City of Philadelphia Pennsylvania

Office of the Controller

REVIEW OF CHARTER SCHOOL OVERSIGHT

An Examination of Charter Schools Operated by Education Providers

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City Controller

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Promoting honest, efficient & fully accountable government

REVIEW OF CHARTER SCHOOL OVERSIGHT ONGOING REVIEW

An Examination of Charter Schools Operated by Education Providers

Executive Summary

Background

The Office of the Controller (Controller's Office) conducted two previous fraud vulnerability assessments of the city's charter school operations, in 2010 and in 2014 that included a review of the oversight provided by the School District of Philadelphia (SDP). For this report, the Controller's Office reviewed two education service providers' compliance with the state Charter School Law and the SDP's Charter School Office's (CSO) oversight capabilities. This included examinations of the two education providers selected, ASPIRA Inc. of Pennsylvania (ASPIRA) and The Universal Companies (Universal), which operate five and seven schools, respectively.

What the Controller's Office Found

After reviewing City of Philadelphia and SDP records, as well as inquiries with the education providers and SDP staff, the Controller's Office found the following conditions:

- The state's Charter School Law is in need of reform to include oversight of education service providers and associated nonprofits. For example, charter schools continue to rely on leasing practices that are not considered to be "arms-length" agreements. The president of a Universal school's Board of Trustees, for example, is also the chairman of the parent organization, Universal Companies. In addition, one of its subsidiaries is Universal Community Homes, which receives $720,000 per year in rental payments from the school.

- Significant reform of the Charter School Law is overdue. The Controller's Office raised similar oversight issues in its 2010 Charter School Review and the Controller testified before the Pennsylvania Senate Education Committee during that year. Despite public outcry to the review, proposed legislative changes and the Controller's testimony, the law has yet to be updated or amended.

- Education service providers appear to be parent corporations of their respective charter schools. These schools are not operating as independent organizations. For example, members of the Board of Trustees at the ASPIRA and Universal schools continue to serve on several school boards within their respective education service providers. These entities comingle funds among each other and the question of which entity's interests are best served is left unclear.

- SDP does not adequately staff the CSO, which is tasked with providing appropriate oversight and accountability of charter school operations. The CSO employs eight staffers, including the Executive Director, to monitor 83 charter schools with 63,500 students. If Philadelphia's charter schools were considered a separate school district, it would be the state's second largest, ahead of Pittsburgh, which has 54 schools and an enrollment of 25,000 students. In contrast, the Washington, D.C. Public

Charter School Board Office has a 39-member staff overseeing 39,000 students. This issue of understaffing was also highlighted in our previous reviews.

- ASPIRA and Universal failed to disclose information about the Right to Know Law such as filing a records request and providing the name and contact information of the schools' Right-to-Know officers, on the schools' websites as mandated by the law. The Charter School Law states all charter schools, as public agencies, are subject to the state's Right to Know Law. Additionally, the Controller's Office had difficulty in securing public records from the education service providers.

- Charter School state certification standards, requiring 75 percent of school staff to have appropriate state credentials, were not met in five of seven Universal schools reviewed[1].

The Controller's Office has developed a number of recommendations to address these findings:

- Pennsylvania legislators must reform the Charter School Law to empower local school districts with greater oversight and compliance authority over education service providers and their associated entities. State lawmakers should also propose procedures that would include penalties on charter schools and education service providers for non-compliance of rules and regulations.

- The CSO should make impromptu visits to charter school facilities as part of its oversight of charter schools.

- The CSO must hold charter schools accountable when they fail to comply with Charter School Law requirements, by enforcing all applicable penalties.

- The SDP should allocate resources to boost staffing levels at the CSO, an office that oversees approximately 32 percent of Philadelphia's public school population.

- Education service providers should hold primer classes and follow-up sessions on the Right to Know Law throughout the school year for leaders within the charter schools and the providers.

[1] All ASPIRA schools met state certification standards

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BACKGROUND

The Office of the Controller (Controller's Office) conducted a fraud vulnerability assessment in 2010 and issued a report on the charter school oversight exercised by the School District of Philadelphia's (SDP) Charter School Office (CSO). The Controller's Office reviewed 13 of the then 63 charter schools. The Controller's Office identified 14 areas vulnerable to fraud and developed 11 recommendations to minimize fraud occurrences.[1]

In January 2014, the Controller's Office undertook a second review to assess the progress made by the CSO in exercising oversight over Philadelphia's then 86 charter schools, 21 of which were Renaissance Schools. During that review, we also assessed progress made in five of the 13 schools in our 2010 report.

As part of the second review, the Controller's Office attempted to assess two other charter schools in addition to the five schools examined. The two charter schools, Olney Charter High School, a Renaissance School, and Universal Institute Charter School, are managed by separate education service providers. However, as these schools were part of a larger education service provider organization, assessments of these two individual schools alone raised issues. As a result, the Controller's Office initiated the current review to include the two schools' education service provider organizations, ASPIRA, Inc. of Pennsylvania (ASPIRA) and The Universal Companies (Universal).

Renaissance Charter Schools are neighborhood schools that were selected by the SDP and matched with charter managers, referred to as "Turnaround Teams", but remained neighborhood schools. ASPIRA and Universal manage two and six Renaissance schools, respectively. They opened with relative autonomy from the SDP, which allowed for variation in the reforms implemented at each Renaissance School. However, Renaissance Schools did receive some SDP oversight and support, and regularly report to the SDP on student outcomes.[2]

This report focuses on the operational control of the 11 charter schools and one cyber charter school managed under the banner of the two education service provider organizations. Under their respective organizational umbrellas, ASPIRA operates four charter schools and one cyber charter school, and Universal manages seven charter schools.

> ***Universal Response:*** *"Universal Companies is a corporate trade name/moniker, not an operating entity and does not have any assets, liabilities, and employees or contracts to operate charter schools with the CSO or any other school district. The Report incorrectly asserts Universal Companies as the charter school operator for UFS (Universal Family of Schools). The report incorrectly list Universal Companies as the parent of Universal Community Homes and UEC as it is not the parent of either one."*
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> **Controller's Office Conclusion**: The Controller's Office used the term "Universal Companies" because it was the term used by Universal on their web site, www.universalcompanies.org, which included a Board of Directors listing. In addition, "The Universal Companies" is a Pennsylvania registered business entity, created in 2002, with the same 15th Street address that also belongs to many other Universal entities. Also, a charter school renewal letter and a charter school financial report listed points of contact or an associated entity as Universal Companies. Additionally, Universal Companies has been sued at least twice in Federal Court, both times involving charter

[1] Review of Charter School Oversight, A Fraud Vulnerability Assessment, Issued by Office of the City Controller in April 2010.
[2] RESEARCH for Action's Philadelphia's Renaissance Schools Initiative: 18 Month Interim Report, Page 1.

school proposals or operations. Finally, the response provided to the Controller's Office by Universal was signed by the "General Counsel" with the letterhead identifying he was apparently representing "Universal Companies".

It should be noted that the School Reform Commission voted in May 2015 to not renew Universal Bluford Charter School, run by Universal, due to poor academic outcomes. Additionally, the school district announced in the Spring of 2016 that it would seek to recommend non-renewal for two other Universal schools - Universal Vare Charter School and Universal Audenried Charter School. The SDP said the schools did not meet standards in academics as well as financial health and operations (For example, sound financial health and fiscal management consistent with acceptable standards).

The school district also recommended non-renewal of two ASPIRA schools: John B. Stetson Charter School and Olney Charter High School. The school district said the schools did not meet standards in organizational viability and compliance (For example, Board of Trustees compliance with law and policies and obligations to English Language Learners) as well as financial health and operations.

FINDINGS

The CSO is mandated, "to assist the School Reform Commission and the School District of Philadelphia in meeting their legislative obligations under Act 22 of 1997 and to promote accountability by exercising oversight for educationally sound and fiscally responsible charter schools as a means of improving academic achievement and strengthening school choice options in the School District," according to the SDP website.

The CSO, in accordance with Section 1728-A of the Charter School Law, is primarily responsible for conducting in-depth reviews of every charter school prior to renewals of its five-year charter. The law also states "The local board of school directors shall annually assess whether each charter school is meeting the goals of its charter." Under the law, the state oversees cyber schools hence the CSO does not monitor the ASPIRA Bilingual Cyber Charter School.

Lease agreement concerns

The Controller's Office ascertained in its review that five of the 12 charter schools reviewed leased their facilities from their education service providers and/or related entities. It also found occupancy and leasing arrangements, bank loan guarantees and subordination of leases that raised concerns of independence regarding the arms-length nature of some of these transactions. The lack of an "arms-length" element in such transactions, increases the risk of waste, fraud and mismanagement.

The Universal Institute Charter School, for instance, had to secure a location when it was awarded its charter by the district in 1999. The school had three leases with the nonprofit University Community Homes (UCH) and paid it $720,000 annually in rent. UCH's president/CEO was also president of Universal Institute Charter School's (UICS) Board of Trustees at the time the leases were signed, according to the nonprofit's and the school's IRS 990 form. The property leases between UICS and the Universal-related entity raises concerns about their arms-length transactions.

