

HIGHLAND PREP

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15600 W. Hearn Rd.,
Surprise, AZ 85379

FOSTERING TOMORROW'S STEM INNOVATORS AND LEADERS



www.HighlandPrepAz.com

January 21, 2021

Ms. Sarah Giles
Senior Budget Analyst
Governor's Office of Strategic Planning and Budgeting

Dear Ms. Giles,

Please find attached the completed credit enhancement request on behalf of the Highland Prep/Madison Highland Prep (the "HP Network") network of schools for \$18 million in credit enhancement from the CEEB. The HP Network was already deemed an Achievement District in September of 2019.

We wanted to use this cover letter to outline some pertinent points related to this application.

1. The \$18 million in enhancement will be used for a proposed 2021 bond issue that will provide for the construction of a new HP Network grade 9-12 campus in the Goodyear/Avondale area. This new campus will provide educational opportunities (or classroom seats) for up to 450 students in this community, and the new school will be known as "Highland Prep West". Included in the \$18 million dollar request, is funding for a 10,000 square foot addition to the existing Highland Prep Surprise campus that will accommodate up to approximately 100 new seats for that location. Combined we will be adding physical capacity for 550 new high school seats in the western side of the Phoenix metro area.
2. The Highland Prep West school is a replication under our current charter for Madison Highland Prep ("MHP"). This replication has been approved by the State, to allow the Highland Prep West school to open in the summer of 2022.
3. The Highland Prep West school will be in the process of applying for their own 501(c)(3) letter with the IRS. However, at the moment of this CEEB application, Highland Prep West falls under the MHP corporate banner.
4. The Highland Prep West school will be part of an obligated group of schools, including the Highland Prep West school and the Highland Prep Surprise school. The 2021 bonds will be on parity with the 2019 bonds issued by Highland Prep Surprise. For that reason, the application materials we provided, focus on the historical and projected financial information of the existing Highland Prep Surprise and the new Highland Prep West schools.
5. We have identified two potential school sites in the Goodyear/Avondale area, and are in the process of finalizing our development plans for the new Highland Prep West school. We anticipate bringing this process to a conclusion in the next 45 to 60 days, and wanted to get our application in front of the CEEB.

Please let us know additional information and questions that you have. We greatly appreciate your partnership.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dr. Kerry Clark'.

Dr. Kerry Clark
Principal/Executive Director

SUBMITTAL ITEMS TO WEBSITE

I. Financial Information Section

- a. Financial Statements
 - 2019 Audit
 - 2020 Audit
- b. 2021 Budget
- c. Debt Ratio Statement

II. Public Charter School Applicants Section

- a. Charter Board & Senior Staff
- b. Charter Litigation
- c. Charter Cash Flow Statement
- d. Charter School Enrollment
- e. Charter School Liquidity Statement
- f. Charter School Debt Rating
- g. Charter School Outstanding Debt
- h. Charter School Academic Outcomes and Operations
- i. Charter School Personal Benefit Disclosure

III. Guaranteed Financing Section

- a. Financial Timeline
- b. Use of Guaranteed Financing
- c. Collateral Property Identification
- d. Financing Team
- e. Teacher Turnover Rate
- f. Parent/Teacher Survey Results



I-a. Financial Statements

Attached:

- 1) 2019 Audit
- 2) 2020 Audit



HIGHLAND PREP

HIGHLAND PREP

Audited Financial Statements
June 30, 2019

HIGHLAND PREP
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June 30, 2019

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Independent Auditor's Report on the Financial Statements

Board of Directors
Highland Prep
Surprise, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Highland Prep (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Highland Prep as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report on the Financial Statements (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 29, 2019, on our consideration of Highland Prep's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Highland Prep's internal control over financial reporting and compliance.

Other Matter

This report is intended for the information and use of management, others within the Organization, the Arizona State Board for Charter Schools and the Arizona State Department of Education and is not intended to be and should not be used by any other parties.

A handwritten signature in dark ink that reads "Henry J. Fortino, CPA, P.C." The signature is written in a cursive, flowing style.

Henry J. Fortino, CPA, PC
Tucson, Arizona
July 29, 2019

HIGHLAND PREP
Statement of Financial Position
June 30, 2019

ASSETS

Current Assets:

Cash	\$ 591,376
Due from State of Arizona	32,140
Prepaid expenses	<u>4,572</u>

Total Current Assets 628,088

Furniture and Equipment, net of accumulated depreciation of \$9,237 38,690

Total Assets \$ 666,778

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 131,822
Accrued payroll	46,515
Note payable - current portion	9,900
Due to affiliate	<u>100,186</u>

Total Current Liabilities 288,423

Note Payable - Long Term Portion 12,999

Total Liabilities 301,422

NET ASSETS

Net Assets Without Donor Restrictions 365,356

Total Liabilities and Net Assets \$ 666,778

The accompanying notes are an integral part of these financial statements.

HIGHLAND PREP
Statement of Activities
Year Ended June 30, 2019

CHANGES NET ASSETS WITHOUT DONOR RESTRICTIONS

Support and Revenue:

State equalization program	\$ 1,785,158
Other state revenue	140,251
Other income	48,637
Federal grants	<u>302,320</u>

Total Support and Revenue 2,276,366

Expenses:

Academic programs:

Salaries and wages	622,963
Payroll taxes and employee benefits	62,032
Rent expenses	408,289
Other occupancy costs	143,962
Supplies	430,417
Purchased services	121,668
Depreciation	<u>6,999</u>

Total academic programs 1,796,330

General and administration:

Salaries and wages	76,131
Payroll taxes and employee benefits	6,900
Rent expenses	43,000
Other occupancy costs	15,572
Supplies	1,977
Purchased services	<u>54,079</u>

Total general and administration 197,659

Total Expenses 1,993,989

Increase in Net Assets Without Donor Restrictions 282,377

NET ASSETS BEGINNING OF YEAR 82,979

NET ASSETS END OF YEAR \$ 365,356

The accompanying notes are an integral part of these financial statements.

HIGHLAND PREP
Statement of Cash Flows
Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in Net Assets	\$ 282,377
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:	
Depreciation	6,999
Changes in:	
Due from State of Arizona	(17,344)
Prepaid expenses	(4,572)
Accounts payable	98,780
Accrued payroll	21,141
Net Cash Provided By Operating Activities	<u>387,381</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(6,652)
Advances from affiliate	<u>50,272</u>
Net Cash Provided By Investing Activities	<u>43,620</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on note payable	<u>(7,187)</u>
Net Cash Used By Financing Activities	<u>(7,187)</u>

	Increase in Cash	423,814
CASH AT BEGINNING OF YEAR		<u>167,562</u>
CASH AT END OF YEAR		<u><u>\$ 591,376</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	\$ 800
Equipment acquired through issuance of note payable	30,086

The accompanying notes are an integral part of these financial statements.

HIGHLAND PREP
Notes to Financial Statements
June 30, 2019

NOTE 1 -- PURPOSE AND ORGANIZATION

Highland Prep (the School) was organized as a not-for-profit organization in 2015, to provide secondary education, under the laws of the State of Arizona. The School operates a charter school located in Surprise, Arizona. The School markets to students that are interested in a college-preparatory high school with an emphasis in science, technology, engineering and math (STEM).

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying financial statements have been prepared in accordance with the standards for financial reporting for not-for-profit organizations. These standards require presentation of a statement of financial position, a statement of activities and a statement of cash flows. They also require the classification of resources into two classes of net assets based on the absence or existence of donor-imposed restrictions.

In order to observe restrictions, which donors place on grants and other gifts, as well as designations made by the Board of Directors, all assets, liabilities and activities are accounted for in the following net asset classifications:

Net Assets Without Donor Restrictions - not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes or locations by action of the Board of Directors.

Net Assets With Donor Restrictions - subject to donor-imposed stipulations that may be fulfilled by actions of the School to meet the stipulations or become unrestricted at a date specified by the donor.

Cash

For purposes of the statement of cash flows, cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. The School had \$10,697 of cash balances restricted for the classroom site fund at June 30, 2019.

Donations-In-Kind

Material donations-in-kind items received by the School are recorded as income along with a corresponding charge to expense or capitalized cost.

Support and Revenue

Revenue consists primarily of equalization payments and other funding from the State of Arizona. These amounts are recorded as revenue when earned by the School as services are provided to students. Support consists mainly of grants from the federal government that are passed through the State of Arizona. These amounts are recognized as contributions when promised to the School.

All contributions are reported as increases in net assets without donor restrictions unless restricted by a donor. Amounts received that are restricted by a donor are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. However, if contribution with donor restrictions has its restriction satisfied in the year contributed it is classified as a contribution without a donor restriction.

The School uses volunteers in all of its academic programs. Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets or would have been purchased if not provided by contribution, and which require specialized skills provided by individuals possessing such skills. There were no material contributed services meeting these criteria during the year ending June 30, 2019.

HIGHLAND PREP
Notes to Financial Statements
June 30, 2019

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

It is the School's policy to capitalize individual property and equipment acquisitions with of value of \$5,000 or more. Purchased property and equipment is capitalized at cost. Donations of property and equipment are capitalized at their estimated fair values. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the respective assets.

Income taxes

The School is an organization exempt from income taxation under Section 501 (a) as an entity described in Section 501(c) (3) of the Internal Revenue Code. It is not classified as a private foundation. The School's income tax returns are subject to examination by the IRS, generally for three years after they are filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

NOTE 3 -- CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash in banks. The School limits its credit exposure by placing its cash balances with a high credit quality financial institution. Accounts at the institution are insured up to \$250,000 by the FDIC. At June 30, 2019 the School had approximately \$342,100 of uninsured bank balances. The School does not require collateral on amounts greater than insured balances.

NOTE 4 -- ADVERTISING

The School has non direct-response advertising only and charges the costs to expense as incurred. For the year ending June 30, 2019 advertising expense totaled \$23,800.

NOTE 5 -- FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs associated with individual functions are expensed directly as incurred. Payroll taxes and employee benefits have been allocated amongst the functions based on gross payroll. Rent and occupancy costs have been allocated based on square footage.

NOTE 6 -- RELATED PARTY TRANSACTIONS

The due to affiliate balance was a result of another charter school that has common management paying operating expenses on behalf of the School. The balance has no repayment terms.

For the year ending June 30, 2019, the School paid \$17,600 to a company owned by a board member for accounting services.

HIGHLAND PREP
Notes to Financial Statements
June 30, 2019

NOTE 7 -- OPERATING LEASE

The School entered into a lease agreement on its campus facilities. Starting monthly rent payments are \$65,625 with payments commencing in January of 2019. The lease also calls for payments of a 1% management fee as well as property insurance and property tax charges as applicable. The lease includes an option to purchase the campus facilities for a multiple of the development costs. The School has exercised this purchase option and is the process of obtaining financing through the issuance of IDA bonds.

NOTE 8 -- INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The School strives to maintain liquid financial assets sufficient to cover 45 days of general expenditures. Financial assets in excess of daily cash requirements are generally invested in certificates of deposit and money market funds.

