

OSBE Special Meeting 4.9.21

Sovereign Community School (SCS) –
Brad Clark



OKLAHOMA
Education





**Application to Oklahoma City Public
Schools – denied 2x**

Administrative leadership

Facilities

Transportation

Finance



**8.23.18 - Appeal to State Board of
Education – approved**



11.27.18 – Contract approved

Application

Finance

- Grants
- Tribal partnerships
- Increasing enrollment

Enrollment

- Year 1 – Grades 6 and 9 only; 150 students
- Year two – Grades 6, 7, 9 and 10; 300 students

Educational program – professional development

- Robust professional development for instructional and leadership staff
- One day each week school lets out early and faculty do PD all afternoon; 10 days added to school year to account for time

School leadership

- Leader applicant (Phil Gover) will not serve as school leader; a founding principal is being recruited
- Pool of candidates and would consider qualified, experienced school superintendent

Contract – Performance, Audits & Evaluation

2. **TERM OF AGREEMENT.** The term of this Contract is from the July 1, 2019 until June 30, 2024, unless earlier terminated as provided for by law or the terms of this Contract. This Contract is effective and enforceable by either party upon its acceptance and approval of both parties.

1. **AUTHORITY TO OPERATE CHARTER SCHOOL.** The School Board shall have the authority to operate the Charter School subject to the terms of this Contract and other applicable federal, state and local laws and regulations (“Applicable Law”). In the event of a conflict between the terms of this Contract, Applicable Law and/or the Application, the Applicable Law shall prevail. Any violation of the terms of the Contract, or Applicable Law, shall constitute a breach of the Contract.

4. **SCHOOL PERFORMANCE STANDARDS, AUDITS AND EVALUATION.**

a. **School Performance Framework.** The Charter School shall annually *Meet or Exceed Expectations* on the School Performance Framework attached as Appendix “A” (the “Performance Framework”). The Performance Framework shall include, but not be limited to, the information set forth in the Student Assessment / School Accountability section of the Application as well as any requirements of Applicable Law.

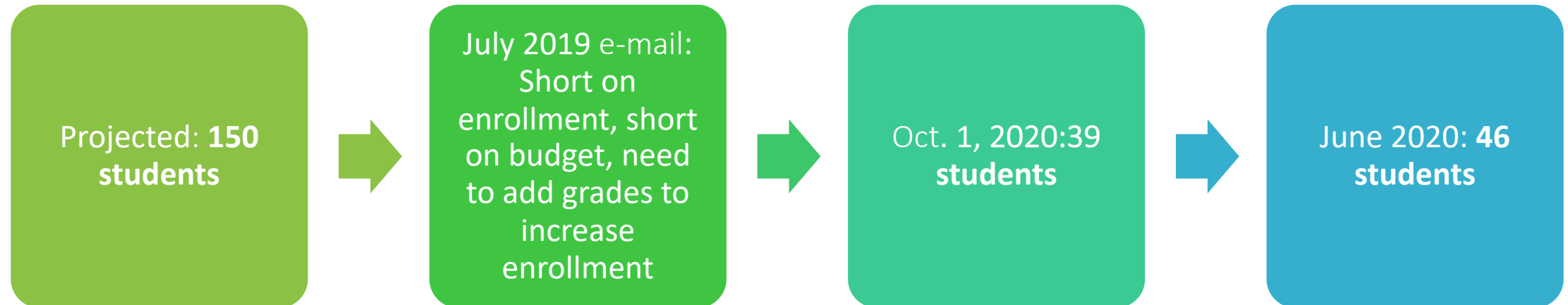
e. **Accreditation.** Charter School shall maintain compliance with Applicable Law, and shall remain in compliance with accreditation standards of the Oklahoma State Board of Education. Consequences for issues related to State accreditation and/or accountability system shall be those prescribed by Applicable Law, the Board, the State accreditation, or accountability system.