Controller's Office Recommendation: Charter schools should institute procedures to ensure that non arms-length transactions be evaluated by independent market analysis.

Universal Response: *"Universal Community Homes and UICS entered into a new lease for the school that was negotiated by its Board after Universal Community Homes' President/CEO resigned from the Board. Thus, although the Report references UICS' prior lease lacking "arms-length" characteristics, UICS recognized the concerns in 2015, resulting in the resignation of certain board members."*

Controller's Office Conclusion: Universal noted the "arms-length" concern was an issue and has taken actions to correct it.

The remaining six of Universal's seven schools are part of the SDP's Renaissance Program. Under the program, the former district-run schools continue to be located in their neighborhoods, but managed by the education service provider to improve these schools' academic performance and climate issues. Universal is charged a facilities fee by the SDP for occupancy of the buildings as well as waste and snow removal and a few other services.

Four ASPIRA schools – Olney, Pantoja, Hostos and ASPIRA Cyber – rent facilities owned or controlled by ASPIRA, resulting in $5.1 million in rental payments from 2011 to 2014[3]. Pantoja leases facilities from ASPIRA Community Enterprises (ACE), a title and management company associated with ASPIRA.[4] The cyber charter school leased part of ASPIRA's headquarters from ASPIRA until August 2015 when it moved into another ASPIRA property, the ASPIRA Educational Campus. The leases between these schools and ASPIRA-related nonprofits highlight issues of arms-length transactions.

The ASPIRA cyber school was granted its charter in 2010 and two years later entered a 10-year lease with ASPIRA to rent space in ASPIRA's headquarters. The Office of Property Assessment lists the property as a three-story building measuring 21,034 square feet. The school paid annual rents of $240,000 and $120,000 in 2013 and 2012, respectively[5]. Despite this lease, the school relocated to the educational campus in August 2015. The Controller's Office could not ascertain whether ASPIRA Cyber signed a new lease, broke its existing lease or the amount of its current rental payments. However, the Controller's Office was able to verify that the $210,000 mortgage taken out in 1998 by ASPIRA to purchase its headquarters at 4322 North 5th Street and another $1.84 million open-ended mortgage was satisfied around April 2014, according to real estate records filed with the City.

In the course of the review, the Controller's Office raised a concern regarding Muevete Dance Studio, a salsa/bachata dance studio located on the same floor as the ASPIRA cyber school. Social media postings on Instagram, Facebook and Twitter feature photographs of in-studio dance classes, recitals as well as flyers advertising schedules, rates and auditions

The Controller's Office recently learned that a fire in late 2015 damaged the first and second floors of ASPIRA's headquarters including the dance studio. Classes are no longer held in the building, according to a Facebook post by the manager. The fire is under investigation by the city's Arson Task Force, a coalition of multiple law enforcement agencies.

[3] According to IRS 990 forms and the schools' independent audits
[4] According to Pantoja's 2015 financial statement
[5] According to ASPIRA cyber school's 2013 financial statement

The flier above advertises salsa/bachata classes at the Muevete Dance Studio once located inside the ASPIRA Bilingual Cyber Charter School at 4322 N. 5th Street on the second floor. The building recently suffered damage as a result of a fire in late 2015.

ASPIRA Response: *"Muevete is run by Rey Velez as a volunteer effort to provide opportunities for children and adults to indulge in the arts while exercising and improving overall health. Muevete, for a time, utilized a community room in the ASPIRA administrative building. ASPIRA does not receive rent or any other compensation for use of the building, but rather views the dance classes as an enhancement to the community ASPIRA serves. Mr. Velez is a valued member of the ASPIRA team and he is employed at ASPIRA as a Special Projects Coordinator. Mr. Velez does not receive compensation for the time he selflessly devotes to the dance studio. While Mr. Velez "charges fees" for classes, Mr. Velez uses those fees to buy costumes and shoes for the students and to cover expenses for competitions, including, but not limited to, competition entrance fees.*
"Aspira is fully cooperating with the City's Arson Task Force and is hopeful that an arrest will be made soon."

Controller's Office Conclusion: The Controller's Office welcomes community outreach to local children and adults. However, allowing an entity to use public nonprofit space for what appears to be an unregistered and unregulated commercial concern is problematic.

In addition, ASPIRA Community Enterprises (ACE) in 2011 established ACE/Dougherty LLC, a limited liability company, as a pass-through entity, to purchase, lease and own the former Cardinal Dougherty High School, now known as the ASPIRA Educational Campus. The property was purchased by ACE/Dougherty in October 2011 from the Archdiocese of Philadelphia for $8.5 million. The lease documents from this transaction also indicate that ACE/Dougherty financed the purchase through the issuance of $12.5 million in bonds issued through the Philadelphia Authority for Industrial Development.

Five days after ACE/Dougherty bought the property, Olney signed a 10-year contract with ACE/Dougherty to rent out 25,000 square feet on the first floor at the ASPIRA Educational Campus[6]. The space at the educational campus accommodated an Olney-funded program for older students (16-21) seeking a high school degree. The school was obligated under the agreement to pay a “minimum rent” to satisfy ACE/Dougherty’s debt service on the mortgage. The school paid annual rent of $60,000 and $100,000 in FY 2012 and FY 2013, respectively[7].

Although the school had a ten-year contract with ACE/Dougherty to lease part of the educational campus, the Olney program moved out after two years. By Fall 2013, the education program, now under a new operator, was relocated inside Olney at 100 West Duncannon Avenue, where another program for disciplinary students was already located. Olney did not appear to make its rental payments due ACE/Dougherty in FY 2014 when the education program was relocated to Olney[8].

The program moved back once again in early Fall 2015 to the ASPIRA Educational Campus. Although Olney was bound under the contract to make lease payments to ACE/Dougherty, its IRS 990 filings from FY2012 to FY2014 failed to disclose any lease payments to a related party. The filings showed, however, that Olney guaranteed a loan for Ace/Dougherty in FY2013 and FY2014.

Pantoja leases 4101 North American Street from ACE, which bought the property in 2007 for $1.6 million[9]. The charter school’s rent to ACE is $960,000 annually[10] for the nearly 70,000 square-foot facility.

Hostos pays rent totaling $420,000 per year to ACE/Dougherty, LLC to lease part of the 1.45 million square-foot ASPIRA Educational Campus.

ACE/Dougherty filed an Assignment of Rents, Leases and Profits, which listed lease agreements with ASPIRA, ACE, Hostos and John B. Stetson Charter School on the PNC promissory note.

School board minutes from September 2011 to June 2013 were made available to the Controller’s Office by ASPIRA, but the records do not document discussions on or votes concerning some decisions/transactions: the Olney – ACE/Dougherty lease and the assignment of rents by Hostos and Stetson schools, for example. Under Section 508 of the state Public School Code, which also applies to charter schools and their boards, a vote is required when the board takes the following actions, “Locating new buildings or changing the locations of old ones … Creating or increasing any indebtedness … [and] Entering into contracts of any kind, including contracts for the purchase of fuel or any supplies, where the amount involved exceeds one hundred dollars ($100).”

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[6] According to the lease agreement
[7] According to Olney’s 2013 financial statements
[8] According to Olney’s 2014 financial statements
[9] According to Philadelphia property records
[10] According to Pantoja’s 2015 financial statement

ASPIRA Response*: "ASPIRA provides these excellent facilities to the Schools at a more-than competitive rate. A recent market analysis of academic buildings that are currently for lease in Philadelphia County, excluding the Central City District, identified three properties along with an asking rental rate. These properties range in size from approximately thirty thousand square feet to sixty thousand square feet and had asking rental rates between Eight Dollars ($8.00) and Fourteen Dollars ($14.00) per square foot. These rates are quoted on a Triple Net Basis (NNN) which is consistent with the leasing structure used by ASPIRA.*

It is important to note that significant facility and capital improvements were made to the schools and that these costs are not being charged back to the schools over the lease term. In fact, for several of the ASPIRA Schools, the rental rates are structured such that the base rent is only sufficient to cover any debt service the landlord has on the property. These rates do not provide the landlord with any profit or returns on investment found in typical commercial real estate transactions."

Controller's Office Conclusion: During this review, the Controller's Office did not evaluate fair market rental values of the properties rented by the various charter schools. ASPIRA provided no evidence of any independent rental evaluations or a board vote on these non arms-length transactions.

Charter School Law

The Charter School Office maintains separate records and files on each charter school and evaluates and grades them separately, even when the schools are part of a larger education service provider organization. Both ASPIRA and Universal are set up as independent school districts, with oversight and control of its schools. The CSO and SDP, however, lack oversight and monitoring authority of these education service provider organizations.

The Charter School Law requires charter schools to be independent organizations with independent boards, but it is not the case with these "charter school districts." These education service providers operate as such with appointed Superintendents, co-mingling of funds and sharing of board members among the various charter schools and the provider organization.

