IPCSC

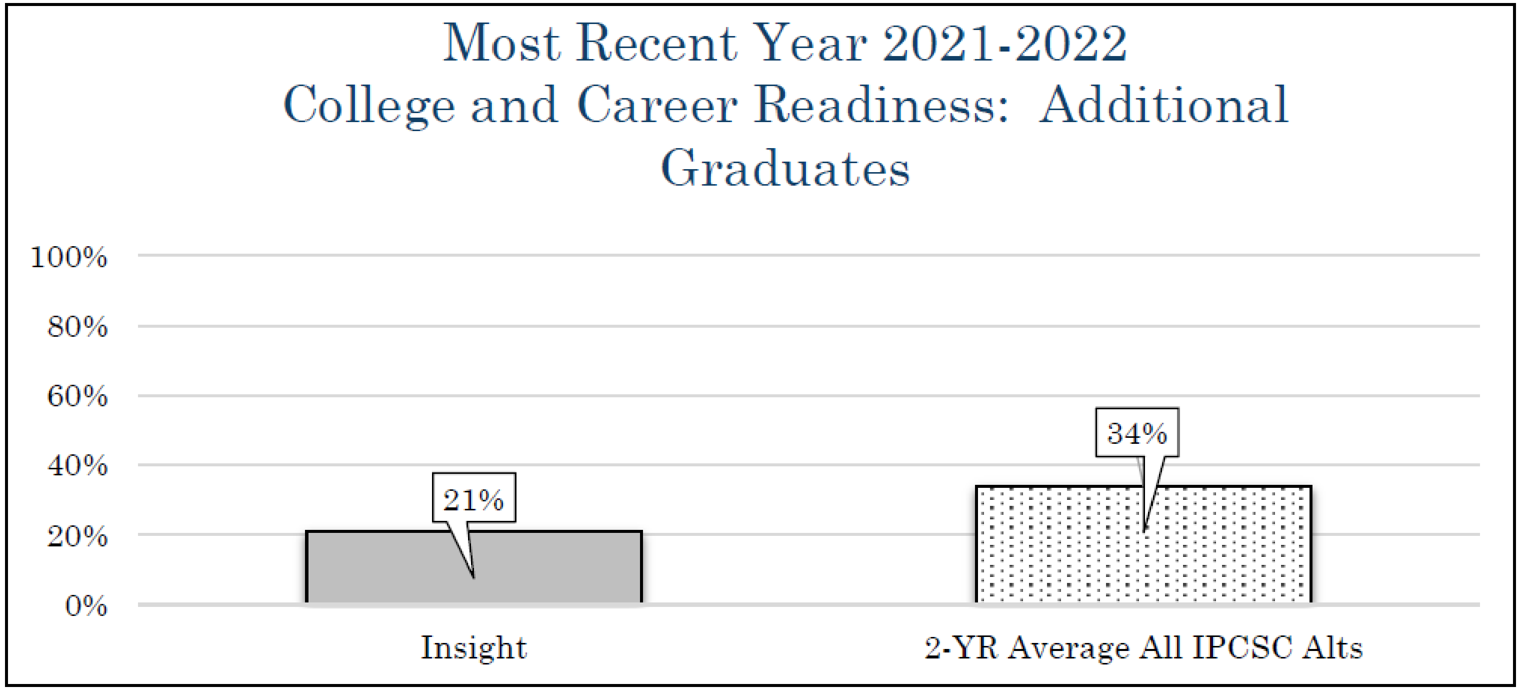
IDAHO PUBLIC CHARTER SCHOOL COMMISSION

Chairman – Alan Reed
Director – Jenn Thompson

IDVA Renewal Hearing

Condition 1: Academic Accountability

Comparison Group: All IPCSC Alternative Programs



IDVA FY22 Annual Performance Report: Exhibit H, Page 17

Condition 3: Exemption from Financial Accountability

D. School Performance. The School shall achieve an accountability designation of *Good Standing* or *Honor* on each of the three sections of the Performance Framework. In the event the School is a party to a third party management contract which includes a deficit protection clause, the School shall be exempt from some or all measures within the financial portion of the Performance Framework. In accordance with Charter School Law, the Authorizer shall renew any charter in which the public charter school met all of the terms of its performance certificate at the time of renewal.