3. **GOVERNANCE.** The School Board shall govern the Charter School in a manner that is consistent with the terms of this Contract so long as such provisions are in accordance with Applicable Law. School Board shall have authority and responsibility for the academic, financial, and organizational performance of the Charter School, the fulfillment of this Contract, and approval of the Charter School’s budgets. School Board shall also have authority for and be responsible for policy and operational decisions of the Charter School. Nothing herein shall prevent School Board from delegating said authority and responsibility herein to officers, employees, or agents of the Charter School, including members of the Charter School’s governing Board shall remain ultimately responsible at all times for compliance with this Contract and Applicable Law, regardless of any such assignment. School Board shall govern the Charter School pursuant to the following terms and conditions:

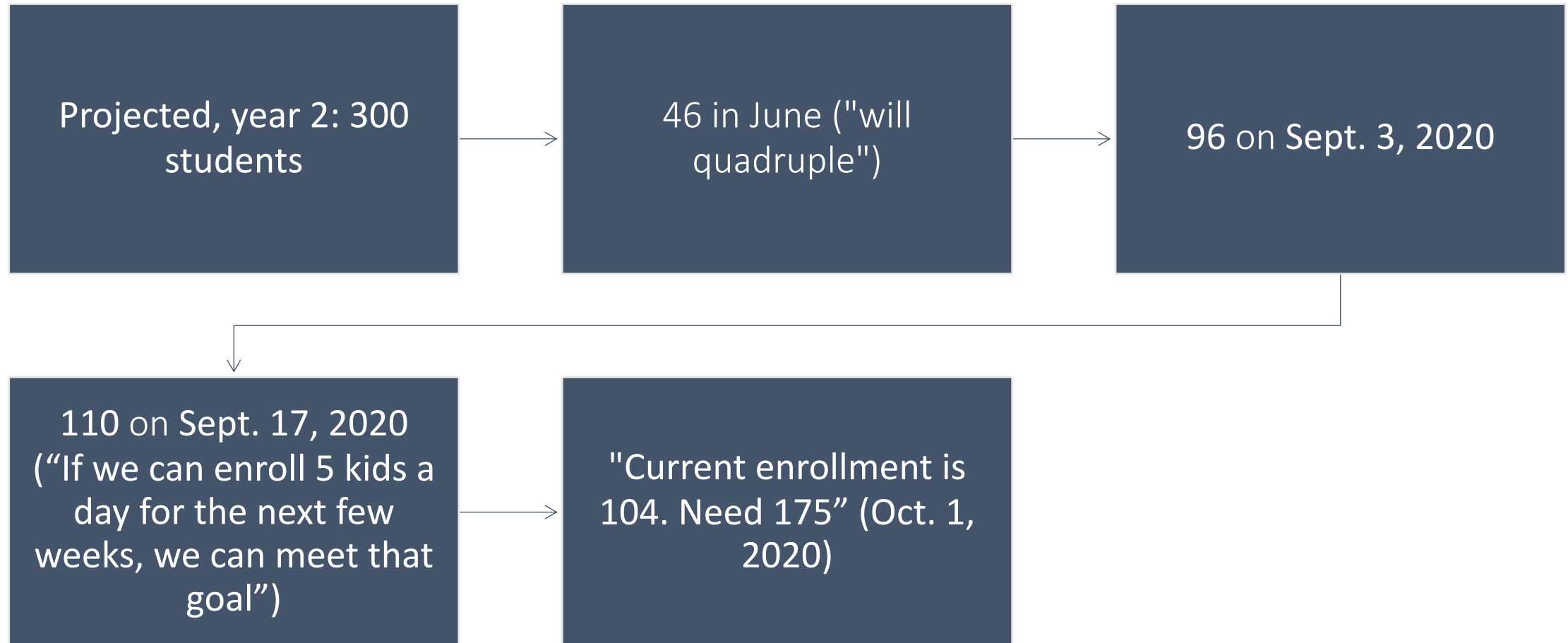
Performance Framework


as accreditation requirements.