The ASPIRA and Universal organizations, as well as other education service providers, expanded as the charter school movement took hold locally and throughout the country. The SDP itself, however, was also instrumental in developing initiatives to providers such as the Renaissance School Program. The SDP solicited education service providers to "turn around" underperforming district schools and required some of these schools to be charters. However, the SDP also required the charter schools to follow the legal charter process – to name independent boards and establish an independent non-profit business registration. The district attempted to force the charter process onto these independent school districts, which were managed by education service providers.

The Controller's Office review has determined that charter schools such as those managed by ASPIRA and Universal are not independent and autonomous as envisioned by the state Charter School Law and implemented by SDP. The education provider is in charge of administrating the schools' funds, the charters themselves are not. The charter schools, which are set up as individual corporations by education providers, cannot select or remove an education provider chosen by the district. The schools also have no authority to make independent financial decisions or other significant operational decisions, and appear to be shell corporations of the parent education service provider.

For example, former Olney school officials informed us that the school's 10-year lease with ACE/Dougherty to rent out part of the ASPIRA Educational Campus was unknown then to Olney school officials. And when the program relocated back to the school, as described earlier, it was a decision made by ASPIRA with little input from the school itself. As noted earlier, no mention of this leasing arrangement was noted in any of Olney's Board of Trustee's minutes. These charter school corporations are managed by the education service providers while the schools' various boards appear to report to the providers, which is not indicative of independent organizations.

The education service providers and their associated entities provide a number of professional services -- management, accounting, financial and human resources, for example – to the charter school under a Master Service Level Agreement. The providers determine the vendors and how much will be spent; the charter school has little say or no choice in the matter.

The law does not specifically authorize school districts to monitor or hold accountable education service providers such as ASPIRA and Universal. Nonetheless, these providers receive huge amounts of taxpayer funds to operate charter schools. There are no obvious restraints over these charter school operator organizations and how they choose to allocate millions of dollars in public money received from the school district as well as state and federal governments.

It should be noted that the Controller's Office is not expressing an opinion on the utility or benefits of education service providers in general, but merely noting that the operations and structures established by the two charter school operators reviewed are clearly inconsistent with the Pennsylvania's Charter School Law as implemented by the School District of Philadelphia. The manner in which the School District interacts with and oversees these education providers also does not reconcile with the law.

Furthermore, the Controller's Office found that each ASPIRA school had extended between four and five loan guarantees in FY 2013 and FY 2014 to other ASPIRA associated entities.

These ASPIRA intra-entity transactions executed again and again, with no apparent public discussion or approval from school board members, lack transparency and increases the risk of fraud and abuse.

According to the Charter School Law, Section 1724-A, "At least seventy-five per centum of the professional staff members of a charter school shall hold appropriate State certification." The Controller's Office has determined that all ASPIRA schools met the state requirement, but five Universal Schools did not meet the 75 percent standard.

The following schools were non-compliant with the law in 2014-2015: Universal Alcorn Charter School, 64 percent; Universal Audenried Charter School, 71 percent; Universal Bluford Charter School, 74 percent; Universal Daroff Charter School, 64 percent; and Universal Vare Charter School, 70 percent.

Controller's Office Recommendation: Pennsylvania legislators should provide for a more accountable and transparent process involving financial transactions such as lease agreements, property sales and bank loans into the state Charter School Law. The Controller's Office recommends that such reform allow local authorizers to review and approve such agreements before charter schools and/or their operators enter into transactions valued at $25,000 and above. The Controller's Office also urges lawmakers to add provisions authorizing local school districts to have greater oversight and compliance authority of education service providers and their associated entities.

Universal Response: *"The Report does not accurately depict current activities of the UFS [Universal Family of Schools] in alleging a comingling of funds. Each school managed by UEC has separate bank accounts, budgets, and accounting records and measures that are applied specifically to each school. There are no funds commingled between the Schools, with the exception of wholesale/bulk purchases made by multiple schools from vendors. Any such expenditure is shared based on enrollment amongst the respective schools."*

Controller's Office Conclusion: The Controller's Office did not evaluate the "current activities" of UFS. However, Universal's response is further evidence that education service providers are providing services to multiple charter schools that they effectively control. The Controller's Office continues to call for legislative actions to improve charter school oversight and reconcile the law with current charter school operations and their "parent" education service providers.

<u>Incomplete financial data</u>

During its analysis of the charter schools' IRS 990 filings and information provided to the CSO by the education service providers, the Controller's Office uncovered numerous issues that warrant CSO attention.

The CSO provided a number of financial interest forms to the Controller's Office for its review of Board Members and education service provider leaders, but it is clear from the numerous missing financial interest forms that most charter schools were noncompliant.

Statements filed with the CSO left out key information such as a names, occupations and income. In ASPIRA's case, one school, Eugenia Maria De Hostos Charter School, should have provided about 60 forms since it opened as a charter in 2003. The CSO has instead received just two forms from Hostos and another 14 statements from board members at other ASPIRA schools between 2010 and 2014. About half of these forms list "ASPIRA Schools" instead of noting each school. Four forms listed one or two schools, the rest did not fill out the section.

In another example, the Board Chairman of Universal Institute Charter School signed his form, but wrote "none" under real estate holdings, financial interests and direct or indirect sources of income. One of the companies he founded and where he currently serves as chairman, nonetheless, is described on the Universal website as "one of the largest African American developers of real estate in Philadelphia."

Controller's Office Recommendation: The Controller's Office recommends that state legislators reform the Charter School Law and institute additional penalties that would act as a deterrent to noncompliance of the Ethics Act.

ASPIRA Response: *"ASPIRA and the Schools acknowledge that in the past, Statements of Financial Interest Forms required by the CSO under the Ethics Act have been incomplete. ASPIRA and the Schools have taken proactive steps to ensure compliance with the Ethics Act, and ASPIRA and the Schools were fully compliant with the Ethics Act in both 2014 and 2015."*

Controller's Office Conclusion: ASPIRA noted the Ethics Act issues and has taken actions to correct them.

Read more details about Statements of Financial Interest under the section Compliance with the Ethics Act.

Lack of corporate independence

The Controller's Office reviewed three years of the most recent available ASPIRA IRS filings[11] for ASPIRA's seven nonprofit entities. The forms list $18.8 million paid to related parties for expenses and another $2.4 million in gift, grant or capital contribution. Olney, for example, granted $1.53 million in funds it received to four ASPIRA schools in FY2014, according to the IRS 990 forms.

A review of the board of trustee minutes provided by ASPIRA failed to uncover any discussions, resolutions or approvals for these inter-company loans, gifts or reimbursements.

An apparent conflict of interest existed between Universal Institute Charter School (UICS), Universal Community Homes (UCH) and Universal Education Company (UEC). All three of these associated nonprofit entities conduct business with each other while also sharing the same board leaders and members. A conflict of interest occurs when a person is involved in multiple interests, one of which could possibly effect the motivation for an act in the other.

The 2015-2016 list of the Universal Institute's Board of Trustees can be found on its website and includes eight members. Six UICS Board Members serve on the boards of other Universal-associated entities including the Universal Companies Board, the company that oversees the entities.

- Four Trustees served on the board of UCH, which, as landlord for buildings leased by UICS, received $720,000 in facility payments from the school. The President/CEO for Universal Community Homes also served on its board. This board officer was also the Board Chairman for Universal Education Companies and has served on the UICS Board, according to UICS' FY2014 990 form.

- One board member had a number of roles with Universal's associated entities: He was employed as the Chief Financial Officer of UCH while he served the UICS Board as Treasurer/Chair of the Audit Committee. This officer was also the Treasurer/Secretary of the UEC Board and the Treasurer/Chair of the Audit Committee on the Universal Companies. Universal Education Companies received $480,000 in management fees from UICS in FY2015, according to the school's financial statements.

These overlapping board memberships call into question which interests were being served first. It also raises concern about the independence of the boards.

In FY2014 UCH received $2.7 million in management fees and UEC received $4.8 million, according to their respective 990 forms. Upon further inspection, the Controller's Office found there is no company known as "Universal Education Companies" registered with the Pennsylvania Department of State website, although that is how the organization identifies itself on its 990 forms. The organization is listed with the department's Charities Online Database, however. The for profit "Universal Education Services Company, LLC" and the nonprofit "Universal Education Management Company, Inc.," are listed on the state website, but the latter entity's status is listed as cancelled with the state agency.

Controller's Office Recommendation: The Charter School Law needs to incorporate appropriate provisions to oversee education service provider organizations with multiple charter schools. Consideration should be given to allow granting of charters to the provider, not a fictional "independent"

[11] IRS Form 990's for FY 2012, FY 2013 and FY 2014 for the seven ASPIRA-associated organizations

charter school. The law also must clarify or specify that charter school trustees should not serve on the boards of organizations that have direct business with the school board.