The following table reflects the School's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

Cash and cash equivalents	\$ 591,375
Accounts receivable	<u>32,140</u>
Total financial assets	623,515
Cash restricted for classroom site fund	<u>(10,697)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 612,818</u>

NOTE 9 -- NOTE PAYABLE

The note payable calls for monthly payments of \$888 including interest at 4% through September 2021 and is secured by a vehicle. Future annual principal maturities on the note are as follows: 2020-\$9,900, 2021-\$10,300, and 2022-\$2,699. Interest expense for the year ending June 30, 2019 totaled \$808.

NOTE 10 -- COMPLIANCE

The School's compliance with certain laws and regulations is subject to review by its Sponsor and the State of Arizona, Office of the Auditor General and Department of Education. Such reviews could result in an adjustment of equalization revenue or other corrective action.

NOTE 11 -- SUBSEQUENT EVENTS

The School has evaluated subsequent events through July 29, 2019, the date which the financial statements were available to be issued.

NOTE 12 -- NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The School has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the School's financial statements: 1) The unrestricted net asset class has been renamed net assets without donor restrictions. 2) The financial statements include a new disclosure about liquidity and availability of resources (Note 8). 3) The statement of activities now shows expenses by their natural classification.



**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters**

Board of Directors
Highland Prep
Surprise, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Highland Prep (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 29, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Highland Prep's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Highland Prep's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Highland Prep's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters (Continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry J. Fortino, CPA, P.C.

Henry J. Fortino, CPA, PC
Tucson, Arizona
July 29, 2019



Arizona State Board for Charter Schools
Legal Compliance Questionnaire
Highland Prep
Fiscal Year Ended June 30, 2019

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INSTRUCTIONS

NOTE: This questionnaire should only be used for charters that are exempt from the Uniform System of Financial Records for Arizona Charter Schools (charters that **HAVE** an exception). If a charter is subject to procurement requirements pursuant to A.R.S. §§15-189.02 and 41-2535(A), this questionnaire should be used in conjunction with the Procurement Compliance Questionnaire (see audit guidelines) which is available on the Arizona State Board for Charter Schools' website <https://asbcs.az.gov>.

In order to determine whether a charter that is exempt from the requirements of the Uniform System of Financial Records for Arizona Charter Schools (USFRCS) is complying with applicable legal requirements, the auditors must complete the following Legal Compliance Questionnaire in accordance with both the agreed upon procedures (instructions contained herein) and the attestation standards established by the American Institute of Certified Public Accountants. (Note: This questionnaire is not comprehensive of all legal requirements for charter schools. As such, this document should not be the sole reference to determine all laws and regulations that are applicable to charter schools).

The following prescribed minimum agreed upon procedures, as well as those identified throughout the questionnaire, must be used for completing the Legal Compliance Questionnaire in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The State Board for Charter Schools may reject questionnaires not meeting these standards.

- ◆ Sufficient, appropriate evidence must be obtained annually for each question to satisfactorily determine whether the charter complies with the legal requirements, and the evidence must be included in the documentation.
- ◆ Evidence may be obtained through test work, observation, examination, and client assertion. However, client assertion alone is not adequate evidence to support "Yes" answers to the questionnaire.
- ◆ Population size should be considered in determining the number of items to test, and the items selected should be representative of the population.
- ◆ The number of items tested must be sufficient to determine whether a deficiency was the result of an isolated incident or a recurring problem. Therefore, testing one transaction, record, or item is not sufficient.
- ◆ The sample size should be expanded if the audit firm cannot clearly determine whether the charter complies with the legal requirements of the question.

- ◆ If sufficient evidence has been obtained and documented during the current audit, that evidence may be referenced to answer questions.
- ◆ All “No” and “N/A” answers must be adequately explained in the comments column or in an attachment. Findings must be described in sufficient detail to enable the State Board for Charter Schools to describe the finding in a letter. The description should include the number of items tested and the number of exceptions noted.
- ◆ A “Yes” answer indicates that the audit firm has determined that the charter complies with the legal requirements of the question and a “No” answer indicates the charter does not comply. However, the final determination of compliance on each question, as well as overall compliance with legal requirements, is made by the State Board for Charter Schools based on the evidence presented in the questionnaire, audit reports, resulting documentation, and any other sources.

The resulting documentation supporting the audit firm’s answers to the Legal Compliance Questionnaire must be made available on request for review by the State Board for Charter Schools. To facilitate this review, the audit firm may wish to include in the documentation a copy of the questionnaire containing references to procedures performed for each question.



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Highland Prep
and Arizona State Board for Charter Schools

We have performed the procedures enumerated on the attached Legal Compliance Questionnaire, which were agreed to by Highland Prep and the Arizona State Board for Charter Schools, solely to assist the specified parties in evaluating Highland Prep's compliance with the fiscal requirements of Arizona Revised Statutes applicable to Charter Schools for the year ended June 30, 2019. Management is responsible for the compliance with those requirements. Our findings related to the procedures are contained in the attached Arizona State Board for Charter Schools Legal Compliance Questionnaire. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the Legal Compliance Questionnaire either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion on compliance or conclusion, respectively, on compliance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information use of Highland Prep and the Arizona State Board for Charter Schools and is not intended to be and should not be used by anyone other than these specified parties.

Henry J. Fortino, CPA, P.C.

Henry J. Fortino, CPA, PC
Tucson, Arizona
July 26, 2019

Legal Compliance Questionnaire¹

Questions/Subject Area	Yes/No	Comments
Personnel		
1. Did the school have valid fingerprint clearance cards (FCC) for 100% of the required personnel as of the testing date? A.R.S. §15-183(C)(5) and A.R.S. §15-512(H)	Yes	
(QUESTIONS #2a THROUGH 2c ONLY APPLY TO NEW HIRES REQUIRED PURSUANT TO A.R.S. §15-183(C)(5) TO HAVE VALID FCCS AND DO NOT APPLY IF AN INDIVIDUAL'S FCC HAS EXPIRED.)	NA	All individuals had a valid FCC.
2. For each individual referenced in #1 that did not have a valid FCC, please provide the following information (provide supplemental pages, if necessary) (See agency guidance available on the Board's website prior to completing these questions) A.R.S. §15-183(C)(5):		
a. Was an application for a FCC on file with the Department of Public Safety (DPS) as of the testing date?	NA	All individuals had a valid FCC.
b. Did DPS receive the application prior to the hire date?	NA	All individuals had a valid FCC.
c. Prior to placement, did the school do all of the following?	NA	All individuals had a valid FCC.
i) Document the necessity for hiring/placing the individual prior to receiving a FCC?	NA	All individuals had a valid FCC.
ii) Obtain statewide criminal history information on the individual?	NA	All individuals had a valid FCC.
iii) Obtain references from the applicant's current and previous employers?	NA	All individuals had a valid FCC.
3. Did the charter school maintain up-to-date fingerprints of all Governing Body members as of the testing date? Charter Contract²	Yes	
4. Were all other personnel fingerprint checked as of the testing date? A.R.S. §15-183(C)(5) and A.R.S. §15-512	NA	No other personnel.
5. Did the charter school inform the parents and guardians of pupils enrolled in the school of the availability of information about the educational and teaching background	Yes	

¹ For the purposes of this questionnaire, please note that "Governing Body" means the group of persons required by A.R.S. §15-183(E)(8) that is responsible for policy decisions of the charter school. The term "Governing Board" means the group of persons that the charter holder has assigned the responsibility addressed by the question. The applicable group of persons may be the Governing Body or the officers, directors, members or partners of the charter holder. The applicable group of persons may vary depending on the issue addressed by the question.

² Specific contract cites could not be provided as term references vary per contract year.

and experience in a particular academic content subject area for all current employees who provide instruction to pupils? A.R.S. §15-183(F)		
	Yes/No	Comments
Required Filings		
1. Is the school in good standing with the following regulatory bodies:		
a. Internal Revenue Service U.S.C. Title 26		
i. For payroll taxes, income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year?	Yes	
ii. The school did not have any payroll or income taxes payable from a prior year(s) as of audited fiscal year end (June 30 th) is a true statement.	Yes	
iii. If the response to 1.a.i, 1.a.ii, or both is “no”, does the school have a payment plan in place with the Internal Revenue Service?	NA	Answers were yes.
iv. If the answer to Question 1.a.iii is “yes”, has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30 th)?	NA	Answer was NA.
b. Arizona Department of Revenue A.R.S. §43-401 and §43-1111		
i. For payroll taxes, state income taxes (if applicable) and applicable tax forms required to be filed during the audited fiscal year?	Yes	
ii. The school did not have any payroll or income taxes payable from a prior year(s) as of audited fiscal year end (June 30 th) is a true statement.	Yes	
iii. If the response to 1.b.i, 1.b.ii, or both is “no”, does the school have a payment plan in place with the Arizona Department of Revenue?	NA	Answers were yes.
iv. If the answer to Question 1.b.iii is “yes”, has the school made all of the required payments under the payment plan as of audited fiscal year end (June 30 th)?	NA	Answer was NA.
c. Arizona Department of Economic Security A.R.S. §§23-701 through 23-757		
i. State unemployment contributions requirements for the audited fiscal year?	Yes	
ii. The school did not have any state unemployment contributions payable from a prior year(s) as of audited fiscal year end (June 30 th) is a true statement.	Yes	
iii. If the response to 1.c.i, 1.c.ii, or both is “no”, does the school have a payment plan in place with the Arizona Department of Economic Security?	NA	Answers were yes.
iv. If the answer to Question 1.c.iii is “yes”, has the school	NA	Answer was NA.

made all of the required payments under the payment plan as of audited fiscal year end (June 30 th)?		
d. Corporation Commission (e.g., annual report)? Charter Contract	Yes	
2. Was a copy of the adopted budget submitted electronically to the Superintendent of Public Instruction no later than July 18 th ? A.R.S. §15-905(E) and §15-183(E)(6)	Yes	
3. Was the Annual Financial Report (AFR) sent to the Superintendent of Public Instruction by October 15 th ? A.R.S. §15-183(E)(6) and 15-904(A)	Yes	
Special Education		
1. Is the staff the school uses to provide special education services (internal or contracted) certified in special education?	Yes	
2. Does the school conduct 45 day screenings on all new students? AAC R7-2-401	Yes	
3. Are evaluations and IEPs on file for special education students? 34 CFR 300.341-350 and 300.531-536	Yes	
Classroom Site Fund - A.R.S. §15-977 & OAG Memorandum No. 44		
1. Did the school properly allocate Classroom Site Fund receipts among the following projects: 1011 – Base Salary (20%), 1012 – Performance Pay (40%), and 1013 – Other (40%)?	Yes	
2. For Project 1011, were expenses only for teacher base salary increases and employment-related expenses?	Yes	
3. For Project 1012, were expenses only for performance-based teacher compensation increases and employment-related expenses?	Yes	
4. For Project 1013, were expenses only for class size reduction, teacher compensation increases, assessment intervention programs, teacher development, dropout prevention programs, and teacher liability insurance premiums?	Yes	
5. Did the school use Classroom Site Fund monies to supplement rather than supplant, existing funding from all other sources? (See USFRCS Memorandum No. 44 for guidance on the Classroom Site Fund.)	Yes	
6. If the school had monies remaining at year-end, were they properly carried forward in the three Classroom Site Projects (1011, 1012, and 1013) to help ensure that the restrictions placed on the original allocation of revenues is applied in future years?	Yes	
7. Did the school have sufficient cash at year-end to cover the carry over monies, and what was the Classroom Site Fund <u>cash</u> carryover balance at year-end?	Yes	\$10,697
Student Attendance Reporting		
If test work performed in this section discloses a net overstatement or understatement of membership and/or absence days, based on A.R.S. and ADE's school finance external guidelines, report the net overstatement or understatement in the "Comments" column next to each applicable question.		