Enrollment (Year 1)



Enrollment (Year 2)





Leadership & Employment

- Application:
 - Leader applicant (Phil Gover) will not serve as school leader; a founding principal is being recruited
 - Pool of candidates and would consider qualified, experienced school superintendent
- School Leadership:
 - Phil Gover
 - founder, superintendent and board chair (see Application). Removed in January 2020 due to financial mismanagement and relations with governing board
 - Matt Wilson

Agenda item 11: Motion to approve Matt Wilson as Superintendent role and duties backdating to July 1, 2019 including and not limited to all finances and banking account statements, all school staff and faculty hiring negotiations with negotiations brought to the School Board of Education for approval, all Oklahoma State and Federal Reporting approval, and other duties.

- No notice to OSDE as required by 70 O.S. § 5-141



Leadership & Employment

- Teachers Retirement
 - Sovereign not a member of Teachers
 - B. Item (b): Motion to approve and access services of Teacher Retirement Services (TRS) and to be shown in minutes in Feb. 2020.
 - 1. Motion to change verbiage from furlough to layoffs as pertains to those affected in the March 27, 2020 Special Meeting
- Office Manager approved as Encumbrance Clerk, Director of Operations, Director of Athletics and Director of Child Nutrition
 - b. Retirement Plan. Pursuant to 70 O.S. § 3-136 of the Act, employees of the Charter School may participate as members of the Teachers' Retirement System of Oklahoma in accordance with applicable statutes and rules if otherwise allowed pursuant to law.
 - c. Professional Development. Charter school employees shall attend and complete professional development as set forth in the Application and as may be required
- HS Math and Finance teacher working on School finances and presenting financial reports to Board (Oct. 2020)
- "Trying to buy a van so that we don't always have to have a CDL driver." (Oct. 1, 2020)
- "We need a Special Meeting to determine staffing. May have to reduce staff. (Oct. 1, 2020)

Leadership & Employment

- Contracts

No signed contracts in year 1

Crossover fiscal years

Incorrect dates

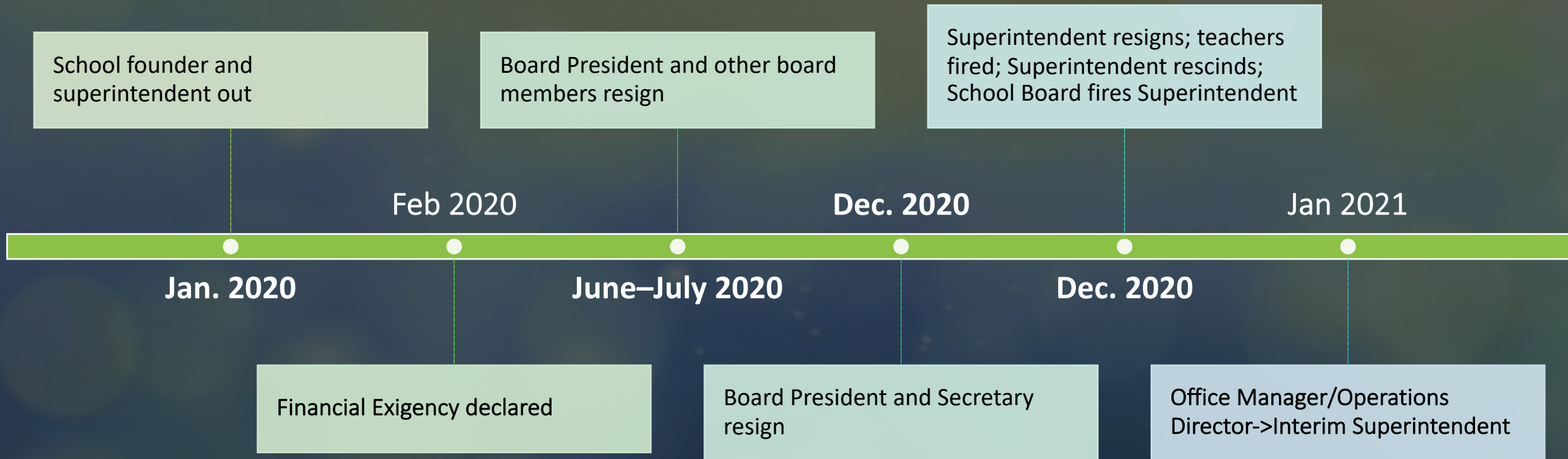
"TBD/COVID situation" listed as end of contract term