IDVA Performance Certificate, Section 4.D: Exhibit B, Page 3

Exempt from Gray Measures

INDICATOR 1: NEAR-TERM

		Result	Points Possible	Points Earned
Measure 1a	**Current Ratio: Current Assets divided by Current Liabilities**			
Current Ratio	**Meets Standard:** Current Ratio is greater than or equal to 1.1 OR Current Ratio is between 1.0 and 1.1 and one-year trend is positive (current year ratio is higher than last year's). *Note: For schools in their first or second year of operation, th…*		50	
	Does Not Meet: Current Ratio is between 0.9 and 1.0 or equals 1.0 O…			
	Falls Far Below Standard: Current ratio is less than or equal to 0.9.			
Notes	Due to the deficit protection clause in IDVA's contract with K12, the s…			
Measure 1b	**Current Ratio: Cash divided by Current Liabilities**			
Cash Ratio	**Meets Standard:** Cash Ratio is greater than 1.0 OR Cash Ratio is equa…			
	Does Not Meet: Cash Ratio is between 0.9 and 1.0 OR Cash Ratio equ…			
	Falls Far Below Standard: Cash ratio is equal to or less than 0.9.			
Notes	Due to the deficit protection clause in IDVA's contract with K12, the s…			
Measure 1c	**Unrestricted Days Cash: Unrestricted Cash divided by (Total Expens…**			
Unrestricted Days Cash	**Meets Standard:** 60 Days Cash OR Between 30 and 60 Days Cash and… *minimum of 30 Days Cash.*			
	Does Not Meet: Days Cash is between 15-30 days OR Days Cash is be…			
	Falls Far Below Standard: Fewer than 15 Days Cash.			
Notes	Due to the deficit protection clause in IDVA's contract with K12, the s…			
Measure 1d	**Default**			
Default	**Meets Standard:** School is not in default of financial obligations. Fina… reporting, non-compliance, financial judgements, loan covenants, an…			
	Does Not Meet: School is in default of financial obligations.			
Notes				

INDICATOR 2: SUSTAINABILITY

		Result	Points Possible	Points Earned
Measure 2a	**Total Margin: Net Income divided by Total Revenue AND Aggregated Total Margins: Total 3-Year Net Income divided by Total 3-Year Revenues.**			
Total Margin and Aggregated 3-Year Total Margin	**Meets Standard:** Aggregated 3-yar Total Margin is positive and the most recent year Total Margin is positive OR Aggregated 3-Year Total Margin is greater than -1.5 percent, the trend is positive for the last two years, and the most recent year Total Margin is positive. *Note: For schools in their first or second year of operation, the*		50	
	Does Not Meet: Aggregated 3-Year Total Margin is greater than -1.5 percent, but trend does not "Meet Standard".		30	
	Falls Far Below Standard: Aggregated 3-Year Total Margin is less than or equal to -1.5 percent OR the most recent year Total Margin is less than -10 percent.		0	
				0
Notes	Due to the deficit protection clause in IDVA's contract with K12, the school will be exempt from evaluation of this measure.			
Measure 2b	**Debt to Asset Ratio: Total Liabilities divided by Total Assets**	Result	Points Possible	Points Earned
Debt to Asset Ratio	**Meets Standard:** Debt to Asset Ratio is less than 0.9.		50	
	Does Not Meet: Debt to Asset Ratio is between 0.9. and 1.0		30	
	Falls Far Below Standard: Debt to Asset Ratio is greater than 1.0		0	
				0
Notes	Due to the deficit protection clause in IDVA's contract with K12, the school will be exempt from evaluation of this measure.			
Measure 2c	**Cash Flow: Multi-Year Cash Flow = Year 3 Total Cash - Year 1 Total Cash AND One -Year Cash Flow = Year 2 Total Cash - Year 1 Total Cash**	Result	Points Possible	Points Earned
Cash Flow	**Meets Standard:** Multi-Year Cumulative Cash Flow is positive and Cash Flow is positive each year OR Multi-Year Cumulative Cash Flow is positive, Cash Flow is positive in one of two years, and Cash Flow in the most recent year is positive. Note: Schools in their fist or second year of operation must have positive cash flow.		50	
	Does Not Meet: Multi-Year Cumulative Cash Flow is positive, but trend does not "Meet Standard"		30	
	Falls Far Below Standard: Multi-Year Cumulative Cash Flow is negative.		0	
				0
Notes	Due to the deficit protection clause in IDVA's contract with K12, the school will be exempt from evaluation of this measure.			
Measure 2d	**Debt Service Coverage Ratio: (Net Income + Depreciation + Interest Expense)/(Annual Principal, Interest, and Lease Payments)**	Result	Points Possible	Points Earned
Debt Service Coverage Ratio	**Meets Standard:** Debt Service Coverage Ratio is equal to or exceeds 1.1		50	
	Does Not Meet: Debt Service Coverage Ratio is less than 1.1		0	
				0
Notes	Due to the deficit protection clause in IDVA's contract with K12, the school will be exempt from evaluation of this measure.			