> ***Universal Response:*** *The Universal Education Companies, Inc. is a Delaware nonprofit corporation registered to do business within the Commonwealth of Pennsylvania, and has a management agreement to operate UICS and other UFS Schools. UEC does not share a director in common with any of the other School's Board of Trustees within UFS. Moreover, no Trustee of a UFS School has any financial interest/control over UEC or any other contracted vendor in compliance with 24 P.S.§ 17-1716-A."*
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> *"Universal Community Homes does not receive management fees from UICS or any UFS School. UFS Schools pay management fees only to UEC. An UFS School does not pay a separate fee to Universal Community Homes. Under UICS' 2007 Charter, the school was managed by Universal Community Homes for a fee. However, as of UICS' 2013 charter renewal, the school's board approved a new five-year management agreement between UICS and UEC."*
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> *All UEC Management Agreements with an UFS School is negotiated and approved by the school's Board of Trustees. The Management Agreement provides that the school pays UEC a fixed fee per student enrolled in exchange for UEC providing certain duties and management responsibilities for the activities of the school. However, the Board of Trustees retains full supervisory oversight of all activities of the school and through publicly held meetings approving contracts, budgets and other board related matters."*
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> *The UEC submits a proposed budget annually to the board of an UFS School, which is then reviewed, discussed and approved by the board. All expenditures occurring throughout the year are limited to the board approved budget and any additional expenditures are submitted for board approval."*
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> *Currently the school (UICS) has seven trustees only sharing three Trustees with Universal Community Homes ("Comman Trustees"). Therefore, UICS's independent Trustees constitute the majority of its Board.*
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> **Controller's Office Conclusion:** Universal provided no evidence that Universal Education Companies, Inc. was registered to do business within Pennsylvania. Universal also provided information concerning current practices and, as outlined in the report, the Controller's Office used historical data that has been fully vetted and confirmed in Universal's response. Their answer also further confirms that education service providers such as Universal are directly involved in significant fiscal activities without apparently being subject to the Ethics Act.

Management Agreements, Consultant Fees

Universal and ASPIRA had Master Service Level Agreements with their associated charter schools to provide various services, such as payroll, administrative and contracting, financial management, security and maintenance services for facilities, human resources, food services and information technology and support for a "direct and indirect management fee."

In Universal's case, the charter schools paid fees to Universal Community Homes and Universal Education Companies, which describes its mission as preparing "youth for successful post-secondary educational experiences." According to their tax filings these organizations received management fees in

FY2014 totaling $2.7 million and $4.8 million, respectively. UCH received $7.4 million in management fees between FY2011 and FY2014 while Universal Education was paid nearly $12 million during the same time. But also during this time period, Universal Education paid out $5.5 million for management fees and about $2.1 million to consultants. UCH hasn't spent monies on management fees, but it did pay out a total of $481,000 to consultants in FY2011 and FY2013. The recipients of these fees were not listed on the organizations respective IRS 990's. It is unclear what services each entity is providing to the respective Universal charter school.

Universal Audenried paid out over a combined total of $1 million for FY2012 and FY2013 in "other fees". The charter school did not list any expenditures under "other fees" in FY2014, but it did list $755,000 in consulting fees, a 293 percent jump from the previous year when Universal Audenried spent only $192,000 on consultants. The IRS 990 requires listing of any independent contractor receiving in excess of $100,000. In all these cases, the IRS 990 did not list any recipients of these fees.

> ***Universal Response:*** *"Universal Audenried properly disclosed 'Other Fees' on its Form 990. These fees cover things such as Substitute Services, Nursing, Special Ed Service, etc. Also, the audit firms preparing the annual assessment reports and related form 990s adhere to General Accepted Audit Standards ('GAAS') in preparing the filings accordingly. If any expenditure was not listed on the Form 990, third party audit firms determined such disclosure was not required in accordance with GAAS and related IRS regulations."*
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> **Controller's Office Conclusion:** We don't dispute that Universal Audenried properly disclosed other fees on their FY 2012 and FY 2013 Form 990's. However, as noted above, the FY 2014 Form 990 for Universal Audenried has a blank line, i.e. no expenses listed, on IRS Form 990, Part IX, Line 11g (Fees-Other).

In ASPIRA's case, one school management agreement reviewed by the Controller's Office listed an overall fee for the year, yet did not list a fee schedule or cost breakdowns. The same contract included a blank amendment that had been pre-signed by the ASPIRA treasurer.

Additionally, a contract between ASPIRA and Camelot Schools of Pennsylvania LLC, a Texas company, engaged Camelot for 2011-2012 to provide an "accelerated curriculum framework" (educational services) for Olney Charter High School with a set fee of $1.2 million for 130 students. An additional 20 students maximum could enroll in the program with the per-student rate increased to $10,000, according to the contract. The agreement was signed by ASPIRA's CEO, but the program is paid for by Olney CHS. No mention of this agreement was found in the Olney Board of Trustees minutes provided by ASPIRA.

Controller's Office Recommendation: Management agreements should provide information that details costs, services provided, fee schedules and other similar information. These should also be discussed in public and voted on by the School Board as laid out in the state Sunshine Law Act.

> ***ASPIRA Response:*** *"The costs for the Camelot contract were included and approved as part of the Olney FY 12 budget. The ASPIRA CEO is authorized to sign contracts on behalf of the school for approved expenditures in the budget."*
>
> **Controller's Office Conclusion:** Discussion of this contract was not found in board minutes provided by ASPIRA. Their response does, however, confirm the Controller's Office assertions that associated education service providers and their officers are obligating significant amount of public funds without SDP oversight or being subject to Ethics Act requirements.

Transparency

Both ASPIRA and Universal are noncompliant with the state's Right to Know Law. Section 504 of the law states that every agency that has a website must post "(1) Contact information for the open-records officer, (2) Contact information for the Office of Open Records or other applicable appeals officer, (3) A form which may be used to file a request, and (4) Regulations, policies and procedures of the agency relating to this act." Neither provider followed the law in this instance. In addition, the Controller's Office noted in its review that Universal does post the names of board members of each of their schools and has posted minutes of a few board meetings on its website. But only a handful of minutes have been posted for the 2015-2016 school year, according to its website. ASPIRA provides no identification of the schools' board of trustees. And it does not post minutes of its school board meetings.

Controller's Office Recommendation: The Controller's Office urges education service providers to hold primer classes and follow-up sessions on the Pennsylvania Right to Know Law throughout the school year for leaders within the charter schools and the providers. The schools/education service providers must comply with the Right to Know Law and post the mandated information on its website and at its location: contact information for its open records officer and the Office of Open Records, a request form, and rules, policies and procedures related to the law. Education service providers and schools should make available on its website the names and e-mails of school board members, the annual board meeting schedule and annual financial documents such as IRS 990 forms, budgets and independent audits.

> ***ASPIRA Response:*** *"ASPIRA appreciates the Controller's guidance regarding the Right to Know law and is currently addressing the oversight by adding the Right to Know information to its website. ASPIRA has drafted the appropriate text and approved the required form. The information will be "live" on the website by May 3, 2016."*
>
> **Controller's Office Conclusion:** Controller's Office Conclusion: ASPIRA noted the Right to Know Law issues and has taken actions to correct them.

Compliance with the Ethics Act

Under a 2008 provision of the Charter School Law, Section 17- 1714-A, "The term administrator" shall include the chief executive officer of a charter school and all other employees of a charter school who by virtue of their positions exercise management or operational oversight responsibilities. A person who serves as an administrator for a charter school shall be a public official. Under 65 Pa C.S. Ch. 11 (relating to ethics standards and financial disclosure)."

The Ethics Act states that charter school officials are compelled to disclose financial interests with their entities. "Each public employee and public official of the Commonwealth shall file a statement of financial interests for the preceding calendar year with the department, agency, body or bureau in which he is employed or to which he is appointed or elected no later than May 1 of each year that he holds such a position and of the year after he leaves such a position," according to the law's Section 1104 (a). Top officers at education service provider organizations, however, (according to the CSO) are not obligated to file Statements of Financial Interest under the 2008 provision, because they work for the organization that manages the charter schools, not the schools themselves. However, our review found that most of these officers – such as the chief executive officer, chief operations officer and chief financial officer -- are, in their capacities, exercising management of the charter schools and have operational oversight responsibilities for them.

For example, as previously noted, ASPIRA contracted Camelot Schools of Pennsylvania, LLC, in 2011 for $1.22 million to manage an educational program for Olney students during the 2011-12 school year. The contract was signed by ASPIRA's CEO, not by any Olney official or board member, even though Olney funded the program with public monies it received. Board minutes do not reflect any discussion by the board about this contract.

These associated education service provider officials are making significant operational and financial decisions. Therefore, the Controller's Office recommends to the state legislature that it revisit the provision to include officers working for education service providers in the requirements of the Ethics Act.

The Controller's Office would also like to note that some Universal officers involved with operational oversight of the Universal's charter schools have submitted Statements of Financial Interest because they also serve as school board members for a number of Universal schools. As charter school board members, they are obligated to file the statements. However, Statements of Financial Interest for some members of the Universal education service provider organization were not made available to the Controller's Office.

Charter schools are required to submit to the CSO Statements of Financial Interest forms from its previous four years as part of the renewal process.