	Yes/No	Comments
1. Was school in session for at least 180 days or did the Governing Board adopt a calendar with an equivalent number of minutes of instruction per school year based on a different number of days of instruction? A.R.S. § 15-341.01	Yes	
2. Did the school ensure that [A.R.S. §§15-808(J)(1), 15-901(A)(1) and 15-901.07]: (Note: Instructional hours for common school students include hours in which a student is scheduled to attend a common school during the regular school day that shall be included in the calculation of the average daily membership for that student. Instructional hours for high school students include regularly scheduled class periods intended for instructional purposes, which may include core subjects, elective subjects, lunch, study halls, music instruction, and other classes that advance the academic instruction of pupils, except that instructional purposes shall not include athletic practices or extracurricular clubs and activities.)		
a. Preschool children with disabilities were enrolled in a program that met at least 360 minutes a week that meets at least 216 hours over the minimum number of days?	NA	High School only.
b. Kindergarten was in session for at least 356 hours or 346 hours for Arizona Online Instruction (AOI) Programs?	NA	High School only.
c. Grades 1 through 3 were in session for at least 712 hours?	NA	High School only.
d. Grades 4 through 6 were in session for at least 890 hours?	NA	High School only.
e. Grades 7 and 8 were in session for at least 1,000 hours or 1,068 hours for AOI Programs?	NA	High School only.
f. Grades 9 through 12, other than AOI Programs, were in session at least 720 hours?	Yes	
g. Grades 9 through 12, other than AOI Programs or those students enrolled in concurrent coursework, include at least 4 subjects, each of which if taught each school day for the minimum number of days required in a school year, would meet a minimum of 123 hours a year?	Yes	
h. Grades 9 through 12 of AOI Programs include at least 4 courses throughout the year that meet at least 900 hours during the school year?	NA	No AOI program.
i. Grades 9 through 12 students enrolled in concurrent coursework, attended at least 4 subjects? At least 1 subject must be taught at the school per semester and, if taught each school day for the minimum number of days required in a school year, would meet a minimum of 123 hours a year. Students must earn 3 semester hours of credit or more for subjects taught at the community college or university.	NA	No students in concurrent coursework.
For Student Attendance Reporting questions, the audit firm must select and test the specified number of transactions (records, entries, withdrawals, or days) as shown in the sample size instructions before each section.		

These samples should include 3 or more grade levels and 3 or more campuses, where applicable. The listed sample sizes represent the minimum level of required test work. The audit firm should use its judgment in determining whether a larger sample is needed. All student attendance records tested should be selected from the first 100 days of school. In the parentheses provided within the questions, write the actual number of transactions tested. If all transactions were tested, indicate such in the “Comments” column.

<p>For questions 3-5 select at least 3 student attendance records.</p> <p>3. If the school had an early (pre-) kindergarten program, based upon review of (____) early (pre-) kindergarten students’ attendance records, did the school only calculate and submit membership/absence information for this program for students with disabilities? A.R.S. §15-901(A)(1)(a)(i) and USFRCS Memorandum No. 33</p>	NA	High School only.								
<p>4. Based upon review of (____) students’ attendance records in kindergarten programs, if the instructional time for the year was between 356 and 692 hours, were students not in attendance for at least 3/4 of the day counted as being absent or, if the instructional time for the year was 692 hours or more, were students not in attendance at least 1/2 of the day counted as being absent? A.R.S. §§15-901(A)(1)(a)(i) and 15-901(A)(5)(a)(i)</p>	NA	High School only.								
<p>5. If the school had an early first grade program, based upon review of (____) early first grade students’ attendance records, did the school calculate and submit membership/absence information for this program as it would for kindergarten? A.R.S. §§15-901(A)(1)(a)(i) and 15-901(A)(5)(a)(i), and USFRCS Memorandum No. 33</p>	NA	High School only.								
<p>For questions 6 and 7, use the following sample sizes:</p> <table><tr><td>SCHOOLWIDE ADM</td><td>Student Attendance Records</td></tr><tr><td><1,000</td><td>5</td></tr><tr><td>1,000-5,000</td><td>10</td></tr><tr><td>>5,000</td><td>15</td></tr></table>	SCHOOLWIDE ADM	Student Attendance Records	<1,000	5	1,000-5,000	10	>5,000	15		
SCHOOLWIDE ADM	Student Attendance Records									
<1,000	5									
1,000-5,000	10									
>5,000	15									

6. Based upon review of (____) students' attendance records at elementary and junior high schools in which attendance was based on 1/2 days, were students in attendance for less than 1/2 the day counted as being absent for 1 full day; were students in attendance for at least 1/2 day, but less than 3/4 of a day, counted as being absent for 1/2 day; and were students in attendance for at least 3/4 of a day counted in attendance for a day? A.R.S. §15-901(A)(5)(b)(ii)	NA	High School only.										
7. Based upon review of (____) students' attendance records at elementary and junior high schools where attendance was based on 1/4 days, were students in attendance for more than 3/4 of the day counted in attendance for a day and students in attendance for 3/4 of the day or less counted in attendance for each 1/4 of the day in attendance? A.R.S. §15-901(A)(5)(b)(i)	NA	High School only.										
<p>For questions 8 through 15, use the following sample sizes:</p> <table><tr><td>SCHOOLWIDE</td><td>Student Attendance Records</td></tr><tr><td>ADM</td><td></td></tr><tr><td><1,000</td><td>3</td></tr><tr><td>1,000-5,000</td><td>5</td></tr><tr><td>>5,000</td><td>7</td></tr></table>	SCHOOLWIDE	Student Attendance Records	ADM		<1,000	3	1,000-5,000	5	>5,000	7		
SCHOOLWIDE	Student Attendance Records											
ADM												
<1,000	3											
1,000-5,000	5											
>5,000	7											
8. For schools approved to report minutes of attendance, based upon review of the attendance records for a 1 month period for (____) students whose attendance was reported in minutes, did the school report minutes of attendance only for actual classroom instruction attended by the students?	NA	School reports in absences.										
9. Based upon review of (3) high school students' attendance records, whose attendance was reported in terms of absences, for all absence days reported in a 1 month period, did the school report absences in accordance with the method(s) provided by ADE?	Yes											
10. Based upon review of (____) high school students' attendance records, did the school prorate the membership of the students enrolled in less than 4 subjects?	NA	No students enrolled in less than 4 subjects.										
11. For students enrolled in a program provided by a CTED in a facility owned and operated by a school: a. For schools-Based on a review of (____) students' attendance records, did the school report the actual enrollment and attendance data for only the school classes the student was enrolled in at that school (excluding CTED program classes)	NA	No CTED program.										

under the school's CTDS number?		
<p>b. For schools–Based on the review of (____) students' attendance records for all absence days reported in a <u>1</u> month period, did the school calculate absences in accordance with the method(s) provided by ADE <i>and</i> based on the number of school classes the student was enrolled in and attended (excluding CTED programs classes)?</p> <p>[Note: Total membership claimed for the school and the CTED satellite locations for each student should not exceed 1.25. A.R.S. §15-393(O)]</p>	NA	No CTED program.
<p>12. For schools offering an AOI Program, based upon a review of (____) AOI students' attendance records for 4 weeks: (ADE's guideline SF-0003-AOI Participation)</p> <p>a. Was the guardian-approved or school computer-generated daily log describing the amount of time spent by the student on academic tasks maintained by the participating AOI school? A.R.S. §15-808(E)</p>	NA	No AOI program.
<p>b. Did the hours reported to ADE agree to the guardian-approved or school computer-generated daily log?</p>	NA	No AOI program.
<p>c. Were all students who participated in an AOI Program, residents of this state? A.R.S. §15-808(B)</p>	NA	No AOI program.
<p>d. Was the student's Intended Full Time Equivalency Enrollment Statement maintained?</p>	NA	No AOI program.
<p>13. Based upon review of the student attendance records in question 12, did the school follow its procedures, to re-determine the actual FTE for each student enrolled in an AOI Program, following a student's withdrawal or after the end of the school year?</p>	NA	No AOI program.
<p>14. Based upon review of (____) students' attendance records (all grades) for students withdrawn for having 10 consecutive unexcused absences, was the student only counted in membership through the last day of actual attendance or excused absence? A.R.S. §15-901(A)(1)</p>	NA	No students withdraw for having 10 consecutive unexcused absences.

15. Based upon review of (5) students' attendance records, does the student's name entered in the student management system match the name on the legal document on file? A.R.S. §15-828(D)	Yes											
For questions 16 and 17, use the following sample sizes: <table><tr><td>SCHOOLWIDE</td><td></td></tr><tr><td>ADM</td><td>Entries/Withdrawals</td></tr><tr><td><1,000</td><td>5</td></tr><tr><td>1,000-5,000</td><td>10</td></tr><tr><td>>5,000</td><td>15</td></tr></table>	SCHOOLWIDE		ADM	Entries/Withdrawals	<1,000	5	1,000-5,000	10	>5,000	15		
SCHOOLWIDE												
ADM	Entries/Withdrawals											
<1,000	5											
1,000-5,000	10											
>5,000	15											
16. Based upon review of (5) entries: (Note: Enrollment forms are not required for continuing students at the same school.)												
a. Were the entry dates entered into the school's computerized attendance system within 5 working days after the actual date of entry and was documentation maintained to support the date of data entry?	Yes											
b. Did the entry date in the computerized attendance system agree to the entry form?	Yes											
c. Did the teachers' attendance registers, if used, and other documentation support the entry date in the computerized attendance system?	NA	Teachers input directly.										
d. Did membership begin on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school? ADE's External Guideline GE-17	Yes											
e. Did the school obtain and maintain verifiable documentation of Arizona residency upon enrollment? A.R.S. §15-802(B)(1) and ADE's Arizona Residency Documentation Guidelines	Yes											

