

## EXHIBIT A

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## **BERKELEY UNIFIED SCHOOL DISTRICT**

**STAFF REPORT: PETITION TO RENEW THE REALM CHARTER  
MIDDLE SCHOOL AND REALM CHARTER HIGH SCHOOL CHARTERS**

**GOVERNING BOARD PUBLIC HEARING DATE:**

**November 4, 2015**

**GOVERNING BOARD DETERMINATION MEETING DATE:**

**December 9, 2015**

## **I. INTRODUCTION**

On June 9, 2010, the Berkeley Unified School District ("District") granted two petitions to form the REALM Charter Middle School and REALM Charter High School for five-year terms, beginning on July 1, 2011 and ending June 30, 2016. The middle school serves grades 6-8, and the high school grades 9-12. On or about October 20, 2015, the District received separate petitions to renew the charters for the middle and high school for 5-year terms, starting on July 1, 2016.

The Charter Schools Act of 1992 permits school districts, county boards, and the State Board of Education ("SBE") to grant charters for the operation of charter schools. (Ed. Code § 47600, *et seq.*) Charter schools "are part of the public school system," but "operate independently from the existing school district structure." (Ed. Code §§ 47615(a)(1), 47601.) Charter schools are established through submission of a petition by proponents of the charter school to the governing board of a school district, county board or to the SBE. The governing board must grant a charter "if it is satisfied that granting the charter is consistent with sound educational practice." (Ed. Code § 47605(b).) Nevertheless, a governing board may deny a petition for the establishment of a charter school if it finds that the particular petition fails to meet enumerated statutory criteria and adopts written findings in support of its decision to deny the charter. (*Ibid.*) Once a governing board grants a charter petition, the charter school becomes a separate legal entity.

Under Ed. Code § 47607(a)(2), a school district evaluates a Renewal Petition under the same standards and criteria used to evaluate an initial petition to establish a charter school. If the Board grants a renewal petition, "[e]ach renewal shall be for a period of five years." (Education Code § 47607(a)(1).)

## **II. PROCEDURAL STATUS**

Ed. Code §§ 47605(b) and 45607 require the District's Board of Education ("Board"), within 30 days of receiving a renewal petition, to "hold a public hearing on the provisions of the charter, at which time the governing board of the school district shall consider the level of support for the petition by teachers employed by the district, other employees of the district, and parents." Ed. Code § 47605(b) requires the board to "either grant or deny the charter within 60 days of receipt of the petition." The Board held the public hearing on November 4, 2015, and received input on the renewal petition. The Board will take action to grant or deny the renewal petition on December 9, 2015.

The review of the 2 renewal petitions for compliance with the requirements set forth in the Education Code was conducted by Javetta Cleveland, Deputy Superintendent; Pasquale Scuderi, Assistant Superintendent, Educational Services; Lisa Graham, Director, Special Education; and John R. Yeh, Burke, Williams & Sorensen, LLP, legal counsel.

### III. REVIEW OF THE RENEWAL PETITION

Education Code §47605(b) sets forth the following guidelines for governing boards to consider in reviewing charter Renewal Petitions:

- The chartering authority shall be guided by the intent of the Legislature that charter schools are, and should become, an integral part of the California educational system and that establishment of charter schools should be encouraged.
- A school district governing board shall grant a charter for the operation of a school under this part if it is satisfied that granting the charter is consistent with sound educational practice.
- The governing board of the school district shall not deny a petition for the establishment of a charter school unless it makes written factual findings, specific to the particular petition, setting forth specific facts to support one or more of the following findings:
  - (1) The charter school presents an unsound educational program for the pupils to be enrolled in the charter school.
  - (2) The petitioners are demonstrably unlikely to successfully implement the program set forth in the petition.
  - (3) The petition does not contain the number of signatures required by statute (not applicable to renewal petitions).
  - (4) The petition does not contain an affirmation of each of the conditions required by statute.
  - (5) The petition does not contain reasonably comprehensive descriptions of the required elements of a charter petition.

Education Code § 47607(a) contains specific requirements applicable to renewal petitions:

(1) A charter may be granted pursuant to Sections 47605, 47605.5, and 47606 for a period not to exceed five years. A charter granted by a school district governing board, a county board of education, or the state board may be granted one or more subsequent renewals by that entity. Each renewal shall be for a period of five years...

... (2) Renewals and material revisions of charters are governed by the standards and criteria in Section 47605, and shall include, but not be limited to, a reasonably comprehensive description of any new requirement of charter schools enacted into law after the charter was



originally granted or last renewed.

(3)(A) The authority that granted the charter shall consider increases in pupil academic achievement for all groups of pupils served by the charter school as the most important factor in determining whether to grant a charter renewal.

(B) For purposes of this section, "all groups of pupils served by the charter school" means a numerically significant pupil subgroup, as defined by paragraph (3) of subdivision (a) of Section 52052, served by the charter school.

See, e.g., 5 C.C.R. 11966.4(b) also contains the following requirements:

(1) When considering a petition for renewal, the district governing board shall consider the past performance of the school's academics, finances, and operation in evaluating the likelihood of future success, along with future plans for improvement if any.

(2) The district governing board may deny a petition for renewal of a charter school only if the district governing board makes written factual findings, specific to the particular petition, setting forth specific facts to support one or more of the grounds for denial set forth in Education Code section 47605(b) or facts to support a failure to meet one of the criteria set forth in Education Code section 47607(b).

#### Eligibility for Renewal

Under Ed. Code § 47607(b), a charter school must meet the following performance criteria on the Academic Performance Index (API) test in order to be eligible for or consideration for renewal:

(b) Commencing on January 1, 2005, or after a charter school has been in operation for four years, whichever date occurs later, a charter school shall meet at least one of the following criteria before receiving a charter renewal pursuant to paragraph (1) of subdivision (a):

\*\*\*  
(4)(A) The entity that granted the charter determines that the academic performance of the charter school is at least equal to the academic performance of the public schools that the charter school pupils would otherwise have been required to attend, as well as the academic performance of the schools in the school district in which the charter school is located, taking into account the composition of the pupil population that is served at the charter school.

Because of the suspension of API testing for 2014, the last year that API data is available for the REALM schools is 2013. Therefore, the District has evaluated

alternative assessment data, including REALM's most recent results on the California Assessment of School Performance and Progress (CAASP) tests in 2015.

To obtain renewal, a charter school must meet all of the other legal requirements for renewal, including the additional performance goals set forth in its original charter and other provisions of law.

The Charter Review Team was also guided in its analysis by the SBE regulations for the evaluation of charter petitions and renewal petitions (hereinafter "regulations"). Where relevant, the content of the Education Code and regulations are stated or paraphrased with respect to each required element of the Petition in italics.

#### **IV. CHARTER REVIEW TEAM RECOMMENDATION**

The Charter Review Team recommends that the Board grant the Renewal Petition on the condition that REALM make the following changes to its Charters as set forth at the conclusion of this Report.

#### **V. FINDINGS OF CHARTER REVIEW TEAM**

The Charter Review Team's specific findings with respect to each element are described in numbered paragraphs below with reference to the applicable statutory and regulatory requirements.

##### **1. THRESHOLD LEGAL REQUIREMENTS OF EDUCATION CODE §47605(A)**

*The Education Code requires that charter petitions identify a single charter school that will operate within the geographic boundaries of the District, unless certain conditions are met.*

Analysis: The Charter School's Middle School is located at 2023 Eighth Street, Berkeley, and its High School at the District's West Campus, located at 1222 University Avenue, Berkeley. The parties are in discussion for a facilities arrangement for 2016-2017.

##### **2. EDUCATIONAL PROGRAM [EDUCATION CODE §47605(B)(1)]**

*Education Code §47605(b)(1) permits a school board to deny a petition to establish a charter school that presents an "unsound educational program." The SBE regulations clarify an unsound educational program to be one that involves activities that would present the likelihood of physical, educational, or psychological harm to the students, and/or would not likely be of educational benefit to students. (Cal. Code Regs., tit. 5, § 11967.5.1(b)(1), (2))*

Analysis: See below, starting on p. 6.

3. **SIXTEEN REQUIRED CHARTER ELEMENTS SET FORTH IN EDUCATION CODE §47605(B)(5)**

Following is the Charter Review Team's analysis of each of the 16 elements required by Education Code §47605(b)(5).

A. **Element One: A Description of the Educational Program [Ed. Code, §47605, subd. (b)(5)(A)]**

*The Education Code requires a description of the educational program of the school, designed, among other things, to identify those whom the school is attempting to educate, what it means to be an "educated person" in the 21st century, and how learning best occurs. (Ed. Code, §47605(b)(5)(A)(i).)*

*The regulations require the educational program description to include a framework for instructional design that is aligned with the needs of the target student population, as well as descriptions of the following: the basic learning environment, and the instructional approach, including the curriculum and teaching methods that will enable the school's students to master the content standards for the core curriculum areas and to achieve objectives specified in the charter. (Cal. Code Regs., tit. 5, §11967.5.1(f)(1).) The regulations further require an explanation of how the charter school will identify and respond to the needs of students who are not achieving at or above expected grade levels, how the charter school will meet the needs of students with disabilities, English learners, students achieving substantially above, or below grade level expectations, and other special populations, and the charter school's special education plan. (Ibid.)*

1. **Target Student Population:**

**Analysis:** Both REALM charters note that the original charters sought to serve a student demographic consisting of the following:

African American	Asian American	Latino	White
26%	9%	14%	34%

REALM's Middle and High schools contain the following demographic breakdown

**Middle School:**

African American	Asian American	Latino	White
15.7%	4.0%	55.9%	10.5%

**High School:**

African American	Asian American	Latino	White
19.2%	1.6%	62.3%	4.1%

(Source: Petition, p. 11 (current), 13 (initial)<sup>1</sup>.)

<sup>1</sup> Page citations refer to both Middle School and High School Petitions unless otherwise indicated.



BUSD Demographic Breakdown:

African American	Asian American	Latino	White
20%	8%	24%	35%

(Source: BUSD District Profile Sheet 2013: <http://www.berkeleyschools.net/wp-content/uploads/2011/06/BUSD-SIS-2013.pdf?5759fb>)

Though the REALM charter school demographics do not match that of the District's, the charter schools do enroll predominantly students of color, with its largest demographic consisting of Latino students.

Following is REALM's demographic breakdown of students eligible for the Federal Free and Reduced Lunch program, and English Language Learners:

	Free and Reduced Lunch Eligible/SED	English Language Learners
REALM Middle	78%	58%
REALM High	72%	58%
BUSD	12%	41%

(Source: Petition, p. 14 (REALM); BUSD District Profile Sheet 2013: <http://www.berkeleyschools.net/wp-content/uploads/2011/06/BUSD-SIS-2013.pdf?5759fb> (BUSD).)

2. Proposed Curriculum/Framework for Instructional Design:

Analysis: The Petition's description of the Charter School's instructional program is contained on pp. 16-25 (Middle) and 16-26 (High School). The Petition contains a program rooted in Project-Based Learning aligned with Common Core State Standards, and contains separate descriptions of the curricular programs in English, Mathematics, History/Social Science, Science, Physical Education, Foreign Language and Art & Design. The High School Petition also notes that REALM attained 3-year WASC accreditation in 2013, and also contains high school graduation requirements on p. 26.

Pasquale Scuderi, Assistant Superintendent, Educational Services, conducted site observations of REALM Middle and High Schools on November 23 and 30, 2015. The observations confirmed that REALM is delivering the program set forth in its charter petitions. The findings from the site observations are attached as Exhibit 1. 3.

Special Education Program and § 504 Compliance:

Analysis:

District Feedback: The District notified REALM in writing on November 25, 2015 that it needed to provide a description of how the Charter Schools provide special education services to their students, and how they ensure that their students receive and Free and Appropriate Education. The District asked REALM to provide information in the categories listed below. Below is a summary of REALM's response, and the District's evaluation thereof.

## 1) Child Find:

REALM Response: REALM ensures that parents and staff are aware of the obligation and desire to assist students with learning needs. When students enroll at REALM and the family indicates that they may have an IEP or 504 plans, REALM staff actively search for the documents. If parents do not have a copy of the IEP, this includes contacting the previous district/school and requesting both electronic and hardcopy files. If the student does not have an IEP but the school staff suspect[s] learning and/or developmental needs, the school team will work in a variety of ways to ensure students who need assistance are identified. This includes referral to COST (Coordination of Services Team), provision of intervention services, and assessment by qualified school personnel. In addition, letters explaining the transition to EDCOE SELPA were mailed to families. Contact information for the REALM special education department was also distributed at family events such as the beginning of school welcome and back to school night. The COST process also provides information to parents and staff. Staff receive[s] ongoing training on the function of COST and the process to refer a student.

District Evaluation of REALM Response: REALM's response does not address Child Find obligations. An LEA may not use SST (or COST) as a way to delay or defer its site obligations to conduct a comprehensive evaluation of students they suspect may have a disability that would require specialized instruction.

The District would need to see the following documents to determine whether REALM is meeting its special education obligations under the law:

- Child Find policy & procedures manual describing the referral process.
- Comprehensive EDCOE SELPA Policy Binder.
- 504 Policy & Procedures Handbook, along with any forms used for this process.
- Pupil Records Guidelines Handbook.
- "Letters explaining the transition to EDCOE SELPA [that] were mailed to families."
- Any other information provided to families regarding the provision of special education services by EDCOE SELPA.
- The COST team & referral process professional development training materials, including agenda & sign-ins.

## 2) Referral and Assessment

REALM Response: REALM utilizes COST (Coordination of Services Team), an enhanced Student Study Team model, looking at any student that has needs and allocating and locating resources to assist the student. With behavioral and academic levels of interventions are attempted and documented prior to a referral to special education. The COST team meets on a weekly basis and monitors student progress. The interventions increase or decrease as needed, based on data collected such as behavioral charts or academic assessments and work samples. If a student is referred

for Special Education assessment by the team and/or family, the mandated timelines are followed. An assessment plan is developed and sent to the parent within 15 days of the referral. Once signed and returned by the parent, the IEP team has 60 days to complete the assessment and hold an IEP meeting. REALM staff will assess in all areas of suspected disability. A parent has the right to make a direct written referral for assessment. When this is received the COST team meets within 15 days to develop a plan of assessment with the parent and to provide additional interventions, if appropriate.

An interdisciplinary team assesses the student, including a school psychologist, an Educational Specialist, a school nurse and/or other professional staff, such as a speech and language pathologist or occupational therapist, in all areas of suspected disability/ areas of need. All staff use appropriate measures and batteries of assessments that they are familiar with and qualified to assess. In addition, data regarding interventions and other measures are factored in. These include individual testing, teacher observations, interviews, record reviews and work samples and parent input. Assessments are done in the student's primary language and parents are presented the information in their language, with the help of an interpreter as necessary. The assessments are completed within the 60 day timeline and the parent is invited to an IEP meeting to review the assessment data, determine eligibility, and plan for services if appropriate.

District Evaluation of REALM Response: REALM's response misstates the standard for triggering the obligation to assess. The LEA is obligated to assess in all areas related to the area(s) of suspected disability, not just "all areas of suspected disability." This is a critical distinction. REALM's response also contains no reference to providing parents with a copy of its procedural safeguards upon a request or referral for special education evaluation. REALM should provide a copy of its Procedural Safeguards document (in all languages made available to parents/guardians.)

REALM states that assessments are performed in a student's "primary language," but fails to detail how it enforces this practice for all languages or accesses multiple native language speakers for these evaluations. REALM also does not detail how it determines a student's "primary" language." REALM must provide a copy of its ELL & CELDT assessment Policy & Procedures Handbook.

### 3) Individualized Education Plan (IEP) meetings

REALM Response: When REALM took over special education services this school year, approximately 33% of IEPs were overdue. Within the first 30 days, all overdue IEPs were held, in addition to the interim IEPs necessary to document the change of SELPA. REALM will continue to hold annual and triennial IEP meetings as appropriate. IEP meetings consist of the following individuals: student, guardian, education specialist/case manager, general education teacher, administrator, and other specialists as appropriate (e.g., Speech Language Pathologist, Educationally Related Mental Health counselor). REALM case managers work closely with students to help them



participate in meaningful ways in their IEP meetings. For example, some students facilitate their own meetings, some present to the team about their learning strengths and needs, and others share work they are proud of. The level of participation is determined by student preference and level of functioning. All students are supported in the development of effective self advocacy skills.

REALM prioritizes professional development needed to write compliant, well-done IEPs that will afford student's Educational benefit. REALM participates in SELPA professional development to make sure all IEP components are addressed. IEPs are reviewed annually and every three years the students will be reassessed. Additional IEPs may be conducted at parent or school request and if for discipline reasons a Manifestation Meeting will be held prior to a change of placement or for expulsion. The components of the IEP will include: a. Statement of present levels of achievement and functional performance b. rationale for placement, c. services and means for delivery, d. when services will start, how often and who to provide, e. meaningful goals, f. how progress on goals will be measured, monitored and reported to the parents, g. accommodations required, h. 16+ transition plan in place for all students aged 16 with a disability. Timelines are adhered to and parents and students are afforded the opportunity to participate in a meaningful way.

District Evaluation of REALM Response: REALM mistakenly refers to the Manifestation Determination (MD) meeting as a "Manifestation Meeting." Moreover, the District still needs to see a copy of REALM's Student Handbook & Student Discipline Handbook, as well as its policy regarding student access to extracurricular activities and programs (per ADA regulations), including the provision of accommodations, if required. The District also needs to see copies of all IEP forms and other IEP professional development training materials, including agenda & sign-ins.

4) Specific services and supports the Charter School as an LEA would offer

REALM Response: REALM Charter School serves students in the least restrictive environment. Previously, BUSD provided a pull-out model for serving students who had SAI as an IEP service. REALM desires to have the students remain in their classrooms receiving Common Core instruction taught by highly qualified teachers to the greatest extent possible. Teachers use strategies such as differentiation and Universal Design for Learning (UDL) for all students. Students are provided the accommodations and modifications listed on their IEPs. REALM's Education Specialists and Instructional Assistants work with students in the general education setting. In addition, students that require additional help for remediation, pre-teaching, review, and/or test taking support, are pulled out for appropriate services as needed.

REALM Charter School also provides related services to students with disabilities per their IEP. REALM employs a speech language pathologist, occupational therapist, school psychologist, and ERMHS therapist to provide these services. REALM currently contracts services for Deaf/hard of Hearing and nursing services from personnel that

are on the CDE NPA approved list. If students require APE, VI, PT or other services the appropriate providers will be secured.

Should a student require placement in a more restrictive placement based on their present level of need, REALM will coordinate placement and service delivery with a school on the CDE NPS approved list, in conjunction with the SELPA.

*District Evaluation of REALM Response:* REALM's response fails to detail the staffing ratio expected at REALM per grade level for personnel providing special education services. REALM's response also does not provide a reasonably comprehensive description of REALM's plan to provide related services to students, if they are needed. The only services referenced as being provided by REALM are SLP, OT & counseling & contracts w/ an NPA for DHH & nursing. Other services (APE VI, PT) are noted as "appropriate providers will be secured" with no information regarding how these services would be provided. REALM's response also fails to address other areas of related services (e.g., Transportation & Assistive Technology (AT), Low Incidence requests.)

The District needs to see the following documents:

- REALM's MOU w/ EDCOE regarding the provision of all special education services & supports, including ERMHS assessments & provision of counseling services to students.
- All MOU's with NPA's to provide DHH (CEID) & nursing (K-12 Health) services.
- REALM's Independent Educational Evaluation (IEE) Policy and Procedures, including any forms used for this purpose

5) *How the Charter School staffs instructional personnel to meet its special education obligations*

*REALM Response:* REALM employs appropriate personnel to meet special education obligations. This includes: education specialists, instructional assistants, speech language pathologist, occupational therapist, school psychologist, and educationally related mental health services (ERMHS) counselor. REALM contracts Deaf/Hard of Hearing services with NPA certified Center for Early Intervention on Deafness. REALM contracts nursing services with NPA certified K12 Health.

*District Evaluation of REALM Response:* REALM's response fails to address specialists' credentials or qualifications under either State law or NCLB's "Highly Qualified" requirement. The statement that "REALM employs appropriate personnel to meet special education obligations" does not contain the required level of detail.

4. English Learner Instruction

Analysis: The Middle School Petition addresses this requirement on pp. 24-25, and the High School Petition on pp. 27-29.



5. Other Education Code Requirements:

Analysis: The Renewal Petitions address the following elements in a manner that meets minimal legal requirements: What it means to be a 21<sup>st</sup> Century Educated Person (pp. 14-15); how learning best occurs (p. 15-16); plan for low-achieving students (p. 25-26 (Middle), p. 29 (High)); and plan for high-achieving students (p. 26 (middle), p. 29 (High).)

6. Integration of Common Core and LCFF-Required Standards

Analysis: The Petitions address the integration of Common Core State Standards into the Project-Based Learning model in pp. 18-19. The Middle School Petition addresses the Charter School's Goals and Actions to Achieve the State Priorities on pp. 27-32, and the High School Petition on pp. 31-43.

B. Elements Two and Three: Measurable Student Outcomes and Measuring Student Progress [Ed. Code, §47605, subd. (b)(5)(B), (C)]

*Regarding the descriptions of Measurable Pupil Outcomes and Measuring Pupil Progress, the Petition must meet the legal requirements of Education Code §47605, subdivisions (b)(5)(B), (C) and California Code of Regulations, title 5, §11967.5.1, subdivisions (f)(2), (3) regarding the identification of outcomes and assessment tools and plans. Pupil outcomes shall include outcomes that address increases in pupil academic achievement both schoolwide and for all groups of pupils served by the charter school, as that term is defined in subparagraph (B) of paragraph (3) of subdivision (a) of Section 47607. The pupil outcomes shall align with the state priorities, as described in subdivision (d) of Section 52060, that apply for the grade levels served, or the nature of the program operated, by the charter school.*

*The SBE regulations provide that a petition should set out measurable student outcomes to be used by the charter school. (Cal. Code Regs., tit. 5, § 11967.5.1(f)(2)) The student outcomes should, at a minimum:*

*(a) specify skills, knowledge, and attitudes that reflect the school's educational objectives and can be assessed by objective means that are frequent and sufficiently detailed enough to determine whether students are making satisfactory progress;*

*(i) the frequency of the objective means of measuring student outcomes should vary according to such factors as grade level, subject matter, the outcome of previous objective measurements, and information that may be collected from anecdotal sources; and*

*(ii) objective means of measuring student outcomes must be capable of being used readily to evaluate the effectiveness*

*of and to modify instruction for individual students and groups of students.*

*(b) include the school's API growth target, if applicable. (Ibid.)*

Analysis:

Ed. Code § 47607(a)(3)(A) provides that “[t]he authority that granted the charter shall consider increases in pupil academic achievement for all groups of pupils served by the charter school as the most important factor in determining whether to grant a charter renewal.”

a. Evaluation of Charter School Academic Performance:

Education Code §47605, subdivision (b)(5)(C), requires a petitioner to identify “[p]upil outcomes [including] outcomes that address increases in pupil academic achievement both schoolwide and for all groups of pupils served by the charter school.”