<u>Exempted From:</u>
Current Ratio
Cash Ratio
Unrestricted Days Cash
Total Margin
Debt to Asset Ratio
Cash Flow
Debt Service Coverage Ratio

<u>Not Exempted From:</u>
Default

IDVA Performance Certificate: Exhibit C, Pages 37-38

Impact of the Exemption

Measure	Points Possible	Points Earned
1a	0	0
1b	0	0
1c	0	0
1d	50	50
2a	0	0
2b	0	0
2c	0	0
2d	0	0
	50	50
		100%

Range	Financial Outcome
85% - 100%	100%
65% - 84%	
46% - 64%	
0% - 45%	

deral requirements.

IDVA FY19 Annual Performance Report: Exhibit E, Page 4

Measure	Points Possible	Points Earned
1a	0	0
1b	0	0
1c	0	0
1d	50	50
2a	0	0
2b	0	0
2c	0	0
2d	0	0
	50	50
		100%

Range	Financial Outcome
85% - 100%	100%
65% - 84%	
46% - 64%	
0% - 45%	

IDVA FY20 Annual Performance Report: Exhibit F, Page 4

Sample of Financial Calculations

1. Current Ratio

Calculation: Current Assets divided by Current Liabilities

2. Unrestricted Days Cash

Calculation: Unrestricted Cash and investments divided by ((Total Expenses minus Depreciation Expense) / 365)

5. Total Margin and 3Yr Aggregated Total Margin

Calculation:

Most Recent Year Total Margin: 2019 Net Income divided by 2019 Total Revenue.

3-Year Aggregated Total Margin: (2019 Net Income +2018 Net Income

IDVA Financial Framework: Exhibit M, Pages 3 and 5

Services Agreement – Service Fees

- 4.2. Administrative Services Fee. In consideration of the value of the Administrative Services provided by K12, Academy will pay K12 and its Affiliates fifteen percent (15%) of the Program Revenues for the Administrative Services (the "Administrative Services Fee") for each Fiscal Year of the Agreement. Payment for the Administrative Services Fee shall be made in accordance with Section 11 below.

- 4.3. Technology Services Fee. In consideration of the value of the Technology Services provided by K12, Academy will pay K12 and its Affiliates seven percent (7%) of the Program Revenues for the Technology Services (the "Technology Services Fee") for the each Fiscal Year of the Agreement. K12 will cooperate with the Academy, to the extent reasonable and practical, to ascertain what portion of the Technology Service Fee (or any other fee owing under this Agreement) is compensable as "Transportation" costs or other costs under the reimbursement terms and provisions of the Idaho Education Code. Payment for the Technology Service Fee shall be made in accordance with Section 11 below.

IDVA Services Agreement: Exhibit N, Page 6

Services Agreement – Performance Fee

- 4.4.2.Performance Fee. Should there be a positive Net Asset balance remaining at the end of a fiscal year after payment of the Net Asset Fee, per Section 4.4.1, or if no such fee is due to K12 and the Program has a positive Net Asset balance; the Academy will pay to K12 a Performance Fee based on the following conditions. In no event will the Performance Fee exceed 50% of the then existing Net Asset balance.

  - 4.4.2.1. Should the Academy end a Fiscal Year with a positive Change in Net Assets and a positive Net Asset balance as evidenced by the audited financial statements prior to the payment of the Performance Fee and immediately after payment of the Net Asset Fee, if any, for a given Fiscal Year during the Term, as evidenced by Academy's audited financial statements then:
    - 4.4.2.1.1. One percent (1.0%) of the current year Program Revenue will be paid to K12 as a performance fee.

  - 4.4.2.2. Based on the results of a survey of all Program parents . . .
    - 4.4.2.2.1. One percent (1.0%) of the current year Program Revenue will be paid to K12

  - 4.4.2.3. If both conditions are met in Sections 4.4.2.1and 4.4.2.2 the fee to be paid will be two
  - and one-half percent (2 Y:z%) of the current year Program Revenue.