17. If the school admitted students who were nonresidents of Arizona, were the students excluded from the school’s student count and state aid calculations, as applicable? A.R.S. §15-823(L)	NA	All students were residents.												
18. If the school admitted students who were nonresidents of Arizona, was tuition charged, as applicable? A.R.S. §15-823	NA	All students were residents.												
19. Based upon review of (5) withdrawals:														
a. Were the withdrawal dates entered into the school’s computerized attendance system within 5 working days after the actual day of withdrawal and was documentation maintained to support the date of data entry? (Note: “Day of withdrawal” for determining timely data entry means: a. the later of the student’s withdrawal date or the day the school is notified the student will not be returning; or b. the 10 th day of unexcused absence for students withdrawn for having 10 consecutive unexcused absences.)	Yes													
b. Did the withdrawal date in the computerized attendance system agree to the withdrawal form? (Note: If the computerized attendance system requires the school to input the day following the withdrawal date for a student to be counted in membership through the last day of actual attendance or excused absence, the withdrawal date on the system should be the school day following the withdrawal date on the form.)	No	For one of five tested the system did not agree to the form. The system showed 4 days earlier than the form. It appears the form was generated and then the system was changed but a new form was not generated.												
c. Did the teachers’ attendance registers, if used, and other supporting documentation agree to the withdrawal date in the computerized attendance system?	NA	Teachers input directly.												
d. Was an <i>Official Notice of Pupil Withdrawal</i> form prepared and retained for each withdrawal and signed by a school administrator? A.R.S. §15-827	Yes													
For question 20, use the following sample sizes: <table><tr><td colspan="2">SCHOOLWIDE</td></tr><tr><td>ADM</td><td>Days</td></tr><tr><td><hr/></td><td><hr/></td></tr><tr><td><1,000</td><td>3</td></tr><tr><td>1,000-5,000</td><td>5</td></tr><tr><td>>5,000</td><td>7</td></tr></table>	SCHOOLWIDE		ADM	Days	<hr/>	<hr/>	<1,000	3	1,000-5,000	5	>5,000	7		
SCHOOLWIDE														
ADM	Days													
<hr/>	<hr/>													
<1,000	3													
1,000-5,000	5													
>5,000	7													
20. Based upon review of (____) days for various campuses, grades, and classes in the computerized attendance system, did the student absences from each day agree to the teachers’	NA	Teachers input directly												

attendance registers, absence slips, or other supporting documentation, if used?		
21. Did the school have adequate electronic or manual controls in place to ensure that any changes to the original record of student attendance data were properly authorized and documented, including the names or identification numbers of the persons making and authorizing the changes?	Yes	
22. Was the school's membership/absence information submitted to ADE electronically at least once every 20 school days for membership and 60 days for absence information through the last day of instruction? A.R.S. §§15-901(A)(1) and 15-1042(G)	Yes	
23. Based upon review of the school's student data uploaded to ADE (AzEDS ADM15 report), did the membership and absences agree to the school's computerized attendance system records for the first 100 days of school? (Note: For an AOI Program, review year-end attendance information.)	Yes	
	Yes/No	Comments
Open Meeting Law A.R.S. § 38-431.01 and § 38-431.02 (See also Attorney General Opinion I00-009)		
1. Did the school conspicuously post a statement on its website stating where all public notices of its meetings will be posted, including the physical and electronic locations?	Yes	
2. Did the school post all public meeting notices on its website?	Yes	
3. Did the school maintain a record of notices that includes a copy of each notice that was posted and information regarding the date, time and place of posting?	Yes	
4. Were notices and agenda of public meetings posted at least 24 hours before the meeting?	Yes	
5. Were written minutes prepared or a recording made of Governing Body meetings?	Yes	
Insurance Requirements A.R.S. §15-183(M)		
Does the school have the required insurance for liability and property loss?	Yes	
Tuition A.R.S. §15-185(B)(6) (See also Attorney General Opinion I98-007)		
Did the school refrain from charging fees that may be considered tuition other than as provided for in A.R.S. §15-185(B)(6)	Yes	

[nonresidents]?		
Records Management		
1. Did the school retain records in accordance with the <i>General Retention Schedules for Education – K-12</i> published by the Arizona State Library, Archives and Public Records (based on the testing conducted during the course of the audit)? (www.azlibrary.gov/arm/retention-schedules)	Yes	
2. Was adequate documentation retained to support amounts in the financial statements (if the school is not the primary reporting entity - was adequate documentation retained to support revenue and expenses in the charter school)?	Yes	

This Questionnaire was completed in accordance with the minimum standards as set forth in the instructions on pages 2 and 3.

Henry J. Fortino, CPA, P.C.

7/26/19

Audit Firm

Date

Henry J. Fortino, CPA

Shareholder

Preparer's Signature (Audit Firm Representative)

Title

HIGHLAND PREP

Audited Financial Statements
June 30, 2020

HIGHLAND PREP
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June 30, 2020

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Independent Auditor's Report on the Financial Statements

Board of Directors
Highland Prep
Surprise, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Highland Prep (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Highland Prep as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

3801 N Campbell Ave., Suite A Tucson, AZ 85719
(520)370-5052 hfortino@fortinocpa.com
www.fortinocpa.com

Independent Auditor's Report on the Financial Statements (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2020, on our consideration of Highland Prep's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Highland Prep's internal control over financial reporting and compliance.

Henry J. Fortino, CPA, P.C.

Henry J. Fortino, CPA, PC
Tucson, Arizona
October 31, 2020

HIGHLAND PREP
Statement of Financial Position
June 30, 2020

ASSETS

Current Assets:

Cash	\$ 1,613,454
Due from State of Arizona	98,852
Prepaid expenses	<u>5,611</u>

Total Current Assets 1,717,917

Property and Equipment, net 10,473,957

Restricted Cash - Bond Trust Fund 1,107,079

Total Assets \$ 13,298,953

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 172,634
Accrued payroll and related	76,145
Accrued interest	238,412
Paycheck protection program loan payable	206,334
Due to affiliate	<u>99,205</u>

Total Current Liabilities 792,730

Bonds Payable 11,682,260

Total Liabilities 12,474,990

NET ASSETS

Net Assets Without Donor Restrictions 823,963

Total Liabilities and Net Assets \$ 13,298,953

The accompanying notes are an integral part of these financial statements.

HIGHLAND PREP
Statement of Activities
Year Ended June 30, 2020

CHANGES NET ASSETS WITHOUT DONOR RESTRICTIONS

Support and Revenue:	
State equalization revenue	\$ 3,020,603
Other state revenue	302,267
Federal grants	225,889
Other income	101,705
	<u>3,650,464</u>
Total Support and Revenue	
Expenses:	
Academic programs:	
Salaries and wages	1,063,234
Payroll taxes and employee benefits	131,472
Rent expense	162,391
Other occupancy costs	166,077
Supplies	618,888
Purchased services	143,022
Interest	278,004
Depreciation	194,557
Total academic programs	<u>2,757,645</u>
General and administration:	
Salaries and wages	258,695
Payroll taxes and employee benefits	32,869
Rent expense	18,044
Other occupancy costs	18,453
Supplies	892
Purchased services	52,752
Interest	30,889
Depreciation	21,618
Total general and administration	<u>434,212</u>
Total Expenses	<u>3,191,857</u>
Increase in Net Assets Without Donor Restrictions	458,607
NET ASSETS BEGINNING OF YEAR	<u>365,356</u>
NET ASSETS END OF YEAR	<u>\$ 823,963</u>

The accompanying notes are an integral part of these financial statements.

HIGHLAND PREP
Statement of Cash Flows
Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 458,607
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:	
Depreciation	216,175
Amortization of bond issue costs and bond premium	(31,642)
Changes in:	
Due from State of Arizona	(66,712)
Prepaid expenses	(1,039)
Accrued interest	238,412
Accounts payable	17,913
Accrued payroll and related	29,630
Net Cash Provided By Operating Activities	<u>861,344</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(10,651,442)
Payments to affiliate - net	(981)
Net Cash Used By Investing Activities	<u>(10,652,423)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments of bond issue costs	(514,215)
Proceeds from paycheck protection program loan	206,334
Proceeds from issuance of bonds payable	12,228,117
Net Cash Provided By Financing Activities	<u>11,920,236</u>

Increase in Cash 2,129,157

CASH AT BEGINNING OF YEAR 591,376

CASH AT END OF YEAR \$ 2,720,533

COMPONENTS OF CASH BALANCE:

Cash	\$ 1,613,454
Restricted cash - bond trust fund	<u>1,107,079</u>
Total Cash	<u><u>\$ 2,720,533</u></u>

The accompanying notes are an integral part of these financial statements.

HIGHLAND PREP
Notes to Financial Statements
June 30, 2020

NOTE 1 -- PURPOSE AND ORGANIZATION

Highland Prep (the "School") was organized as a not-for-profit organization in 2015, to provide secondary education, under the laws of the State of Arizona. The School operates a charter school located in Surprise, Arizona. The School markets to students that are interested in a college-preparatory high school with an emphasis in science, technology, engineering, and math (STEM).

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying financial statements have been prepared in accordance with the standards for financial reporting for not-for-profit organizations. These standards require presentation of a statement of financial position, a statement of activities and a statement of cash flows. They also require the classification of resources into two classes of net assets based on the absence or existence of donor-imposed restrictions.

In order to observe restrictions, which donors place on grants and other gifts, as well as designations made by the Board of Directors, all assets, liabilities, and activities are accounted for in the following net asset classifications:

Net Assets Without Donor Restrictions - not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes or locations by action of the Board of Directors.

Net Assets With Donor Restrictions - subject to donor-imposed stipulations that may be fulfilled by actions of the School to meet the stipulations or become unrestricted at a date specified by the donor.

Cash

For purposes of the statement of cash flows, cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. The School had \$12,503 of cash balances restricted for the classroom site fund at June 30, 2020.

Donations-In-Kind

Material donations-in-kind items received by the School are recorded as income along with a corresponding charge to expense or capitalized cost.

Support and Revenue

Revenue consists primarily of equalization payments and other funding from the State of Arizona. These amounts are recorded as revenue when earned by the School as services are provided to students. Support consists primarily of grants from the federal government that are passed through the State of Arizona. These amounts are recognized as contributions when promised to the School. Federal grants are considered promised when expenses are incurred under the grants.

All contributions are reported as increases in net assets without donor restrictions unless restricted by a donor. Amounts received that are restricted by a donor are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. However, if contribution with donor restrictions has its restriction satisfied in the year contributed it is classified as a contribution without donor restrictions.

The School uses volunteers in all of its academic programs. Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets or would have been purchased if not provided by contribution, and which require specialized skills provided by individuals possessing such skills. There were no material contributed services meeting these criteria during the year ending June 30, 2020.

NOTE 2 -- SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

It is the School's policy to capitalize individual property and equipment acquisitions with of value of \$5,000 or more. Purchased property and equipment is capitalized at cost. Donations of property and equipment are capitalized at their estimated fair values. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the respective assets.

Income Taxes

The School is an organization exempt from income taxation under Section 501 (a) as an entity described in Section 501(c) (3) of the Internal Revenue Code. It is not classified as a private foundation. The School's income tax returns are subject to examination by the IRS, generally for three years after they are filed.

Bond Issue Costs and Bond Premium

The bond issue costs, and bond premium are being amortized to interest expense using the straight-line method over the life of the bonds which is thirty years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

NOTE 3 -- CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of cash in banks. The School limits its credit exposure by placing its cash balances with a high credit quality financial institution. Accounts at the institution are insured up to \$250,000 by the FDIC. On June 30, 2020, the School had approximately \$1,156,200 of uninsured bank balances. The School does not require collateral on amounts greater than insured balances.