Because of the suspension of API testing, API scores for REALM were only available for 2012 and 2013. REALM showed growth in the following pupil subgroups as follows:

REALM HIGH SCHOOL:

REALM 2013 API Growth by Subgroup: High School

Overall	African American	Latino	Socioeconomically Disadvantaged	English Learner
33	19	40	11	37

(See, Exhibit B; REALM High School Petition, pp. 8-9.)

REALM's 2013 API growth was within the range of that achieved in the comprehensive high schools in the BUSD and the West Contra Costa Unified School District, two primary districts from which it draws its student population.

REALM MIDDLE SCHOOL:

Other than for African American students, REALM middle school did not achieve the API growth attained by BUSD middle schools. (See, Exhibit B.) REALM's performance on the API is more commensurate than that of middle schools in the West Contra Costa Unified School District, the largest district of residence of REALM's middle school students. (See, Exhibit C.)

REALM 2013 API Growth by Subgroup: Middle School

Overall	African American	Latino	Socioeconomically Disadvantaged	English Learner

10	50	-17	-8	-49
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(See, Exhibit C; REALM Middle School Petition, pp. 8-9.)

#### CAASP

When broken down by pupil subgroup, the performance of REALM's Sixth, Seventh, Eighth and Eleventh Grade students on the CAASP test was commensurate with that of their BUSD counterparts, most notably in three areas: English Language Arts – African American students; English Language Arts – English Language Learners and Math – African American students. (See, Exhibit D.)

#### **C. Element Four: Governance Structure, Including Parental Involvement** **[Ed. Code, § 47605, subd. (b)(5)(D)]**

*Education Code §47605(b)(5)(D) requires the Petition to describe the governance structure of the school, including, but not limited to, the process to be followed by the school to ensure parental involvement. The regulations consider whether the proposed governance structure evidences that the charter school will become and remain a viable enterprise through organizational and technical designs, whether there will be active and effective representation of interested parties, including, but not limited to parents and guardians, and whether the educational program will be successful and parental involvement encouraged in a variety of ways at all levels of the program. (Cal. Code Regs., tit. 5, § 11967.5(f)(4).)*

Analysis: REALM Charter Schools operates as a California public benefit corporation with IRS 501c3 status under Education Code section 47604(a). The Petition also enumerates the Board's responsibilities and governance structures, as well as areas of Board training. (Middle School Petition, pp. 42-45; High School Petition, pp. 46-49.)

The District asked REALM to clarify following areas with respect to its governance structure::

- The Petitions state that “[a] set of bylaws, reflecting the governance structure described herein, is being drafted by a committee of elected board members, who will submit the bylaws to the full Board of Directors for consideration and approval (Appendix E). (Middle School Petition, p. 44, High School Petition, p. 48.) The attached bylaws list board members, but the expiration dates for their terms all fall in 2011 through 2013. Please clarify whether the Board has approved the bylaws, and update the list of Board members, along with the end dates for their terms.
- The Petition's description of the means to encourage parental involvement is insufficient. Please provide information regarding specific means (committees, activities, parental advisory groups) that the REALM Charter Schools have, or will, implement to provide parents a meaningful opportunity to participate in the Charter Schools' governance.



*REALM's Response:* The parent participation at REALM starts with two parents who sit on REALM's Board of Directors, one of whom is the Treasurer. REALM Parent Alliance (RPA) - formed by parents, Executive Committee meets with Executive Director twice monthly to review finances, education program, and school climate/culture issues. Per the LCFF, parents were involved in reviewing the budget, completed a survey about the educational program, and they have ongoing meetings with site principals. The RPA also holds two fundraising events each year and two social events each year.

*District Evaluation of REALM Response:* REALM still needs to submit an updated roster of board members, including their terms.

**D. Element Five: Employee Qualifications [Ed. Code, § 47605, subd. (b)(5)(E)]**

*The regulations governing charter school petitions consider whether general qualifications for the various categories of employees (e.g., administrative, instructional, instructional support, non-instructional support) are identified, whether the qualifications ensure the health and safety of the school's faculty, staff, and students, and the academic success of the students; whether positions that the charter school regards as key in each category are identified and specify the additional qualifications expected of individuals assigned to those positions; and whether all requirements for employment set forth in applicable provisions of law will be met, including, but not limited to credentials as necessary. (Cal. Code Regs., tit. 5, § 11967.5(f)(5))*

Analysis: The Petitions address employee qualifications of the schools' teachers, Executive Director and Principal on pp. 46-47 (Middle School), and 50-51 (High School).

- The Petitions need to be amended to include the procedures to "ensure the health and safety of the school's faculty, staff and students," including fingerprinting, background checks, and safety policies and procedures.
- The Petitions also need to state how the terms and conditions of employment for each classification of employee are determined.

**E. Element Six: Procedures to Ensure Health and Safety of Students and Staff [Ed. Code, §47605(b)(5)(F)]**

*Education Code §47605(b)(5)(F) requires the Petition to describe the procedures that the school will follow to ensure the health and safety of pupils and staff, including the requirement that each employee of the school furnish the school with a criminal record summary as described in §44237. Among other items, the regulations consider whether health and safety procedures require criminal record summaries from employees, tuberculosis examinations of employees, student immunizations, and vision, hearing and scoliosis screening for students. (Cal. Code Regs., tit. 5, § 11967.5(f)(6).)*

Analysis: The Petitions address Health and Safety on pp. 48-49 (Middle School) and 52-54 (High School).



- The Petition needs to address the following: Update to incorporate new laws on mandatory Child Abuse Reporting Training and stocking Epinephrine auto-injectors. (Education Code section 49414, as amended by Senate Bill 1266 in 2015.)

**F. Element Seven: Racial and Ethnic Balance**  
**[Ed. Code, §47605(b)(5)(F)]**

*The Petition must contain a description of the means by which the school will achieve a racial and ethnic balance among its pupils that is reflective of the general population residing within the territorial jurisdiction of the school district. (Cal. Code Regs., tit. 5, § 11967.5(f)(7).)*

Analysis: The Petition addresses this requirement on p. 51 (Middle School) and 55 (High School). (See, pp. 6-7, *infra*.)

**G. Element Eight: Admissions Requirements**  
**[Ed. Code, §47605(b)(5)(F)]**

*The Petition must contain a reasonably comprehensive description of admissions requirements in compliance with the requirements of law. (Cal. Code Regs., tit. 5, § 11967.5(f)(8).)*

Analysis: The Petition addresses this requirement on p. 52 (Middle School) and 56 (High School).

**H. Element Nine: Audit of Financial and Programmatic Operations [Ed. Code, § 47605, subd. (b)(5)(I)]**

*Education Code §47605(b)(5)(I) requires the Petition to describe the manner in which annual, independent financial audits shall be conducted, which shall employ generally accepted accounting principles, and the manner in which audit exceptions and deficiencies shall be resolved to the satisfaction of the chartering authority. The regulations consider whether audits will employ generally accepted accounting principles, and whether the Petition specifies who is responsible for contracting and overseeing the independent audit; whether the auditor will have experience in education finance; whether the process of providing audit reports to the chartering district, or other agency as the district may direct, is addressed, including timelines and procedures for addressing findings and/or resolving any audit exceptions. (Cal. Code Regs., tit. 5, §11967.5(f)(9).)*

Analysis: The Petition addresses this requirement on p. 53 (Middle School) and 57 (High School).

**I. Element Ten: Student Suspension/Expulsion Procedures [Ed. Code, § 47605, subd. (b)(5)(J)]**

*Education Code §47605(b)(5)(J) requires the Petition to describe the procedures by which pupils can be suspended or expelled. The regulations consider numerous factors related to this charter petition element. Procedures must minimally identify a preliminary list of offenses for which students may (or must, where discipline is non-discretionary) be suspended or expelled; identify the procedures by which students can be suspended or expelled; identify the procedures by which parents, guardians, and students will be informed about reasons for suspension or expulsion and of their due process rights in regard to suspension or expulsion; provide evidence that the petitioners reviewed the lists of offenses and discipline procedures and believe their lists provide adequate safety for students, staff, and visitors to the school and serve the best interests of the school's students and their parents/guardians; and provide due process for all students and demonstrate an understanding of the rights of students with disabilities in regard to suspension and expulsion; and outline how detailed policies and procedures will be developed and periodically reviewed and modified, as necessary. (Cal. Code Regs., tit. 5, § 11967.5(f)(10).)*

Analysis: The Petition addresses this requirement on p. 54-55 (Middle School) and 58-59 (High School). The Suspension and Expulsion Policy is attached as Exhibit H.

**J. Element Eleven: Manner in Which Staff Will Be Covered by STRS, PERS, or Federal Social Security [Ed. Code, § 47605, subd. (b)(5)(K)]**

*Education Code §47605(b)(5)(K) requires the Petition to describe the manner by which staff members of the charter school will be covered by the State Teachers' Retirement System, the Public Employees' Retirement System, or federal social security. This requires, at a minimum, that the charter specify the positions to be covered under each system and identify the staff who will be responsible for arranging coverage.*

Analysis:

The Petition addresses this requirement on p. 56 (Middle School) and 60 (High School).

**K. Element Twelve: Student Attendance Alternatives [Ed. Code, § 47605, subd. (b)(5)(L)]**

*The Petition shall address the public school attendance alternatives for pupils residing within the school district who choose not to attend charter schools. (Cal. Code Regs., tit. 5, § 11967.5(f)(12).)*

Analysis: The Petition addresses this requirement on p. 57 (Middle School) and 61 (High School). The Petition specifies that the parent or guardian of each pupil enrolled in the charter school shall be informed that the pupil has no right to admission in a particular school of any local educational agency (LEA) (or program of any LEA) as a

consequence of enrollment in the charter school, except to the extent that such a right is extended by the LEA.

**L. Element Thirteen: Employee Rights**  
**[Ed. Code, § 47605, subd. (b)(5)(M)]**

*The Petition shall contain a description of the rights of any employees of the school district upon leaving the employment of the school district to work in a charter school, and of any rights of return to the school district after employment at a charter school. (Cal. Code Regs., tit. 5, § 11967.5(f)(13).)*

**Analysis:** The Petition addresses this requirement on p. 58 (Middle School) and 62 (High School). The Renewal Petition provides that no District employee shall be required to work at the charter school, and that former District employees working at the charter school have no automatic rights of return to the District, unless specifically granted by the District. This section meets minimal legal requirements.

**M. Element Fourteen: Dispute Resolution [Ed. Code, § 47605, subd. (b)(5)(N)]**

*The Petition must contain the procedures to be followed by the charter school and the chartering authority to resolve disputes relating to provisions of the charter. (Subd. (b)(5)(N)) The procedures shall, at a minimum:*

- (a) describe how the costs of the dispute resolution process, if needed, would be funded; and*
- (b) recognize that if the substance of a dispute is a matter that could result in the taking of appropriate action, including, but not limited to, revocation of the charter, the matter will be addressed at the chartering district's discretion in accordance with that provision of law and any regulations pertaining thereto. (5 C.C.R. § 11967.5.1(f)(14).)*

**Analysis:** The Petition addresses this requirement on p. 59-60 (Middle School) and 63-64 (High School). The Renewal Petition contains a dispute resolution procedure involving: 1) framing the issue in a written "dispute statement," 2) an initial meeting between the charter school's Director and the District's Superintendent or designee, 3) and, if necessary, a meeting between two members of the charter school and District Boards, respectively; and, further, if necessary, referral to an independent mediator. It also contains a procedure to address disputes that are internal to the charter school.



**N. Element Fifteen: Exclusive Public School Employer [Ed. Code, § 47605, subd. (b)(5)(O)]**

*The Petition must also contain a “declaration of whether or not the charter school shall be deemed the exclusive public school employer of the employees of the charter school for the purposes of the Rodda Act.” (5 C.C.R. § 11967.5.1(f)(15).)*

**Analysis:**

The Petition addresses this requirement on p. 61 (Middle School) and 65 (High School). The Charter Schools are the exclusive employers of their employees for the purposes of the Rodda Act. The Charter Schools’ certificated employees have organized with the Berkeley Federation of Teachers. The Charter Schools acknowledge that they are obligated to follow the Rodda Act. (Government Code section 3540 *et seq.*)

**O. Element Sixteen: Closure Protocol [Ed. Code, § 47605, subd. (b)(5)(P)]**

*The Petition must include a description of closure procedures, including a plan for disposing of any net assets and for the maintenance and transfer of student records.*

**Analysis:** The Petition addresses this requirement on p. 62-63 (Middle School) and 66-67 (High School).

**IV. LIKELIHOOD OF SUCCESSFULLY IMPLEMENTING THE PROGRAM DESCRIBED IN THE PETITION [EDUCATION CODE §47605 (B)(2)]**

*The regulations require consideration of whether a charter petition has presented a realistic financial and operational plan in determining whether petitioners are likely to be successful in implementing the charter program, including the areas of administrative services, financial administration, insurance and facilities. (Cal. Code Regs., tit. 5, § 11967.5(c))*

All of the findings set forth above are incorporated into this section of the Report. In addition, the Charter Review Team makes the following additional findings.

**A. Financial/Operational Plan**

*The Education Code requires a petition to contain cash flow and financial projections for the first three years of operation. (Education Code §47605(g))*

**Analysis:** Our review of REALM’s financial position for their charter renewal included the multi-year projections and cash flows included in the petition as well previous reviews of the 2014-15 Unaudited actuals and the 2015-16 Adopted Budget since the ending balances and historical trends impact the projections for 2016-17 fiscal year.

## REALM Middle School

### Unaudited Actuals for 2014-15

Based on the review of Unaudited Actuals, the District expressed concerns about the ability of the REALM Middle School to continue as a going concern. REALM Middle is deficit spending and has a negative ending fund balance. REALM Middle closed its books with revenue of \$2.9 Million for unrestricted programs, and expenditures of \$3.6 million. REALM Middle's deficit spending was approximately \$760,000 and negative ending fund balance was \$849,000. The material negative ending funding balance created cash flows problems and needs for high interest receivable sales and there is no reserve for economic uncertainty. REALM Middle did not meet its fiscal obligations for Fiscal Year 2014-15. The comparative of the 2014-15 budget to actuals showed a material variance from projected ending fund balance to actual ending fund balance. The fact that the ending fund budget projection for 2014-15 was significantly more negative than projected is concerning when considering the charter school renewal for 2016-17. At the Second Interim budget, the fund balance was projected to be a negative fund balance of \$36,000. The actual fund balance was a negative \$849,000, for a variance of \$813,000. (See Review of Unaudited Actuals in Appendix E)

### Adopted Budget for 2015-16

Based on the review of the Adopted Budget, the District is still concerned about the ability of REALM Middle School to continue as a going concern. REALM Middle is projecting to reduce its deficit spending from \$761,000 to \$17,000. Since REALM is projected to continue deficit spending, the negative fund balance rolling from 2014-15 will slightly increase from \$849,000 to \$866,000. 2015-16 First Interim adjustments will slightly improve the negative ending fund balance to \$772,000. The First Interim adjustment will change the beginning and ending fund balances in the multi-year projections included in the charter petition and therefore, projections should be revised. The negative ending funding balance will continue to create cash flow issues and not establish reserves for economic uncertainty. Additionally, REALM may not meet its fiscal obligations for Fiscal Year 2015-16. The chart below identifies REALM's planned budget reductions of \$547,851 for 2015-16. REALM Middle needs to make additional ongoing reductions to address negative ending fund balance to ensure that cash flow needs can be met to continue as a school. (See Review of Adopted budget in Appendix F)

### Multi-Year Projections beginning 2016-17

In the 2016-17 projections, REALM Middle projects to improve deficit spending to a surplus of \$301,000 reducing the negative ending fund balance from \$866,000 to \$565,000. Due to 2015-16 First Interim adjustment to beginning fund balance for 2016-17 the negative ending fund balance will reduce to \$470,000. The reduction of deficit spending of \$761,000 in 2014-15 to a surplus of \$301,000 in 2016-17 would require expenditure reductions and increases in revenue of approximately \$1 million over two years. It appears some of the adjustments to reduce the deficit spending included one-time revenues. The REALM Middle budget reductions detailed below only identifies \$673,000 of the \$1 million swing as ongoing reductions and savings. REALM Middle

still projects a negative projected ending fund balance of \$470,000 at the end of 2016-17. The material negative ending funding balance still indicates that the cash flows will continue to be a concern and there are no reserves for economic uncertainty. REALM Middle School needs to make additional ongoing reductions to resolve the negative ending fund balance in 2016-17 and to ensure that cash flow needs are met to be able to continue forward. If the surplus of \$301,000 is valid and control over expenditures is maintained in subsequent years, REALM Middle will have a positive ending fund balance by 2018-19.

Middle School Historical Summary					
	2014-15	2015-16	2015-16	2016-17	2016-17
	Unaudited	Budget	Draft		Corrected
	Actuals	Adoption	Interim	Petition	Petition
Beginning Fund Balance	(80,025)	(848,740)	(841,552)	(866,445)	(771,735)
Surplus/(Deficit)	(761,526)	(17,705)	69,817	301,307	301,307
Ending Fund Balance	\$ (841,551)	\$ (866,445)	\$ (771,735)	\$ (565,138)	\$ (470,428)

An analytical review was performed of the projected budget reductions and increases in revenue. A list of questions and request for information was provided to REALM for response. (See response letter in appendix G). Based on their response to unaudited actuals and the questions raised regarding the charter renewal petition, REALM identified the following budget reductions and savings to address some of the deficit and the negative fund balance. Even with these planned reductions and savings, the Middle School budget will not be balanced until 2018-19 or 2019-20 and cash flow issues will continue.

Middle School Ongoing Reductions				
	Effective			
Description	Date	2015-16	2016-17	Total
2 teachers not rehired from 14/15		114,634		
Spanish Teacher .25 FTE	1/1/2016	7,937	60,000	
Music Teacher .25 FTE	1/1/2016	7,284	-	
Instructional Coach	7/1/2016	-	49,615	
Studio H Instructor	7/1/2016	-	69,771	
Afterschool Coordinator	7/1/2016	-	55,000	
Food Cost		32,649	-	
Change in special Ed Services		28,735	-	
Equipment		14,389	-	
Instructional Materials/Textbooks		53,839	-	
Transfer of cost to High School		43,264	-	
Consulting/Operational cost		155,110	-	
Budget projection error for STRS			(19,192)	
Total		\$ 457,841	\$ 215,194	\$ 673,035



## REALM High School

### Unaudited Actuals for 2014-15

Based on review of Unaudited Actuals, the District expressed concerns that REALM High is deficit spending and has a negative ending fund balance. REALM High closed its books with revenue of \$3.08 million and expenditures of \$3.104 million. REALM High is deficit spending by \$16,000 and ended the year with a negative ending fund balance of \$175,000. The negative ending funding indicates that REALM High is deficit spending, cash deficient and has no reserves for economic uncertainty. REALM High School did not meet its fiscal obligations for Fiscal Year 2014-15. At Second Interim, REALM High School projected a negative fund balance of \$181,000. When they closed the books, the ending the fund balance was a negative \$175,000. (See Review of Unaudited Actuals in Appendix E)

### Adopted Budget for 2015-16

Based on the review of REALM High's Adopted Budget, revenue is projected to be \$4.1 million and expenditures are projected to be \$3.4 million. REALM High is projecting a surplus of \$723,000 with a positive fund balance of \$592,000. However, the draft 2015-16 First Interim Budget reduces the projected surplus of \$723,000 down to \$322,000 and the projected ending fund balance from \$592,000 to \$147,000. The chart below identifies REALM High's planned reductions for 2015-16 of \$228,329. REALM High needs to closely monitor the 2015-16 budget to due to the fact ending fund balance is projected to only be \$148,000. (See Review of Adopted budget in Appendix F)

### Multi-Year Projections beginning 2016-17

In the 2016-17 projections, REALM High is projected to have a surplus of \$357,000 increasing the positive ending fund balance from \$592,000 to \$949,000. The draft 2015-16 First Interim Budget reduces the projected ending fund balance for 2016-17 of \$949,000 down to \$505,000 due to change in prior year beginning fund balance. This adjustment will substantially change the beginning and ending fund balances in the multi-year projections included in the charter petition and therefore, projections should be revised. The reduction of deficit spending of \$16,000 in 2014-15 to a surplus of \$357,000 in 2016-17 would require expenditure reductions and increases in revenue of approximately \$374,000 over two years. The REALM High's expenditure reductions detailed below identifies \$299,000 of the \$374,000 increase in the surplus. The 3% reserve for economic uncertainty is not projected to be met until fiscal year 2017-18 or 2018-19 and there is no contingency surplus if all reductions, savings and fundraising do not materialized. Based on the projected ending funding balance at the end of 2015-16, there will still be problems with cash flows and insufficient reserves for economic uncertainty.

