused funds at the close of the year will accrue in the school's account.



Fee Structure and Financial Arrangements

CONCERN: The school has budgeted \$157,383 for contract fees in year 1, growing to \$324,166 in year 5. The amount (or percentage) is not listed in the service agreement.

How was this amount reached? What are the terms of this payment? Is the school obligated to pay the full amount, even if GER subcontracts out all services?



Fee Structure and Financial Arrangements

CONCERN: Related to the Board Spending Account. GER will allocated the lesser of 2% per pupil funding or \$25,000 to the Board. The budget shows a surplus in year 1 of \$78,674.

Does the Board retain control of the allocation from GER, in addition to any yearly surplus? Allocation to Board Spending Account seems to imply that GER will retain all funds with the exception of the monies deposited into this particular account. Please clarify.



Term and Termination

Term

Service agreement states that the contract will “**commence on the Effective Date, and unless terminated as set forth herein, shall continue until the termination or expiration of the Charter currently in effect, inclusive of any Charter re-authorization or renewal periods thereof.**”

Termination

Either party may terminate the agreement prior to the end of the Term, with or without cause, by providing the other party at least 90 days notice.



Term and Termination

Termination

If the agreement is terminated prior to the end of the term, the termination will not become effective until the end of the then-current school year.

CONCERN: Related to term length and termination.

Does the stipulation that termination becomes effective at the conclusion of the current year provide the Board maximum flexibility to make adjustments and operate the school effectively, should they decide to terminate their contract with GES at the mid-year point?



Term and Termination

Upon termination of the agreement, GER has the right to remove any equipment or other assets owned or leased by GER.

CONCERN: Related to contract termination and assets.

Who owns the school's assets, such as textbooks and curricular consumables, technology and classroom materials, and other FFE purchases? What happens to the assets if the contract with GER is terminated?



Organizational Structure

Global Education Resources, LLC was created in 2014 by:

- Don McQueen (Executive Director of Torchlight Academy)
- Simon Johnson (CEO of Quality Education Academy), and
- Eugene Slocum (CEO of Alpha Academy)

The members of GER have a “combined charter management experience in excess of 60 years. We have experienced the range of charter school management challenges and are committed to sharing our extensive experience in improving the quality of school choice available in the state of North Carolina.”



Academic Performance: Torchlight Academy

Student Performance Grades: Torchlight Academy						
School Year	SPG*	SPG Score	SPG Reading	SPG Reading Score	SPG Math	SPG Math Score
2016-2017	C	64	C	62	C	63
2015-2016	C	56	D	54	C	59
2014-2015	F	33	D	42	F	31
2013-2014	D	50	D	47	D	48

*School Performance Grade

The grade designations are set on a 15 point scale as follows:

A = 85-100	B = 70-84	C = 55-69	D = 40-54	F = 39 or Less
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School performance grades are based on student achievement (80%) and growth (20%).



Academic Performance: Torchlight Academy EVAAS Growth

School Year	EVAAS Growth Status	EVAAS Growth Index
2016 – 2017	Exceeded	3.75
2015 – 2016	Exceeded	8.26
2014 – 2015	Not Met	-5.84
2013 – 2014	Exceeded	86.4



Academic Performance: Quality Education Academy EVAAS Growth

School Year	EVAAS Growth Status	EVAAS Growth Index
2016 – 2017	Exceeded	7.88
2015 – 2016	Exceeded	5.39
2014 – 2015	Met	1.17
2013 – 2014	Met	82.2



Academic Performance: Alpha Academy EVAAS Growth

School Year	EVAAS Growth Status	EVAAS Growth Index
2016 – 2017	Met	.47
2015 – 2016	Exceeded	2.28
2014 – 2015	Met	-0.94
2013 – 2014	Met	73.2

Academic Performance: Quality Education Academy

Student Performance Grades						
School Year	SPG*	SPG Score	SPG Reading	SPG Reading Score	SPG Math	SPG Math Score
2016-2017	C	63	C	56	C	64
2015-2016	C	64	D	53	C	60
2014-2015	C	56	D	48	D	47
2013-2014	D	49	D	44	D	44

*Student Performance Grade

The grade designations are set on a 15 point scale as follows:

A = 85-100	B = 70-84	C = 55-69	D = 40-54	F = 39 or Less
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The School Performance Grades are based on student achievement (80%) and growth (20%).



Academic Performance: Alpha Academy

Student Performance Grades: Alpha Academy						
School Year	SPG*	SPG Score	SPG Reading	SPG Reading Score	SPG Math	SPG Math Score
2016-2017	C	68	C	68	C	65
2015-2016	C	69	B	70	C	64
2014-2015	C	62	C	65	D	53
2013-2014	C	56	C	58	D	52

*Student Performance Grade

The grade designations are set on a 15 point scale as follows:

A = 85-100	B = 70-84	C = 55-69	D = 40-54	F = 39 or Less
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The School Performance Grades are based on student achievement (80%) and growth (20%).



GER Financial Performance

Appendix N is used to determine the financial history and statements of the EMO/CMO over the last three years.

Financial statements and year end fund balances for Torchlight Academy, Quality Education Academy, and Alpha Academy were appended to the Starmount application, however, **financial statements for Global Education Resources, LLC are not provided.**



GER Financial Performance

CONCERN: GER did not provide financial statements, a bank letter, a D&B report or a credit rating as required by Appendix N.

What is the current state of GER's finances?



Concerns in Summary

Charter applicant Starmount Charter Academy plans to contract services with Global Education Resources, LLC.

Concerns about the EMO agreement were noted in regards to:

- Which member of the board reviewed/negotiated the service agreement with GER
- Budget agreement
- GER subcontracting
- GER evaluation of student performance
- Facility procurement by GER
- GER contract fees
- Board spending account and yearly surplus
- Service agreement term length
- Contract termination and assets
- Current state of GER's finances