Report all at 210 days and ending June 30, 2020; however, not a consistent starting date

Underpaid personnel

-
- e. Employment Contracts. The Charter School shall have a written employment contract with every employee, which shall comply with the requirements of the Act. The Charter School may not enter into an employment contract with any teacher or other personnel prior to the approval of this Contract by the SBE. The Charter School's contract shall be in compliance with applicable law.
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Leadership & Employment



Operations & Finances – Personnel Reporting

- Inaccurate certified reporting: 0 certified staff reported through SPR; reported 8 for flexible benefits
- OSDE: Personnel Report is late, please submit
 - "attempt to begin reporting 3 weeks after the deadline is alarming and will potentially create a delay for 50,000+ certified employees..." (Aug. 6, 2020)
- OSDE: Please accurately complete these reports; do not hesitate to ask for assistance
 - Sovereign's current superintendent: "100% confidence that will NOT happen in our 2020-2021 reporting and data"

Operations - Reporting

Annual Statistical Report (ASR)

- Failed to certify despite prior notices (June 30, 2020)

Estimate of Needs

- Financial statement of true fiscal condition of the district, estimated needs and probable income from all sources, due October 1
- Not submitted; missed statutory deadline

Oklahoma Cost Accounting System (OCAS)

- Reporting of prior year's actual revenue and expenditures (submitted September 1, certified by September 30)
- OSDE: superintendent's salary not reported; information, including Estimate of Needs not provided;
- No response

Flexible Benefit Allowance (FBA) - 2020-21

- Due Oct. 1; Due again in Jan. 2021
- Sovereign's Oct. information not finalized until Feb.

Operations - Reporting

Superintendent reported to be working 128 days for the year;

Employee reported as 10 hrs/day for 261 days

Earnings and days of support personnel not accurate

Non-responsive to FY 21 reporting due 10.15.20

First Quarter Statistical Report (Due Oct.; submitted Dec 31. 2020)

Encumbrance Clerk, Operations Director and Interim Supt. all the same (2021)

Superintendent contract not provided (2021)

Non-payment of employee insurance premiums (Jan. 2021)

Contract - Governance

c. No Authority to Bind. Neither Party may extend the faith and credit of the other to any third person or entity. Neither Party may contractually bind the other to any third party. Both Parties acknowledge the applicable provisions of Article X, § 26 of the Oklahoma Constitution. The SBE has no financial obligation to the Charter School beyond the current fiscal year except to pass through any funding authorized by law.

d. Assumption of Liability. The SBE and the Charter School acknowledge and agree that neither Party has agreed to assume any liability of the other Party as a result of this Contract and that neither Party has agreed to indemnify or hold the other Party harmless

with regard to any loss or damage arising out of this Contract or the operation of the Charter School except as expressly provided in this Contract or any other written agreement executed between the Parties. The School Board assumes all liability imposed on it by law. The SBE and the Charter School acknowledge and agree that any and all decisions regarding the operation and management of the Charter School made by the governing board are separate from the SBE, and the Charter School is solely responsible for the liability resulting from those decisions.

By

a. Bylaws. The Bylaws of the School Board shall provide for governance of the operation of the Charter School as a public charter school and shall at all times be consistent with all applicable law and this Contract. Any modification to the Bylaws must be submitted to the SBE within ten (10) business days of approval by the School Board.

b. Articles of Incorporation. The School Board shall comply with the Articles of Incorporation of the non-profit. Any amendment to the Articles of Incorporation must be submitted to the SBE within ten (10) business days of being filed.