The Controller's Office reviewed a number of Statements of Financial Interest submitted to the Charter School Office by ASPIRA and Universal personnel as required by the Pennsylvania Ethics Act.

ASPIRA (Ethics Act)

The Controller's Office review focused on 16 forms provided to the CSO by ASPIRA charter schools-associated board members, a chief academic officer and one school Principal which were filed for 2010 through 2014. (The deadline for filing the forms each year is May 1, and therefore 2015 statements were not available during our review period.) The forms were submitted to the CSO and most contained incomplete information and/or discrepancies. For example:

- A form filled out by a board member indicated "Consultant" as an occupation, "contracts" as direct or indirect source of income with no address listed and then indicated "None" for employment. In addition, this form was signed almost three months after the state required due date.

- One board member listed "ASPIRA Charter School" as the government entity for which they were an official.

- One board member failed to list a position, an occupation, the year of the report, real estate interests, and creditors, direct or indirect sources of income, gifts, transportation, office, financial interests or transfer of interests. In addition, the board member did not date the form.

- One administrator failed to report income received from the Pennsylvania Public School Employees' Retirement System (PSERS). It is noted that this same administrator was in a paid school position and also receiving his PSERS retirement pay, in violation of the retirement code. In addition, ASPIRA failed to withhold and pay the required PSERS contributions for the administrator. The organization also did not report this administrator's employment to the state.

In one case, two ASPIRA school board members had connections to an entity that conducted business on school property owned by ACE/Dougherty. The board president failed to list his position with said organization, a coalition of a number of organizations that included his company as well as the employer of a fellow board member. The aforementioned coalition hosted at least two daylong events in 2014 and 2015 inside the ASPIRA Educational Campus. Payment was required for these professional development events, which was open to the public. Former ASPIRA staffers indicated that for some ASPIRA charter school employees, attendance was mandatory. Repeated requests by the Controller's Office for ASPIRA to provide board minutes during those years have yielded no records from the provider to date.

ASPIRA hired its first superintendent in March 2015. A few months later in July, the superintendent affirmed through her electronic signature that ASPIRA would comply with the state Ethics Act, according to four 2014-2015 annual school reports submitted to the state Department of Education by ASPIRA. To date, the CSO has not received the superintendent's Statement of Financial Interest, which was due May 1, 2015. It is noted by the Controller's Office that Camelot Schools of Pennsylvania, LLC, a subsidiary of Camelot Education, received $1.2 million in FY2012 and $850,000 in FY2013 in taxpayer funds from Olney Charter High School to operate two education programs at Olney and at ASPIRA Educational Campus, according to two contracts between ASPIRA and Camelot. The chief academic officer at Camelot Education is, according to the company's website, the superintendent's mother[12].

> ***ASPIRA Response:*** *"Each of the School Boards are completely independent from the ASPIRA Board … No person on any of the School Boards is related to any member of ASPIRA Management or the ASPIRA Board. No person on any of the School Boards has any financial interest in ASPIRA or any ASPIRA related company. Each school has always maintained its own separate outside legal counsel from ASPIRA. Further, ASPIRA and each school operate separately. … Further, ASPIRA and each of the schools maintain separate bank accounts."*
>
> *"Such a structure has led to vigorous questioning of ASPIRA's services and heated and thorough negotiations for the Services Agreement by the School Boards. To that end, we note two things: (1) the service agreement so favored each school over ASPIRA, that ASPIRA lost money running the schools, until the recent revisions in 2014, and (2) ASPIRA's fees are among the lowest of any Charter Management Organization ("CMO") in Philadelphia. While many CMOs charge a high flat percentage school revenue (plus costs)- that to our knowledge range from 6% to 10% -- ASPIRA charges only actual costs plus 1.5% to 5% (the rates vary between the schools depending on the negotiated management agreement). Thus, ASPIRA's fees are one to eight percent lower than most CMOs.*
>
> *While it is true that some -- but not all -- of the members of the Stetson, Olney, Pantoja, Hostos, and Cyber Boards serve on the boards of the other schools, there is no prohibition in the charter school law or the nonprofit law that disallows serving on multiple boards. Further, to the extent that a decision by one School Board would potentially affect another school, each School Board has preemptively adopted a conflicts policy to address conflicts issues.*
>
> *Thus, the explicit charge that the School Boards are not independent from ASPIRA is not only inaccurate, it is unsupported by the facts."*

[12] According to interviews with community members including parents

ASPIRA and the Schools acknowledge that in the past, Statements of Financial Interest Forms required by the CSO under the Ethics Act have been incomplete. ASPIRA and the Schools have taken proactive steps to ensure compliance with the Ethics Act, and ASPIRA and the Schools were fully compliant with the Ethics Act in both 2014 and 2015."

Controller's Office Conclusion: We didn't evaluate individual or familiar relationships on the various ASPIRA boards. We do note that in ASPIRA's response they listed two ASPIRA Inc officials as having signature authority on the charter school bank accounts. While they note "vigorous questioning" and "heated and thorough negotiations" over service agreements, no discussion whatsoever was noted in the board minutes provided by ASPIRA. Also, we didn't evaluate fees charges by education service providers and therefore can't evaluate ASPIRA's claims. A list of school board of trustees provided by ASPIRA in their response to this report shows that all five schools share the same board members with the exception of one "Parent on the Board" from each school. The Controller's Office has observed an ASPIRA School Board meeting where all issues from its five schools were handled at one time, in one room. Also, ASPIRA Inc's IRS 990 for FY2014 indicated that they had changed their bylaws to no longer have the right to appoint 51% of their related charter schools board of trustees. Finally, they confirm issues with Ethics Act required Statement of Financial Interest and report they are now compliant.

UNIVERSAL (Ethics Act)

The Controller's Office reviewed 40 Statements of Financial Interest submitted by board members at Universal schools. Most were incomplete and a couple were handed in during the appropriate time frame. (The deadline to fill the form out and submit it is May 1 of each year.) The forms were submitted to the CSO and most contained incomplete information and/or discrepancies. For example:

- A Board Member of Universal Institute Charter School did not disclose that they served on the Universal Companies Board and that they are president of a health-oriented nonprofit. The aforementioned organization is associated with Universal. The board member, who did not provide their name, address or phone number, signed the document about six weeks after the May 1 deadline.

- The aforementioned board member's spouse, the board chairman, submitted their form with similar deficiencies. They signed the form on June 17, over a month after the deadline. In addition, they left out their real estate interests and employment, directorship in any business despite the fact that the Universal website described the spouse as "one of the largest African American developers of real estate in Philadelphia."

- A third board member signed and backdated their disclosure form for 2012 and 2013, approximately two years and five months respectively after the due date. They also may have violated Ethic Acts rules by dating the form December 1, 2012 for the 2012 filing year. The Statement of Financial Interests requires information for the full calendar year immediately preceding the year in which the Statement of Financial Interests is filed.[13] This Board Member is a lawyer and must abide by the Pennsylvania Code's Rules of Professional Conduct. The rules state it is professional misconduct for a lawyer to "engage in conduct involving dishonesty, fraud, deceit or misrepresentation."[14]

[13] Chapter 19, Section 19.2 of the Pennsylvania Ethics Act
[14] http://www.pacode.com/secure/data/204/chapter81/s8.4.html

Many of the forms that were filled out by the pertinent Universal officials did not include basic information such as name, address, year filed and any employment and income information. None of the forms reviewed were filed by the May 1 deadline. Nearly half of all the disclosure forms were dated before the end of the filing period. As stated earlier, this is an apparent violation of the Ethics Act rules.

Controller's Office Recommendation: The Controller's Office recommends that all charter school officials and board members complete the state mandated Statement of Financial Interest and that the SDP Charter School Office review these for completeness and appropriate reporting.

> ***Universal Response:*** *"There is no ethics violation for failing to list real estate interest if such real estate was not 'involved in transactions with the Schools'".*
>
> **Controller's Office Conclusion:** The board member identified was the Chairman of the Board of the entity that leased facilities to Universal Institute Charter School. The Controller's Office believes this constitutes a "direct or indirect interest" and should therefore be noted on the Statement of Financial Interest.

Understaffed CSO

The Controller's Office first review in 2010 found that the CSO had a staff of two and an executive director to monitor 63 schools. The office now oversees 83 charter schools, as of January 2016, with a staff of eight including four managers.

The office recently filled the Executive Director's position after leaving it vacant for over two years. The Controller's Office reviewed the requirements of this particular position on the school district's website, which stated the job applicant needed "seven years of full-time, paid, professional district or charter school leadership experience with a strong understanding of charter school and/or district operations and experience setting vision and direction for district/network-wide initiatives within an urban setting." However, before the CSO executive director was hired, she had two years experience in the charter school field as a Broad Resident working on strategy and policy in the Office of Portfolio Management at the New York City Department of Education. The residency program, run by the Broad Foundation, lists its program highlights including "two years of professional development, simultaneous to job placement."[15] She was also named executive director of Charter Evaluation and Policy in New York's education department as a resident and subsequently hired in August 2015 by the SDP.