NOTE 4 -- ADVERTISING

The School expenses advertising costs as incurred. For the year ending June 30, 2020 advertising expense totaled \$28,300.

NOTE 5 -- FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs associated with individual functions are expensed directly as incurred. Payroll taxes and employee benefits have been allocated amongst the functions based on gross payroll. Rent and occupancy costs have been allocated based on square footage.

NOTE 6 -- RELATED PARTY TRANSACTIONS

The due to affiliate balance was a result of another charter school that has common management paying operating expenses on behalf of the School. The balance has no repayment terms.

HIGHLAND PREP
Notes to Financial Statements
June 30, 2020

NOTE 7 -- BONDS PAYABLE

Bonds payable consist of Industrial Development Authority of the County of Maricopa, Education Revenue Bonds bearing interest at rates ranging from 4% - 5% paid semi-annually. The bond principal matures in varying amounts through January 1, 2050. The Issuer has the option to redeem the bonds at any time in whole or in part on any date commencing January 1, 2030, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to date fixed for redemption. The bonds are secured by a deed of trust on substantially all of the assets of the School. The balance includes an unamortized bond premium of \$1,895,048 and is net of unamortized bond issue costs of \$502,788.

Maturities of the bonds payable for the next five years and in the aggregate follows:

2021	\$	0
2022		0
2023		175,000
2024		185,000
2025		190,000
Thereafter		9,740,000
Add unamortized bond premium		1,895,048
Less unamortized bond issue costs		<u>(502,788)</u>
		<u>\$11,682,260</u>

The School is required under its Bond Indenture Agreement with the Bond Issuer and the Trustee to maintain a bond trust fund in order to satisfy bonds that mature and to pay additional items required under the bond indenture.

Following are the components of the trust fund balance on June 30, 2020:

Debt service reserve fund	\$	680,600
Bond fund		280,845
Project fund		<u>145,634</u>
		<u>\$1,107,079</u>

The School is required as part of its loan and indenture agreements to comply with certain covenants, which among other things, place restrictions on the School's ability to incur additional indebtedness and requires the School to maintain a debt service coverage ratio of 1.0 to 1 and days cash on hand of 30. On June 30, 2020, the debt service coverage ratio was 9.96 to 1 and the days cash on hand were 197.

Cash paid for interest during the year ended June 30, 2020 was \$102,100.

NOTE 8 -- PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

The School was granted a loan from a bank pursuant to the Paycheck Protection Program ("PPP") under the CARES Act. The loan bears interest at 1%. Principal and interest are forgivable after an 8 or 24-week period as elected by the School as long as it uses the funds for eligible purposes, including payroll, benefits, rent, mortgage payments, interest and utilities, and maintains its payroll levels. The amount of forgiveness will be reduced if the School terminates employees or reduces salaries during the 8 or 24-week period. Payments of principal and interest are not due until the lender determines loan forgiveness or 10 months after the covered period if the loan forgiveness application is not filed. Amounts not forgiven will be payable over a 2-year period. Subsequent to year end, in lieu of applying for forgiveness, the School repaid the loan in full because it determined that it had adequate liquidity and no longer needed the funds.

HIGHLAND PREP
Notes to Financial Statements
June 30, 2020

NOTE 9 -- PROPERTY AND EQUIPMENT

Property and equipment consisted of the following on June 30, 2020:

Land	\$ 1,458,000
Buildings	9,157,072
Furniture and equipment	<u>84,298</u>
	10,699,370
Less accumulated depreciation	<u>(225,4113)</u>
	<u>\$10,473,957</u>

NOTE 10 -- OPERATING LEASE

The School entered into a lease agreement for its campus facilities. Monthly rent payments were \$65,625. The lease included an option to purchase the campus facilities for a multiple of the development costs. The School exercised this purchase option and has financed the purchase through the issuance of IDA bonds. See Note 7.

NOTE 11 -- INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The School strives to maintain liquid financial assets sufficient to cover 45 days of general expenditures. Financial assets in excess of daily cash requirements are generally invested in certificates of deposit and money market funds.

The following table reflects the School's financial assets as of June 30, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

Cash and cash equivalents	\$2,720,533
Due from State of Arizona	<u>98,852</u>
Total financial assets	2,819,385
Cash restricted for bond trust fund	(1,107,079)
Cash restricted for classroom site fund	<u>(12,503)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$1,699,803</u>

NOTE 12 -- RETIREMENT PLAN

The School sponsors a defined contribution retirement plan which covers substantially all employees. The School's contribution is discretionary and totaled \$41,755 for the year ending June 30, 2020.

NOTE 13 -- COMPLIANCE

The School's compliance with certain laws and regulations is subject to review by its Sponsor and the State of Arizona, Office of the Auditor General and Department of Education. Such reviews could result in an adjustment of equalization revenue or other corrective action.

NOTE 14 -- SUBSEQUENT EVENTS

The School has evaluated subsequent events through October 31, 2020, the date which the financial statements were available to be issued.



**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters**

Board of Directors
Highland Prep
Surprise, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Highland Prep (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Highland Prep's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Highland Prep's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Highland Prep's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters (Continued)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry J. Fortino, CPA, P.C.

Henry J. Fortino, CPA, PC
Tucson, Arizona
October 31, 2020

I-b. Current Year Budget

Attached:

- 1) 2020-2021 Budget



HIGHLAND PREP

CURRENT YEAR BUDGET

The fiscal year 2021 budget for Highland Prep is below.

	<u>6/30/21</u>
Enrollment	428
State Equalization Program	\$ 3,754,813
Other State Revenue	280,000
Local Revenue	102,722
Federal Revenue	175,000
Total Revenue	<u>\$ 4,312,535</u>
Employee Costs	1,646,978
Academic Supplies	145,059
Administrative Supplies	21,236
Marketing and Advertising	31,250
Accounting/Computer Maintenance/Legal/Audit	109,684
Special Education - Contract	82,529
Athletics/After School/Student Activities	45,756
Curriculum/Textbooks	136,296
Insurance	22,814
Utilities	91,137
Building and Grounds Maintenance	47,915
Furniture	137,135
AV / Computer Equipment	71,035
Equipment Rental	22,546
Professional Development/Training/Travel	6,472
Food Service	46,671
Dues and Fees	4,291
Miscellaneous	13,243
Bond Interest - 2019 Issuance	480,700
Bond Interest - 2021 Issuance	-
Bond Fees	30,000
Rent	-
Transportation	-
Depreciation and Amortization	334,327
Contingency	40,000
Total Expense	<u>\$ 3,567,073</u>
Change in Net Assets	<u>\$ 745,462</u>

I-c. Debt Ratio Statement



HIGHLAND PREP

DEBT RATIO STATEMENT

Highland Prep will have outstanding its Series 2019 Bonds and the proposed Series 2021 Bonds. Debt ratios for the outstanding and proposed bond debt are as follows.

PROPOSED DEBT SERVICE

	Fiscal Years Ended June 30,						
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	(Historical)	(Historical)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
Rent Expense	451,289	180,435	-	-	-	-	-
Series 2019 Bonds	-	360,292	506,426	593,926	682,488	682,326	\$ 681,844
Series 2021 Bonds	-	-	-	36,476	36,476	749,876	934,876
Total Annual Debt Service	\$ 451,289	\$ 540,727	\$ 506,426	\$ 630,402	\$ 718,964	\$ 1,432,202	\$ 1,616,720

RATIO OF OPERATING REVENUE TO DEBT SERVICE

	Fiscal Years Ended June 30,						
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	(Historical)	(Historical)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
Operating Revenue	\$ 2,276,366	\$ 3,650,464	\$ 4,312,535	\$ 4,582,469	\$ 5,662,060	\$ 7,094,353	\$ 8,666,118
Annual Debt Service	\$ 451,289	\$ 540,727	\$ 506,426	\$ 630,402	\$ 718,964	\$ 1,432,202	\$ 1,616,720
DS as % of Revenue	19.8%	14.8%	11.7%	13.8%	12.7%	20.2%	18.7%

DEBT SERVICE COVERAGE RATIOS

	Fiscal Years Ended June 30,						
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	(Historical)	(Historical)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
Income Available for Debt Service	\$ 740,665	\$ 1,164,110	\$ 1,560,490	\$ 1,765,488	\$ 1,384,365	\$ 2,163,608	\$ 3,184,380
With Credit Enhancement (2.81% Rate)							
Annual Debt Service	\$ 451,289	\$ 540,727	\$ 506,426	\$ 630,402	\$ 718,964	\$ 1,432,202	\$ 1,616,720
Debt Service Coverage	1.64x	2.15x	3.08x	2.80x	1.93x	1.51x	1.97x
Without Credit Enhancement (5.14% Rate)							
Annual Debt Service	\$ 451,289	\$ 540,727	\$ 506,426	\$ 639,402	\$ 727,964	\$ 1,637,302	\$ 1,851,820
Debt Service Coverage	1.64x	2.15x	3.08x	2.76x	1.90x	1.32x	1.72x

DEBT RATIO - LOAN TO VALUE

Property Value

2019 Surprise Campus Appraisal	\$ 10,750,000.00
2021 Expansion of Surprise Campus	\$ 2,500,000.00
2021 Project - West Campus	\$ 12,000,000.00
Total	\$ 25,250,000.00

Debt Financed & Secured by Property

Series 2019 Bonds	\$ 10,290,000.00
Series 2021 Bonds	14,590,000.00
Total	\$ 24,880,000.00

Debt Ratio: **1.01 to 1**

II-a. Charter Board & Senior Staff



HIGHLAND PREP

I. SCHOOL LEADERSHIP – HIGHLAND PREP SURPRISE

(New leadership for the HP West Campus is currently being formulated for a summer 2022 opening.)

Jack Bagley, Principal. Mr. Bagley began his teaching career in 1996 in Burley, Idaho. Over the course of 21 years, he has served as a mentor teacher, Career and Technical Education (CTE) Department Head, and Business Department Head. He has also served as a Business Professionals of America (BPA) club advisor. Mr. Bagley has coached multiple sports, including baseball, football and basketball. His boys' varsity basketball team won two Idaho State Championships, earning Mr. Bagley Coach of the Year Honors. In addition, he has worked with students in grades kindergarten through 12 as a technology teacher. Mr. Bagley holds his Arizona state Principal Certification and earned his Bachelor's Degree in Marketing Education, with a Business Education Minor, from Utah State University. His Master's Degree in Educational Leadership was obtained from the University of Idaho.

Steven Mack, Director of Curriculum. Mr. Mack has been in the field of education for 17 years. Previously, he has served as a principal of a Core Knowledge elementary school and assistant principal of a STEM college-preparatory high school. During this time, both of the schools earned "A" ratings from the Arizona Department of Education. Mr. Mack holds an Arizona state Principal Certification. He attended Illinois State University and Eastern Illinois University where he received his Bachelor of Science and Master of Arts degrees in Political Science. Mr. Mack has post-graduate degrees in Educational Leadership and Secondary Education from Ottawa University.