Ch
no

c. Composition. The composition of the School Board shall at all times be determined by and consistent with its Articles and Bylaws and all Applicable Law and policy. A list of the School Board members and contact information along with each member's disclosure form are included with the Application and incorporated herein. The School Board shall notify the SBE of any changes to the School Board Member List and Disclosures within ten (10) business days of their taking effect and provide the SBE with the amended School Board Member List and Disclosures.

Changes in composition of governing board
require prior notice

cial and

notice

require prior
incorporation

Open Meetings Violations

V. Executive Session

5. SCHOOL OPERATIONS

- a. In General. The Charter School shall operate at all times in accordance with all federal and state laws, local ordinances, regulations and SBE policies applicable to charter schools, except where such conflicts with state law or where the Charter School is otherwise exempt.
- b. Nonsectarian Status. The Charter School shall be nonsectarian in its programs, admissions policies, employment practices and all other operations. The Charter School shall not be affiliated with a nonpublic sectarian school or religious institution.
- c. Open Meetings and Public Records. The School Board shall comply with the Oklahoma Open Meeting Act and the Oklahoma Open Records Act.

Sovereign Community School Board Special Meeting Minutes

Sunday, May 3, 2020

Executive
6. 2020;

minutes

for which
(2020)

Open Meeting Violations (continuum)

New Business – any matter not known about

- “New Business that did not make the agenda prior to posting.” (June 4, 2020; July 2, 2020)
- Special meeting cannot include New Business

- A. Discussion and possible vote to accept any resignation from current Sovereign Community School Board of Education Member and/or any current Sovereign Community School employee.
- B. Discussion and possible vote to end contracts of any Sovereign Community School employee.
- VII. New Business that did not make the agenda prior to posting.

Action Items

- A. ** Item changed from original agenda

- E. Motion to vote on Amended action item IV (A) from July 2, 2020 Monthly Meeting: Motion to Approve audit conducted by Motion to approve Sanders, Bledsoe, & Hewett, CPA's LLP to conduct the 2019-2020 School Year audit with cost not to exceed \$4,000.00

Emergency meeting – July 27, 2020

Operations & Finances

Facility fails inspection, "frantic" search for an alternative (July 2019)

Planning and Opening

- \$325,000 grant from Walton Family Foundation
- \$600,000 grant from Oklahoma Public School Resource Center
- What happened to nearly \$1,000,000?

Financial shortfall realized; "immediately focused on fundraising and we reached out to many tribes for support."

Depositing checks into wrong accounts (Feb. 2020)

Dec 2020 IV. Motion to establish Financial Exigency Financial exigency /

Use Paycheck Protection Plan (PPP) loan to pay balance of lease on a school bus (May 2020).

" B. SFS Development Corporation Loan Update with Chris Brewster/Brooks Levonitis

V. Action Items:

- A. Verification of all Encumbrances
- B. Approval of Auditor
- C. Discussion and possible motion about Report Cards

Operations & Finances - Merger

- "Approve the merger of Sovereign

1. Motion to Approve the merger of Sovereign Community School District with Santa Fe South School District and to allow Chris Brewster to move forward with next steps, regarding the merger.

and to allow Chris Brewster to move forward with next steps, regarding the merger." (April 14, 2020)

a. Notice on social media later

4. **EDUCATIONAL PROGRAM.** The comprehensive educational program to be provided by the Charter School is described in the Application. The Charter School should provide the educational programs and/or services shown in the Application and set forth below:

- a. **Design Elements & Educational Philosophy.** The Charter School shall implement and maintain the design elements and educational philosophy as referenced in the Application. The Charter School shall provide notice to the SBE of any material modifications to the design elements.
- b. **Content Standards.** The Charter School's educational program shall meet or exceed current Oklahoma Academic Standards, as set by state statutes or the Oklahoma State Department of Education.
- c. **Curriculum.** The Charter School shall implement the curricula described in the Application in compliance with applicable law. The School Board may, without seeking SBE approval, make reasonable modifications to its approved curriculum to permit the School to meet its educational goals and student achievement standards. Any modifications, either individually or cumulatively, that are of such a nature or degree as to cause the approved curriculum to cease to be in operation will require approval from the SBE and an amendment to this Contract.