High School Historical Summary					
	2014-15	2015-16	2015-16	2016-17	2016-17
	Unaudited	Budget	Draft		Corrected
	Actuals	Adoption	Interim	Petition	Petition
Beginning Fund Balance	(158,299)	(130,352)	(174,640)	592,256	147,713
Surplus/(Deficit)	(16,340)	722,608	322,353	357,324	357,324
Ending Fund Balance	\$(174,639)	\$ 592,256	\$ 147,713	\$ 949,580	\$ 505,036

An analytical review was performed of the projected budget reductions and increases in revenue. A list of questions and request for information was provided to REALM for response. (See response letter in appendix G). Based on their response to unaudited actuals and the questions raised regarding the charter renewal petition, REALM identified the following budget reductions and savings to address the insufficient reserves.

High School Ongoing Reductions				
	Effective			
Description	Date	2015-16	2016-17	Total
Principal	11/12/2015	75,914		
Computer Science Teacher	1/1/2016	34,219		
PE Teacher	1/1/2016	46,824		
Health Educator	7/1/2016		71,432	
Change in Special Ed Services		148,375		
Transfers of cost from Middle School		(43,264)		
Total		\$ 228,389	\$ 71,432	\$ 299,822

#### REALM's Middle and High School Liabilities

As of June 30, 2015, the total loans and liabilities for both REALM Middle and High Schools are \$2.1 million and \$1.4 million, respectively, after deducting an intercompany accounts payable. As of November 2015, REALM has fully paid the District for its special education, maintenance and operation cost included in the liabilities at June 30, 2015.

#### Cash Flow Projections

REALM has a significant cash issue and may not be able to meet upcoming payroll and other fiscal obligations. The Alameda County of Education recently notified the District that REALM could not make a timely payment of STRS contribution of \$60,569 for August 2015 due to lack of cash and the inability to get a timely loan. The STRS contribution for September 2015 was made timely. REALM continues to have to sale receivables of their future ADA revenue and property taxes to meet its expenditure obligations. REALM received two cash advances of their in-lieu of property taxes during

the current fiscal year which included an advance for January 2016. The cash issues needs to be addressed immediately.

#### Summary of Renewal Recommendation

The ability of REALM Middle and High School to continue as a going concern is dependent on the success of the actions listed below and additional cuts that need to be made to get REALM's budgets in balance. It is questionable that some of these staff and services can be reduced by the levels included in REALM's response without impacting the academic program and operations. The REALM Middle and High School Renewal should only be approved for renewal with the following conditions:

- REALM will resubmit multi-year projections for both schools to reflect first interim adjustments and other corrections identified during the review by December 18, 2015.
- REALM will make additional reductions in excess of the \$673,000 already identified over two years to fully address the Middle School's deficit spending and \$800,000 negative ending fund balance by the end of fiscal year 2016-17; they must also submit a revised detailed list of reductions by January 31, 2016.
- REALM will provide monthly budget to actual updates and cash flows to the District for each school beginning with December 2015 until negative ending fund balance is resolved and 3% reserve is obtained.
- REALM must respond to specific District concerns and request for information included in the prior fiscal oversight letters by December 18, 2015 and subsequent letters within 5 working days of the date of the letter.
- REALM understands the District will not advance REALM's share of in-lieu property taxes after charter renewal. REALM received two advances of in-lieu property taxes for more than one month in fiscal year 2015-16.

#### **B. District Impact Statement**

*Education Code §47605(g) requires that a charter petition "provide information regarding the proposed operation and potential effects of the school ... upon the school district."*

#### Analysis:

- REALM must provide a District impact statement, as required by Education Code §47605(g).

#### **V. CONCLUSION AND RECOMMENDATION RE RENEWAL**

Ed. Code §47607(a)(3)(A) provides that "[t]he authority that granted the charter shall consider increases in pupil academic achievement for all groups of pupils served by the charter school as the most important factor in determining whether to grant a charter renewal."



Although the Charter School did not fully meet the requirement of Education Code §47605, subdivisions (b)(5)(C), to identify “[p]upil outcomes [including] outcomes that address increases in pupil academic achievement both schoolwide and for all groups of pupils served by the charter school,” the District has nonetheless considered increases in pupil academic achievement for all groups of pupils served by the charter school as the most important factor in determining whether to renew the charter.

The ability of REALM Middle and High School to continue as a going concern is dependent on the success of the actions listed below and additional cuts that need to be made to get REALM’s budgets in balance. It is questionable that some of these staff and services can be reduced by the levels included in REALM’s response without impacting the academic program and operations. The REALM Middle and High School Renewal should only be approved for renewal with the following conditions:

- REALM will resubmit multi-year projections for both schools to reflect first interim adjustments and other corrections identified during the review by December 18, 2015.
- REALM will make additional reductions in excess of the \$673,000 already identified over two years to fully address the Middle School’s deficit spending and \$800,000 negative ending fund balance by the end of fiscal year 2016-17; and they must also submit a revised detailed list of reductions by January 31, 2016.
- REALM will provide monthly budget to actual updates and cash flows to the District for each school beginning with December 2015 until negative ending fund balance is resolved and 3% reserve is obtained.
- REALM must respond to specific District concerns and request for information included in the prior fiscal oversight letters by December 18, 2015 and subsequent letters within 5 working days of the date of the letter.
- REALM understands the District will not advance REALM’s share of in-lieu property taxes after charter renewal. REALM received two advances of in lieu property taxes for more than one month in fiscal year 2015-16.

REALM must certify in writing that all of the above conditions will be met in order for the renewal to be valid.

Respectfully Submitted,

Berkeley Unified School District  
Charter Review Team

# EXHIBIT A

## [SUMMARY OF SITE VISIT]

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**Leadership and Staff Criterion:** Based on student achievement data, to what extent does the school leadership and staff make decisions and initiate activities that focus on all students achieving the school wide learner outcomes and academic standards?

Both campuses, like counterparts in the district and statewide, gave the SBA for the first time and while REALM staff are certainly cognizant of the results, that summative data has limited formative use in the classroom so teachers are using formative assessments and tools to adjust instruction and reteach curriculum based on specific skill deficits or identified units or sections of content.

Both the middle and high school teachers and administrators we spoke to acknowledged the use of formative assessments and, for example, the high school noted the use of formative assessments explicitly connected to their key adopted curriculum; namely, College Preparatory Mathematics, The Big Ideas math curriculum, the Living by Chemistry curriculum, and the Principles of Life biology curriculum. Staff are conscious of the need to continuously refine and develop common assessments across content areas, but both the size of the schools and consequently the sizes of the staff, means that there are limited number of teachers at the respective sites teaching the same subject area at the same grade level. As a result, development and calibration of assessments is happening more in vertical teams along the subject matter's progression as well as in grade level interdisciplinary teams—the latter being an essential part of REALM's project-oriented and project-based approach to learning.

**Standards-Based Curriculum Criterion:** How does the school ensure that all students participate in a rigorous, relevant, and coherent standards-based curriculum that supports the achievement of the academic standards and the school wide learner outcomes?

The curriculum in use at both sites is appropriate and comparable to both district and neighboring schools. Similar to neighboring schools, teachers and administrators are working hard to adapt to the conceptual and instructional shifts associated with the common core; specifically to infuse richer levels of literacy across content areas and to



support the adoption and incorporation of the practices, crosscutting concepts, and disciplinary core ideas associated with the next-generation science standards (NGSS).

**Student Access Criterion:** How does the school ensure that all students have access to the school's entire program and assistance with a personal learning plan to prepare them for the pursuit of their academic, personal, and school-to-career goals?

One of the key structures at REALM, one that serves students both academically and in terms of social and emotional supports, is the advisory program. In terms of academic and school to career goals both the middle school and high school have been in the process of developing and now implementing specific curriculum for the advisory which includes an emphasis on secondary and postsecondary planning, as well as space for discussions of other topics like school culture and addressing individual issues including interpersonal challenges, attendance issues, work habits and time management issues, etc. As in any school, attempting an advisory in a four-year cohort model becomes challenging when there is turnover and when there is varying degrees of experience and capacity across the teaching staff providing the advising; however, despite being a self-professed "work in progress" by administrators and teachers alike, it is clear that the advisory program has made connectivity, personalization, and relationship building a formal priority for staff and the positive and productive relationships this appears to have generated on both campuses is palpable in both classrooms and in informal discussions.

**Graduation Criterion:** How does the school ensure that upon completion of the high school program, students will be able to meet all the requirements of graduation?

Here again at both schools the advisory program plays a huge role in ensuring that student's grades are being kept up and are progressing toward graduation. In addition to advisory, counseling staff is also very in tune with individual student progress and works closely with advisors to support students who are identified as struggling. Of note from student focus groups was a clear sense that teachers updated grades regularly and that those teachers who did not provide regular feedback to students and families were by and large the exception rather than the rule. The parent focus group we met

with also echoed this sentiment and the diverse group of families almost uniformly praised frequent and abundant communication about both school-wide issues and their individual students as it pertains to progress toward graduation and growth and progress in school in general.

Also of note is the fact that like Berkeley High School some years back, there are virtually no courses in the catalog/progression at REALM's high school that do not that do not do not meet A-G requirements and therefore completing the high school program's coursework with a C or better most often ensures that a REALM graduate is also A-G eligible.

**Strategies and Resources Criterion:** To what extent does the school ensure that all teachers use a variety of strategies and resources, including technology and experiences beyond the textbook and the classroom, that actively engage students, emphasize higher order thinking skills, and help them succeed at high levels?

Arguably one of the great strengths of both the middle and high school program. From the remarkable work being done in the studio H program which has students consistently engaged in design as well as the fabrication of large-scale products like tiny houses or small residential dwellings, to the digital arts music program with aspirations to develop an independent recording label on the school site, as well as the engaging science demonstrations that we observed, and which are provided on a consistent basis, the project oriented and project-based aspirations of the REALM program are clearly in motion and are indicative of a program that genuinely seeks to move beyond aging and outmoded models of teacher-centered instruction and to infuse the programs in general with a more student-driven, collaborative and contextualized learning experience, and wherein most classes find teachers assuming more of a facilitator role than that of a lecturer.

This willingness to move beyond antiquated modalities also is evidenced in the creative ways in which teachers have set up their classrooms and become more innovative with physical teaching space. In just one example, a particular middle school mathematics



class, a particularly impressive classroom set up saw multiple projectors aimed at six different whiteboards that were spread around the perimeter of the classroom creating six “smaller classrooms” for groups of 4 to 6 students; each module at times was used alternately as a self-paced, self-directed group workspace and also a place where broadcast functionality that the teacher had access to could also reconnect the six smaller stations at any point to the same content or same focus in the larger learning space.

**Data Collection and Analysis** Criterion: To what extent does the school use a professionally acceptable assessment process to collect, disaggregate, analyze and report student performance data to the parents and other shareholders of the community?

Both parent and student focus groups gave strong indications that results of regular formative assessments as well as progress on projects were reported consistently and with appropriate detail when students are not meeting expectations. The notion of universal common assessments is still a work in progress in some areas, yet the most salient and relevant pieces of student progress data, those generated by teachers, are shared consistently with parents and, of comparable importance, shared with student advisors so that there are multiple adults monitoring the progress of all students in single subjects to ensure that at the very least attention is put toward supporting students in problem areas.

REALM staff, teachers, and counselors provided the following examples of data used to track student progress:

**PSAT:** REALM received Level II authorization from College Board in order to administer the PSAT to enrolled students during the school week. REALM coordinated PSAT testing administrations onsite during school hours in order to ensure 100% participation in the PSAT for all 10th and 11th grade students for 13-14 and 14-15 school years.

**College Entrance Exams (SAT/ACT):** 57% of the 2015 graduating class participated in the SAT or ACT. 63% of the graduating class of 2016 have participated in the SAT or ACT exams. 70 fee waivers received and distributed each year to 11th and 12th grades students who qualify for the Free/Reduced Lunch program.



**AP courses/exams:** 2014-15 was REALM's first year offering AP courses and preparation for AP exams. 3 AP courses were offered, AP US History, AP Language and Composition, and AP Literature and Composition, with an average enrollment of 23 students per class. 40% of 11th grade students and 57% of 12th grade students participated in an AP exam in spring 14-15.

**EAP:** In 2013-14, 87% of 11th grade students enrolled participated in the EAP. 2.7% college ready based on EAP.

**CAHSEE:** From 2011 through 2014, REALM provided CAHSEE preparation classes, after school intervention, summer school, and ongoing assessment/test prep in math classes.

**College acceptance:** First graduating class was accepted into 19 private and public 4--year colleges and universities.

**Meeting A--G:** 87% of 12th grade students in 2015 met A-G requirements upon graduation  
**UC Course approvals:** 35/40 or 88% courses are approved, remaining 5 courses to be submitted Feb. 1, 2016.

**Assessment of Student Achievement Criterion:** To what extent does the assessment of student achievement in relation to the academic standards and the school wide learner outcomes drive the school's program, its regular evaluation and improvement, and the allocation and usage of resources?

As both a project-oriented and project-based program both campuses are finding ways to make sure that their contextualized approach has the learning goals of the common core standards embedded within that project-based content. With SBA emerging as the largest external measurement of progress on the common core, it may take another assessment cycle or two for staff to determine the degree to which success in their innovative and project-driven curriculum will show transferrable gains in the SBA environment and/or where more aligning between the two modalities is required.

**Parental and Community Involvement Criterion:** To what extent does the school leadership employ a wide range of strategies to encourage parental and community involvement, especially with the teaching/learning process?

A diverse parent focus group gave high marks for the school for what was described as a consistent abundance of communication from school to home and genuine and consistent efforts to encourage parents to be involved in the school and the teaching and learning process with their kids. The Realm Parent Alliance has its own website for the parent community and provides a venue for monthly meetings with the principal of both the middle school and the high school. It appears that the school is perceived as far above average in terms of being supportive to parents and students as several members of the parent focus group who had attended other public schools said they had not experienced a school environment that was more genuinely welcoming to them or their students, nor had made the classroom experience and the curriculum as easily accessible to them via classroom visits as REALM.

Parents praised consistent use of multiple languages used in e-mail phone calls and even text communications with home. Parents were largely pleased with the frequency with which the Powerschool Parent Portal for both middle and high school were updated and also noted that as the school is primarily made up of working-class families the teachers and administrators had made themselves available very early in the morning or well into the evening to accommodate parent work schedules

Both the parent and student focus groups that met with us Express largely positive relationships with staff and we're quick to affirm the notion that both the middle and high school sites had provided welcoming and accessible environments for families. Many parents in the focus group expressed a willingness to have younger siblings attend the middle and high school programs respectively when they were of age.

REALM staff also provided the following information regarding parent participation:

Formal parent participation at REALM starts with two parents who sit on REALM's Board of Directors, one of whom is the Treasurer. REALM Parent Alliance (RPA) - was formed by parents, and the Executive Committee meets with Executive Director twice monthly to review finances, education program, and school climate/culture issues. Per



the LCFF, parents were involved in reviewing the budget, completed a survey about the educational program, and they have ongoing meetings with site principals. The RPA also holds two fundraising events each year and two social events each year.

**Culture Criterion:** To what extent does the school ensure that it is a safe, clean, and orderly place that nurtures learning? To what extent is the culture of the school characterized by trust, professionalism, and high expectations for all students with a focus on continuous school improvement?

Another area where both campuses appear to be excelling. Physical plants at both sites could use some fine-tuning but generally classrooms and facilities were cleaning safe and orderly.

The program at both campuses has seemingly done an exceptional job by creating a culture characterized by trust and professionalism. And diverse group of about 10 students spoke highly of the supportive nature of relationships with teachers and reported an abundance of caring as evidenced by the persistence of teachers to see the students make an effort in class and then being fairly relentless with students who were either resistant, struggling, or oppositional in the demeanor towards learning.

Students also commented on high involvement of staff in matters of student to student conflict and both parents and students noted quick turnaround times with respect to staff getting involved in reports of bullying for conflict etc.

**Student Personal Support Criterion:** To what extent do all students have access to a system of personal support services, activities, and opportunities at the school and within the community?

Again an area where the advisory program on both campuses warrants some celebration. Staff and administrators alike acknowledged the fact that there were still some minor tweaks to be made in terms of the advisory content, but by and large the core function of the advisory, that is to say, building solid relationships between staff and students and maintaining a tighter and clearer focus on the progress of cohorts of



students by assigning them advising adults for four years, appears to be having a positive effect on school climate and student growth.

Being able to loop for four years with the staff advisor provides the most efficient gateway for all students to access support services, be cognizant of activities that they are eligible to participate in on-campus, and to stay abreast of opportunities to provide or receive support from community partners.

#### **HIGHLIGHTS AND PERSPECTIVES FROM SITE-VISIT FOCUS GROUPS:**

##### **Parent Focus Group**

Parent group met at the middle school but included families from both the middle and high school program. Approximately 15 families represented. Parents presented a very positive general perspective on the school and commended communication on academics and school events.

Parents acknowledged (and student focus group at the high school later concurred) that teacher use of Powerschool was consistent and helpful.

Multiple parents acknowledged flexibility of staff to accommodate early morning or evening parent meets.

Multiple parents reported hands on/project-based curriculum including recording engineering, robotics, and residential design created renewed interest in school for several of their kids who struggled in a traditional academic environment.

Parents individually reported solid supports from staff during times of significant family illness and the impact of marital issues, student to student conflicts, and support for students with disabilities.

##### **Staff Focus Group**

Staff discussed several aspects of moving from being a “project-oriented” school to a full “project-based” school and noted the challenges associated with developing the interdisciplinary collaborations that are necessary to more fully realize those goals.

Teachers at both sites received the equivalent of two prep periods per day. This is facilitated by a cascading schedule at the high school and an all-school PE schedule at the middle school, which creates a school-wide prep sixth period

High school teachers also noted the use of critical friends groups during one of the weekly prep periods

Small number of teachers, sometimes only one teacher, teach a specific grade level subject and that pushes collaboration more towards vertical alignment of 9-12 rather than subject specific collaboration.

Like many schools science teacher at the high school identified new challenges implementing next-generation science standards and other content teachers acknowledged some uncertainty in the shift to common core

Staff is interested in continuing to build capacity for students exposed to trauma and expanding some professional development around restorative justice and community building ---this has happened intermittently but in their opinion needs to continue.

Staff feels that building-wide expectations for behavior and norms have become more calibrated in the last 2 to 3 years and that most of the staff share the goal to not send students out of class

Most staff indicated that they feel both sites are safe smaller environments where students are generally accepted

Staff noted that year-to-year identification of student's struggling in specific subjects is handled well by advisory but could be improved in terms of what subject area teachers knew about student performance in their subject in the previous year; administration is working to improve this through spring formative/placement assessments that will give better placement info as well as more useful formative data at the start of the year to teachers

Universal academic interventions are areas that teaching staff would like to see improved but staff is doing the best they can with additional office hours in core subject areas like math and English, as well as through structuring the schedule so that kids who may be struggling in math or geometry for example, get a support section in mathematics with a low teacher/student ratio

Teachers noted that the process for teacher evaluation is becoming more developed but still has a significant way to go, and describe a building culture wherein coaching from



other teachers is having far more of an impact on improving or remediating instructional practice than the formal evaluation process itself

Teachers and students both repeatedly expressed enthusiasm for the current advisory program and for the potential that program has to be even more effective for kids moving forward.

### **Student Focus Group**

The student group we met with uniformly described a family-oriented experience at REALM and many of the kids that come from larger high schools including Skyline, Richmond, or BHS describe the space as far more welcoming and safe than the larger environments they had come from

The group of students we met with said that most of their teachers appear to be very much prepared and a large percentage of their teachers exhibited a caring and interest in their education above and beyond what they had typically come to expect.