Joseph Kovesdy, Academic Coach. Mr. Kovesdy has taught high school English for two years and served as Madison Highland Prep's curriculum coach for the past two years. Previously, he worked as a reporter and freelance writer. He holds a Bachelor of Arts in Journalism from Ohio State University, a Master of Arts in English from Northern Arizona University and a Master of Secondary Education from the University of Arizona. He has an Arizona state teaching certification in English. Mr. Kovesdy is the faculty sponsor for the National Honor Society chapter at Madison Highland Prep ("MHP"), MHP's digital school newspaper, the Heat Monitor, and the MSD Archives.

II. SCHOOL GOVERNING BOARD

Dr. Kerry Clark. Dr. Clark has served as a high school principal for the past 18 years. His first school was a turn-around assignment, his second school was a start-up college-preparatory school, and his third school was a turn-around and ultimate transformation to a STEM college-preparatory high school. As a result of Dr. Clark's leadership and quality staff, his three previous schools experienced exemplary student academic growth. Each of these schools were recognized by U.S. News & World Report as one of America's Best High Schools in 2010, 2011, 2012, 2013, 2017, 2018 and 2019. The former was ranked 11th in the State of Arizona for exposure of the Advanced Placement (AP) curriculum for its students, and the latter was also recognized by Newsweek as one of America's Top high schools, in addition to receiving 'A' Report Cards from the Arizona Department of Education, and designation as a Title I 'High Performing Reward School'. Dr. Clark serves as operator and principal for M HP, a STEM college-prep charter high school in central Phoenix, Arizona. Previously, Dr. Clark served as a Quality Assurance Review Chair for AdvancED, an International School Accreditation organization. Dr. Clark holds an Arizona state Superintendent Certification and is a member of the Arizona School Administrators Association, and the National Association of Secondary School Principals. He attended University of Alberta where he received his

Bachelor of Arts degree in Political Science, Arizona State University where he received his Master of Education degree in Curriculum and Instruction and Northern Arizona University where he received his Doctor of Education degree in Educational Leadership.

Scott W. Kies, CPA. Mr. Kies is a Certified Public Accountant and Certified Fraud Examiner and is a member of the American Institute of Certified Public Accountants (AICPA), Arizona Society of Certified Public Accountants (ASCPA), and the Association of Certified Fraud Examiners (ACFE). He has extensive experience with professional consulting and financial managerial services for charter schools and non-profits, including strategic and organizational planning, review and preparation of IRS form 990, financial reporting and audit preparation, fraud and other special investigations and reviews, budget development, and grants management. He attended Arizona State University where he received his Bachelor of Science degree in Accounting.

Annie Gilbert. Ms. Gilbert is a Certified Public Accountant with more than 10 years working in charter school finance. Ms. Gilbert currently works for a charter-school system in Chandler, Arizona. Prior to her current position, Ms. Gilbert worked for the Arizona Department of Education as the Director of Innovative Learning and the Arizona Charter Schools Association as the Director of School Operation and Finance. Ms. Gilbert graduated with a Bachelor of Science degree from the State University of New York at Buffalo and began her career in public accounting at Deloitte and Touche and then Ernst and Young. Ms. Gilbert is pursuing a Master's in Education and currently serves on Governor Ducey's Classroom First Council and has four children who have all attended Arizona charter schools.

Dr. Donald Enz. Dr. Enz taught public school for eleven years before entering into school administration, rising through the ranks and finishing his public-school career as Superintendent of Scottsdale Unified School District, where he retired in 2001. Following this distinguished career; Dr. Enz was asked to serve as Arizona's Executive Director of AdvancED, an International Accreditation Organization for Secondary Schools and Colleges. In 2013, Dr. Enz retired once more and continues to serve as an educational consultant, providing leadership solutions for school districts throughout Arizona. In 2013, Dr. Enz was instrumental in forging the state's first charter school and district partnership, resulting in a high quality - seamless Pre-K through 12th grade STEM Education experience for Madison Elementary families and students from all over the Phoenix area. Now in its fifth year, MHPrep continues to flourish with 'A' Report Cards, U.S. News & World Report's America's Best High School recognitions and is only the third high school in Arizona to receive prestigious STEM Certification from AdvancED.

Bill Bressler. Bill Bressler serves as an educational consultant for Waltz Construction Company. Previously, Bill served as the Chief Academic Officer for the Legacy Traditional Schools' network for eight years. Mr. Bressler has over 20 years of PK- 12 public education experience as a school counselor, teacher, assistant principal, principal, assistant superintendent, superintendent, and chief academic officer. Mr. Bressler received both his B.S. and M.Ed. from Arizona State University. He is currently a doctoral candidate at Capella University. Mr. Bressler has received several awards and public recognition for academic accomplishments while serving as the principal and chief executive at various local education agencies.

II-b. Charter Litigation



HIGHLAND PREP

CHARTER LITIGATION

There is no material litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of HP's after due inquiry, threatened against HP affecting the existence of HP, HP's charter contract, the titles of its officers to their respective offices or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the proposed bonds.

II-c. Charter School Cash Flow Statement



HIGHLAND PREP

CHARTER SCHOOL CASH FLOW STATEMENT

Below is a projection of revenues, expenditures and net cash flows for the three-year fiscal periods of 2022 to 2024. This includes both the existing Surprise Campus and the proposed West Campus revenues and expenses.

	Fiscal Years Ended June 30,		
	<u>2022</u>	<u>2023</u>	<u>2024</u>
	(Projected)	(Projected)	(Projected)
Enrollment	450	625	800
State Equalization Program	\$ 4,019,519	\$ 4,974,338	\$ 6,301,403
Other State Revenue	284,200	355,000	434,200
Local Revenue	103,749	180,000	205,000
Federal Revenue	175,000	152,722	153,749
Total Revenue	<u>\$ 4,582,469</u>	<u>\$ 5,662,060</u>	<u>\$ 7,094,353</u>
Employee Costs	1,696,387	2,543,757	2,999,445
Academic Supplies	147,235	174,443	201,685
Administrative Supplies	21,554	46,878	47,206
Marketing and Advertising	31,719	62,194	57,677
Accounting/Computer Maintenance/Legal/Audit	111,329	194,684	192,215
Special Education - Contract	83,767	107,529	133,767
Athletics/After School/Student Activities	46,443	90,756	80,185
Curriculum/Textbooks	138,341	186,296	238,851
Insurance	23,156	47,814	39,980
Utilities	92,504	166,137	167,504
Building and Grounds Maintenance	48,634	97,915	98,634
Furniture	139,192	202,135	289,192
AV / Computer Equipment	72,100	106,035	124,484
Equipment Rental	22,884	37,546	39,511
Professional Development/Training/Travel	6,569	21,472	11,341
Food Service	47,371	46,671	47,371
Dues and Fees	4,356	4,291	4,356
Miscellaneous	13,441	13,243	13,441
Bond Interest - 2019 Issuance	480,700	480,700	473,700
Bond Interest - 2021 Issuance	-	713,490	713,490
Bond Fees	30,000	47,900	63,900
Depreciation and Amortization	334,327	734,327	734,327
Contingency	40,000	80,000	80,000
Total Expense	<u>\$ 3,632,008</u>	<u>\$ 6,206,213</u>	<u>\$ 6,852,262</u>
Change in Net Assets	<u>\$ 950,461</u>	<u>\$ (544,152)</u>	<u>\$ 242,091</u>

II-d.Charter School Enrollment



HIGHLAND PREP

ENROLLMENT

HIGHLAND PREP - SURPRISE CAMPUS											
Grade	Historic				Projected						Wait List
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2020-21
9	81	123	143	138	150	150	180	180	180	180	150
10	-	95	115	111	105	130	130	130	130	130	-
11	-	-	86	101	105	125	125	125	125	125	-
12	-	-	-	78	90	95	115	115	115	115	-
Total	81	218	344	428	450	500	550	550	550	550	150

*2020 actual enrollment is as of January 1, 2021.

**Wait list is as of January 20, 2021.

HIGHLAND PREP - WEST CAMPUS						
Grade	Projected					
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
9	-	125	150	150	150	150
10	-	-	100	135	115	115
11	-	-	-	90	105	105
12	-	-	-	-	80	80
Total	-	125	250	375	450	450

II-e. Charter School Liquidity Statement



HIGHLAND PREP

CHARTER SCHOOL LIQUIDITY STATEMENT

Below is a projection of unrestricted cash on hand and calculated days' cash on hand for the fiscal periods of 2018 to 2025. This includes both the existing Surprise Campus and the proposed West Campus unrestricted cash and operating expenses.

	Fiscal years Ended June 30,							
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	(Audit)	(Audit)	(Audit)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
Cash & Equivalents	\$ 167,562	\$ 591,376	\$ 1,613,454	\$ 2,693,244	\$ 3,978,032	\$ 4,759,997	\$ 5,736,415	\$ 7,412,455
Operating Expenses	<u>909,181</u>	<u>1,986,990</u>	<u>2,975,682</u>	<u>3,232,746</u>	<u>3,297,681</u>	<u>5,471,886</u>	<u>6,117,935</u>	<u>6,661,528</u>
Days Cash On Hand	67 days	109 days	198 days	304 days	440 days	318 days	342 days	406 days

* Cash & Equivalents in FY20 includes PPP loan funds of \$206,334. Please note these funds were repaid in full in FY21 as PPP funding was not utilized.

** Operating expenses excludes depreciation and amortization.

II-f. Charter School Debt Rating



HIGHLAND PREP

DEBT RATING

Highland Prep (“HP”) did not receive an underlying rating on its Series 2019 Bonds that were enhanced by the Arizona Public School Credit Enhancement Program. Based on current rating agency metrics, we believe that the new HP West Campus/Highland Prep Obligated Group might receive a rating from Standard and Poor’s of “BB” although there is no guarantee of such a rating. Given that a “BB” rating does not indicate a significant savings over a non-rated transaction, HP and HP West are small in size and the debt request is also small, therefore we do not anticipate that expending the money for a rating would be beneficial for the proposed bond transaction. HP requests that it be permitted to save the cost of a rating and use those funds in the classroom.

II-g. Charter School Outstanding Debt



HIGHLAND PREP

OUTSTANDING DEBT

Highland Prep has outstanding its Series 2019 Bonds in the principal amount of \$10,290,000. HP has not been and is not currently in default on its outstanding debt. The 2019 bonds were guaranteed by the State Credit Enhancement Board. The 2019 proceeds were used to purchase the Surprise campus located at 15600 Hearn Road.

The Series 2021 bonds will be used to purchase and construct a new campus in the Goodyear/Avondale, Arizona area. The 2021 bonds will be on parity with the 2019 bonds under a master trust indenture. The additional bonds test (ABT) for the 2019 bonds will be complied with in order to allow for this issuance of additional debt.

II-h. Charter School Academic Outcomes and Operations



HIGHLAND PREP

ACADEMIC SUCCESS

Highland Prep Surprise is modeled after its sister school, Madison Highland Prep. The new West Campus will be similarly modeled. The charter schools were founded by Dr. Kerry Clark and share certain common governance, management, academic and program models. Each charter school fills a vital need of providing high-quality high-school education with a strong STEM emphasis. The academic track record for each school is impressive as the chart below illustrates.