The school district's lack of adherence to its own job description may have been the result of a low turnout of candidates. The stated requirements may have also prevented other qualified personnel from applying for the job that was filled, in the end, by a person who didn't meet their stated requirements.

In order to execute their mandate, the CSO eight-member staff oversees the city's charter schools, which provide education for 63,441 students[16]. These educational institutions received in FY2015 an estimated $722 million in public funds from the SDP[17]. In contrast, the Public Charter School Board Office in Washington, D.C. has a staff of 39 employees to oversee 62 education service providers managing 114 schools that educate only 39,000 students[18].

[15] http://www.broadcenter.org/residency/about/program-at-a-glance
[16] http://www.philasd.org/about/#charter-schools
[17] Extrapolated for FY 2015 from enrollment figures and student reimbursement rates
[18] http://www.dcpcsb.org/data/student-enrollment

Unlike the CSO, the DC office requires its charter schools to submit monthly and quarterly financial statements, all procurement contracts valued at over $25,000 for review and their annual school budgets[19]. The DC Public Charter School Board also posts city charter schools' IRS 990s, fiscal audits and budgets on its DC Public Charter School web site[20]. The charter school board also conducts qualitative site reviews to collect non-numerical data: unscheduled school visits, meetings with school leadership and reviews of school board meetings and parent interactions[21].

In late March, the SDP launched a Charter School Profiles section on its website, to give Philadelphia parents and guardians information about each charter school in the city[22]. Each charter's profile lists application deadlines, enrollment, racial demographics, graduation rates, academic offerings and extracurricular activities. The district also plans later this year to include data on academic and financial performance in the profiles. The Controller's Office welcomes the steps toward transparency the school district and charter schools are taking.

Controller's Office Recommendation: The Controller's Office recommends to the SDP that it boost staff levels significantly inside the Charter School Office to improve oversight and accountability of charter schools. The district should allocate the resources to the office that oversees 83 charter schools educating approximately 32 percent of the city's public school students.

> ***Universal Response**: The Report proposes recommendations for the School District of Philadelphia, Charter School Office and Pennsylvania legislature in regard to drafting additional measures to minimize conflicts of interest and provide additional oversight to Charter School Operators*
>
> *Universal does not object to additional oversight and/or clarity in regard to CMOs operating multiple schools. Charter Management Organizations face difficulties being restricted to legislation intended for single operated charter school which is contrary to the School District of Philadelphia's current practice of CMOs operating multiple schools.*
>
> **Controller's Office Conclusion:** The Controller's Office notes Universal's agreement that education service providers need to be appropriately addressed in the Charter School Law as well as additional oversight by the School District of Philadelphia.

[19] http://www.dcpcsb.org/report/financial-management/charter-school-contracts
[20] http://www.dcpcsb.org/report/school-budgets-fiscal-audits-and-990s
[21] http://www.dcpcsb.org/report/qualitative-school-reviews
[22] http://www.philly.com/philly/education/20160331_Philly_releases_charter_school_profiles.html

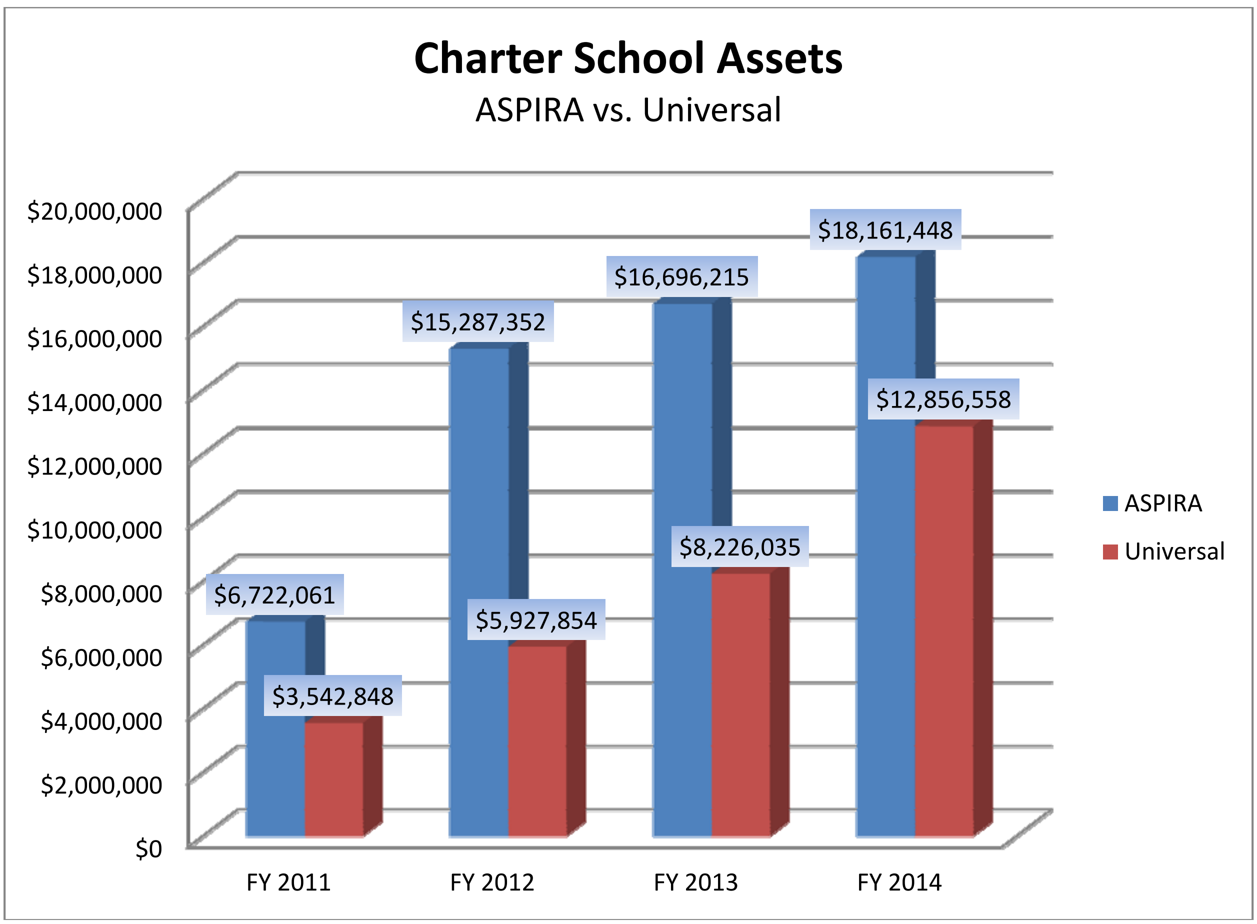
APPENDIX I

The issues identified in this report detail some of the protocols and policies of the two education providers and the 12 charter schools they operate. These providers directly manage funds, including taxpayer monies, and one result has been a growth in assets and revenue for the charter schools and the providers' associated nonprofits. These funds could be at risk of fraud, waste and mismanagement without proper oversight.

Unfettered growth

The school district has had well-publicized budget challenges the last several years that have led to massive layoffs and significant cuts to school budgets. It may be a different story with education service providers.

During the same time period, both charter school operators have seen their total assets increase, which is consistent with the Controller's Office previous findings. The chart below illustrates this growth, according to IRS 990s covering FY2011 to FY2014, the latest years that are available.