A growing student leadership class has been credited for brains doing voice more prominently in the decision-making process at REALM

Many students expressed appreciation, particular students of color, about a curriculum that seemed more culturally responsive and where the experience of minority groups figured prominently in the curriculum rather than as an addition or a supplementation to a more typically Eurocentric curricular experience

Students praised teachers counselors and advisors for being quick to help students out, to support students by directing them to specific services when they were in need whether emotional counseling or an academic concern like assistance with instructional technology, and that staff as a whole is frequently able to intervene in developing conflicts or emerging bullying situations

Students expressed the need to see a broader range of options when it comes to elective courses even though most had positive things to say about the existing electives

Students were also interested in seeing the school expand supports to help students find internship opportunities and or part-time jobs

Students noted that additional technology would be helpful, and while the school had a nice computer lab and a mobile cart, the demands on that hardware seem to yield



inconsistent use of technology in a few of their classrooms; students noted this as a matter of limited equipment rather than a willingness on behalf of students and teachers to employ technology more regularly

Some students said that the smaller school and the “commuter” nature of the school did yield lower levels of traditional school spirit and team spirit in areas like rallies, athletics, dances, or traditional student body events

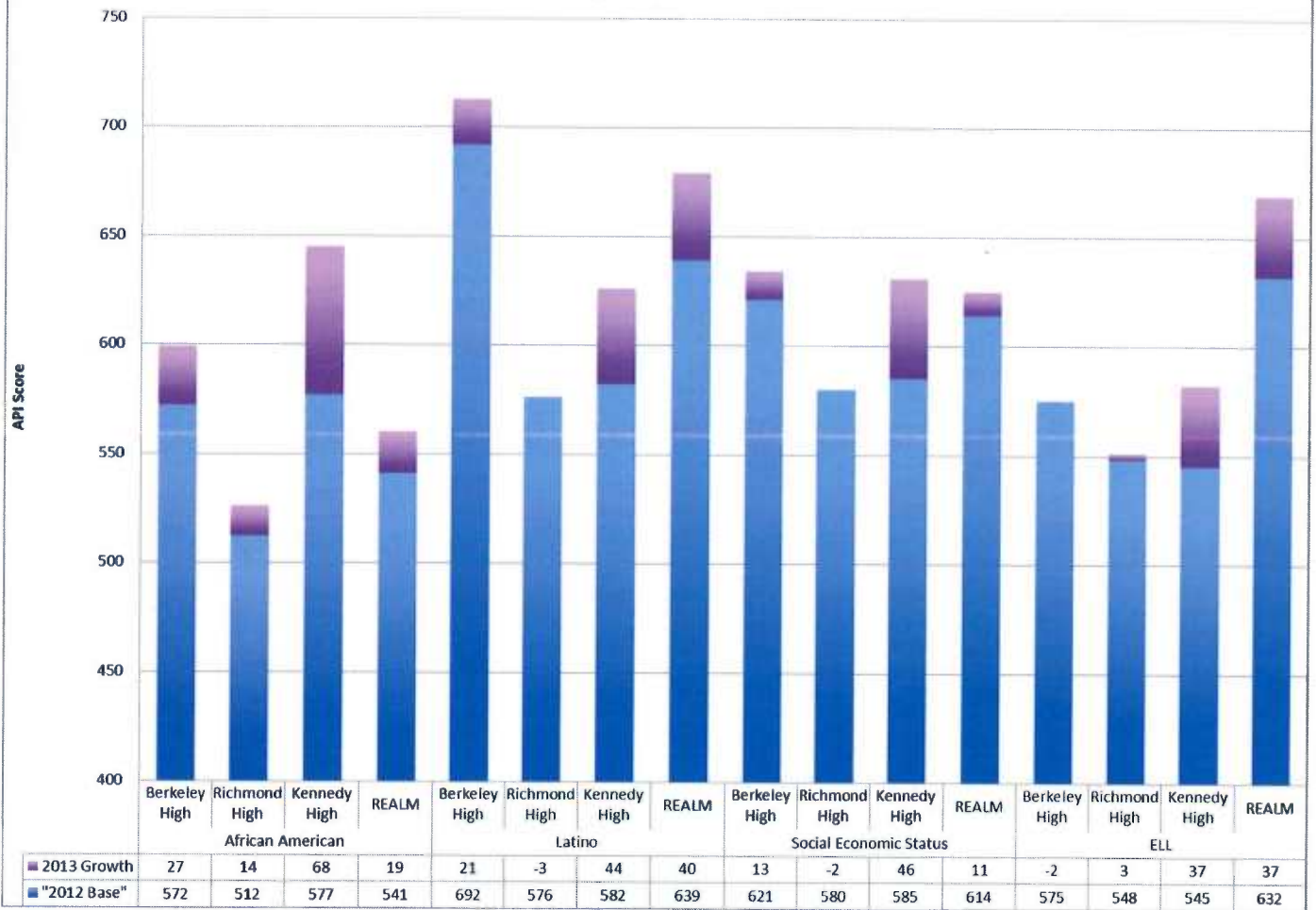
Students believe they are being served well in terms of the college preparation and college application process but ascribed the efficiency of that service to one or two particular employees and questioned the sustainability of whether or not a few people, no matter how well intended, could perform those duties or provide that level of service over time without burning out

Students also made fairly uniform complaints about the quality of food served for lunch

## EXHIBIT B

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### API Subgroup Comparison

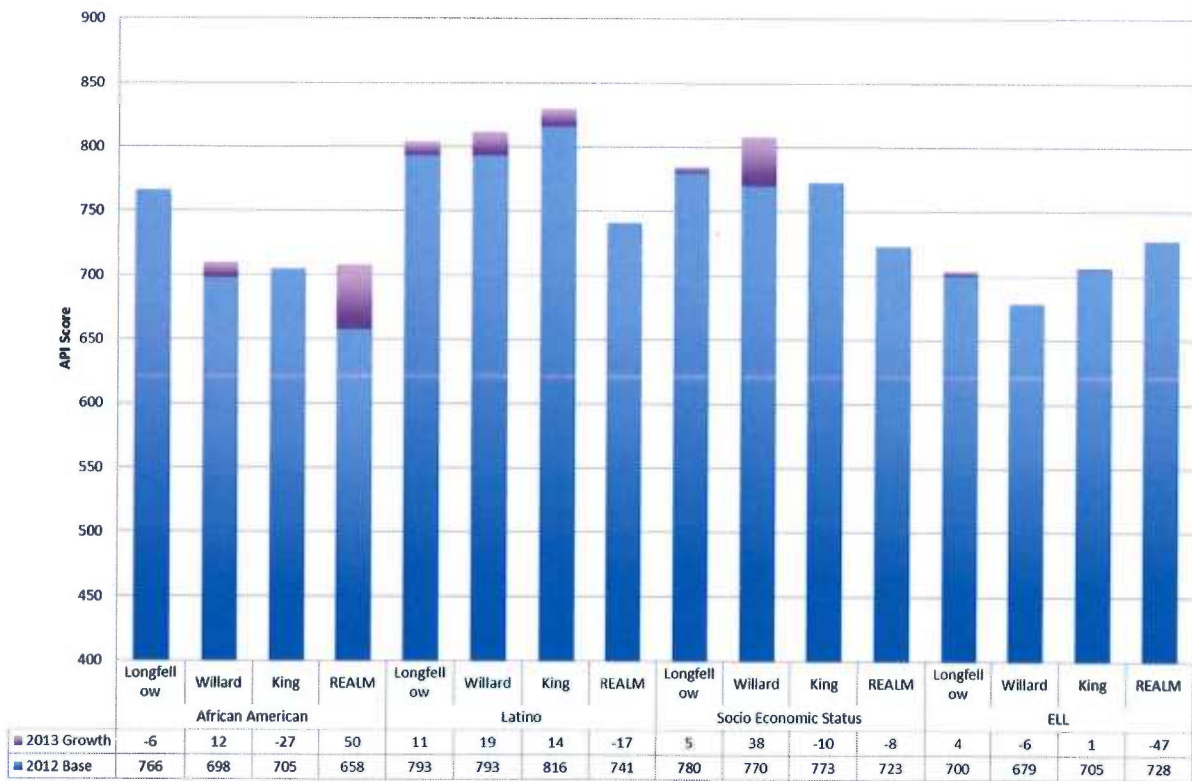




## EXHIBIT C

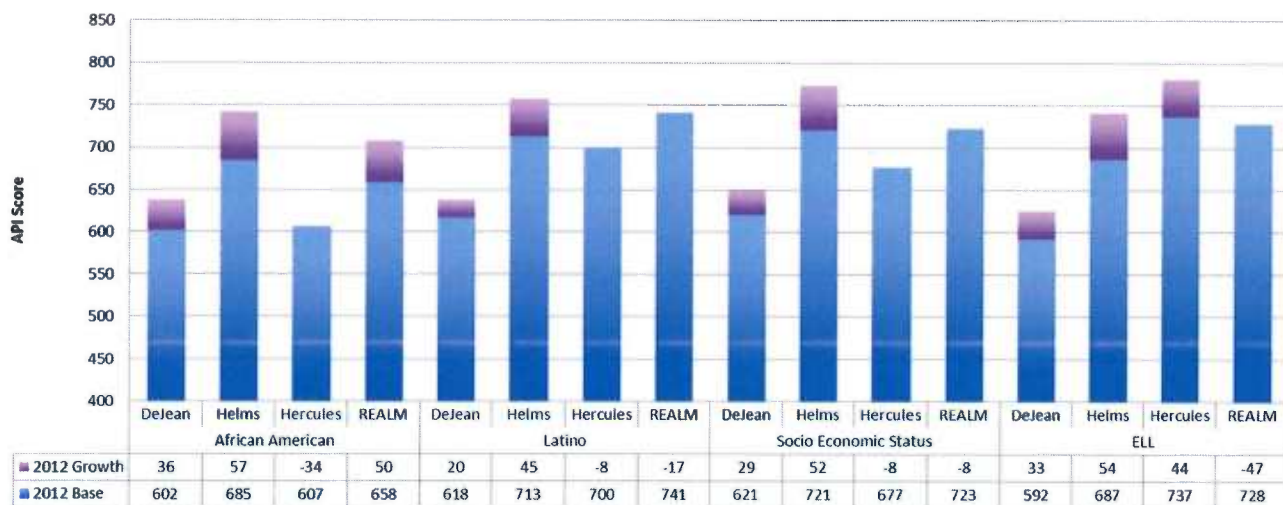
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### API Subgroup Comparison, Berkeley: REALM Charter Middle School



REALM Charter Middle School and REALM Charter High School

**API Subgroup Comparison, West Contra Costa: REALM Charter Middle School**





## EXHIBIT D

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Berkeley Unified School District  
Berkeley Research, Evaluation and Assessment

Percent of Students Meeting or Exceeding Standard									
	Sixth Grade		Seventh Grade		Eighth Grade		Eleventh Grade		
	BUSD	Realm	BUSD	Realm	BUSD	Realm	BUSD	Realm	
ELA All	60%	28%	51%	23%	57%	41%	61%	51%	
ELA Asian	61%	*	57%	*	64%	*	63%	*	
ELA Black/AA	24%	27%	15%	16%	20%	26%	25%	53%	
ELA Two or More	71%	45%	62%	*	73%	*	63%	*	
ELA Latino	47%	20%	35%	20%	44%	40%	54%	47%	
ELA White	84%	*	81%	37%	80%	45%	83%	*	
ELA EL	8%	5%	5%	5%	7%	23%	5%	8%	
ELA SED	41%	25%	27%	14%	33%	36%	32%	46%	
	BUSD	Realm	BUSD	Realm	BUSD	Realm	BUSD	Realm	
Math All	52%	14%	49%	15%	55%	24%	43%	10%	
Math Asian	59%	*	57%	*	72%	*	56%	*	
Math Black/AA	13%	0%	9%	25%	21%	20%	11%	12%	
Math Two or More	57%	27%	59%	*	62%	*	49%	*	
Math Latino	40%	12%	34%	12%	39%	21%	26%	6%	
Math White	76%	*	80%	25%	78%	25%	63%	*	
Math EL	9%	0%	15%	0%	18%	9%	13%	8%	
Math SED	30%	12%	23%	10%	34%	36%	22%	6%	

\* Less than 10 Students, not reportable due to Statistical Insignificance and for Student Privacy



Berkeley Unified School District

Berkeley Research, Evaluation and Assessment

Number Tested								
	Sixth Grade		Seventh Grade		Eighth Grade		Eleventh Grade	
	BUSD	Realm	BUSD	Realm	BUSD	Realm	BUSD	Realm
ELA All	696 (96.5%)	104 (96.3%)	643 (93.3%)	96 (97.0%)	612 (95.8%)	107 (97.3%)	725 (84.5%)	71 (94.7%)
ELA Asian	60	6	39	1	53	4	71	None
ELA Black/AA	124	15	147	12	137	15	137	17
ELA Two or More	81	11	75	6	69	6	70	None
ELA Latino	168	59	148	59	123	71	166	49
ELA White	250	9	228	16	221	11	267	2
ELA EL	66	22	43	22	27	31	51	13
ELA SED	309	75	294	70	264	85	229	54
	BUSD	Realm	BUSD	Realm	BUSD	Realm	BUSD	Realm
Math All	701 (97.2%)	104 (96.3%)	653 (94.8%)	96 (97.0%)	615 (96.2%)	108 (98.2%)	714 (83.2%)	70 (93.3%)
Math Asian	62	6	39	1	54	4	68	None
Math Black/AA	124	15	146	12	136	15	138	17
Math Two or More	81	11	75	6	71	6	71	None
Math Latino	170	59	151	59	124	71	167	48
Math White	251	9	236	16	221	11	257	2
Math EL	70	22	47	22	28	31	47	13
Math SED	313	75	296	70	264	85	227	53



## EXHIBIT E

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Berkeley Unified School District

2020 Bonar Street, Berkeley, CA 94702  
(510) 644-8593 Fax: (510) 644-8885  
www.berkeleyschools.net  
javettacleveland@berkeley.net

Javetta Cleveland, Deputy Superintendent

November 13, 2015

Mr. Victor Diaz  
REALM Charter Middle School  
2023 8th St.  
Berkeley, CA 94710

RE: Fiscal Evaluation of REALM Charter Middle School – Unaudited Actuals FY 2014-15

Dear Mr. Diaz,

In accordance with Education Code Section 47604.33, we have reviewed the Unaudited Actuals for FY 2014-15 for **REALM Middle School:**

Our oversight responsibility includes monitoring the fiscal condition of the charter school through review of State required financial reports that include REALM's adopted budget, interim budget reports and the unaudited and audited financial statements.

**Negative Ending Fund Balance/Deficit Spending**

A review of the Unaudited Actuals indicates that REALM Middle School will close the books with revenue of \$2,686,856 for unrestricted programs, and expenditures of \$3,445,454. REALM Middle School is deficit spending by \$758,598 and ends the year with **a negative fund balance of \$929,654 for unrestricted programs.** The substantive negative ending funding indicates that the District is deficit spending, is cash deficient and has no reserves for economic uncertainty. REALM Middle School did not meet its fiscal obligations for Fiscal Year 2014-15. REALM Middle School has fully grown to its projected capacity of 300 students and the budget is still not balanced after providing responses to our prior year concerns that the financial situation will improve.

**Budget to Actual Revenues and Expenditure**

At Second Interim, REALM Middle School Unrestricted Fund Balance projected a negative fund balance of \$233,048. When they closed the books, the actual fund balance was a negative \$929,654, for a variance of \$696,606. The variance report provided by REALM Middle School does not have a fund balance, but shows an increase in fund balance for Estimated Actuals of \$347,598, compared to a decrease in fund balance of \$64,921 at Second Interim. Therefore, there is an unexplained increase in the budget of \$412,519, since Second Interim.

When comparing actuals to the revised budget, total revenue is \$383,724 less than budgeted amount due mainly to LCFF State Aid and prior year adjustments, which were \$331,725 less than budgeted.

In addition, salaries and benefits were \$450,486 over estimated actuals due mainly to Teacher, Certificated Supervisor and Administrator, and Instructional Aides salaries exceeding budgeted amounts by \$330,286, and other salary categories and benefits being over budget by \$120,200.

This is very unsettling since REALM Middle School had a goal to cut costs during FY 2014-15, as part of Management's Plan to ensure net assets would be positive at the end of FY 2014-15, as discussed in the prior year audit section in this document.

### **LCFF**

LCFF funding snapshot from the CDE for FY 2014-15 indicate that the total funding is \$2,061,602. Per the unaudited actuals, you indicate that funding is \$2,200,278, which is overstating funding y \$138,676. Please provide an explanation for the difference.

### **Balance Sheet**

The Balance Sheet indicates that there is a receivable from grantor governments of \$250,155 for Unrestricted General Fund and \$88,102 for Restricted General Fund for a total of \$338,257, which agrees to the Accounts Receivable listing provided by REALM Middle School. For the accounts receivable listing please provide received checks and other applicable support received after year end. If no payment has been received after year end, provide support indicating that such amount is confirmed and the estimated date of receipt.

Liabilities on the Balance Sheet total \$2,233,104, for Accounts Payable in the amount of \$193,934, Current Loans in the amount of \$940,609, and Long Term Liabilities in the amount of \$1,098,561. Our records indicate that at June 30, 2015, REALM Middle School owes the District \$108,762 for Special Education Share of Excess Costs, and \$11,287 for overpayment of in-lieu of property taxes, for a total of \$120,049 due to the District at June 30, 2015. The detail of accounts payable and other liabilities that were provided by REALM Middle School totals \$109,502, and includes \$108,762 due to the District for special education's share of excess costs. However, the \$11,287 owing the District for overpayment of Property Tax is not included in the ending balance. The total amount due to the District will be collected from REALM's share of their 2015-16 in-lieu of property taxes.

Total loans and liabilities for both REALM Middle and High Schools per the trail balance provided, total \$4,879,225, and \$3,201,284 after deducting an intercompany accounts payable. This does not agree to liabilities for both schools, which total \$3,579,276, so I cannot conclude that liabilities are properly disclosed on the balance sheets.

### **Prior Year Audit Report**

The prior year audited Statement of Activities for FY 2013-14 indicate negative ending net assets for the Realm Middle School in the amount of \$168,127. Note 9 to the audit indicate Management's plan to ensure net assets are positive by the end of next fiscal year. Management steps include increased enrollment, appealing to the Treasury Department for review of funding, closely monitoring costs, and implementing procedures to improve certification and reporting requirements.

As indicated in the auditor's report, the ability of REALM Middle School to continue as a going concern is dependent on the success of these actions. As noted in the expenditure section, expenditures for FY 2014-15 are less than prior year projections. However, it is questionable that services and salaries can be reduced by these levels, without impacting operations. An explanation of these reductions have been previously requested.

### **Insufficient Minimum Reserves/Multi-Year Projections**

The Unaudited Actuals report indicates that REALM Middle Charter School will not meet the recommended minimum reserve of 3%. This demonstrates that REALM middle will not be unable to sustain any unforeseen expenditures and may not be able to meet its current and future financial obligations.



**Enrollment and ADA**

The State no longer requires ADA for charter schools to be reported on an in-district vs out-of-district basis for apportionment purposes; therefore, this information is not currently in REALM's Student Information System. Enrollment for REALM Middle School as of June 30, 2015 was not provided, so we are unable to determine reasonableness. ADA used in the LCFF calculation for grade span is 299.26, which is consistent with P-2 attendance report.

**Overall**


Based on our review of the Unaudited Actuals for FY 2014-15 and prior year reports, we have noted a deterioration in financial condition and continue to have very serious concerns about the fiscal health of REALM Middle School and its ability to meet financial obligations and continue as a going concern.

If the District receives information by November 5, 2015, we will amend the letter accordingly. Please submit documents to Pauline Follansbee, Director of Fiscal Services, who may be reached at [paulinefollansbee@berkeley.net](mailto:paulinefollansbee@berkeley.net) or (510) 644-8915 if you have any questions.

**REALM Response to Review of Adopted Budget**

REALM's response to the District's review of the FY 2015-16 Adopted Budget is attached.

Sincerely,



Javetta Cleveland  
Deputy Superintendent

Cc: Donald Evans, E.d.D, BUSD Superintendent,

BUSD Board of Directors

Beatriz Leyva-Cutler, Karen Hemphill, Judy Appel, Ty Alper, Josh Daniels

Board of Directors, REALM Middle School

Jabari Mahiri, Tracey Schear, Thea Oliphant, Rebecca Prager

Alameda County Office of Education

Roland Tom



November 2, 2015

Javetta Cleveland  
Deputy Superintendent  
Business and Operations  
Berkeley Unified School District  
2020 Bonar Street  
Berkeley CA 94702  
(510) 644-8593

Dear Javetta Cleveland:

Thank you for allowing us to respond to the issues raised in the district's fiscal evaluation of REALM Charter School's Second Interim report. REALM is committed to delivering a high quality educational program and we take our fiscal stability seriously and understand that this is a vital component to that end. I have prepared our response below.

#### **Staffing cuts**

Effective immediately, we will make cuts in staffing totaling \$218,132.00. We will make additional cuts in staffing on or before January 1, 2016 of \$27, 907. These cuts will not increase our student to teacher ratio and they will not impact our students' ability to graduate on time or impact their college eligibility. **Total savings from personnel, \$246,039.00.**

#### **Spending cuts**

We will hold spending and eliminate spending from our 4000's and 5000's totaling \$29,000 from our operating budget. These cuts will not impact classroom materials or students' access to textbooks or curricula. The majority of these cuts will come from a reduction in contracted services. **Total savings from spending cuts, \$29,000.00.**

#### **Fundraising**

Our current 2015-2016 budget calls for a fundraising goal is \$25,000. To date, we have already raised \$80,000. This is a net gain of \$55,000. Moreover, in conjunction with our REALM Parent Alliance (RPA) we have a fundraising goal of an additional \$10,000 for this fiscal year. They have two more events planned, one in December and one in March. They have raised \$12,000-\$15,000 each year. **Total revenue gain from fundraising, \$65,000.00.**

#### **Recruitment**

Our current enrollment is up slightly from last year. We will continue to advertise in The Berkeley Times and other local media channels in order to maintain appropriate levels of enrollment and ADA from Berkeley residence. One major issue of attrition is the loss of families due to their daily commute from cities as far north as Pittsburg and Vallejo.

#### **Summary**

Please note that the attached budget (see attachment) includes our **actual** enrollment and ADA in Powerschool as of **October 23, 2015**. Moreover, our total savings from our adopted budget, June 1, 2015, is **\$340,039.00.**



These savings and revenue generation has our new ending surplus **positive** for both schools: Middle, \$116, 146.00 and the High, \$344, 919.00 for a total positive balance of **\$461, 065.00**.

**We understand that these changes do not completely wipe away our carryover, negative ending balance but it does reduce it by 46% in one year.**

We look forward to reviewing these data with you at your earliest convenience. Please let me know if you have questions or need additional backup.

Sincerely,

A handwritten signature in black ink, appearing to read "V. Diaz". The signature is fluid and cursive, with the first letter "V" being particularly large and stylized.

Victor Diaz  
Executive Director





Berkeley Unified School District

2020 Bonar Street, Berkeley, CA 94702  
(510) 644-8593 Fax: (510) 644-8885  
www.berkeleyschools.net  
javettacleveland@berkeley.net

Javetta Cleveland, Deputy Superintendent

November 13, 2015

Mr. Victor Diaz  
REALM Charter High School  
2023 8th St.  
Berkeley, CA 94710

RE: Fiscal Evaluation of REALM Charter High School – Unaudited Actuals FY 2014-15

Dear Mr. Diaz,

In accordance with Education Code Section 47604.33, we have reviewed the Unaudited Actuals for FY 2014-15 for **REALM High School:**

Our oversight responsibility includes monitoring the fiscal condition of the charter school through review of State required financial reports that include REALM's adopted budget, interim budget reports and the unaudited and audited financial statements.

**Negative Ending Fund Balance/Deficit Spending**

A review of the Unaudited Actuals indicates that REALM High School will close the books with revenue of \$2,891,678 for unrestricted programs, and expenditures of \$3,445,454. REALM High School has a surplus of \$190,342, but has contributed \$206,683 to Restricted General Fund to cover a negative balance of \$206,683. As a result, REALM High School Unrestricted General Fund ends the year with **a negative fund balance of \$246,782 for unrestricted programs.** The substantive negative ending funding indicates that the District is deficit spending, is cash deficient and has no reserves for economic uncertainty. REALM High School did not meet its fiscal obligations for Fiscal Year 2014-15.