5.28.20 meeting.

Operations & Finances – Merger (May 25, 2020)

State Board proposal for merger with Santa Fe South (see prior slide)

- Financial concerns

Proposal

- Santa Fe South assumes Sovereign Community School contract
- Santa Fe South operates the School campus
- School Board relegated to advisory role and is a foundation to support School (fundraise to repay Santa Fe South)
- Santa Fe South hires employees for 3 years
- Santa Fe South assumes all School financial obligations, with "debts repaid with assistance from Santa Fe South Dev. Corp"
- School will have ability to be a separate entity at the end of the agreed term (3 years)
- Sustainability coming - "quadrupled enrollment numbers to 160;"
- Santa Fe South financial commitment, fundraising to support repayment

Questions, any action tabled until June 25, 2020

Merger Questions

- g. Non-Assignment. Neither party to this Contract shall assign or attempt to assign any rights, benefits, or obligations accruing to the party under this Contract unless the other party agrees in writing to any such assignment, which said agreement will not be unreasonably withheld.



SCHOOL FINANCES



SEPARATE ENTITIES – 70 O.S. § 3-135 & 70
O.S. § 18-118



WHY WOULD SANTA FE SOUTH DO THIS



SPONSOR CONTRACT: NO ASSIGNMENT,
NO MATERIAL DEVIATION
FROM APPLICATION AND EDUCATIONAL
PROGRAM

Merger Questions

- Transactional documents exist for the M&A and loan?
 - Assumption of liabilities, employees, separate entities, who is the lender?
- Santa Fe South (schools) or SFS Development Corp. If the public school entity:
 - Prohibited from diverting funds to another entity – 70 O.S. § 18-118
 - Separate entities; different sponsors
 - Low expenditures on instruction (47%)
- Different entities?

State Reports

State Expenditure Details

District Reports

Year: 2019

The List Of Districts

Expenditure Details • OCAS Reports • L

SUMMARY

District Name: Okc Charter: Santa Fe South Charter 55E021

4825 S Shields Blvd

Oklahoma City, OK 73129-3211

Website: http://www.santafesouth.org - Additional information on school district budget and expenditures available on the district webpage.

Year: 2019 - 2020

Expenditure Total: \$31,566,694

Enrollment as of Oct. 1st: 3,533

Enrollment PPE: \$8,934.81

Superintendent Total Compensation

EXPENDITURE DETAILS - ALL FUNDS

Function Code	Description	Amount	Enrollment
	Instruction	\$14,581,476.38	\$
	Support Services—Students	\$1,720,310.67	
	Support Services—Instructional Staff	\$801,966.64	
	Support Services—General Administration	\$341,901.59	
	Support Services—School Administration	\$1,997,389.55	
	Support Services – Central Services	\$1,133,186.25	
	Operation and Maintenance of Plant Services	\$8,832,484.44	\$
	Student Transportation Services	\$87,883.10	
	Child Nutrition Programs Operations	\$1,386,674.40	
	Enterprise Operations	\$80,568.83	
	Total:	\$30,963,841.85	\$

2620

Operation of Buildings Services

449

Oth Rentals/Lease Sv

\$4,822,586.13

[illegible]

Same leaders on both sides of transactions

Pass-through entity: Santa Fe South acquired property -
 > SFS Dev. See 2012 lawsuit.
 Santa Fe South then
 quitclaimed title to SFS Dev.

More than 95% of SFS Dev.
revenue comes from Santa
Fe South.