IDVA Services Agreement: Exhibit N, Pages 7-8

Cost of Services

School	District / Charter School	Taxes	Other Local Sources	State Sources	Federal Sources	Other Sources	Total Revenues
452	Idaho Virtual Academy	-	59,916	17,465,032	8,461,131	-	25,986,079

SDE Revenue and Expenditure Reports: Exhibit O, Page 3

H. RELATED PARTY TRANSACTIONS

The School has a management agreement with Stride, Inc. (Stride) to provide educational materials to the School, as well as management services and technical support. The agreement had an initial term beginning July 1, 2009 and ending June 30, 2014, and it automatically renews every five years thereafter.

At year end, the School reported a receivable from Stride in the amount of $3,228,255 and accounts payable to Stride in the amount of $9,226,443, and these items are therefore classified as related party transactions. See notes C and E.

FY21 Fiscal Audit: Exhibit K, Page 22

Services Agreement – Ed Products

4.1. Educational Product Prices. In consideration of the value of the Educational Products provided by K12 (including teaching support), Academy will pay K12 and its Affiliates for the Educational Products based on the then current national K12 Managed Virtual School Pricing for similarly situated schools ("Product Price List").

IDVA Services Agreement: Exhibit N, Page 6

IDVA - INV-003-7781 M&T - Sep 2022	ACH 3081709313	11/18/2022	250,076.00	Mount Lau NJ
IDVA - INV-003-7964 - Oct 2022 - COM	ACH 3081709313	11/18/2022	74,812.50	Mount Lau NJ
ISID - INV-003-7840 - Oct 2022 - MAT	ACH 3081709313	11/18/2022	4,554.00	Mount Lau NJ
ISID - INV-003-8017 - Oct 2022 - Block Fee	ACH 3081709313	11/18/2022	1,553.06	Mount Lau NJ

IDVA Expenditure Report: Exhibit S, Page1

Services Agreement – Ed. Products Cont'd.

I. **Educational Products, Pupil Recruiting and Related Services:** During the Term, K12 and its Affiliates will provide or cause to be provided to Academy, its Students and its personnel the following educational products and services (the "Educational Products") in accordance with the fees published on the Product Price List provided to the Academy:

1. Online School: For each school year during the Term, (i) K12® Curriculum and associated learning management system for grades K through 8, in each case in Language Arts, Math, Science, History, Art and Music, however, foreign language may be substituted for Music as agreed and allowable; (ii) K12® Curriculum and associated learning management system for grades 9 through 12, in each case in Language Arts, Math, Science and History in addition to electives per the K12 course catalogue; and (iii) any third party curriculum K12 generally offers its customers, in each case for such courses required by Applicable Law.
2. Instructional Tools. Such instructional tools and supplies, including without limitation textbooks and multi-media teaching tools, as K12 determines in its discretion to be necessary to deliver the Educational Program.
3. Related Services. Pupil Recruitment and related services are included in the cost of the curriculum and materials in the Product Price List:

a. Additional Instructional Support. K12 will make available the necessary instructional support and teachers as mutually agreed upon in accordance with the Product Price List as the Program may require for the Educational Products and related offerings.

b. Pupil Recruitment. Recruitment of students in K12's discretion, including creation, design and preparation of recruitment materials and advertisements; assist with demand creation for the Program and its information sessions and other events via mail, e-mail, newspapers, magazines, journals, radio, television, community forums, town hall meetings, and other forms of communication and outreach on Academy's behalf; develop community outreach strategy and connect with local organizations. Design school recruitment materials, letterhead, business cards, and logos to create school identity. Develop, design, publish, and maintain the Program's interactive website.

c. Admissions. Implementation of the Program's admissions policy, including management of the application and enrollment process; creation, design and publication of Program's applications and enrollment packages; and communicating with potential students and their families and assisting families through the enrollment process; conduct random lottery if required.

d. Family Services. Plan and arrange school orientation sessions; represent the Program at conferences and other events. Field and respond to incoming calls, letters, faxes, and e-mails about the Program, its curriculum, the application/enrollment process, instructional materials, etc. Conduct focus groups, surveys, interviews, observation sessions, and/or user testing on the learning management system to obtain feedback on how to improve the Program and curriculum, as appropriate. Create "feedback buttons" on lessons so that Students, their parents, and teachers may submit comments and suggestions; respond to suggestions and implement improvements where K12 deems them to be valuable. Conduct exit interviews with those Students and their parents who withdraw in order to learn more about how to improve the program for Students. Create and distribute a parent manual and/or student handbook which includes a starting kit for logging onto the learning management system. Assist with the design and implementation of parent orientation sessions.