**Budget to Actual Revenues and Expenditure**

At Second Interim, REALM High School Unrestricted Fund Balance projected a deficit of \$182,308 and a negative fund balance of \$412,748. When they closed the books, they were deficit spending by \$16,341 and the fund balance was negative \$246,782, for a positive variance of \$163,966. The variance report provided by REALM High School does not have a fund balance, but shows an decrease in fund balance for Estimated Actuals of \$22,257, compared to a decrease in fund balance of \$182,308 at Second Interim. Therefore, there is an unexplained increase in the budget of \$160,051, since Second Interim.

When comparing actuals to the revised budget, total revenue is \$235,860 less than the budgeted amount due mostly to LCFF State Aid and other state revenue being less than budgeted. In addition, salaries and benefits were \$334,747 over estimated actuals due mostly to teacher salaries exceeding budgeted amount by \$405,105, which was partially offset by unspent amounts in other salary and benefit line items.

This is very unsettling since REALM High School had a goal to cut costs during FY 2014-15, as part of Management's Plan to ensure net assets would be positive at the end of FY 2014-15, as discussed in the prior year audit section in this document.

### **LCFF**

LCFF funding snapshot from the CDE for FY 2014-15 indicate that the total funding is \$2,733,028. Per the unaudited actuals, you indicate that funding is \$2,768,623, which is overstating funding by \$35,595. Please provide an explanation for the difference.

### **Balance Sheet**

The Balance Sheet indicates that there is a receivable from grantor governments of \$188,347 for Unrestricted General Fund and \$72,142 for Restricted General Fund for a total of \$260,489. Supporting documentation agree this amount, and show that the largest amount is due for 4<sup>th</sup> quarter EPA apportionment in the amount of \$200,165. For the accounts receivable listing please provide received checks and other applicable support received after year end. If no payment has been received after year end, provide whatever support indicates that such amount is owed and estimated date of receipt of item.

Liabilities on the Balance Sheet total \$1,346,171, for Accounts Payable in the amount of \$39,861, Due to Grantor Governments in the amount of \$363,111, Current Loans in the amount of \$880,698, and Long Term Liabilities in the amount of \$62,500. Our records indicate that at June 30, 2015, REALM High School owes the District \$127,791 for their share of special education excess costs, \$103,718 for Maintenance Cost and \$195,587 for overpayment in-lieu of property taxes, for a total of \$427,096 due to the District at June 30, 2015. The detail of accounts payable and other liabilities totals \$363,112, and include balances owing for special Education and Maintenance costs. The amount due for overpayment of in-lieu of property taxes was not included and we cannot verify that Debt is presented fairly. The total amount due to the District will be collected from REALM's share of their 2015-16 In Lieu Property Taxes.

Total loans and liabilities for both REALM Middle and High Schools per the trail balance provided, total \$4,879,225, and \$3,201,284 after deducting an intercompany accounts payable. This does not agree to Liabilities for both schools, which total \$3,579,276, so I cannot conclude that liabilities are properly disclosed on the balance sheets

### **Prior Year Audit Report**

The prior year audited Statement of Activities for FY 2013-14 indicate negative ending net assets for the Realm High School in the amount of \$168,127. Note 9 to the audit indicate Management's plan to ensure net assets are positive by the end of next fiscal year. Management steps include increased enrollment, appealing to the Treasury Department for review of funding, closely monitoring costs, and implementing procedures to improve certification and reporting requirements.

As indicated in the auditor's report, the ability of REALM High School to continue as a going concern is dependent on the success of these actions. As noted in the expenditure section, expenditures for FY 2014-15 are less than prior year projections. However, it is questionable that services and salaries can be reduced by these levels, without impacting operations. An explanation of these reductions has been previously requested.

### **Insufficient Minimum Reserves/Multi-Year Projections**

The Unaudited Actuals report indicates that REALM High Charter School will not meet the recommended minimum reserve of 3%]. This demonstrates that REALM High will not be unable to sustain any unforeseen expenditures and may not be able to meet its current and future financial obligations.



**Enrollment and ADA**

The State no longer requires ADA for charter schools to be reported on an in-district vs out-of-district basis for apportionment purposes; therefore, this information is not currently in REALM's Student Information System. Enrollment for REALM High School as of June 30, 2015 was not provided, so we are unable to determine reasonableness. ADA used in the LCFF calculation for grade span is 337.12, which is consistent with P-2 attendance report.

**Overall**


Based on our review of the Unaudited Actuals for FY 2014-15 and prior year reports, we have noted a deterioration in financial condition and continue to have very serious concerns about the fiscal health of REALM High School and its ability to meet financial obligations and continue as a going concern.

If the District receives information by November 20, 2015, we will amend the letter accordingly. Please submit documents to Pauline Follansbee, Director of Fiscal Services, who may be reached at [paulinefollansbee@berkeley.net](mailto:paulinefollansbee@berkeley.net) or (510) 644-8915 if you have any questions.

**REALM Response to Review of Adopted Budget**

REALM's response to the District's review of the FY 2015-16 Adopted Budget is attached.

Sincerely,



Javetta Cleveland  
Deputy Superintendent

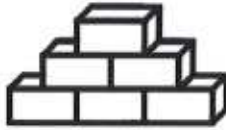
Cc: Donald Evans, E.d.D, BUSD Superintendent,

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Board of Directors, REALM High School  
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Alameda County Office of Education  
Roland Tom





November 2, 2015

Javetta Cleveland  
Deputy Superintendent  
Business and Operations  
Berkeley Unified School District  
2020 Bonar Street  
Berkeley CA 94702  
(510) 644-8593

Dear Javetta Cleveland:

Thank you for allowing us to respond to the issues raised in the district's fiscal evaluation of REALM Charter School's Second Interim report. REALM is committed to delivering a high quality educational program and we take our fiscal stability seriously and understand that this is a vital component to that end. I have prepared our response below.

#### **Staffing cuts**

Effective immediately, we will make cuts in staffing totaling \$218,132.00. We will make additional cuts in staffing on or before January 1, 2016 of \$27, 907. These cuts will not increase our student to teacher ratio and they will not impact our students' ability to graduate on time or impact their college eligibility. **Total savings from personnel, \$246,039.00.**

#### **Spending cuts**

We will hold spending and eliminate spending from our 4000's and 5000's totaling \$29,000 from our operating budget. These cuts will not impact classroom materials or students' access to textbooks or curricula. The majority of these cuts will come from a reduction in contracted services. **Total savings from spending cuts, \$29,000.00.**

#### **Fundraising**

Our current 2015-2016 budget calls for a fundraising goal is \$25,000. To date, we have already raised \$80,000. This is a net gain of \$55,000. Moreover, in conjunction with our REALM Parent Alliance (RPA) we have a fundraising goal of an additional \$10,000 for this fiscal year. They have two more events planned, one in December and one in March. They have raised \$12,000-\$15,000 each year. **Total revenue gain from fundraising, \$65,000.00.**

#### **Recruitment**

Our current enrollment is up slightly from last year. We will continue to advertise in The Berkeley Times and other local media channels in order to maintain appropriate levels of enrollment and ADA from Berkeley residence. One major issue of attrition is the loss of families due to their daily commute from cities as far north as Pittsburg and Vallejo.

#### **Summary**

Please note that the attached budget (see attachment) includes our **actual** enrollment and ADA in Powerschool as of **October 23, 2015**. Moreover, our total savings from our adopted budget, June 1, 2015, is **\$340,039.00.**



These savings and revenue generation has our new ending surplus **positive** for both schools: Middle, \$116, 146.00 and the High, \$344, 919.00 for a total positive balance of **\$461, 065.00**.

**We understand that these changes do not completely wipe away our carryover, negative ending balance but it does reduce it by 46% in one year.**

We look forward to reviewing these data with you at your earliest convenience. Please let me know if you have questions or need additional backup.

Sincerely,

A handwritten signature in black ink, appearing to read "V. Diaz".

Victor Diaz  
Executive Director

## EXHIBIT F

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Berkeley Unified School District

2020 Bonar Street, Berkeley, CA 94702  
(510) 644-8593 Fax: (510) 644-8885  
www.berkeleyschools.net  
javettacleveland@berkeley.net

Javetta Cleveland, Deputy Superintendent

October 5, 2015

Mr. Victor Diaz  
REALM Charter Middle School  
2023 8th St.  
Berkeley, CA 94710

RE: Fiscal Evaluation of REALM Charter Middle School – Adopted Budget FY 2015-16

Dear Mr. Diaz,

In accordance with Education Code Section 47604.33, we have reviewed the Adopted Budget for FY 2015-16 for **REALM Middle School:**

Our oversight responsibility includes monitoring the fiscal condition of the charter school through review of State required financial reports that include REALM's adopted budget, interim budget reports and the unaudited and audited financial statements.

**Negative Ending Fund Balance/Deficit Spending**

A review of the Adopted Budget indicates that revenue is projected to be \$2,780,603 for unrestricted programs, and expenditures are projected to be \$2,797,725. REALM Middle School is projected to deficit spend by \$17,122 and end the year with **a negative fund balance of \$866,445 for unrestricted programs.** As of June 30, 2014, the unrestricted ending fund balance was a negative \$168,127 and increased to a negative \$929,654 by June 30, 2015. The unrestricted ending fund balance is projected to only improve slightly to a negative \$866,445 by June 30, 2016. The substantive negative ending funding indicates that the District is deficit spending, is cash deficient and has no reserves for economic uncertainty. REALM Middle School may not be able to meet its fiscal obligations for Fiscal Year 2015-16. REALM Middle School has fully grown to its projected capacity of 300 students and the budget is still not balanced after providing responses to our prior year concerns that the financial situation will improve.

It is also significant that the multi-year projections indicate negative fund balances for both FY 2016-17 and FY 2017-18, which raises substantial doubt of REALM Middle School's ability to continue as a financially viable school. Based on the multi-year projection, REALM Middle School will not be able to meet its financial obligations for the current year and subsequent two fiscal years.

**Revenues and Expenditure**

REALM is showing a decrease in special education cost due to change from the services being provided by the District to the El Dorado County Office of Education. Projected expenditures for books and supplies appear low when compared to expenditures projected in the prior year. Expenditures for approved textbooks and core curricula materials are projected at less than half of prior year expenditures. There are also planned reductions in certificated salaries for \$232,596. These are significant reductions, which impact the school's ability to provide services and salaries. Please provide

an explanation of how these reductions salaries, textbooks and core curricula materials will be implemented.

### **LCFF**

The LCFF calculation provided with the Adopted budget is a spreadsheet provided by your fiscal management company, Charter School's Management Company (CSMC), which shows calculations of LCFF revenue for both schools using a rate for only grades 9-12 and did not include all grade levels. The base funding rate for FY 2015-16 used in the calculation of \$8,419 does not agree to School Services assumption of \$8,578 for grades 9-12. In addition, gap funding used in CSMC's calculation for years FY 2015-16, FY 2016-17 and FY 2017-18 (36%, 48% and 60%) does not agree to School Services assumption of 53.08%, 12.62% and 18.24%). What budget assumptions were used to support these GAP funding percentages? The total LCFF revenue for FY 2015-16 is not easily determined in the calculation. The amount per the Adopted Budget is \$2,179,142 for the Middle School and \$1,374,195 for the High School. We did not receive a separate LCFF calculation for each school. Please provide us with an LCFF calculation for each school that includes the assumptions used.

### **Cash Flows**

The District received two cash flow projections at Budget Adoption projecting an ending balance of \$466,329 and an ending balance of \$201,389 as of June 30, 2016. Please identify the correct cash flow statement and explain how it is possible to have a positive cash balance in light of the negative ending fund balances. The Alameda County of Education recently notified the District that REALM could not make a timely payment of STRS contribution of \$60,569 for August 2015 due to lack of cash and the inability to get a timely loan. The STRS contribution for September 2015 was made timely. REALM continues to have to sale receivables of their future ADA revenue and property taxes to meet its expenditure obligations. There is a concern that REALM has a significant cash issue and may not be able to meet upcoming payroll and other fiscal obligations. The cash issues needs to be addressed immediately. There is also a recurring expenditure of \$15,000 per month that needs explanation. Please provide a separate cash flow for each school and a response to the cash flow concerns.

### **Prior Year Audit Report**

The prior year audited Statement of Activities for FY 2013-14 indicate negative ending net assets for the Realm Middle School in the amount of \$168,127. Note 9 to the audit indicate Management's plan to ensure net assets are positive by the end of next fiscal year. Management steps include increased enrollment, appealing to the Treasury Department for review of funding, closely monitoring costs, and implementing procedures to improve certification and reporting requirements.

As indicated in the auditor's report, the ability of REALM Middle School to continue as a going concern is dependent on the success of these actions. As noted in the expenditure section, expenditures for FY 2015-16 are less than prior year projections. However, it is questionable that services and salaries can be reduced by these levels, without impacting operations. An explanation of these reductions have been previously requested.

### **Insufficient Minimum Reserves/Multi-Year Projections**

The Adopted Budget report indicates that REALM Middle Charter School will not meet the recommended minimum reserve of 3%. This demonstrates that REALM middle has a budget deficit, will not be unable to sustain any unforeseen expenditures and may not be able to meet its current and future financial obligations. Realm Middle School is also projecting a negative ending fund balance of \$850,851 for FY 2016-17 and \$795,358 for FY 2017-18 for unrestricted and restricted combined which does not include the minimum 3% reserve.



**Enrollment and ADA**

The State no longer requires ADA for charter schools to be reported on an in-district vs out-of-district basis for apportionment purposes; therefore, this information is not currently in REALM's Student Information System. Enrollment for REALM Middle School is projected at 307 and ADA is projected at 299.2. Prior year P2 certification is 299.26, so assumption is reasonable.

**Overall**

Based on our review of the Adopted Budget for FY 2015-16 and prior year reports, we have noted a deterioration in financial condition and continue to have very serious concerns about the fiscal health of REALM Middle School and its ability to meet financial obligations and continue as a going concern.

Please provide specific information requested by October 16, 2015 to Pauline Follansbee, Director of Fiscal Services, who may be reached at [paulinefollansbee@berkeley.net](mailto:paulinefollansbee@berkeley.net) or (510) 644-8915 if you have any questions.

Sincerely,



Javetta Cleveland  
Deputy Superintendent

Cc: Donald Evans, E.d.D, BUSD Superintendent,

BUSD Board of Directors

Beatriz Leyva-Cutler, Karen Hemphill, Judy Appel, Ty Alper, Josh Daniels

Board of Directors, REALM Middle School

Jabari Mahiri, Tracey Schear, Thea Oliphant, Rebecca Prager

Alameda County Office of Education

Roland Tom





Berkeley Unified School District

2020 Bonar Street, Berkeley, CA 94702  
(510) 644-8593 Fax: (510) 644-8885  
www.berkeleyschools.net  
javettacleveland@berkeley.net

Javetta Cleveland, Deputy Superintendent

October 5, 2015

Mr. Victor Diaz  
REALM Charter High School  
1222 University Ave,  
Berkeley, CA 94702

RE: Fiscal Evaluation of REALM Charter High School – Adopted Budget 2015-16

Dear Mr. Diaz,

In accordance with Education Code Section 47604.33, we have reviewed the Adopted Budget for **REALM High School:**

Our oversight responsibility includes monitoring the fiscal condition of the charter school through review of State required financial reports that include REALM High School's adopted budget, interim budget reports and the unaudited and audited financial statements.

**Deficit Spending**

A review of the Adopted Budget indicates that revenue is projected to be \$3,666,562 for unrestricted programs, and expenditures are projected to be \$2,943,750. REALM High School is projecting a surplus of \$722,608 and end the year with **a positive fund balance of \$592,255 for unrestricted programs.** The audited financial statements for FY 2013-14 had a negative ending fund balance of \$158,298 and the unaudited actuals for FY 2014-15 had an ending fund balance of \$174,640.

The multi-year projections indicate positive fund balances in the amount of \$1,107,232 and \$1,657,737 for FY 2016-17 and FY 2017-18, respectively.

**Revenues and Expenditure**

REALM is showing a decrease in special education cost due to change from the services being provided by the District to the El Dorado County Office of Education. Projected expenditures for textbooks, materials and supplies appear low when compared to expenditures projected in the prior year. Expenditures for approved textbooks and core curricula materials are projected at less than half of prior year expenditures. There is also a significant increase in certificated salaries of \$330,761 even though the prior year ended with a negative fund balance. Please provide an explanation for the increase in salaries and how textbooks and core curricula material reductions will be implemented.

**LCFF**

The LCFF calculation provided with the Adopted budget is a spreadsheet provided by your fiscal management company, Charter School's Management Company (CSMC), shows calculations of LCFF revenue for both schools using a rate for only grades 9-12 and not including all grade levels. The base funding rate for FY 2015-16 used in the calculation of \$8,419 does not agree to School Services assumption of \$8,578 for grades 9-12. In addition, gap funding used in CSMC's calculation for years FY

2015-16, FY 2016-17 and FY 2017-18 (36%, 48% and 60%) does not agree to School Services assumption of 53.08%, 12.62% and 18.24%). What budget assumptions were used to support these GAP funding percentages? The total LCFF revenue for FY 2015-16 is not easily determined in the calculation. The amount per the Adopted Budget is \$2,179,142 for the Middle School and \$1,374,195 for the High School. We did not receive a separate LCFF calculation for each school. Please provide us with an LCFF calculation for each school that includes the assumptions used.

#### **Cash Flows**

The District received two cash flow projections at Budget Adoption projecting an ending balance of \$466,329 and an ending balance of \$201,389 as of June 30, 2016. Please identify the correct cash flow statement and explain how it is possible to have a positive cash balance in light of the negative ending fund balances. The Alameda County of Education recently notified the District that REALM could not make a timely payment of STRS contribution of \$60,569 for August 2015 due to lack of cash and the inability to get a timely loan. The STRS contribution for September 2015 was made timely. REALM continues to have to sale receivables of their future ADA revenue and property taxes to meet its expenditure obligations. There is a concern that REALM has a significant cash issue and may not be able to meet upcoming payroll and other fiscal obligations. The cash issues needs to be addressed immediately. There is also a recurring expenditure of \$15,000 per month that needs explanation. Please provide a separate cash flow for each school and a response to the cash flow concerns.

#### **Prior Year Audit Report**

The prior year audited Statement of Activities for FY 2013-14 indicate negative ending net assets for the REALM High School in the amount of \$158,298. Note 9 to the audit indicate Management's plan to ensure net assets are positive by the end of next fiscal year. Management steps include increased enrollment, appealing to the Treasury Department for review of funding, closely monitoring costs, and implementing procedures to improve certification and reporting requirements. The ability of the REALM High School to continue as a going concern is dependent on the success of these actions.

#### **Enrollment and ADA**


The State no longer requires ADA for charter schools to be reported on an in-district vs out-of-district basis for apportionment purposes; therefore, this information is not currently in REALM's Student Information System. Enrollment for REALM High School is projected at 382 and ADA is projected at 363.7 Prior year P2 certification is 337.12. An increase of 27 ADA has to be realized to support budget assumptions.

#### **Overall**

Based on our review of the Adopted Budget for FY 2015-16 and prior year reports, we have noted a that REALM High School is projected a significant positive fund balance over the prior year's negative ending fund balance. REALM ended the prior year with a negative ending fund balance. However, we were not able to confirm the LCFF revenue calculation and determine support for LCFF Gap percentages in the multi-year projections. REALM must closely monitor the budget and actual cost to ensure that the budget actually reflects all revenue and expenditures.

Please provide specific information requested by October 16, 2015 to Pauline Follansbee, Director of Fiscal Services who may be reached at paulinefollansbee@berkeley.net (510) 644-8915 if you have any questions

Sincerely,



Javetta Cleveland  
Deputy Superintendent

Cc:

Pasquale Scuderi, Associate Superintendent,

BUSD Board of Directors

Beatriz Leyva-Cutler, Karen Hemphill, Judy Appel, Ty Alper, Josh Daniels

Board of Directors, REALM High School

Jabari Mahiri, Tracey Schear, Thea Oliphant, Rebecca Prager

Alameda County Office of Education

Roland Tom



# EXHIBIT G

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To: Javetta Cleveland  
From: Victor Diaz  
Re: Charter Renewal  
Date: November 30, 2015

Javetta,

I have copied your questions into this document and replied within the body of the letter. Thank you for the opportunity to respond to your questions. Please let me know if you have additional questions.

In the area of special education, a reasonably comprehensive description of how the Charter Schools provide special education services to their students, and how they would ensure that their students receive a Free and Appropriate Education. The Petition fails to address the following areas:

**REALM staff** recognize and foster the development of each student's talents and strengths while supporting areas of need with Individualized Education Plans (IEPs). General education teachers and special education service providers collaborate to ensure the implementation of services in the Least Restrictive Environment (LRE).

**REALM students** are active participants in the creation of educational and prevocational goals. They will develop a deep understanding of their personal learning strengths and challenges so that they are able to effectively advocate for themselves in the secondary educational setting and beyond.

**REALM families** are valued members of the IEP team. They will develop positive relationships with the school staff serving their children and make informed decisions about educational plans.

**Together**, REALM staff, students, and families work together to create a dynamic learning environment that furthers the acquisition of academic skills, develops resiliency, and enables students to become active, service oriented members of our communities.

- Child find

REALM ensures that parents and staff are aware of the obligation and desire to assist students with learning needs. When students enroll at REALM and the family indicates that they may have an IEP or 504 plan, REALM staff actively search for the documents. If parents do not have a copy of the IEP, this includes contacting the previous district/school and requesting both electronic and hardcopy files. If the student does not have an IEP but the school staff suspect

learning and/or developmental needs, the school team will work in a variety of ways to ensure students who need assistance are identified. This includes referral to COST, provision of intervention services, and assessment by qualified school personnel. In addition, letters explaining the transition to EDCOE SELPA were mailed to families. Contact information for the REALM special education department was also distributed at family events such as the beginning of school welcome and back to school night. The COST (Coordination of Services Team) process also provides information to parents and staff. Staff receive ongoing training on the function of COST and the process to refer a student.