Expended more than \$4.6 million, but no employees for SFS Dev. and no office space expense (SFS Dev. tax return)

Same addresses (SFS Dev.
tax return)

\$421K management fee paid to SFS in 2019; \$4.8M total paid in 20-21

Operations & Finances – Loan, Security and Line of Credit

- VI. Motion to amend agenda item VI.(F) to :Motion to approve the SFSDC Loan Parameters and Requirements-in regards to Sovereign Community School Board of Education, and tabling of Reorganizing and Restructuring Sovereign Community School Board to be voted on in Special Meeting. approval by Walton Foundation and ng language..." (Aug. 6, 2020)

g. No Encumbrances. The School Board shall utilize a fiscal year beginning July 1 and ending on the following June 30. The School Board shall not violate the fiscal year debt restrictions imposed by the Article 10, Section 26 of the Oklahoma Constitution. The School Board will not encumber to any third party any of the Charter School's assets, nor shall the School Board extend credit or otherwise make use of the credit or assets of the Charter School for any purpose other than operation of the Charter School authorized by this Contract.

January 31, 2024

ights of SFS if Default

- Default has occurred
- Collateral: "secured by a first and superior lien against all assets of Borrower"

Operations & Finances (June 2020)

- 6.15.20 – “best that Sovereign Community School terminate its contract with the State Board of Education, effective June 30, 2020”
 - Site under Santa Fe South Schools
 - Rose State has accepted sponsorship of SFS Sovereign Community School
 - Negotiate with Rose State to serve as a sponsor; Rose State accepted Santa Fe South application to operate Sovereign
- 6.19.20 – “In order for SCS to remain viable, all financial obligations have to be dealt with.”
 - Contributions to TRS have not been made
 - State Board continuing sponsorship may be preferable
 - Santa Fe South Development Corp. financial assistance to SCS. A 0% interest loan and all rental payments go to maintenance, cost to acquire and upgrades on property
 - Reconstitute governing board
- 6.25.20 – State Board meeting
 - Authorize expansion to 5th grade (increase enrollment to 160 by Fall 2020);
 - SCS to obtain an independent financial audit, to be conducted immediately and reported on as soon as possible; and
 - Monthly financial reports to be provided to OSDE/OSBE

Operations & Finances

Approve 2020-2021 budget with “ability to adjust” (July 9, 2020)

- IV. Motion to approve to approve temporary appropriations of \$200,000 to pay TRS and other bills until budget is complete

Approve updated budget (July 16, 2020); Minutes reflect it as a “temporary budget”

- Omitted debt
- Increase administrative salaries; decrease teacher salaries despite adding instructional grade

SOVEREIGN COMMUNITY SCHOOL
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS
DECEMBER 31, 2020

Operations & Finances

- \$12,000
- Bus driv
account
- End yea
- "do not
(Dec. 3.
- \$11,976
- \$102,

	General	Activity	Totals
Assets			
Foundation Cash Account	\$ 48,669.70		48,669.70
General Fund Cash Account	50.00		50.00
Payment #150 cleared 2x	1,422.86		1,422.86
Activity Fund Cash Account	-	580.00	580.00
Total Assets	50,142.56	580.00	50,722.56
Liabilities			
Outstanding Payments	38,165.75		38,165.75
Funds held for student activities		580.00	580.00
Total Liabilities (see Note 1, 2 and 3)	38,165.75	580.00	38,745.75
Total Net Assets	\$ 11,976.81		11,976.81

Note 1 - PPP loan grant of \$102,500.00 is not included in these liabilities.

It is unknown if management has filed the application of forgiveness with Arvest Bank or how much is eligible to be forgiven.

Note 2 - Additionally, the amount of Oklahoma Teacher's Retirement owed is also unknown.