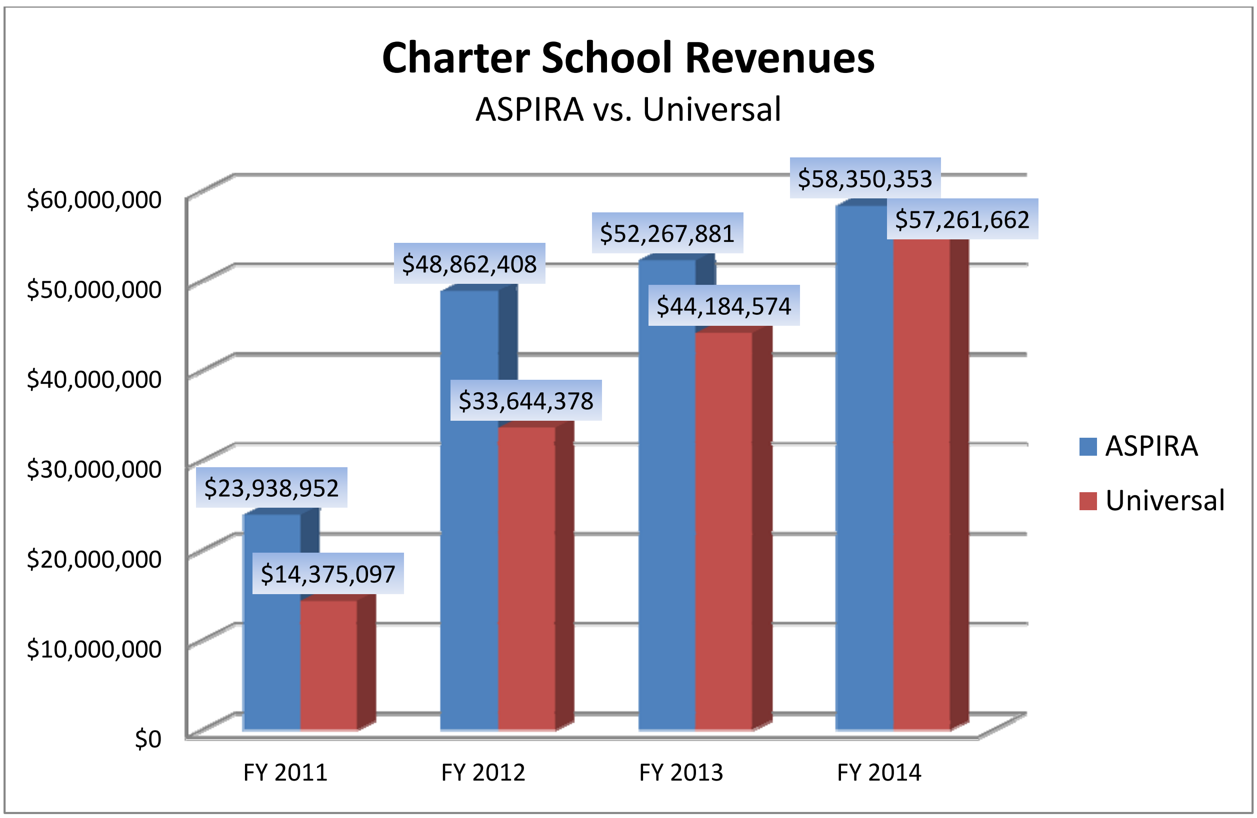


The combined total assets of the charter schools and their associated entities grew from $33.6 million to $68.2 million, a 103 percent jump between FY2011 and FY2014.

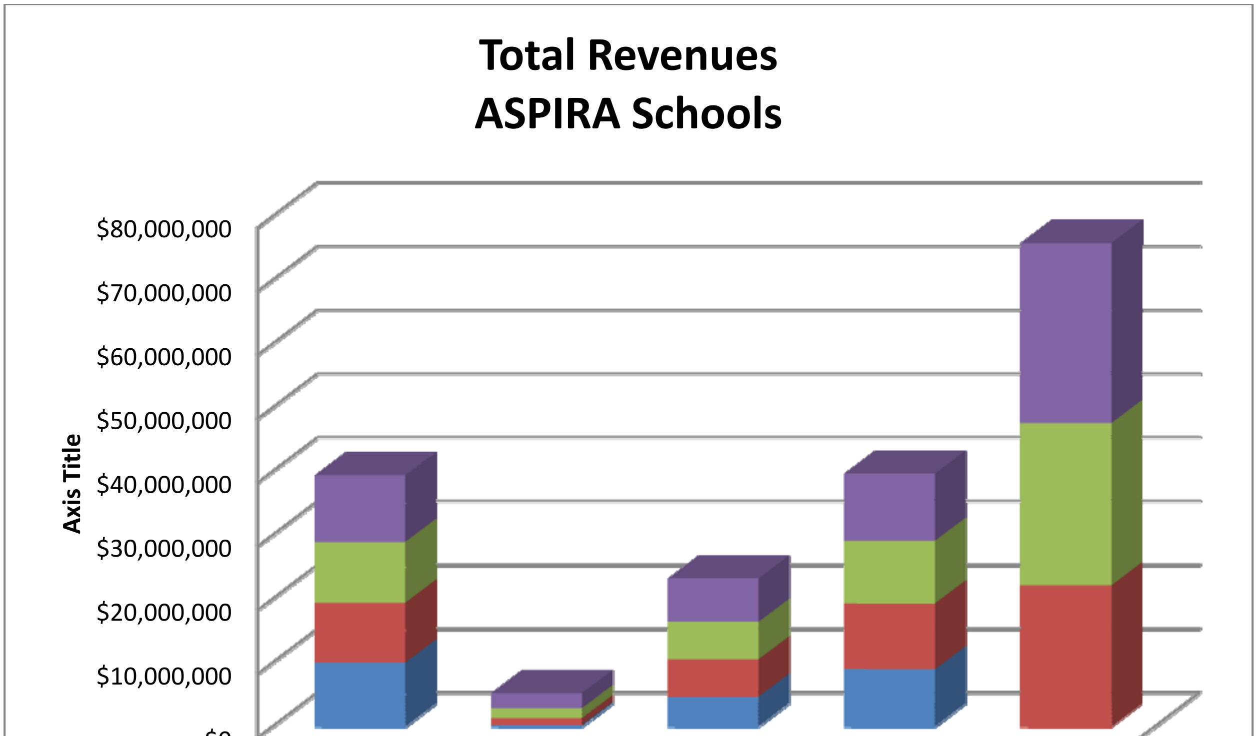
Students, Revenue, Asset Growth

Universal's seven schools saw its enrollment jump 64 percent between FY 2011 to FY 2014, from about 2,555 to 4,200 students[23]. During that time, Universal was granted two charters through the the SDP's Renaissance Program for Alcorn and Creighton. Total revenue at Universal schools surged 280 percent from $14.4 million to $54.6 million between FY2011 to FY2014[24]. The schools' total assets nearly quadrupled from $3.5 million to nearly $13 million during this time period.

Enrollment in the five ASPIRA charter schools saw a smaller increase, from 3,463 to 3,694 students during the same period.[25] The schools' total annual revenue jumped 142 percent between FY2011 and FY2014, from $24 million to $58 million[26]. ASPIRA schools' total assets grew 145 percent from $7.4 million to $18.1 million during the same time period.[27]



[23] Based on analyses by the Charter School Office
[24] According to Universal schools IRS 990 forms
[25] Based on analyses by the Charter School Office
[26] Based on information found in the schools' IRS Form 990s
[27] Based on information in the organizations IRS Form 990's.



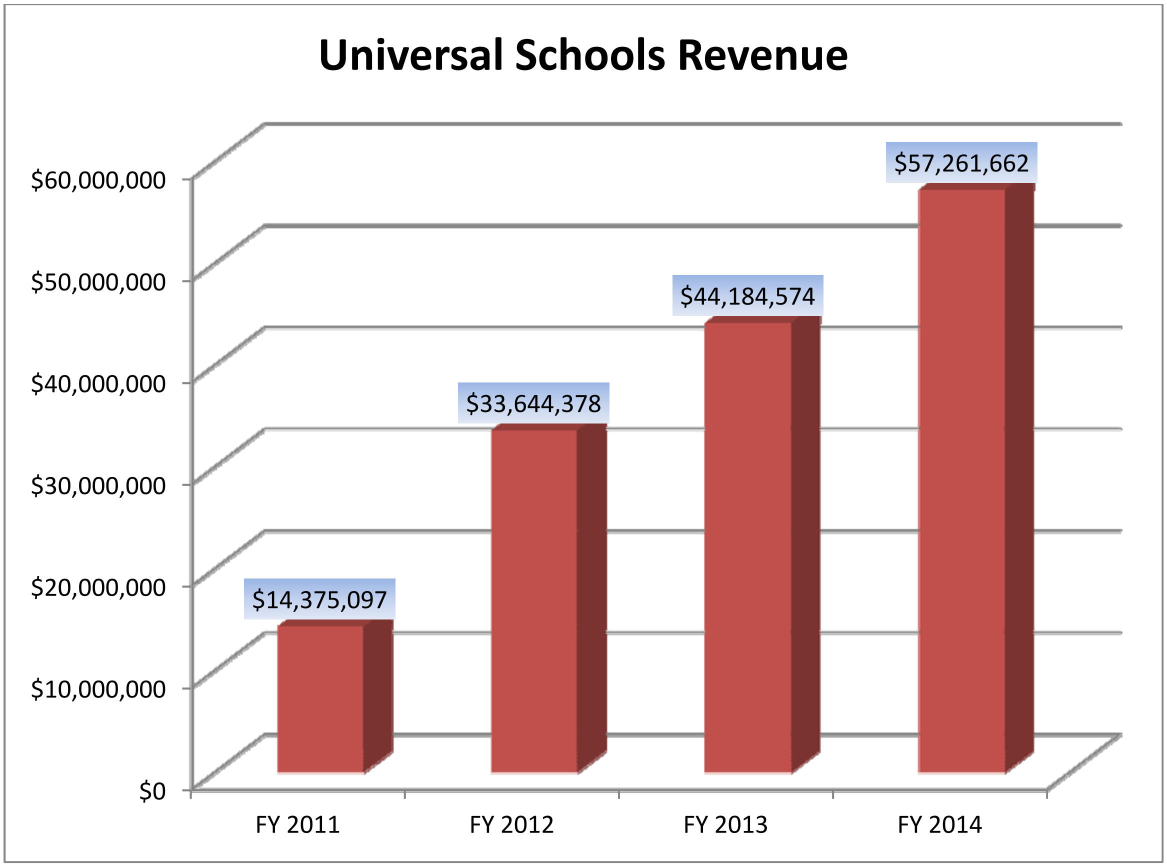
	Pantoja	ASPIRA Cyber	Hostos	Stetson	Olney
FY 2014	$10,472,039	$2,352,901	$6,790,840	$10,514,788	$28,219,785
FY 2013	$9,548,022	$1,574,775	$5,871,399	$9,826,849	$25,446,836
FY 2012	$9,388,606	$1,098,373	$5,859,419	$10,340,689	$22,175,321
FY 2011	$10,014,608	$238,375	$4,696,093	$8,989,876	$0

During this same time period, the two associated non-profits ASPIRA and ACE, whose significant source of revenue is charter school income, grew annual revenues by 97 percent, from about $9.3 million to $18.3 million, according to their 990 filings. Total assets expanded by 117 percent, from approximately $13.3 million to $28.9 million.