- Referral & Assessment

REALM utilizes COST (Coordination of Services Team), an enhanced Student Study Team model, looking at any student that has needs and allocating and locating resources to assist the student. With behavioral and academic levels of interventions are attempted and documented prior to a referral to special education. The COST team meets on a weekly basis and monitors student progress. The interventions increase or decrease as needed, based on data collected such as behavioral charts or academic assessments and work samples. If a student is referred for Special Education assessment by the team and/or family, the mandated timelines are followed. An assessment plan is developed and sent to the parent within 15 days of the referral. Once signed and returned by the parent, the IEP team has 60 days to complete the assessment and hold an IEP meeting. REALM staff will assess in all areas of suspected disability. A parent has the right to make a direct written referral for assessment. When this is received the COST team meets within 15 days to develop a plan of assessment with the parent and to provide additional interventions, if appropriate.

An interdisciplinary team assesses the student, including a school psychologist, an Educational Specialist, a school nurse and/or other professional staff, such as a speech and language pathologist or occupational therapist, in all areas of suspected disability/ areas of need. All staff use appropriate measures and batteries of assessments that they are familiar with and qualified to assess. In addition, data regarding interventions and other measures are factored in. These include individual testing, teacher observations, interviews, record reviews and work samples and parent input. Assessments are done in the student's primary language and parents are presented the information in their language, with the help of an interpreter as necessary. The assessments are completed within the 60 day timeline and the parent is invited to an IEP meeting to review the assessment data, determine eligibility, and plan for services if appropriate.

- Individualized Education Plan (IEP) meetings

When REALM took over special education services this school year, approximately 33% of IEPs were overdue. Within the first 30 days, all overdue IEPs were held, in addition to the interim IEPs necessary to document the change of SELPA. REALM will continue to hold annual and triennial IEP meetings as appropriate. IEP meetings consist of the following individuals:



student, guardian, education specialist/case manager, general education teacher, administrator, and other specialists as appropriate (e.g., Speech Language Pathologist, Educationally Related Mental Health counselor). REALM case managers work closely with students to help them participate in meaningful ways in their IEP meetings. For example, some students facilitate their own meetings, some present to the team about their learning strengths and needs, and others share work they are proud of. The level of participation is determined by student preference and level of functioning. All students are supported in the development of effective self advocacy skills.

REALM prioritizes professional development needed to write compliant, well-done IEPs that will afford student's Educational benefit. REALM participates in SELPA professional development to make sure all IEP components are addressed. IEPs are reviewed annually and every three years the students will be reassessed. Additional IEPs may be conducted at parent or school request and if for discipline reasons a Manifestation Meeting will be held prior to a change of placement or for expulsion. The components of the IEP will include: a. Statement of present levels of achievement and functional performance b. rationale for placement, c. services and means for delivery, d. when services will start, how often and who to provide, e. meaningful goals, f. how progress on goals will be measured, monitored and reported to the parents, g. accommodations required, h. 16+ transition plan in place for all students aged 16 with a disability. Timelines are adhered to and parents and students are afforded the opportunity to participate in a meaningful way.

- Specific services and supports the Charter School as an LEA would offer

REALM Charter School serves students in the least restrictive environment. Previously, BUSD provided a pull-out model for serving students who had SAI as an IEP service. REALM desires to have the students remain in their classrooms receiving Common Core instruction taught by highly qualified teachers to the greatest extent possible. Teachers use strategies such as differentiation and Universal Design for Learning (UDL) for all students. Students are provided the accommodations and modifications listed on their IEPs. REALM's Education Specialists and Instructional Assistants work with students in the general education setting. In addition, students that require additional help for remediation, pre-teaching, review, and/or test taking support, are pulled out for appropriate services as needed.

REALM Charter School also provides related services to students with disabilities per their IEP. REALM employs a speech language pathologist, occupational therapist, school psychologist, and ERMHS therapist to provide these services. REALM currently contracts services for Deaf/hard of HEaring and nursing services from personnel that are on the CDE NPA approved list. If students require APE, VI, PT or other services the appropriate providers will be secured.

Should a student require placement in a more restrictive placement based on their present level of need, REALM will coordinate placement and service delivery with a school on the CDE NPS approved list, in conjunction with the SELPA.

- How the Charter School would staff instructional personnel to meet its special education obligations

REALM employs appropriate personnel to meet special education obligations. This includes: education specialists, instructional assistants, speech language pathologist, occupational therapist, school psychologist, and educationally related mental health services (ERMHS) counselor. REALM contracts Deaf/Hard of Hearing services with NPA certified Center for Early Intervention on Deafness. REALM contracts nursing services with NPA certified K12 Health.

- The roles and responsibilities of charter school personnel in the delivery of special education services

REALM's education specialists provide specialized academic instruction and case management to students with IEPs. Instructional assistants provide academic and behavioral support to students under the supervision of the education specialists. REALM's speech language pathologist provides speech language therapy to students with communication needs. The occupational therapist provides therapy to students with sensory motor needs. The school psychologist conducts psychoeducational assessments to assess learning needs and to provide the team with information regarding special education eligibility. The school psychologist also provides counseling services and behavioral intervention services, as well as teacher consultation regarding students' needs and intervention strategies. The ERMHS counselor provides individual and group counseling to students, parent counseling, and teacher consultation regarding social emotional needs. CEID provides both consultation to school staff about the needs of students with hearing impairments and training on the appropriate use of equipment such as FM systems. K12 health provides vision and hearing screenings, health assessments, and staff training as necessary (e.g., proper use of epipens). All special education staff work under the direction of the special education director, who remains in close contact with the SELPA to ensure appropriate provision of services to students with special needs.

- The delivery design for provision of special education services along the full continuum

REALM provides special education services along the full continuum of service. This includes Specialized Academic instruction in both push in and pull out model as determined by student need, related services (e.g., speech language therapy and occupational therapy), and placement in a CDE approved NPS.

## 2. In the area of Governance:

- a. The Petitions state that “[a] set of bylaws, reflecting the governance structure described herein, is being drafted by a committee of elected board members, who will submit the bylaws to the full Board of Directors for consideration and approval (Appendix E). (Middle School Petition, p. 44, High School Petition, p. 48.) The attached bylaws list board members, but the expiration dates for their terms all fall in 2011 through 2013. Please clarify whether the Board has approved the bylaws, and update the list of Board members, along with the end dates for their terms.
- b. **Response:** The Board has approved the By-laws back in 2011. The following Board Members name and term duration
  - Victor Diaz, President, Expires, 2018
  - Jabari Mahiri, Chair, Expires, 2017
  - Tracey Schear, Treasure, Expires, 2018
  - Theo Oliphant, Board Member, Expires, 2017
- c. The Petition’s description of the means to encourage parental involvement is insufficient. Please provide information regarding specific means (committees, activities, parental advisory groups) that the REALM Charter Schools have, or will, implement to provide parents a meaningful opportunity to participate in the Charter Schools’ governance.
  - **Response:** The parent participation at REALM starts with two parents who sit on REALM’s Board of Directors, one of whom is the Treasurer. REALM Parent Alliance (RPA) - formed by parents, Executive Committee meets with Executive Director twice monthly to review finances, education program, and school climate/culture issues. Per the LCFF, parents were involved in reviewing the budget, completed a survey about the educational program, and they have ongoing meetings with site principals. The RPA also holds two fundraising events each year and two social events each year.
- d. For 2013-2014 and 2014-2015, any and all internal and/or external performance data reflecting upon “increases in pupil academic achievement for all groups of pupils served by the charter school”
  - **Response: REALM staff, teachers, and counselors all work collaboratively to ensure all students are prepared for college and beyond. Here are a few examples of how we use data to track students’ progress:**
    1. PSAT: REALM received Level II authorization from CollegeBoard in order to administer the PSAT to enrolled students during the school week. REALM coordinated PSAT testing administrations onsite during school hours in order to ensure 100% participation in the PSAT for all 10th and 11th grade students for 13-14 and 14-15 school years.



2. College Entrance Exams (SAT/ACT): 57% of the 2015 graduating class participated in the SAT or ACT. 63% of the graduating class of 2016 have participated in the SAT or ACT exams. 70 fee waivers received and distributed each year to 11th and 12th grades students who qualify for the Free/Reduced Lunch program.
3. AP courses/exams: 2014-15 was REALM's first year offering AP courses and preparation for AP exams. 3 AP courses were offered, AP US History, AP Language and Composition, and AP Literature and Composition, with an average enrollment of 23 students per class. 40% of 11th grade students and 57% of 12th grade students participated in an AP exam in Spring 14-15.
4. EAP: In 2013-14, 87% of 11th grade students enrolled participated in the EAP. 2.7% college ready based on EAP.
5. CAHSEE: From 2011 through 2014, REALM provided CAHSEE preparation classes, after school intervention, summer school, and ongoing assessment/test prep in math classes.
6. College acceptance: First graduating class were accepted into 19 private and public 4-year colleges and universities.
7. Meeting A-G: 87% of 12th grade students in 2015 met A-G requirements upon graduation
8. UC Course approvals: 35/40 or 88% courses are approved, remaining 5 courses to be submitted Feb. 1, 2016.

- e. For 2015, a breakdown of REALM's performance on the California Assessment of School Performance and Progress (CAASP) tests by "each subgroup of pupils identified pursuant to Section 52052," to allow the District to assess "increases in pupil academic achievement for all groups of pupils served by the charter school"

■ **Response: (Please see attachments)**

3. In the areas of Health and Safety and Employee Qualifications: The Petitions need to be amended to include the procedures to "ensure the health and safety of the school's faculty, staff and students," including fingerprinting, background checks, and safety policies and procedures.

**Response:**

All REALM staff members are fingerprinted and provide TB results prior to the beginning of their employment. In addition a background questionnaire is included in the employment packet. New employees are given an employee guidebook which outlines policies and procedures.

Teachers serve on the leadership teams that plan and coordinate the professional development topics. As a result the teachers provide direct input, implementation and feedback on the needs of staff to maintain their health. This has included a day off for all staff to take care of themselves and their health.

Student Health and Safety - The REALM Student Support Staff is working to create and maintain the infrastructure and programs within a REALM that promote the healthy social-emotional development of all students and address behavioral health-related barriers to learning. As supported by research, effective school-based behavioral health systems:

- Offer a Three Tiered continuum of interconnected services that encompass: 1) a system for promoting healthy development and preventing problems; 2) a system for responding to behavioral health problems as soon after onset as possible, and 3) a system for providing intensive care (see attached graphic for the three tiered system)
- Involve the entire school community, whereby all persons and/or departments within a school have a role to play in supporting the social-emotional health of all students, including those with behavior problems and/or mental health-related learning support needs
- Are coordinated and evaluated to ensure that students with emerging behavioral health needs are identified in a timely manner and appropriately served
- Involve input from, and the engagement of, families
- Are culturally responsive such that they honor the culture of students, family, and community as a critical element in providing effective care and reducing disparities in health and academic success

Our team of social workers and therapists are working with the school community to provide support and create/maintain these systems of care. We are in partnership with the Alameda County Center for Healthy School and Communities to learn about and build these systems.

- Rebecca Prager, LCSW, Alameda County Center For Healthy Schools and Communities (CHSC): COST facilitation and follow up, individual and group direct service, crisis intervention, community outreach, intern supervision.
- Nancy Jones, MSW student, Student and Family Support Service Coordinator: Assist with academic, behavior, truancy, conflict mediation, social-emotional support, school to home communications, student-teacher meetings, home visits, homeless student support (Mckinney-vento LEA), 9th grade girls Advisor, oversee and run BART and AC transit student discount transportation program and campus management.
- Aaron Lechuga, Dean of Students, MSW: leads behavioral interventions and conflict mediation between students, staff and families. The Dean also supervises safety officers and oversees the safety of the site.
- Belen Pulido, ELD Coordinator and Family Engagement Services Coordinator: The ELD Coordinator administers the Annual CELDT exam in addition to the Initial exam for newly enrolled students. In addition, the ELD coordinator monitors all relevant English Language Learner data, coordinates ELAC Meetings, and supports communication

between teachers and EL families. Family Engagement Coordinator encourages family involvement by volunteer, RPA, and ELAC opportunities and meetings.

- Matt Crocker, PCCI ERMHS Counselor: Individual and group counseling and family support, crisis intervention, teacher/staff support.
- Areeza Ali, Smith College MSW student Intern through the Alameda county CHSC: She is at REALM HS 20 hours a week providing individual and group counseling, and some teacher and classroom support.
- Molly Pilloton, MPH, Mentor, Health Educator: Student support and mentorship, health education, sensitive services support, teaches Health Education lab course.

REALM has deep and meaningful community partnerships with other agencies providing support for our students.

- Alameda County Center for Healthy Schools and Communities(CHSC): The CHSC works to build communities of care that foster the academic success, health, and well-being of Alameda County children, youth, and families. The Center is part of the Alameda County Health Care Services Agency (HCSA) and represents many diverse collaborations of service providers, school and school district leaders, health advocates, community partners, policy makers, and youth working to create equity in education and health for all students.
- Berkeley Youth Alternatives(BYA): We collaborate with BYA to provide counseling, case management, academic support, employment training & opportunities for our students. They also come on site to REALM to provide workshops around health issues such as drugs and alcohol use, tobacco, safe sex.
- RYSE Youth Center in Richmond: We refer our students to RYSE for youth development, after school activities, counseling, case management, academic support, employment training and job opportunities.
- Peer Health Exchange: comes to the HS 9th grade once weekly in PE to provide peer health education around healthy relationships, safe sex and sexuality, positive choices and general health education.
- Berkeley Mental Health: We partner with BMH to refer students with high need to their counseling and psychiatric services.
- 100 Strong: A mentorship and leadership development program for young girls, led and facilitated by U.C. Berkeley student mentors. 100 Strong mission is to combat the lack of female leaders in today's society by providing middle and high school girls with a network of female mentors and the opportunity to gain leadership skills by implementing their own community project. They meet with 9th grade girls once a week during advisory.

Additional Social/Emotional Supports



- COST: The Coordination of Services Teams (COST) is a strategy for coordinating learning supports and resources for students. COST teams meet weekly to identify and strategize supports for students and families that may be struggling and needing additional social-emotional, health, or academic supports. COST invites referrals from teachers, administrators, families and students. We triage these referrals and plan supports to address each issue. COST members include school counselors, community members, principals and teachers.
- Health educator: runs a lab class, weekly groups, and individual one-on-one health education counseling
- Counseling Intern program: Counseling interns provide mental health support to students referred by the COST process. The counseling intern is supervised by the Director of Support Services and meets weekly for required supervision.
- PBIS: Positive Behavior Intervention and Support (PBIS) initiative puts an emphasis on school-wide systems of support that include proactive strategies for defining, teaching, and supporting appropriate student behaviors to create positive school environments. There are three distinct levels of a PBIS system: Tier 1 - Whole School Positive Incentives, Tier 2 - Classroom interventions, Tier 3 - Targeted Intensive Interventions.
- Restorative Justice circles: REALM Support Staff are working together to create positive reentry circles when there is an incident at school. Circles are used at all levels of the pyramid to bring people together in a way that gives voice to every individual. Circles at the first tier (for the whole school or classroom) support in School-Wide Prevention Practices; problem solving circles are used at the second tier for those involved in Managing Difficulties; and intervention circles are used at the third tier for those persons and situations that require Intense Intervention.
- Restorative Justice training: all staff received a Restorative Justice training during the 2014 REALM Summer Institute. The training was given by Restorative Justice for Oakland Youth in order to support teachers and staff in building a system that actively engages students and families, repairs any harm or wrongdoing in the school community and ways to prevent any re-offending.
- GSA Inclusion training: All staff participated in a one day training by Chris White, the Director of Safe and Supportive Schools Project for the Gay-Straight Alliance Network. We began the conversation around how to create safe and inclusive spaces for all of our REALM community.
- Student Support Team meetings are designed to get the student, teachers, parents and support team together in a meeting that highlights the student strengths, challenges and areas of improvement. We work together collaboratively to set goals that address the student support need and give the student steps and options to use in order to feel supported and obtain academic success. The meetings are also sometimes used to assess if there are additional learning or academic supports needed (504, or IEP). Student Support Team ( SST) meetings are facilitated at the HS by school Principal,

Dean of Students, Student and Family Services Coordinator and Director of Support Services. (Please see attached SST meeting forms.)

- Family Meetings Week: The purpose of Family Meetings Week is to continue building relationships between students, advisors and families, to review students' progress toward graduation, and to set goals that will support the student for graduation and life post high school. Family Meetings Week happens once per semester, with advisors, students, and parents/guardians in attendance, joined by a High School administrator as necessary.

**The Petitions also need to state how the terms and conditions of employment for non-certificated employees are determined. All employees are given an employee agreement which stipulates terms and conditions. The same terms and conditions are used for noncertified staff as certified.**

1. Duties are described based on the non-certified position as stipulated in the job description.
2. Full time noncertified staff work 8 hrs.
3. Compensation is based on the employee's years of experience, education level and comparable to neighboring districts job descriptions and compensation.
4. Employee health benefits, rights, licensure and child abuse reporting all mirror certificated employee agreements, see below.

#### **Employee Benefits**

Employee will be entitled to participate in designated employee benefit programs and plans established by REALM (subject to program and eligibility requirements) for the benefit of its employees, which from time to time may be amended and modified by REALM.

#### **Employee Rights**

Employment rights and benefits for employment at REALM shall only be as specified in this Employment Agreement, REALM's charter, the Charter Schools Act and REALM's personnel policies, which from time to time may be amended and modified by REALM. Employment rights and benefits may be affected by other applicable agreements, directives or advisories from the California Department of Education or State Board of Education. During the term of this Agreement, Employee shall not acquire or accrue tenure, or any employment rights with the Berkeley Unified School District or REALM.

#### **Licensure**

Employee understands that employment is contingent upon verification and maintenance of any applicable licensure credentials.

#### **Child Abuse Reporting**

California Penal Code section 11166 requires any child care custodian who has knowledge of, or observes, a child in his or her professional capacity or within the scope of his or her employment whom he or she knows or reasonably suspects has been the victim of child abuse to report the known or suspected instance of child abuse to a child protective agency immediately, or as soon as practically possible, by telephone and to prepare and send a written report thereof within thirty-six (36) hours of receiving the information concerning the incident.

By executing this Agreement, the Employee acknowledges he or she is a childcare custodian and is certifying that he or she has knowledge of California Penal Code section 11166 and will comply with its provisions.

- a. The Petition needs to address the following: Update to incorporate new laws on mandatory Child Abuse Reporting Training and stocking Epinephrine auto-injectors. (Education Code section 49414, as amended by Senate Bill 1266 in 2015.)

All REALM staff are required to complete an online mandated reporting module provided by California Department of Social Services, <http://www.mandatedreporterca.com/>.

**A review of REALM Middle School's proposed budget for the 2016-2017 school year revealed the following concerns:**

- a. Please explain what one-time and ongoing revenue make up the increase in \$150,000 LCFF revenue between unaudited actuals and 2016-17 projection? ☐
  - i. **Response:** We are projecting an Increase in projected enrollment which equals more money under LCFF. REALM's response to the adopted budget shows fundraising as a source of revenue, which is a one-time source and not ongoing. Please explain how REALM would make up such revenue in future years.
  - ii. **Response:** 2015-16 school year we were awarded a \$20k grant to hire a professional grant writer. Her charge is to raise money for both long-term and short term grants. Moreover, she is building in small amounts for development support for the 2016-2017 fiscal year. Moreover, some grants are one-time and others are ongoing. We are trying to secure more ongoing grants. These projections are also conservative and based on actual amount raised over the past few years via grants.
- b. Please explain the reduction in teacher costs from 2014-2015 unaudited actuals and the 2015-2016 adopted budget.
  - i. **Response:** REALM discontinued our contract with our back office support, EdTec. Therefore, we had no backend business service support from October 1, 2014 - February 1, 2015. As soon as we realized we were headed towards a deficit we laid off some teachers in the spring of



2015 and we also hired fewer teachers for 2015-2016 school year. We are also projecting to continue the staffing cuts into 2016-17 and beyond.

- c. Please identify the specific position cuts identified in your response to the 2015-2016 adopted budget and the effective date of the cuts.
  - i. **DRAFT: Elective classes, high school principal, enrichment, support staff. (me and emily)**
- d. The reduction in STRS is disproportionate to the reduction in staff. Please explain how REALM determined the magnitude of the reduction.
  - i. **Response:** The 2015-16 adopted budget was based on an estimated number of teachers, all assumed to be receiving STRS. The revised 2015-16 budget is based on actual hires and STRS participation and projects STRS expense of \$89,363. While the 2016-17 projection was completed prior to verification of all special education employees' participation in STRS, it currently projects \$85,578 in STRS expense. Now that all STRS participants have been confirmed, the updated 2016-17 projection for STRS expense (based on 2015-16 actual) will be \$104,770.
- e. The reduction in health benefit and Medicare costs is unjustified given the rising costs of health care, and disproportionate to the reduction in staff.
  - i. **Response:** The 2015-16 adopted budget was based on an estimated number of teachers and staff, all assumed to be receiving health benefits. The revised 2015-16 budget is based on actual hires and actual participation and projects healthcare expense of \$87,879. The 2016-17 projected health benefit expense of \$90,698 includes a 5% increase across the board for all recipients, but does not include the addition of healthcare benefits for a staff member that recently became eligible, which can potentially add approximately \$4,000 to the health expense projection for 2016-17.
- f. Please explain the significant reduction in textbooks and other instructional materials from the 2014-2015 unaudited actuals.
  - i. **Response:** Again, once we realized we were headed toward a deficit, we reduced and eliminated all unnecessary spending--including textbooks and instructional materials.
- g. Please explain the reduced expenditure in food since the 2014-2015 unaudited actuals.
  - i. **Response:** no backend business service support from oct 1 2014 - feb 1 2015. as soon as we realized we were headed towards a deficit we eliminated food costs by only ordering food for free and reduced lunch students
- h. It is not clear how REALM would reduce operations, housekeeping and consultant costs.
  - i. **Response:** Change in back office provider from EdTec to CSMC was a \$70,000/yr savings. We have eliminated all consultants including

attorneys and educational consultants, and have limited contracted work to auditors and WASC consultant. We have also reduced custodial costs from last year.