e. Positive Net Asset Provision – In consideration for the opportunity to provide the Academy with the services and products set forth in this Agreement, the parties agree that the Program will not end a Fiscal Year in a negative Net Asset position in accordance with Section 4.8 of the Agreement.

f. Computers for Full Time Students (see Section 2.7.1.5). For Full Time Students who qualify for Free Lunch under NCLB, computers, monitors, software and other hardware as K12 determines in its discretion to be necessary to deliver the Educational Program. Computers will be provided, as requested, on a one per family basis.

g. High School Services: As requested and as available, K12 offers the following for High School Students:

(e) Social Networking – Access to a monitored, private, virtual social community for students, parents and teachers to communicate and connect. Students benefit from exchanging ideas and information with students around the world using the K12 program and gaining a sense of connectedness within the boundaries of a contained but global community. Each K12 sponsored school will also have its own sub-community to generate school pride as well as provide its own content and clubs, a school calendar, announcements, and information on upcoming activities and outings.

(f) Counseling Tools - Web-based counseling tool(s) to support college, career planning and exploration. Specifically the tool(s) may include:

1. Counselor's Office - Web-based system allows college and career counselors to collect and organize detailed information about students' post-secondary plans;
2. Course Manager - Fully automated system to help students choose the courses they'll need to achieve their post-secondary goals;
3. Family Connection - Provides students and families access to age/grade-appropriate resources for course, college, and career planning. Counselors can build multi-year course plans, conduct targeted college searches, research scholarships, etc.;
4. Career Planner - Integrated so students and parents can see how career decisions relate to course and college planning activities, and counselors can guide and track student progress.

IDVA Services Agreement: Exhibit N, Pages 28-29

Services Agreement – Net Asset Fee

4.4. Incentive Fees. As an incentive for K12 to manage the Program in a positive Net Asset (defined in Section 10.11 below) position while meeting certain educational goals, Academy will pay to K12 the following incentive fees:

4.4.1. Net Asset Fee. Should the Academy end a Fiscal Year with a positive Change in Net Assets and a positive Net Asset balance position as evidenced by its audited financial statements for such Fiscal Year and K12 has issued Deficit Credits in prior years (per Section 4.8) the Board will pay to K12 such fee as follows:

4.4.1.1. for the first $100,000 of a given year's Net Asset balance, twenty-five percent (25%) will be paid to K12 and seventy-five percent (75%) will be retained by the Academy;

4.4.1.2. for the second $100,000 of a given year's Net Asset balance, fifty percent (50%) will be paid to K12 and fifty percent (50%) will be retained by the Academy;

4.4.1.3. for any amount over $200,000 of a given year's Net Asset balance, seventy-five percent (75%) will be paid to K12 and twenty-five percent (25%) will be retained by the Academy.

In no event will the Net Asset Fee paid in a given fiscal year cause the Program to have a negative Net Asset balance. In addition, the cumulative total of Net Asset fees paid over the term of this Agreement will not exceed the cumulative amount of previously issued Deficit Credits per Section 4.8.

IDVA Services Agreement: Exhibit N, Page 7

Services Agreement – Positive Net Asset Provision

4.8. Positive Net Asset Provision. The Parties hereby agree that the Academy cannot conclude a Fiscal year in a negative Net Asset position. The Parties also recognize that there is a cooperative relationship of the parties with regard to the development of the Academy's Budget in Section 2.4. Therefore, the Parties further stipulate that each Party shall take all reasonable steps and approaches necessary to avoid a negative Net Asset position balance at the end of a Fiscal Year. Thus, subject to K12's rights herein (and effects) of termination provided under Section 14, should Academy notify K12 or K12 notify Academy in writing of a potential deficit in a particular Fiscal Year (as reasonably known) and as identified by an independent audit of the Program financial statements, the Parties agree that K12 will provide sufficient credits ("Deficit Credits") to be applied to K12 invoices to ensure the Academy does not have a negative Net Asset balance at the end of said Fiscal Year. Notwithstanding the foregoing, the Parties agree that if there are sufficient surpluses in subsequent years (including Renewal Terms) the provisions set forth in Section 4.4 will apply.