		AzMerit		District		State	
Year	State Letter Grade	ELA	Math	ELA	Math	ELA	Math
MADISON HIGHLAND PREP							
2016	A	48%	52%	36%	37%	38%	38%
2017	A	65%	70%	37%	39%	39%	40%
2018	A	57%	59%	39%	40%	41%	41%
2019	A	65%	69%	40%	41%	42%	42%
HIGHLAND PREP							
2018	Qualified A ¹	78%	84%	39%	40%	41%	41%
2019	Qualified A ¹	67%	73%	40%	41%	42%	42%

1) The State of Arizona did not assign Highland Prep an “A” letter grade in 2018 because Highland Prep was categorized as a “new school,” but under the state’s rubric Highland Prep qualified for an “A” letter grade.

HIGHLAND PREP SURPRISE:

- HP already has 70% of its first Graduating Class of Seniors (2021) with *Early College Acceptance* to one or more 4-year Colleges and Universities
- HP has the ranked #1 in AZMerit Test Scores of any high schools in Surprise since it opened in 2017
- HP’s first Senior Class 2021 has already been awarded more than 3 million dollars in scholarship money
- 14 Juniors and Sophomores scored above the 90th percentile on the PSAT NMSQT
- 2020 Innovation Grant Awardee for Innovation in Education from *A For Arizona*
- 21 juniors and seniors are candidates for the Arizona Seal of Fine Arts
- 12 juniors and seniors are candidates for the Arizona Seal of Biliteracy
- AdvancED International School Accreditation
- Cognia International STEM Certification Candidate
- HP’s Varsity Football Team is State Runner Up 2021

MADISON HIGHLAND PREP:

- 4 MHP Class of 2021 Seniors will receive the Arizona Seal of Fine Arts
- 6 juniors are candidates for the Arizona Seal of Fine Arts
- 12 MHP Class of 2021 Seniors will receive the Arizona Seal of Biliteracy
- 8 juniors and sophomores are candidates for the Arizona Seal of Biliteracy
- 14 Juniors and Sophomores scored above the 90th percentile on the PSAT NMSQT
- 2020 Innovation Grant Awardee for Innovation in Education from *A For Arizona*
- MHP has 9 AP Scholars, 2 AP Scholars with Honors, and 2 AP Scholars with Distinction for 2020
- Niche's #2 Standout High Schools in Arizona
- Recognized by U.S. News & World Report as *One of America's Best Schools* – Nationally Ranked
- U.S. News & World Report #18 *Top High Schools in Arizona*

II-i. Charter School Personal Benefit Disclosure



HIGHLAND PREP

CHARTER SCHOOL PERSONAL BENEFIT DISCLOSURE

HIGHLAND PREP

Highland Prep (HP) and Madison Highland Prep (MHP) are Arizona non-profit corporations that are not for profit or pecuniary gain and have no capital stock or shares. No part of any earnings of HP or MHP inure to the benefit of, or are distributable to, any officer or director of HP or MHP or any private individual or are appropriated for any purposes other than the purposes of HP and/or MHP as set forth in their Articles of Incorporation; provided, however, that HP and MHP are authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes of HP and MHP as set forth in their Articles of Incorporation.

Highland Prep West will be applying for a 501(c)3 letter with the IRS and will follow the same guiding principles as HP and MHP.

III-a. Financial Timeline



HIGHLAND PREP

FINANCIAL TIMELINE

I. Timeline*

<u>DATE</u>	<u>EVENT</u>
January 21	Submit Application to AZ Credit Enhancement Board
TBD	Meeting of AZ Credit Enhancement Board
May 1	Print Preliminary Offering Document
May 15	Bond Pricing / Bond Purchase Agreement Signed
May 30	Close Bonds/Purchase Property (can toggle somewhat to fit School's needs)

* School is requesting preliminary approval of credit enhancement. The School site to be purchased and construction plans would then be finalized in the April-May period, for a late May bond closing.

II. Proposed Source & Use of Funds

Sources

Proposed Bonds	\$ 14,590,000
Original Issue Premium	2,904,841
Total Sources	\$ 17,494,841

Uses

West Campus (Purchase & Construction)	\$ 12,000,000
Surprise Campus Expansion	2,500,000
Debt Service Reserve Fund	928,500
Capitalized Interest*	1,426,800
Cost of Issuance (Estimated)	639,541
Total Uses	\$ 17,494,841

**Represents two years of capitalized interest during school construction and ramp-up period.*

III. Schedule of Principal & Interest

Year Ended	Principal	Coupon	Yield	Interest	Debt Service
2022				713,400.00	713,400.00
2023				713,400.00	713,400.00
2024				713,400.00	713,400.00
2025	185,000	3.00%	1.19%	713,400.00	898,400.00
2026	195,000	3.00%	1.26%	707,850.00	902,850.00
2027	200,000	4.00%	1.36%	702,000.00	902,000.00
2028	210,000	4.00%	1.48%	694,000.00	904,000.00
2029	215,000	4.00%	1.61%	685,600.00	900,600.00
2030	225,000	4.00%	1.72%	677,000.00	902,000.00
2031	235,000	5.00%	2.55%	668,000.00	903,000.00
2032	245,000	5.00%	2.55%	656,250.00	901,250.00
2033	260,000	5.00%	2.55%	644,000.00	904,000.00
2034	275,000	5.00%	2.55%	631,000.00	906,000.00
2035	290,000	5.00%	2.55%	617,250.00	907,250.00
2036	305,000	5.00%	2.55%	602,750.00	907,750.00
2037	320,000	5.00%	2.55%	587,500.00	907,500.00
2038	335,000	5.00%	2.55%	571,500.00	906,500.00
2039	355,000	5.00%	2.55%	554,750.00	909,750.00
2040	370,000	5.00%	2.55%	537,000.00	907,000.00
2041	390,000	5.00%	2.55%	518,500.00	908,500.00
2042	410,000	5.00%	2.55%	499,000.00	909,000.00
2043	435,000	5.00%	2.55%	478,500.00	913,500.00
2044	455,000	5.00%	2.55%	456,750.00	911,750.00
2045	480,000	5.00%	2.73%	434,000.00	914,000.00
2046	505,000	5.00%	2.73%	410,000.00	915,000.00
2047	530,000	5.00%	2.73%	384,750.00	914,750.00
2048	560,000	5.00%	2.73%	358,250.00	918,250.00
2049	590,000	5.00%	2.73%	330,250.00	920,250.00
2050	620,000	5.00%	2.73%	300,750.00	920,750.00
2051	655,000	5.00%	2.73%	269,750.00	924,750.00
2052	685,000	5.00%	2.73%	237,000.00	922,000.00
2053	725,000	5.00%	2.73%	202,750.00	927,750.00
2054	760,000	5.00%	2.73%	166,500.00	926,500.00
2055	800,000	5.00%	2.73%	128,500.00	928,500.00
2056*	1,770,000	5.00%	2.73%	88,500.00	1,858,500.00
Total	14,590,000			17,653,800.00	32,243,800.00

* Debt service in year 35 offset by release of debt service reserve fund.

IV. Funding reserves

The proposed financing will have 1) a debt service reserve fund in the amount of one year's maximum annual debt service (approximately \$928,500) and a 2) a repair and replacement fund in an amount to be determined.

V. Security for the financing

The proposed security will be a first-position lien on the Surprise Campus (financed by the Series 2019 Bonds), the property to be acquired and improved with Series 2021 Bond proceeds, the repair and replacement fund and pledged revenues of Highland Prep. A debt service coverage ratio requirement of 1.10x and a days' cash on hand requirement of 45 days is anticipated.

VI. Members of financing team

1. Borrower's Counsel: Warren Charter Law, PLC
2. Issuer: The Industrial Development Authority of the County of Maricopa
3. Bond Counsel: Engelman Berger, P.C.
4. Underwriter: B.C Ziegler and Company

III-b. Use of Guaranteed Financing



HIGHLAND PREP

USE OF GUARANTEED FINANCING

Highland Prep (“HP”) would like to formally ask the Credit Enhancement Eligibility Board (the “CEEB”) for approximately \$18 million in credit enhancement for an upcoming bond issue that will allow HP to purchase and improve a new campus to be located in the Goodyear/Avondale area with grades 9-12 and projected enrollment of 450 students. We estimate the purchase and construction price of the new campus to be approximately \$12 million. HP currently operates an existing campus in Surprise, Arizona, and would like to be able to expand its program offering to that community. A portion of the bond proceeds, in the approximate amount of \$2.5 million, will be used to expand the educational space at Surprise Campus with additional classroom seats, increasing building capacity up to 100 students.

HP plans to use the guaranteed funds to expand the Surprise Campus, purchase a new campus site, construct educational facilities thereon, fund required reserve funds and pay certain costs related to the bond issuance. The estimated source and use of the proposed bond issue is below.

Sources	
Proposed Bonds	\$ 14,590,000
Original Issue Premium	2,904,841
Total Sources	\$ 17,494,841

Uses	
West Campus (Purchase & Construction)	\$ 12,000,000
Surprise Campus Expansion	2,500,000
Debt Service Reserve Fund	928,500
Capitalized Interest	1,426,800
Cost of Issuance (Estimated)	639,541
Total Uses	\$ 17,494,841

By obtaining a substantially lower cost capital via the Arizona Public School Credit Enhancement Program (the “Enhancement Program”) HP West will be able to purchase and construct the new campus and HP Surprise will be able to increase capacity and expand its programs at the Surprise Campus.

HP has engaged B.C. Ziegler and Company (“Ziegler”) to underwrite these bonds.

EXISTING SURPRISE CAMPUS:



III-c. Collateral Property Identification



HIGHLAND PREP

COLLATERAL PROPERTY IDENTIFICATION

Highland Prep (“HP”) is currently operating its charter school facilities located at 15600 West Hearn Road, Surprise, Arizona 85379. The Surprise Campus serves as collateral for the Series 2019 Bonds. Upon closing of the proposed 2021 financing, HP and HP West will own a second campus location and both entities will grant the trustee a first-position lien against both campus locations, and a pledge of their Arizona state equalization payments as security for the debt.

EXISTING SURPRISE CAMPUS (To have \$2.5 million expansion module added to provide up to 100 new classroom seats)

The Surprise location is reaching capacity. When the building was constructed in 2018, an expansion pad to the west was created, allowing for a 10,000 square foot addition.



NEW HP WEST CAMPUS PROJECT (\$12 Million Budget)

The School has identified two potential locations for their new campus in the Goodyear/Avondale area. These are vacant land parcels, on which an approximately 40,000 square foot school building would be constructed, providing capacity for 450 students. The School is requesting initial credit enhancement approval on the bonds, subject to a review and approval of the final site chosen by the Credit Enhancement Board. A reputable contractor will be selected and payment and performance bonds for the construction provided.

III-d. Financing Team



HIGHLAND PREP

FINANCING TEAM

Borrower's Counsel: Warren Charter Law, PLC

Issuer: The Industrial Development Authority of the County of Maricopa

Bond Counsel: Engelman Berger, P.C.