- i. It is not clear whether REALM would reduce its expenditure for excess special education costs above State revenue funding for special education.
  - i. **Response:** We are not reducing expenditures for special education. We have an encroachment but it is less than what we spent when we were with BUSD. Our special education costs were being adjusted for throughout the first 8 weeks of school. Our special education enrollment numbers continued to grow over the first several weeks.
- j. There is a discrepancy in the beginning fund balance, and the negative ending fund balance of \$300,000 is insufficiently sufficient.
  - i. **Response:** The 2015-16 board approved budget was completed prior to the 2014-15 year end, and based on the 2014-15 budget, which did not account for the decrease in enrollment and reduced income that led to the large loss in 2014-15.
- k. Please provide an analysis of how much of reduction in deficit spending is attributable to one-time revenue offset by one-time expenses. □
  - i. **Response:** Deficit spending is not offset by one-time revenue. The reduction in deficit spending is due mostly to budget cuts, staffing cuts, increased enrollment, and lowering special education costs (versus 2014-2015).

5. A review of REALM High School's proposed budget for the 2016-2017 school year revealed the following concerns:

- a. What accounts for the projected increase in federal funding over last year's unaudited actuals?
  - i. **Response:** The increase in federal funding is attributed to becoming our own SELPA in 2015-2016. Those dollars are directly tied to special education funding.
- b. Please explain what one-time and ongoing revenue make up the \$1.1 Million increase in LCFF revenue between unaudited actuals and 2016-17 projection?
  - i. **Response:** REALM is predicting an increase in enrollment, overall class size increase (by grade-level), and a slight increase in LCFF funding rates-- these things make up the overall increase in LCFF funding.
- c. What is the source of increased revenue? The amount of increased local revenue identified in your response to the adopted budget is less than the increased revenue budget for the Middle and High School.
  - i. **Response:** For the 2015-2016 FY, REALM has already raised \$75,000. This is a \$50,000 increase from our adopted 2015-2016 budget.

- d. Please explain why certificated teacher costs increase by \$500,000 between unaudited actuals and the adopted budget and 2016-17 projections.
  - i. **Response:** The increase in certificated teachers is entirely due to the creation/establishment of our special education department: Director, psychologist, 4 resource teachers, 3 IA's.
- e. Please clarify whether the Executive Director is taking over the Principal's position at the high school. What is effective date and where is the reduction in 2016-17?
  - i. **Response:** Yes, please see amended budget. This was effective November 1, 2015.
- f. The budget shows an overall increase in salaries, yet no cuts for the High School. Please identify reason for new positions.
  - i. **Response:** This is inaccurate (there are cuts for high school). There are no new positions at either school other than the new hires for special education as mentioned above.
- g. The calculation of STRS decrease due to additional staffing, yet the budget projection is showing an increase in staffing. Please explain.

**Response:** The 2015-16 adopted budget was based on an estimated number of teachers, all assumed to be receiving STRS. The revised 2015-16 budget is based on actual hires and STRS participation and projects STRS expense of \$121,075. The 2016-17 projection includes \$146,404 in STRS expense, which is a 20.9% increase over 2015-16. This increase is primarily due to the increase in the employer's contribution rate.

- h. Please explain the large increase in health benefits based on additional staffing. Is any of the increase due to increasing healthcare costs or just additional staff?

**Response:** The 2015-16 adopted budget was based on an estimated number of teachers and staff, with estimates of health care expense. The revised 2015-16 budget is based on actual hires and actual participation and projects healthcare expense of \$146,327. The 2016-17 projected health benefit expense of \$160,079 includes a 5% increase across the board for all recipients, but does not include the reduction of healthcare benefits for a staff member that is not projected to return in 2016-17, reducing overall healthcare costs by approximately \$4,000 in the 2016-17 projection.

- i. Please provide more information on the reduction in operations and housekeeping services.
  - i. **Response:** We reduced services to reflect the need of the school and to reduce expenses without impacting instruction.



- j. Please provide an explanation for the decrease in special education costs since the Charter School's unaudited actuals, in light of your statement during our last meeting that special education costs would not decrease.
  - i. **Response:** Special education costs have decreased from FY14-15.
- k. Please provide an analysis of how much of net income is attributable to one-time revenue offset by one-time expenses.
  - i. **Response:** Net income is not attributable to one-time revenue. The reduction in deficit spending is due mostly to budget cuts, staffing cuts, increased enrollment, and lowering special ed costs (versus last year).
- l. There is a discrepancy in beginning fund balance in the renewal petition. Please explain. □
  - i. **Response:** We have made cuts, increased enrollment, halted all excessive spending, and increased our fundraising efforts.

6. REALM must also provide a District impact statement, as required by Education Code §47605(g).



December 16, 2015

Dear Javetta Cleveland;

As the Executive Director of REALM Charter Schools, I write to certify, in writing, that all of the conditions below we be met in accordance with the timeline/s and expectations specified by the District:

- REALM will resubmit multi-year projections for both schools to reflect first interim adjustments and other corrections identified during the review by December 18, 2015.
- REALM will make additional reductions in excess of the \$673,000 already identified over two years to fully address the Middle School's deficit spending and \$800,000 negative ending fund balance by the end of fiscal year 2016-17; and they must also submit a revised detailed list of reductions by January 31, 2016.
- REALM will provide monthly budget to actual updates and cash flows to the District for each school beginning with December 2015 until negative ending fund balance is resolved and 3% reserve is obtained.
- REALM must respond in writing to specific District concerns and request for information included in the prior fiscal oversight letters by December 18, 2015 and subsequent oversight letters within 5 working days of the date of the letter.
- REALM understands the District will not advance REALM's share of in-lieu property taxes after charter renewal. REALM received two advances of in lieu property taxes for more than one month in fiscal year 2015-16.

We also want to thank you, the BUSD School Board, Superintendent Dr. Evans, and the District's leadership team for assisting REALM throughout this process. We believe strongly that these recommendations will strengthen our organization as well as our academic program.

Sincerely,

Victor Diaz  
Executive Director

## EXHIBIT B

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[javettacleveland@berkeley.net](mailto:javettacleveland@berkeley.net)

Berkeley Unified School District

Javetta Cleveland, Deputy Superintendent

November 16, 2016

Mr. Victor Diaz  
REALM Charter High School  
1442 A Walnut Street #172  
Berkeley, CA 94709

**FISCAL EVALUATION OF REALM CHARTER HIGH SCHOOL UNAUDITED  
ACTUALS (CLOSED BOOKS)**

Dear Mr. Diaz,

In accordance with Education Code Section 47604.33, we have reviewed the Unaudited Actuals for FY 2015-16 for **REALM High School:**

Our oversight responsibility includes monitoring the fiscal condition of the Charter school through review of State required financial reports that include REALM's adopted budget, interim budget reports and the unaudited and audited financial statements.

**Surplus**

A review of the Unaudited Actuals indicate that revenues are \$3,404,224 for Unrestricted programs, and \$448,881 for Restricted programs for total revenues of \$3,853,085. Expenditures are \$2,758,181 and \$875,537 for Unrestricted and Restricted programs respectively, with a contribution of \$200,172 from Unrestricted to Restricted programs for a surplus of \$445,870 for Unrestricted programs and a deficit of \$26,503 for Restricted program. The ending fund balance of \$244,725 is comprised of \$219,501 for Unrestricted Programs and \$25,224 for Restricted Programs. The charter school has met the conditions of the charter petition renewal by making reductions that would balance the negative ending fund balance by the end of 2016-17. The ending fund balance for the combined general fund is \$244,725 as of 2015-16 and is higher than the ending fund balance of \$147,713 projected in the charter petition renewal.

**Revenues and Expenditures**

Federal and State Revenues include \$45,125 and \$209,190 respectively, for Special Education services under BUSD's umbrella, as part of the North Region SELPA. This is the final year that REALM will receiving revenue for Special Education services

under the District's umbrella. Effective FY 2016-17, REALM will be receiving its services as part of El Dorado SELPA.

Overall revenues are \$104,359 less than budgeted mainly due to federal and local revenues received being less than budgeted. Expenditures are \$56,371 less than budgeted primarily due to savings in Non-Certificated Supervisor salaries.

### **LCFF and LCAP**

LCFF funding total \$3.1 million and represents 91.5% of all Unrestricted funding and consists of \$1,322,573 as State Aid funding (current and prior year), \$542,643 as Education Protection Account (EPA) State Aid funding and \$1,251,126 as Transfers in Lieu of Property Taxes. Transfers in Lieu of Property Taxes reported by REALM agree to the District's books. However, it is important that the District review the calculation of LCFF funding to ascertain the validity of the amounts reported for State Aid and EPA funding. **The District is requesting LCFF calculations for the Unaudited Actuals.**

### **Assets and Liabilities**

A review of Assets shows a positive cash balance of \$323,456 and a \$471,879 in due from Grantor Governments, and \$707,094 in Other Current Assets. We are unable to ascertain if the receivables are since no supporting documentation was provided. **The District is requesting proof of subsequent receipts of the receivable by providing the District with the dates, reference numbers and amounts of subsequent receipts. Please provide detailed information on what is included in Other Current Assets.**

Liabilities include accounts payable in the amount of \$191,842 and Long Term Liabilities in excess of \$1.2 million. The consolidated Accounts Payable detail schedule provided with the Unaudited Actuals does not include \$89,828 owed to the District for maintenance services provided to REALM High School. If this amount was included, the ending fund balance would be \$129,673 and not \$219,501. **The District is requesting a schedule to support Long Term Liabilities totaling \$1.2 million, so the District can ascertain the validity of the amount reported.**

### **Cash Flows**

The combined Cash Flow Statement provided with the Unaudited Actual submittal indicates that REALM had negative cash balances for September of \$(5,871), October \$(49,547) and November (\$214,555). REALM received two cash advances of their in-lieu of property taxes during 2015-16 which included an advance for January 2016. Since the charter renewal, Realm has not received any additional advances on their in-lieu property taxes which meets the condition of the renewal. REALM continues to sell receivables of their future ADA revenue and property taxes to meet its expenditure obligations. On October 21, 2016, REALM sold its January 2017 State Apportionment, in-lieu of property taxes and special education revenue to receive those funds now and help with current cash deficiency. On November 14, 2016, Realm sold recievables for these same revenue sources for Feburary 2017. These indicators of poor cash flow indicate that REALM is short on cash to meet current obligations.



### **Enrollment and ADA**


The state no longer requires ADA for charter schools to be reported on an in-district vs out-of-district basis for apportionment purposes; therefore, this information is not currently in REALM's Student Information System. The District reported P2 ADA for REALM High School of 341.15. The amount cannot be compared to ADA used to calculate LCFF funding since the LCFF calculator was not provided.

### **Overall**

Based on our review of the Unaudited Actuals for FY 2015-16, we have noted an improvement in financial condition based on the information provided. We require verification of accounts receivable and other assets to determine the validity of the amount reported. There are troubling indicators of REALM High School's fiscal health, which includes negative cash flow balances and need to sell receivables. We continue to have very serious concerns about the fiscal health of REALM High and their ability to meet financial obligations and continue as a going concern.

Please provide requested information to Pauline Follansbee, Director of Fiscal Services **within 5 working days of receipt of this letter.** Please contact her at reached at (510) 644-8915 if you have any questions

rely,

  
Jetta Cleveland  
Deputy Superintendent

Cc:

Donald Evans, Ed.D., Superintendent,

BUSD Board of Directors

Beatriz Leyva-Cutler, Karen Hemphill, Judy Appel, Ty Alper, Josh Daniels

Board of Directors, REALM High School

Jabari Mahiri, Tracey Shear, Thea Oliphant, Rebecca Prager



November 28, 2016

Re: Fiscal Evaluation of REALM Charter High School Unaudited Actuals (Closed Books).

Dear Javetta Cleveland,

Thank you for allowing REALM to respond to the issues BUSD has raised regarding our unaudited actuals. Below are the specific responses we were asked to address:

**Revenues and Expenditures**

BUSD notes that REALM is moving to the EDCOE SELPA in 2016-17. Please note that REALM has been a member of the EDCOE SELPA since the start of the 2015-16 school year. In fact, the rising cost of special education services, previously not identified while under BUSD SELPA, continues to impact our overall budget. We continue to have a rising number of overall students with IEP's, special education students that need Non-Public School placements, and an increasing number of 'specialists' in order to meet the actual needs of our special education students.

**LCFF/LCAP**

The district is requesting LCFF calculations for the unaudited actuals. Please see email attached is the CDE apportionment summary, titled "REALM YE Accrual", for the CDE's accounting of REALM's LCFF funding.

**Assets and Liabilities**

BUSD requested detailed A/R listing. Please see "REALM HS AR Receipts" documents attached. BUSD Requested LLT liabilities. Please see the document titled "REALM FYE16 LT Liabilities" and note that the bulk of these liabilities are not long term (rather, short-term cash flow/receivables financing), but the applicable object code led to listing these as LT liabilities. This will be appropriately reflected in the forthcoming audit. Therefore, the amount listed, \$1.2 million, is mostly reflected in receivables sold and paid back within the fiscal year--and not long-term debt.

Sincerely

Victor Diaz  
Executive Director

## EXHIBIT C

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Berkeley Unified School District

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Javetta Cleveland, Deputy Superintendent

January 19, 2017

Mr. Victor Diaz  
REALM Charter High School  
1442 A Walnut Street #172  
Berkeley, CA 94709

**FISCAL EVALUATION OF REALM CHARTER HIGH SCHOOL FIRST INTERIM FY 2016-17 AND AUDITED ACTUALS FOR FY 2015-16**

Dear Mr. Diaz,

In accordance with Education Code Section 47604.33, we have reviewed the First Interim for FY 2016-17 and the Audited Financial Statements for FY 2015-16 for **REALM High School:**

Our oversight responsibility includes monitoring the fiscal condition of the Charter school through review of State required financial reports that include REALM's adopted budget, interim budget reports and the unaudited and audited financial statements.

**AUDITED ACTUALS FOR FY 2015-16**

The audited financial statements indicate that REALM High School has net assets of \$243,646 at June 30, 2016. At Second Interim the projected ending fund balance was \$294,296. REALM High School closed the books with an audited ending fund balance of \$50,650 less than projected

It also contained the following emphasis of Matter regarding Going Concern or the Schools ability to continue operating.

The accompanying financial statements have been prepared assuming the Schools will continue as a going concern. As noted in Note 9 to the financial statements, in the previous year, the School experienced an operating deficit, cash flow, difficulties, and did not have adequate cash reserves or accounts receivable to meet its current obligations without obtaining additional financing or funding. The Schools reduced the deficit for the year ending June 30, 2016, but still had an ending deficit net asset balance and required substantial financing to meet its current obligations. These

factors cause substantial doubt about the Schools' ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

#### **Note 10 Management Plans**

The Management of the Schools have noted a negative change in unrestricted net assets on the Statement of Activities.

Management has taken steps to ensure that net assets are positive by the end of the next fiscal year. They following are steps and factors that Management has identified:

- Major staffing cuts over the next two years in order to balance the budget and establish a 3% reserve.
- To make major cuts without impacting the quality of the teaching and learning as promised under the charter.
- To submit monthly financial budgets to our Authorizer, Berkeley Unified School District (BUSD) in order to maintain a correct and accurate course of action.
- Apply for additional local, regional, and statewide multi-year grants.

The ability of the School to continue as a going concern is dependent on the success of these actions. The financial statements do not include any adjustments relating to the recoverability of recorded asset amounts or the amounts of liabilities that might be necessary should the Schools be unable to continue as a going concern.

The District concurs with the auditor's concerns. These steps were noted in the prior year audited financial statements and in the charter school renewal and conditions for renewal. The charter school renewal indicated a projected fund balance as of June 30, 2017 that was not met as noted below in the District's review of the First Interim for FY 2016-17.

#### **FIRST INTERIM FY 2016-17**

##### **Deficit Spending**

A review of the First Interim indicate that revenues are projected to be \$4,033,991 and expenditures are projected to be \$4,204,372 for a deficit of \$170,381. The audited beginning fund balance is \$243,646 and the audited ending fund balance at First Interim is \$73,265.

Based on the projections included in the charter petition renewal for the combined unrestricted and restricted general fund, REALM projected a surplus of \$357,324 when in fact ended up deficit spending by \$(170,381). In effect, REALM High missed the projection by \$527,705.



The charter school projected ending fund balance per the petition was \$949,580. The ending fund balance at First Interim of \$73,265 is \$876,315 less than the balance in the charter petition renewal, and does not demonstrate financial progress toward meeting the conditions in which the charter was renewed. **The District has attached REALM High School's response to its First interim review for why the projected ending balance for 2016-17 did not meet the projected ending fund balance included in the petition renewal. Any additional information regarding this issue as of Second Interim should be also be provided to the District.**

### **Revenues and Expenditures**

Overall revenues at First Interim are projected to be \$284,291 less than revenues at Adoption, primarily due to a reduction in LCFF funding in the amount of \$472,797 which is partially offset by an increase in other state revenue in the amount of \$245,388.

Expenditures at First Interim are projected to be \$191,874 more than at Adoption, due primarily to an increase in professional/consulting services and operating expenditures in the amount of \$149,703. Explanations were not provided for budget changes since Adoption, so the District is unable to ascertain the reason this increase. **The District is requesting an explanation of the increase in cost since adoption.**

### **LCFF and LCAP**

LCFF funding total \$3.1 million and represent 78% of all funding. REALM High School is projected to receive \$1,438,671 as State Aid funding, \$499,995 as Education Protection Account (EPA) State Aid funding and \$1,204,590 as Transfers in Lieu of Property Taxes. Per the District's books, REALM High School is projected to receive \$1,395,978, which is \$191,388 more than REALM is reporting. It is important that the District review the calculation of LCFF funding to ascertain the validity of the amounts reported for State Aid and EPA funding **The District is requesting the LCFF calculations which should be submitted with each Interim. In the future the LCFF calculation should be submitted with the budget.**

### **Cash Flows**

The combined Cash Flow Statement provided with the First Interim shows a balance of \$275,766 at December 31, 2016. The Cash Flow Statement should have shown actual cash transactions as of the cut-off period and cash flow projections through the end of June 30, 2017. Given REALM has a significant cash flow concern, staff cannot determine if REALM will have the cash available to meet its fiscal obligations through June 30, 2017 without accurate and complete information.

The conditions for renewal of the charter petition required that REALM provide monthly cash flows to the District for each school beginning with December 2015 until negative ending fund balance is resolved and 3% reserve is obtained. REALM has not met this conditional requirement (See attached conditions for approval).

Since the charter renewal, Realm has not received any advances on their in-lieu property taxes which meets the condition of the renewal. However, REALM



continues to sell receivables of their future ADA revenue and property taxes to meet its expenditure obligations. On October 21, 2016, REALM sold its January 2017 State Apportionment, in-lieu of property taxes and special education revenue to receive those found now to help with current cash flow. On November 14, 2016, Realm sold the same revenue sources for February 2017 receipts. On December 13, 2016, REALM sold the same revenue sources for March and April 2017. These indicators of poor cash flow indicate that REALM is short on cash to meet current obligations. **The District is requesting cash flow projections through June 30, 2017.**

### **Long Term Debt and Line of Credit**

#### **Notes Payable**

In September 2011, the Schools obtained a promissory note of \$309,968 from Kaufman Constructions, Inc. The note carries annual interest rate of 8.5% and requires monthly payments of \$3,843. The note matures in September 2021. The note balance as of June 30, 2016 was \$192,300.

In October 2013, the Schools obtained a loan of \$60,000 from Fred Huxman. The loan has a term of up to 10 years and carries no interest rate. The loan balance as of June 30, 2016 was \$60,000.

In February 2016, the Schools obtained a promissory note of \$1,387,363 from Charter Asset Management Fund, Inc. The note carries annual interest rate of 10% and requires monthly payments of \$200,000. The note matures in March 2017. The note balance as of June 30, 2016 was \$1,284,446.

#### **Line of Credit**

The Schools have a revolving line of credit with Wells Fargo for \$100,000 with an annual interest rate of 10.25%. There was a balance of \$71,367 for the year ended June 30, 2016.

#### **Enrollment and ADA**

The state no longer requires ADA for charter schools to be reported on an in-district vs out-of-district basis for apportionment purposes; therefore, this information is not currently in REALM's Student Information System. The District reported P2 ADA for REALM High School for FY 2015-16 of 341.15 and 328.37 at P1 for FY 2016-17. The snapshot provided by REALM as of December 15, 2016 is 327 ADA. The amount cannot be compared to ADA used to calculate LCFF funding since the LCFF calculator was not provided.

#### **Insufficient Minimum Reserves**


At Adoption, REALM High School indicated that it met the recommended minimum reserve of 3%. However, at First Interim, the reserve for economic uncertainty is 1% and does not meet the recommended minimum reserve of 3%. This demonstrates that REALM High will be unable to sustain any unforeseen expenditures and may not be able to meet its current and future financial obligations.

**Overall**

Based on our review of the Audited Actuals for FY 2015-16 and the Budget for the First Interim for FY 2016-17, we have noted a deterioration in financial condition based on the information provided. We continue to have very serious concerns about the fiscal health of REALM High and their ability to meet financial obligations and continue as a going concern. REALM High has not met its projected ending balance for FY 2016-17 and the conditions of the charter petition renewal to provide monthly budget and cash flow reports.

Please provide requested information to Pauline Follansbee, Director of Fiscal Services **within 5 working days of receipt of this letter**. Please contact her at (510) 644-8915 if you have any questions.

Sincerely,



Jayetta Cleveland  
Deputy Superintendent

Cc:  
Pasquale Scuderi, Associate Superintendent,

BUSD Board of Directors  
Beatriz Leyva-Cutler, Karen Hemphill, Judy Appel, Ty Alper, Josh Daniels

Board of Directors, REALM High School  
Jabari Mahiri, Tracey Schear, Thea Oliphant,

## EXHIBIT D

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# Berkeley

## PUBLIC SCHOOLS

Berkeley Unified School District

2020 Bonar Street, Berkeley, CA  
94702 (510) 644-8593 Fax: (510)  
644-8885 [www.berkeleyschools.net](http://www.berkeleyschools.net)  
[javettacleveland@berkeley.net](mailto:javettacleveland@berkeley.net)

Javetta Cleveland, Deputy Superintendent

November 16, 2016

Mr. Victor Diaz  
REALM Charter Middle School  
1442 A Walnut Street #172  
Berkeley, CA 94709

### **FISCAL EVALUATION OF REALM CHARTER MIDDLE SCHOOL UNAUDITED ACTUALS (CLOSED BOOKS)**

Dear Mr. Diaz,

In accordance with Education Code Section 47604.33, we have reviewed the Unaudited Actuals for FY 2015-16 for **REALM Middle School**:

Our oversight responsibility includes monitoring the fiscal condition of the Charter school through review of State required financial reports that include REALM's adopted budget, interim budget reports and the unaudited and audited financial statements.