Note 3 - The outstanding SFS Development Inc. loan of \$300,000.00 is not included in these liabilities

financial
(20)
(Dec. 3, 2020)
for repayment

not included

Allocation Type	Allocation	Paid to Date	Balance
Foundation and Salary Incentive	\$464,094.32	\$334,147.91	\$129,946.41
Textbook	\$2,428.21	\$2,428.21	\$0.00
FBA Certified Insured	\$43,728.90	\$13,303.44	\$30,425.46
FBA Support Insured	\$10,266.74	\$0.00	\$10,266.74
FBA Certified In Lieu Of	\$1,951.88	\$602.29	\$1,349.59
FBA Support In Lieu Of	\$819.46	\$819.46	\$0.00
	\$523,289.51	\$351,301.31	\$171,988.20

Operations & Finances - Audit

- Lack of segregation of duties. School: will correct when positions are hired.

- ~~Contracts for administrative and support staff were not~~

11. **SCHOOL FINANCE.** The School Board shall comply with all applicable state financial and budget laws, rules, and regulations.

a. The School Board shall be subject to audits of programs and financial conditions as may be imposed by state or federal law, including but not limited to the Oklahoma Public School Audit Law, 70 O.S. §22-102, et seq. The School Board shall provide to the SBE a copy of the School's external audit on the same date such audit is due to the State Department of Education. If the Charter School's audit includes any deficiencies, the School Board shall within sixty (60) days of receipt of the audit findings provide to the SBE a Corrective Action Plan addressing each audit deficiency received outlining corrective action steps. In the event any issue for which the Charter School received a deficiency is cited in the next two (2) annual audits, the SBE reserves the right to place the Charter School on probation.

i. The School Board shall file an annual report with the Office of Accountability in accordance with 70 O.S. §3-143 containing information requested by the Office of Accountability. Further, the Charter School shall use the Oklahoma Cost Accounting System to report financial matters to the Board and Department, and shall utilize the systems required by the Department to report financial matters and matters relating to school personnel containing information as requested by the Department.

b. Upon request, the School Board shall provide copies of its monthly financial reports to the SBE in compliance with Oklahoma Public School Audit Law, 70 O.S. §22-102, et seq. Otherwise, such reports shall be submitted to the SBE quarterly, no later than thirty (30) days following the end of each quarter, except that all year end reports shall be submitted with the annual independent financial audit.

- "New business" and "executive session" improperly used and identified

Operations & Finances - Audit

"almost exclusively" used a debit card for purchases

Inadequate documentation on activity fund purchases

Travel, meals and lodging expenses did not have sufficient detail for reimbursement (date, location, mileage, per diem, overnight expense, etc.)

Bond coverage not obtained

Meal se

14. CHARTER SCHOOL NUTRITION SERVICES.
The Charter School will provide school nutrition services as set forth in the Application.

guidelines and procedures

General fund and activity fund checks issued for "cash."

Summary

Application not
adhered to in core
areas

Bad financial audit

Fail to adhere to
contract and
probationary terms

Delayed and
inaccurate reporting

Non-compliance with
Open Meetings

Finances are based on
hopes (grants,
increased enrollment)
and lending

Contract – Breach, Termination & Dissolution

- Breach: Fail to meet or violate provision of Applicable Law, Contract or Performance Framework and effectiveness of Program
- Termination:
 - Failure to meet requirements for student performance
 - Failure to meet fiscal management standards
 - Violations of law
 - Other good cause – material violation of the terms, conditions standards or procedures in Contract and/or Applicable Law
- Termination shall occur no sooner than the end of the current school year, unless a different data is reasonably necessary to protect health, safety or welfare
- The sponsor shall give at least ninety (90) days' written notice to the governing board prior to terminating the contract

Contract – Termination & Dissolution

- Upon termination, School Board will conduct winding up of affairs
- Sponsor is not responsible for and will not assume any liability incurred by the School
- School and personnel will fully cooperate with winding up
- School to have adopted a policy specifying method for disposing of real and personal property
- Real or personal property purchased by the School with public funds is retained by Sponsor
 - Assets not purchased with state or local funds and owned by the School, after paying School's debts and obligations, to be donated to other schools