The five charter schools and the two associated non-profits during FY 2014 had total revenues of $76.6 million and assets totaling $47 million.

One item of note, Olney showed a net asset balance of $5.3 million by the end of FY2014 and only three years after its founding[28]. During the same fiscal year, the school dispersed $1.5 million in "Grants or Other Assistance" to the other four ASPIRA-associated schools. The following fiscal year was a different financial story, however. By the end of June 2015, two months after Olney employees voted to unionize, ASPIRA informed the Olney staff that it was cutting 22 teachers and 14 non-instructional positions due to a $2.3 million budget gap[29].

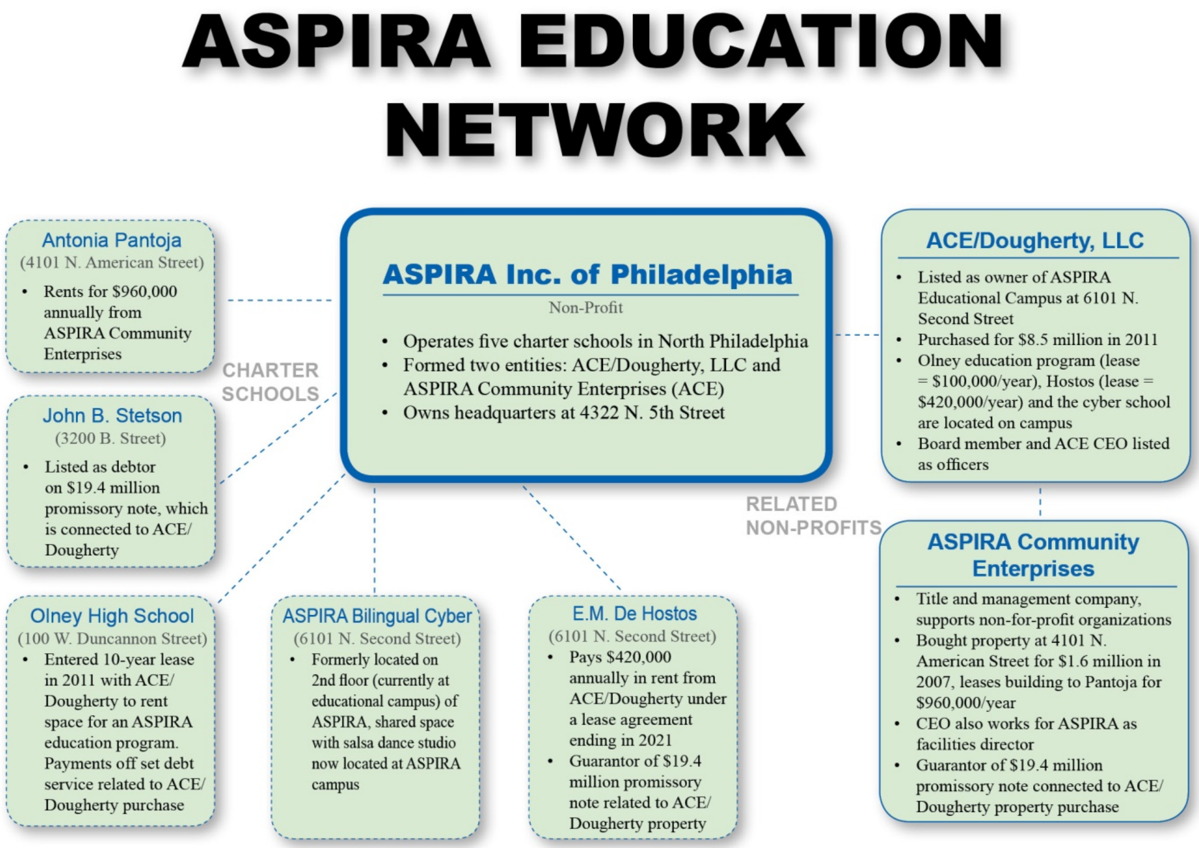
[28] According to Olney's 2014 IRS990 form
[29] "Olney Teachers Protest Job Cuts," *Daily News*, June 26, 2015



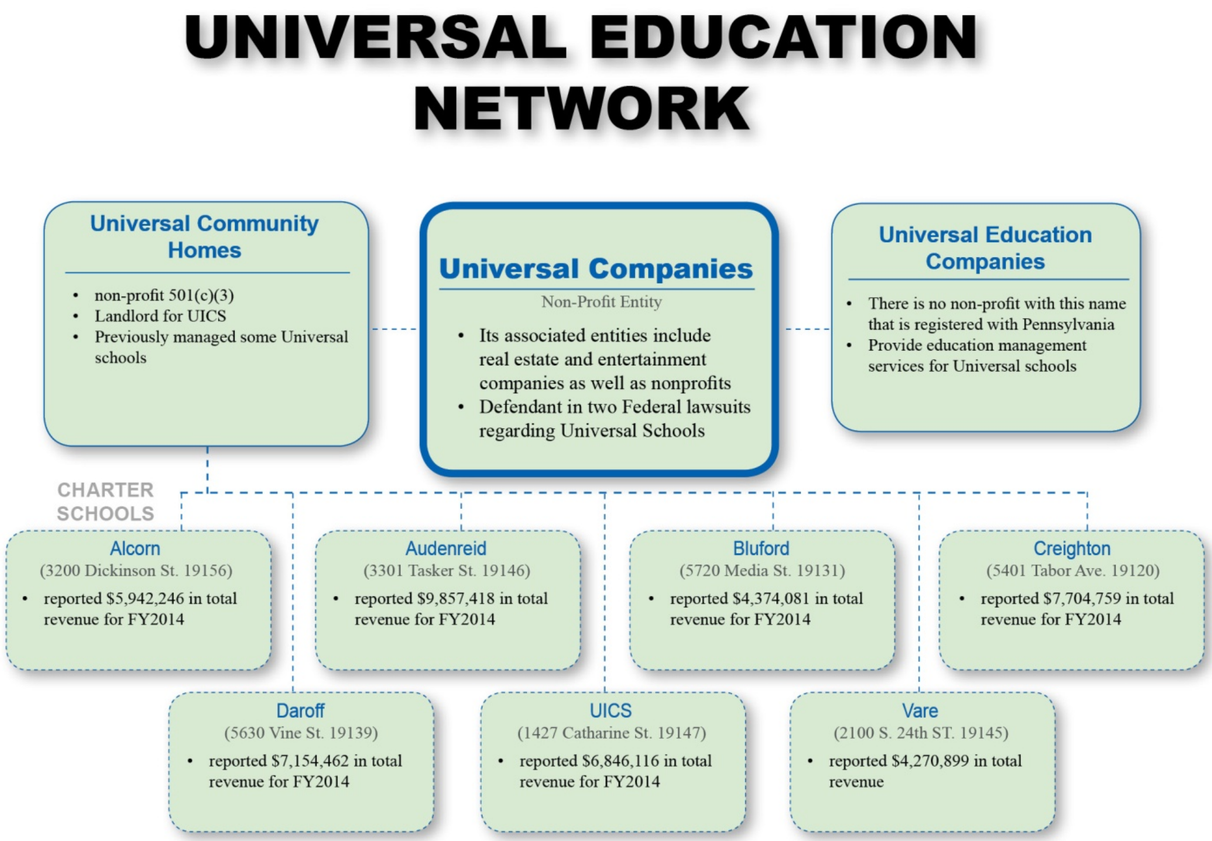
Source: IRS 990 forms filed by Alcorn, Audenried, Bluford, Creighton, Daroff, UICS and Vare

	Universal Revenues by School			
	FY 2011	FY 2012	FY 2013	FY 2014
Creighton	0	0	$7,440,918	$9,398,439
Daroff	0	$7,531,689	$8,037,551	$8,904,821
Audenried	0	$6,881,794	$6,312,384	$7,815,511
Bluford	$6,935,528	$7,092,529	$7,089,507	$7,109,655
UICS	$7,439,569	$5,842,264	$6,410,016	$6,846,116
Alcorn	0	0	0	$5,942,246
Vare	0	$4,302,205	$5,077,250	$5,409,077

APPENDIX II



Relationships among ASPIRA entities based on IRS Form 990 analysis and information provided by ASPIRA



Relationships among some Universal entities, based on IRS Form 990 and information provided by Universal.