#### **Deficit Spending**

A review of the Unaudited Actuals indicate that revenues are \$2,858,874 for unrestricted programs, expenditures are \$2,967,982 and contribution to restricted programs total \$161,745. REALM Middle School is deficit spending by \$(270,853) for the unrestricted general fund. The beginning fund balance is \$(929,653) and the ending fund balance is \$(1,164,860). Based on the projections included in the charter petition renewal for the combined unrestricted and restricted general fund, REALM projected a surplus of \$69,817 when in fact ended up deficit spending by \$(305,359). The charter school has not met the conditions of the charter petition renewal by making reductions that would balance the negative ending fund balance by the end of 2016-17. The ending fund balance for the combined general fund grew to a negative \$(1,146,910) as of 2015-16 when it was projected to be a negative \$(771,735) in the charter petition renewal. This negative balance does not demonstrate financial progress toward meeting the conditions in which the charter was renewed. **The District is requesting an explanation of why the ending balance for 2015-16 did not meet the projected ending fund balance included in the petition renewal.**

#### **Revenues and Expenditure**

Federal and State Revenues for Special Education Services total \$38,750 and \$164,977 respectively. REALM Middle School was under BUSD's umbrella for Special Education Services for FY 2015-16 and received its revenue as part of the

North Region SELPA. This was the final year that BUSD provided Special Education Services to REALM Middle School. Effective FY 2016-17, REALM will be receiving Special Education Services from El Dorado SELPA.

Overall revenues are \$115,585 more than budgeted due to an increase in State and LCFF revenues and other local revenues. Expenditures are \$179,119 more than budgeted primarily due to Certificated Salaries and benefits exceeding budget. **The District is requesting explanation of this budget to actual variance.**

### **LCFF and LCAP**

LCFF funding total \$2.3 million and represents 79.3% of all Unrestricted funding. REALM Middle School receives \$761,999 as State Aid funding (current and prior year), \$392,454 as Education Protection Account (EPA) State Aid funding and \$1,110,620 as Transfers in Lieu of Property Taxes. Transfers in Lieu of Property Taxes reported by REALM agree to the District's books. However, it is important that the District review the calculation of LCFF funding to ascertain the validity of the amounts reported for State Aid and EPA funding. **The District is requesting LCFF calculations for the Unaudited Actuals.**

### **Assets and Liabilities**

A review of Assets shows a negative cash balance of \$202,905 and a receivable of \$408,621. However, the cash flow provided for both REALM charters reflect a positive cash flow of \$150,755. This implies that the REALM High School has a positive cash in excess of \$300,000.

Assets include \$408,621 in amounts due from Grantor Governments. We are unable to ascertain if this amount is valid since the detail to substantiate this amount was not provided. **The District is requesting proof of subsequent receipts of this receivable, by providing the District with the dates, reference numbers and amounts of subsequent receipts.**

Liabilities include accounts payable of \$273,560 and Long Term Liabilities in excess of \$1.9 million. The consolidated Accounts Payable detail schedule provided with the Unaudited Actuals does not include the amount owed to the District for the High School for maintenance services provided in the amount of \$89,828. This does not impact Unaudited Actuals for the Middle School, but it will reduce the ending fund balance for the High School. **The District is requesting a schedule to support Long Term Liabilities totaling \$1.9 million, so the District can ascertain the validity of the amount reported.**

### **Cash Flows**

The combined Cash Flow Statement provided with the Unaudited Actual submittal indicates that REALM had negative cash balances for September of \$(5,871), October \$(49,547) and November (\$214,555). REALM received two cash advances of their in-lieu of property taxes during 2015-16 which included an advance for January 2016. Since the charter renewal, Realm has not received any additional advances on their in-lieu property taxes which meets the condition of the renewal. REALM continues to sell receivables of their future ADA revenue and property taxes to meet its expenditure obligations. On October 21, 2016, REALM sold its January 2017 State Apportionment, in-lieu of property taxes and special



education revenue to receive those funds now and help with current cash deficiency. On November 14, 2016, Realm sold receivables for these same revenue sources for February 2017. These indicators of poor cash flow indicate that REALM is short on cash to meet current obligations.

### **Insufficient Minimum Reserves**

The Unaudited Actual report indicates that REALM Middle Charter School will not meet the recommended minimum reserve of 3%. This demonstrates that REALM middle has a budget deficit, will be unable to sustain any unforeseen expenditures and may not be able to meet its current and future financial obligations.

### **Enrollment and ADA**

The state no longer requires ADA for charter schools to be reported on an in-district vs out-of-district basis for apportionment purposes; therefore, this information is not currently in REALM's Student Information System. The District reported P2 ADA for REALM Middle School of 289.67. This amount cannot be compared to ADA used to calculate LCFF funding since the LCFF calculator was not provided.

### **Overall**

Based on our review of the Unaudited Actuals for FY 2015-16, we have noted a deterioration in financial condition, and we continue to have very serious concerns about the fiscal health of REALM Middle and the ability to meet financial obligations and continue as a going concern. The charter school also has not met the conditions of the charter petition renewal make additional reductions that would balance the negative balance by the end of 2016-17.

As noted in the petition renewal review, the ability of REALM Middle and High School to continue as a going concern is dependent on the success of the actions listed in the review and additional cuts that need to be made to get REALM's budgets in balance.

Please provide requested information to Pauline Follansbee, Director of Fiscal Services **within 5 working days of receipt of this letter**. Please contact her at (510) 644-8915 if you have any questions.

Sincerely,



Jutta Cleveland  
Deputy Superintendent

Cc: Donald Evans, Ed.D., BUSD Superintendent

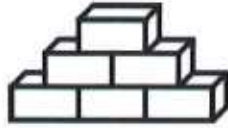
### **BUSD Board of Directors**

Beatriz Leyva-Cutler, Karen Hemphill, Judy Appel, Ty Alper, Josh Daniels

### **Board of Directors, REALM Middle School**

Jabari Mahiri, Tracey Schear, Thea Oliphant, Rebecca Prager





November 28, 2016

Re: Fiscal Evaluation of REALM Charter Middle School Unaudited Actuals (Closed Books).

Dear Javetta Cleveland,

Thank you for allowing REALM to respond to the issues BUSD has raised regarding our unaudited actuals. Below are the specific responses we were asked to address:

**Deficit Spending**

Deficit spending from the unrestricted fund includes the \$161,745 contribution to restricted funds. Note that REALM's SPED encroachment increased by \$59,323 at the MS from 2014-15 to 2015-16. Comparisons are made to the charter renewal budget completed in October 2015. The budget is a fluid document and updated at least monthly, if not weekly. The ending balance was lower (higher deficit) than projected based on a multitude of factors, including: increased SPED expense, student activities vendors, one-time textbook expense (Common Core aligned), and postponement in the use of the Educator Effectiveness funds. Second Interim budgeted loss for FY1516 was (\$204k), and actual loss was (\$305k), based on these factors.

**Revenues and Expenditures**

BUSD notes that REALM is moving to the EDCOE SELPA in 2016-17. Please note that REALM has been a member of the EDCOE SELPA since the 2015-16 school year. BUSD requests an explanation as to the increased personnel expenses. As noted above, SPED expense increased in FY1516 due to an increase of special education students, severity of their needs, placement in NPS, and additional staff that needed to be hired in order to be in compliance. We currently have two Berkeley residents/students in NPS. Additionally, healthcare costs were higher than originally budgeted due to changes in Covered California that were not foreseen earlier.

**LCFF and LCAP**

BUSD requested LCFF calculations for Unaudited Actuals. Attached is the CDE apportionment summary, titled "REALM YE Accrual" for the CDE's accounting of REALM's LCFF funding.

**Assets and Liabilities**

BUSD requested detailed A/R listing. Please see "REALM HS AR Receipts" documents attached. BUSD Requested LLT liabilities. Please see the document titled "REALM FYE16 LT Liabilities" and note that the bulk of these liabilities are **not** long term (rather, short-term cash flow/receivables financing), but the applicable object code led to listing these as LT liabilities. This will be appropriately reflected in the forthcoming audit. Therefore, the amount listed, \$1.9 million, is mostly reflected in receivables sold and paid back within the fiscal year—and not long-term debt.

Sincerely

Victor Diaz  
Executive Director

# EXHIBIT E

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Berkeley Unified School District

2020 Bonar Street, Berkeley, CA 94702

(510) 644-8593 Fax: (510) 644-8885

[www.berkeleyschools.net](http://www.berkeleyschools.net)

[javettacleveland@berkeley.net](mailto:javettacleveland@berkeley.net)

Javetta Cleveland, Deputy Superintendent

January 19, 2017

Mr. Victor Diaz  
REALM Charter Middle School  
1442 A Walnut Street #172  
Berkeley, CA 94709

**FISCAL EVALUATION OF REALM CHARTER MIDDLE SCHOOL FIRST INTERIM  
FY 2016-17 AND AUDITED ACTUALS FOR FY 2015-16**

Dear Mr. Diaz,

In accordance with Education Code Section 47604.33, we have reviewed the First Interim for FY 2016-17 and the Audited Financial Statements for FY 2015-16 for **REALM Middle School:**

Our oversight responsibility includes monitoring the fiscal condition of the Charter school through review of State required financial reports that include REALM's adopted budget, interim budget reports and the unaudited and audited financial statements.

**AUDITED ACTUALS FOR FY 2015-16**

The audited financial statements indicate that REALM Middle School has negative net assets (ending fund balance) of \$(1,146,107) at June 30, 2016. At Second Interim for 2015-16, the projected ending fund balance was \$(1,045,662). REALM Middle School closed the books with an audited ending fund balance of \$100,445 less than projected. This is a very large negative ending fund balance as identified in REALM's recent audited financial statements.

The audit contained the following emphasis of Matter regarding Going Concern or REALM Middle School's ability to continue operating.

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As noted in Note 9 to the financial statements, in the previous year, the School experienced an operating deficit, cash flow, difficulties, and did not have adequate cash reserves or accounts receivable to meet its current obligations without obtaining additional financing or funding. The School reduced the deficit for the year ended June 30, 2016, but still had an ending deficit net asset balance and required substantial financing to meet its current obligations. These



factors cause substantial doubt about the Schools' ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

#### **Note 10 Management Plans**

The Management of the Schools have noted a negative change in unrestricted net assets on the Statement of Activities.

Management has taken steps to ensure that net assets are positive by the end of the next fiscal year. They following are steps and factors that Management has identified:

- Major staffing cuts over the next two years in order to balance the budget and establish a 3% reserve.
- To make major cuts without impacting the quality of the teaching and learning as promised under the charter.
- To submit monthly financial budgets to our Authorizer, Berkeley Unified School District (BUSD) in order to maintain a correct and accurate course of action.
- Apply for additional local, regional, and statewide multi-year grants.

The ability of the School to continue as a going concern is dependent on the success of these actions. The financial statements do not include any adjustments relating to the recoverability of recorded asset amounts or the amounts of liabilities that might be necessary should the Schools be unable to continue as a going concern.

The District concurs with the auditor's concerns. These steps were noted in the prior year audited financial statements and in the charter school renewal and conditions for renewal. The conditions for charter renewal required REALM middle school to eliminate this negative ending fund balance by the end of FY 2016-17 as noted below in the District's review of the First Interim for FY 2016-17.

#### **FIRST INTERIM FY 2016-17**

##### **Deficit Spending**

A review of the First Interim indicate that revenues are projected to be \$2,698,432 expenditures are projected to be \$2,810,053, with deficit spending of \$(111,621). The audited beginning fund balance is \$(1,146,107) and the audited ending fund balance is \$(1,257,728).

Based on the projections included in the charter petition renewal for the combined unrestricted and restricted general fund, REALM projected a surplus of \$301,307 when in fact ended up deficit spending by \$(111,621). In effect, REALM Middle missed the projection by \$412,928.

The charter school has not met the conditions of the charter petition renewal by making additional reductions that would balance the negative balance by the end of

2016-17 (See attached conditions for renewal). The projected ending fund balance for the combined general fund grew to a negative \$(1,257,728) as of 2016-17 when it was projected to be a negative \$(470,428) in the petition renewal. REALM middle missed the projection for ending fund balance by \$787,300. This balance does not demonstrate financial progress toward meeting the conditions in which the charter was renewed. **The District has attached REALM Middle School's response to its First interim review for why the projected ending balance for 2016-17 did not meet the projected ending fund balance included in the petition renewal. Any additional information regarding this issue as of Second Interim should be also be provided to the District.**

### **Revenues and Expenditure**

Overall revenues are projected to be \$417,563 less than revenues at Adoption, primarily due to reduction in LCFF sources. The amount reflected for In Lieu of Property taxes of \$891,820, does not agree with the funding per our records which is \$1,185,323. There is an unexplained reduction of \$293,503 in Lieu of Property Taxes. Therefore, the amount to be received from the State after in Lieu of Property Taxes will be increased by the same amount.

Expenditures at First Interim are \$143,796 less than amount at projected at Budget Adoption, primarily due to a reduction in certificated salaries. REALM Middle School needs to ensure that reductions in expenditures do not impact the quality of the teaching and learning as promised under the charter.

### **LCFF and LCAP**

LCFF funding total \$1.9 million and represents 72% of all funding. REALM Middle School is projected to receive \$736,085 as State Aid funding, \$315,297 as Education Protection Account (EPA) State Aid funding and \$891,820 as Transfers in Lieu of Property Taxes. As mentioned earlier, transfers in Lieu of Property Taxes reported by REALM do not agree to the District's books. It is important that the District review the calculation of LCFF funding to ascertain the validity of the amounts reported for State Aid and EPA funding. **The District is requesting the LCFF calculations which should be submitted with each Interim. In the future the LCFF calculation should be submitted with the budget.**

### **Cash Flows**

The combined Cash Flow Statement provided with the First Interim shows a balance of \$275,766 at December 31, 2016. The Cash Flow Statement should have shown actual cash transactions as of the cut-off period and cash flow projections through the end of June 30, 2017. Given REALM has a significant cash flow concern, staff cannot determine if REALM will have the cash available to meet its fiscal obligations through June 30, 2017 without accurate and complete information.

The conditions for renewal of the charter petition required that REALM provide monthly cash flows to the District for each school beginning with December 2015 until negative ending fund balance is resolved and 3% reserve is obtained. REALM has not met this conditional requirement (See attached conditions for approval).



Since the charter renewal, Realm has not received any advances on their in-lieu property taxes which meets the condition of the renewal. However, REALM continues to sell receivables of their future ADA revenue and property taxes to meet its expenditure obligations. On October 21, 2016, REALM sold its January 2017 State Apportionment, in-lieu of property taxes and special education revenue to receive those found now to help with current cash flow. On November 14, 2016, Realm sold the same revenue sources for February 2017 receipts. On December 13, 2016, REALM sold the same revenue sources for March and April 2017. These indicators of poor cash flow indicate that REALM is short on cash to meet current obligations. **The District is requesting cash flow projections through June 30, 2017.**

### **Long Term Debt and Line of Credit**

#### **Notes Payable**

In September 2011, the Schools obtained a promissory note of \$309,968 from Kaufman Constructions, Inc. The note carries annual interest rate of 8.5% and requires monthly payments of \$3,843. The note matures in September 2021. The note balance as of June 30, 2016 was \$192,300.

In October 2013, the Schools obtained a loan of \$60,000 from Fred Huxman. The loan has a term of up to 10 years and carries no interest rate. The loan balance as of June 30, 2016 was \$60,000.

In February 2016, the Schools obtained a promissory note of \$1,387,363 from Charter Asset Management Fund, Inc. The note carries annual interest rate of 10% and requires monthly payments of \$200,000. The note matures in March 2017. The note balance as of June 30, 2016 was \$1,284,446.

#### **Line of Credit**

The Schools have a revolving line of credit with Wells Fargo for \$100,000 with an annual interest rate of 10.25%. There was a balance of \$71,367 for the year ended June 30, 2016.

#### **Enrollment and ADA**

The state no longer requires ADA for charter schools to be reported on an in-district vs out-of-district basis for apportionment purposes; therefore, this information is not currently in REALM's Student Information System. The District reported P2 ADA for REALM Middle School for FY 2015-16 of 289.67, and 244.3 at P1 for FY 2016-17. The snapshot provided by REALM as of December 15, 2016 is 234 ADA. This is a significant drop in ADA which will reduce future funding. This amount cannot be compared to ADA used to calculate LCFF funding since the LCFF calculator was not provided.

#### **Insufficient Minimum Reserves**

The Unaudited Actual report indicates that REALM Middle Charter School will not meet the recommended minimum reserve of 3%. This demonstrates that REALM Middle has a budget deficit, and will be unable to sustain any unforeseen expenditures and may not be able to meet its current and future financial obligations.



**Overall**

Based on our review of the Audited Actuals for FY 2015-16 and the First Interim Budget for FY 2016-17, we have noted a deterioration in financial condition, and we continue to have very serious concerns about the fiscal health of REALM Middle and the ability to meet financial obligations and continue as a going concern. The charter school also has not met two of conditions of the charter petition renewal to make additional reductions that would balance the negative ending balance by the end of 2016-17 and provide monthly budget and cash flow reports.

As noted in the petition renewal review, the ability of REALM Middle and High School to continue as a going concern is dependent on the success of the actions listed in the review and additional cuts that need to be made to get REALM's budgets in balance.

Please provide requested information to Pauline Follansbee, Director of Fiscal Services **within 5 working days of receipt of this letter**. Please contact her at (510) 644-8915 if you have any questions.

Sincerely,



Javetta Cleveland  
Deputy Superintendent

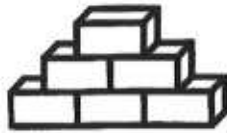
Cc: Donald Evans, E.d.D, BUSD Superintendent,

BUSD Board of Directors

Beatriz Leyva-Cutler, Karen Hemphill, Judy Appel, Ty Alper, Josh Daniels

Board of Directors, REALM Middle School

Jabari Mahiri, Tracey Schear, Thea Oliphant



December 16, 2015

Dear Javetta Cleveland;

As the Executive Director of REALM Charter Schools, I write to certify, in writing, that all of the conditions below we be met in accordance with the timeline/s and expectations specified by the District:

- REALM will resubmit multi-year projections for both schools to reflect first interim adjustments and other corrections identified during the review by December 18, 2015.
- REALM will make additional reductions in excess of the \$673,000 already identified over two years to fully address the Middle School's deficit spending and \$800,000 negative ending fund balance by the end of fiscal year 2016-17; and they must also submit a revised detailed list of reductions by January 31, 2016.
- REALM will provide monthly budget to actual updates and cash flows to the District for each school beginning with December 2015 until negative ending fund balance is resolved and 3% reserve is obtained.
- REALM must respond in writing to specific District concerns and request for information included in the prior fiscal oversight letters by December 18, 2015 and subsequent oversight letters within 5 working days of the date of the letter.
- REALM understands the District will not advance REALM's share of in-lieu property taxes after charter renewal. REALM received two advances of in lieu property taxes for more than one month in fiscal year 2015-16.

We also want to thank you, the BUSD School Board, Superintendent Dr. Evans, and the District's leadership team for assisting REALM throughout this process. We believe strongly that these recommendations will strengthen our organization as well as our academic program.

Sincerely,

Victor Diaz  
Executive Director



November 28, 2016

Re: Fiscal Evaluation of REALM Charter Middle School Unaudited Actuals (Closed Books).

Dear Javetta Cleveland,

Thank you for allowing REALM to respond to the issues BUSD has raised regarding our unaudited actuals. Below are the specific responses we were asked to address:

**Deficit Spending**

Deficit spending from the unrestricted fund includes the \$161,745 contribution to restricted funds. Note that REALM's SPED encroachment increased by \$59,323 at the MS from 2014-15 to 2015-16. Comparisons are made to the charter renewal budget completed in October 2015. The budget is a fluid document and updated at least monthly, if not weekly. The ending balance was lower (higher deficit) than projected based on a multitude of factors, including: increased SPED expense, student activities vendors, one-time textbook expense (Common Core aligned), and postponement in the use of the Educator Effectiveness funds. Second Interim budgeted loss for FY1516 was (\$204k), and actual loss was (\$305k), based on these factors.

**Revenues and Expenditures**

BUSD notes that REALM is moving to the EDCOE SELPA in 2016-17. Please note that REALM has been a member of the EDCOE SELPA since the 2015-16 school year. BUSD requests an explanation as to the increased personnel expenses. As noted above, SPED expense increased in FY1516 due to an increase of special education students, severity of their needs, placement in NPS, and additional staff that needed to be hired in order to be in compliance. We currently have two Berkeley residents/students in NPS. Additionally, healthcare costs were higher than originally budgeted due to changes in Covered California that were not foreseen earlier.

**LCFF and LCAP**

BUSD requested LCFF calculations for Unaudited Actuals. Attached is the CDE apportionment summary, titled "REALM YE Accrual" for the CDE's accounting of REALM's LCFF funding.

**Assets and Liabilities**

BUSD requested detailed A/R listing. Please see "REALM HS AR Receipts" documents attached. BUSD Requested LLT liabilities. Please see the document titled "REALM FYE16 LT Liabilities" and note that the bulk of these liabilities are not long term (rather, short-term cash flow/receivables financing), but the applicable object code led to listing these as LT liabilities. This will be appropriately reflected in the forthcoming audit. Therefore, the amount listed, \$1.9 million, is mostly reflected in receivables sold and paid back within the fiscal year—and not long-term debt.

Sincerely

Victor Diaz  
Executive Director