Underwriter: B.C Ziegler and Company

III-e. Teacher Turnover Rate



HIGHLAND PREP

TEACHER RETENTION

HIGHLAND PREP SURPRISE: TEACHER RETENTION

- 2017-2018: 80% (4 of 5 teachers returned for second year in operation)
- 2018-2019: 60% (5 of 11 teachers are returning for the third year of operation)
- 2019-2020: 50% (8 of 16 teachers are returning for the fourth year of operation)
- 2020-2021: 63% (12 of 19 teachers are returning for the fifth year of operation)

**HP Surprise projects teacher retention to be in the 90% range for the 2021-22 school year based on existing teacher contracts.*

III-f. Parent/Teacher Survey Results



HIGHLAND PREP

Green: 3.51 to 5.00 -Agree/Strongly Agree

White: 2.51 to 3.50 -Neutral

Blue: 1.00 to 2.50 -Disagree/Strongly Disagree

2019-2020 HPS Parent Surveys

2019-2020 2018-2019 2017-2018

Purpose and Direction

1. Our school's purpose statement is clearly focused on student success.
2. Our school's purpose statement is formally reviewed and revised with involvement from parents.
3. Our school has established goals and a plan for improving student learning.

4.72	3.71	4.49
4.08	4.29	3.87
4.49	3.71	4.85
Score 4.43	3.90	4.40

Governance and Leadership

4. Our school's governing body does not interfere with the operation or leadership of our school.
5. Our school has high expectations for students in all classes.
6. Our school shares responsibility for student learning with its stakeholders.
7. Our school communicates effectively about the school's goals and activities.
8. Our school provides opportunities for stakeholders to be involved in the school.

3.87	4.62	4.33
4.85	4.14	4.10
4.33	3.95	4.18
4.10	3.86	4.33
4.18	4.38	4.59
Score 4.27	4.19	4.31

Teaching and Assessing for Learning

9. All of my child's teachers provide an equitable curriculum that meets his/her learning needs.
10. All of child's teachers give work that challenges my child.
11. All of my child's teachers use a variety of teaching strategies and learning activities.
12. All of my child's teachers meet his/her learning needs by individualizing instruction.
13. All of my child's teachers help me to understand my child's progress.
14. All of my child's teachers keep me informed regularly of how my child is being graded.
15. My child sees a relationship between what is being taught and his/her everyday life.
16. My child knows the expectations for learning in all classes.
17. My child has at least one adult advocate in the school.
18. My child is given multiple assessments to measure his/her understanding of what was taught.
19. My child has up to date computers and other technology to learn.
20. My child has access to support services based on his/her identified needs.

4.33	4.38	4.26
4.59	4.05	4.10
4.26	4.05	3.97
4.10	4.00	3.82
3.97	3.71	4.13
3.82	4.10	4.69
4.13	4.62	4.08
4.69	3.90	4.26
4.08	4.14	4.67
4.26	4.52	4.26
4.67	4.10	4.33
4.26	4.10	4.41
Score 4.26	4.14	4.25

Resources and Support Systems

21. Our school provides qualified staff members to support student learning.
22. Our school provides an adequate supply of learning resources that are current and in good condition.
23. Our school provides a safe learning environment.
24. Our school provides excellent support services (e.g., counseling, and/or career planning).
25. Our school provides opportunities for students to participate in activities interest them.
26. Our school ensures that the facilities support student learning.
27. Our school ensures that instructional time is protected and interruptions are minimized.

4.33	4.05	4.74
4.41	4.57	3.97
4.74	3.62	4.51
3.97	4.38	4.46
4.51	4.29	4.33
4.46	4.29	4.26
4.33	4.24	4.51

Using Results for Continuous Improvement

- 28. Our school ensures that all staff members monitor and report the achievement of school goals.
- 29. My child is prepared for success in the next school year.
- 30. My child has administrators and teachers that monitor and inform me of his/her learning progress.

Score	4.40	4.20	4.40
	4.15	4.24	4.26
	4.41	4.43	4.51
	4.18	4.19	4.10
Score	4.25	4.29	4.29

Green: 3.51 to 5.00 -Agree/Strongly Agree

White: 2.51 to 3.50 -Neutral

Blue: 1.00 to 2.50 -Disagree/Strongly Disagree

2019-2020 HPS Staff Surveys

2019-2020 2019-2020 2017-2018

Purpose and Direction

1. Our school's purpose statement is clearly focused on student success.
2. Our school's purpose statement is based on shared values and beliefs that guide decision making.
3. Our school has a continuous improvement process based on data, goals, actions, and measures for growth.
4. Our school's governing body or school board complies with all policies, procedures, laws, and regulations.
5. Our school's school board maintains a distinction between its roles and responsibilities and those of school leadership.

Score 4.45 4.13 4.44

Governance and Leadership

6. Our school's leaders support an innovative and collaborative culture.
7. Our school's leaders expect staff members to hold all students to high academic standards.
8. Our school's leadership hold themselves accountable for student learning.
9. Our school's leaders hold all staff members accountable for student learning.
10. Our school's leaders regularly evaluate staff members on criteria designed to improve teaching and learning.
11. Our school's leaders ensure all staff members use supervisory feedback to improve student learning.
12. Our school's leaders engage effectively with all stakeholders about the school's purpose and direction.

Score 4.40 3.58 4.42

Teaching and Assessing for Learning

13. All teachers in our school monitor and adjust curriculum, instruction, and assessment based on data from student assessments and examination practice.
14. All teachers in our school personalize instructional strategies and interventions to address individual learning needs of students.
15. All teachers in our school regularly use instructional strategies that require student collaboration, self-reflection, and development of thinking skills.
16. All teachers in our school use a process to inform students of their learning expectations and standards of performance.
17. All teachers in our school provide students with specific and timely feedback about their learning.
18. All teachers in our school use multiple types of assessments to modify instruction and to revise the curriculum.
19. All teachers in our school participate in collaborative learning communities that meet both informally and formally across levels and content areas.
20. All teachers in our school have been trained to implement a formal process that promotes discussion about student learning.
21. In our school, challenging curriculum and learning experiences provide equity for all students in the development of learning, thinking, and life skills.
22. In our school, related learning support services are provided for all students based on their needs.
23. In our school, a formal structure exists so that each student is well known by at least one advocate in the school who supports that student's educational experience.
24. In our school, a formal process is in place to support new staff members in professional practice.
25. In our school, all staff members participate in continuous professional learning based on identified needs of the school.
26. In our school, a professional learning program is designed to build capacity among all professional and support staff members.
27. In our school, all school personnel regularly engage families in their children's learning progress.
28. In our school, all stakeholders are informed of policies, processes, procedures related to grading and reporting.

Score 4.40 3.36 4.34

Resources and Support Systems

29. Our school provides instructional time and resources to support our school's goals and priorities.
30. Our school provides sufficient material resources to meet student needs.
31. Our school provides protected instructional time.
32. Our school provides a variety of information resources to support student learning.
33. Our school provides high quality student support services (e.g., counseling, referrals, educational, and career planning).
34. Our school provides opportunities for students to participate in activities that interest them.
35. Our school maintains facilities that support student learning.
36. Our school maintains facilities that contribute to a safe environment

4.48 3.75 4.45

Using Results for Continuous Improvement

- 37. Our school uses multiple assessment measures to determine student learning and school performance.
- 38. Our school has a systematic process for collecting, analyzing, and using data.
- 39. Our school ensures all staff members are trained in the evaluation, interpretation, and use of data.
- 40. Our school uses data to monitor student readiness and success at the next level.
- 41. Our school leaders monitor data related to student achievement.
- 42. Our school leaders monitor data related to school continuous improvement goals.

Score	4.47	3.73	4.53
	4.39	4.00	4.55
	4.65	3.92	4.55
	4.52	4.58	4.55
	4.65	4.25	4.82
	4.65	3.58	0.00
	4.65	0.00	0.00
Score	4.59	3.39	3.08

Green: 3.51 to 5.00 -Agree/Strongly Agree

White: 2.51 to 3.50 -Neutral

Blue: 1.00 to 2.50 -Disagree/Strongly Disagree

2019-2020 HPS Student Surveys

2019-2020 2018-2019 2017-2018

Purpose and Direction

1. In my school, programs and services are available to help me succeed.	3.97	4.02	4.33
2. In my school, the purpose and expectations are clearly explained to me and my family.	3.95	4.01	3.57
3. In my school, a high quality education is offered.	4.00	3.12	3.80
4. In my school, all students are treated with respect.	3.20	3.67	3.46
5. In my school, teachers work together to improve student learning.	3.75	3.09	3.41
Score	3.77	3.58	3.71

Governance and Leadership

6. In my school, rules are applied equally to all students.	3.13	3.25	4.30
7. In my school, students treat adults with respect.	3.31	4.17	4.39
8. In my school, the principal and teachers have high expectations of me.	4.32	4.11	4.11
Score	3.58	3.84	4.27

Teaching and Assessing for Learning

9. My school gives me multiple assessments to check my understanding of what was taught.	4.06	4.04	3.69
10. My school provides me with challenging curriculum and learning experiences.	4.07	3.47	3.48
11. My school motivates me to learn new things.	3.54	3.38	3.35
12. My school offers opportunities for my family to become involved in school activities and my learning.	3.15	3.49	3.70
13. My school makes sure there is at least one adult who knows me well and shows interest in my education and future.	3.44	3.58	3.15
14. All of my teachers use a variety of teaching methods and learning activities to help me develop the skills I will need to succeed.	3.72	3.12	3.89
15. All of my teachers change their teaching to meet my learning needs.	3.06	3.95	4.15
16. All of my teachers explain their expectations for learning and behavior so I can be successful.	3.81	4.14	3.35
17. All of my teachers use tests, projects, presentations, and portfolios to check my understanding of what was taught.	4.18	3.89	3.22
18. All of my teachers provide me with information about my learning and grades.	3.72	3.25	3.83
19. All of my teachers keep my family informed of my academic progress.	3.32	3.74	3.89
20. All of my teachers fairly grade and evaluate my work.	3.47	3.47	3.19
Score	3.63	3.63	3.57

Resources and Support Systems

21. In my school, the building and grounds are safe, clean, and provide a healthy place for learning.	3.64	2.57	4.02
22. In my school, students respect the property of others.	3.07	3.66	4.11
23. In my school, a variety of resources are available to help me succeed (e.g., teaching staff, technology, and media center).	3.83	3.83	3.22
24. In my school, computers are up-to-date and used by teachers to help me learn.	3.76	2.96	4.11
25. In my school, students help each other even if they are not friends.	3.24	3.87	3.52
26. In my school, I can participate in activities that interest me.	3.93	3.41	3.57
27. In my school, I have access to counseling, career planning, and other programs to help me in school.	3.63	3.45	3.20
Score	3.58	3.39	3.68

Using Results for Continuous Improvement

28. My school shares information about school success with my family and community members.	3.49	3.45	3.57
29. My school considers students' opinions when planning ways to improve the school.	2.89	2.88	3.20
30. My school prepares me for success in the next school year.	3.99	3.91	4.19
Score	3.46	3.41	3.65