Notwithstanding Section 14.2.3 or any other provision to the contrary, if at the conclusion of the Parties contractual relationship the cumulative amount of paid Net Asset Incentive Fees over the life of the Agreement does not exceed the cumulative amount of Deficit Credits issued over the life of the Agreement the Academy shall have no debt or ongoing obligation to K12 for any such balance.

IDVA Services Agreement: Exhibit N, Page 8

Services Agreement – Repayment in Future Years

"As to deficits funded for other past years, it is our [K12, Inc.] expectation that the IDVA Board will make every effort to repay them in the future as financial conditions permit. Therefore, the IDVA Board is expected tot take the debt into account in its normal budget process each year and to devote to its repayment any surplus above the funds necessary to run the school. . ."

Debt Retirement Letter – Exhibit U, Page 1

if the Academy generates Net Assets (based on audited financial statements using generally accepted accounting principles) that exceed 3% of prior year expenditures within three years subsequent to the Forgiven Debt, K12 L.L.C. shall be entitled to the excess funds up to the total amount of the cumulative Forgiven Debt.

Services Agreement Amendment– Exhibit T, Page 1

Fees and Credits

	Credit	Payable	
FY22	2,776,976	6,621,859	Exhibit L, Page
FY21	3,228,255	9,226,443	Exhibit K, Page
FY20	2,214,626	4,665,821	Exhibit J, Page
FY19	2,919,135	1,261,385	Exhibit I, Page

IDVA Fiscal Audits

Request for Exemption

From: Edginton, Kelly [mailto:kedginton@k12.com]
Sent: Friday, April 18, 2014 8:44 AM
To: Alison Henken
Cc: Wenger, Allen; Dave Malnes
Subject: RE: Performance Certificate

Hi Alison,

Allen Wenger, our Business Manager, is unable to join us for this morning's meeting. He sent me the following reasoning.

It all comes down to the debt forgiveness part of the agreement. During the year we show a huge deficit and financial unsustainability, but it all goes away at the end of the year when we receive credit invoices which erase the deficit and reverse the accounts payable amounts in our financial statements.

I have cc'd Allen here in case you would like more information. His agenda is busy today, but he should be able to answer further questions you may have via email. Allen will be on vacation next week and will be back in his office on Monday, April 28th if you need to speak with him.

Thank you,
Kelly

From: Alison Henken [mailto:Alison.Henken@osbe.idaho.gov]
Sent: Thursday, April 17, 2014 3:33 PM
To: Edginton, Kelly
Subject: RE: Performance Certificate

Kelly,

It would be helpful for us to know the reasoning behind the request for each measure – please explain why you feel IDVA should be exempt from each of those individual measures (1a, 1b, 2a, 2b, and 2c).

3

Email Edginton to PCSC Staff, April 2014: Exhibit Q, Page 3

Site Visit Report

"Strengths

- Teachers report that they feel supported by the school's administration; they believe the administration values and is responsive to feedback.
- Board training and evaluation processes have improved.
- The deficit protection clause in its contract with K12 continues to lead to balanced budgets and financial stability."

2014 IPCSC Site Visit Report - Exhibit W, Page 4

Adoption of Certificate

E) CONSIDERATION OF PROPOSED CHARTER SCHOOL PERFORMANCE CERTIFICATES

M/S (DeMordaunt/O'Donahue): To execute the performance certificates for the following: Idaho Science and Technology Charter School, North Idaho STEM Charter Academy, Palouse Prairie School of Expeditionary Learning, Taylor's Crossing Public Charter School, Idaho Virtual Education Partners doing business as Idaho Connects Online as presented.

Commissioner Quinn asked whether the schools were comfortable with the certificates. Ms. Baysinger confirmed that school feedback indicated that all schools agreed to the performance certificates as presented.

Commissioner DeMordaunt stated that during the subcommittee meeting, the schools provided positive feedback about the process and felt it was a benefit to their schools.

M/S (DeMordaunt/O'Donahue): To amend the motion to include the approval of the performance certificates of Idaho Virtual Academy, Kootenai Bridge Academy, and Idaho Virtual High School doing business as RichardMcKenna Charter High School as presented. The motion passed unanimously as amended.

IPCSC Meeting Minutes, 6/17/14 – Exhibit W, Page 15

In Closing

Renew with the Recommended Conditions:

Condition 1 – Academic Accountability
Condition 2 – Enrollment Cap (not contested)
Condition 3 – Financial Accountability