

The substantiated issues were not *material* violations of the charter agreement under T.C.A. § 49-13-122(b)(1) because MNPS did not give timely notice and an opportunity to remedy the non-emergency contract issues with the school, nor did it give any indication, prior to initiating revocation, that the issues equated to material violations of the charter agreement. In determining whether or not an issue is a material violation meriting revocation under the law, the State Board's Quality Authorizing Standards provide substantial guidance, and pursuant to T.C.A. 49-13-108(f), local boards of education shall adopt these standards. The standards state that quality authorizers give clear, adequate, evidence-based, and timely notice of contract violations or performance deficiencies and allow schools reasonable time and opportunity for remediation in non-emergency situations. MNPS's actions did not follow the quality authorizing standards. Certainly, as recognized by the quality authorizing standards, there are situations where a chartering authority does not need to give a school notice and an opportunity to remedy the most serious of issues; however, it is my determination, based on a review of the evidence in this appeal, that none of the substantiated issues met that bar. Furthermore, MNPS did not communicate to Knowledge Academy the expectation to remedy any of the issues to avoid revocation of the school's charter. Instead, the MNPS Board of Education acted in a matter of days to initiate revocation proceedings, which was in direct conflict with communications from the MNPS Office of Charter Schools to the school.

Furthermore, the evidence does not support revocation of the charter agreement for failure to meet or make progress towards performance standards in the charter agreement under T.C.A. § 49-13-122(b)(2). While Knowledge Academy is one of the lower performing charter schools in MNPS, it had an overall TVAAS Composite of a Level 4 in 2018-19, and performed at or above the level of other MNPS zoned middle schools in the Antioch Cluster. In a February 2019 memo to Knowledge Academy regarding its academic performance, MNPS noted areas of both underperformance as compared to the district, as well as areas where the school outperformed the district. In the case of a revocation decision, evidence of academic performance should clearly indicate such significant underperformance that it merits revocation. This was not the case for Knowledge Academy.

Finally, under T.C.A. § 49-13-122(b)(3), the evidence in this appeal does indicate financial challenges at the school beginning in school year 2017-18, but there is no clear evidence of the failure to meet generally accepted standards of fiscal management warranting revocation. In fact, the evidence shows that the Knowledge Academies Governing Board was engaged, working with the former administration, bringing in external support, and making a management change to support the financial health of the school. Moreover, MNPS was unaware of these financial challenges due to inaccurate performance reporting for the school. While issues identified in the school's FY18 audit do indicate that the school was in a negative financial position, MNPS received the audit after the MNPS Board of Education voted to revoke the charter agreement. Therefore, the FY18 audit did not inform the MNPS Board of Education's vote on this issue. As the authorizer of the school, upon remand, I recommend that MNPS work with the school to evaluate recent audits and determine next steps according to the district's intervention plan.

STANDARD OF REVIEW

Pursuant to T.C.A. § 49-13-122 and State Board policy 6.110, State Board staff conducted a de novo on the record review of the MNPS Board of Education's decision to revoke, including additional information gathered by State Board staff and the full record presented upon appeal. Additionally, pursuant to T.C.A. 49-13-122(f)(1) and State Board policy 6.110, the State Board held a required public hearing in the district where Knowledge Academy operates.²

In order to overturn the decision of the local board of education, the State Board must find that the local board's decision to revoke was contrary to T.C.A. § 49-13-122, which states:

(b) A public charter school agreement may be revoked at any time by the authorizer if the authorizer determines that the school:

- (1) Committed a material violation of any conditions, standards, or procedures set forth in the charter agreement;*
- (2) Failed to meet or make sufficient progress toward the performance expectations set forth in the charter agreement; or*
- (3) Failed to meet generally accepted standards of fiscal management.*

The MNPS Board of Education based its revocation of Knowledge Academy's charter agreement under paragraph (b)(1), (b)(2), and (b)(3) quoted above. Pursuant to the language in (b)(1), it is important for the State Board to consider whether or not any of the violations by Knowledge Academy are *material* violations of the charter agreement such that they rose to a level meriting revocation under the statute. Additionally, the State Board must consider if Knowledge Academy failed to meet or make sufficient progress toward the performance expectations outlined in the charter agreement and whether it failed to meet generally accepted standards of fiscal management.

Additionally, the MNPS Board of Education voted to close Knowledge Academy on December 19, 2019 citing T.C.A. § 49-13-122(h) which states:

(h) Except in the case of fraud, misappropriation of funds, flagrant disregard of the charter agreement, or similar misconduct, a decision to revoke a charter agreement becomes effective at the close of the school year.

In this case, the State Board has two decisions:

1. To affirm or overturn the MNPS decision to revoke the charter agreement of Knowledge Academy. If the State Board overturns the decision of MNPS, the charter school shall continue to operate and MNPS shall remain the chartering authority.³

² T.C.A. § 49-13-122(f).

³ T.C.A. § 49-13-122.

2. If the Board affirms the MNPS decision to revoke the charter agreement of Knowledge Academy, the State Board must then determine if they will affirm or overturn the MNPS decision to close the school prior to the end of the school year under T.C.A. § 49-13-122(h). If the Board overturns the decision of MNPS to close prior to the end of the school year, the school would close at the end of the 2019-20 school year.

PROCEDURAL HISTORY, FINDINGS OF FACT, AND ANALYSIS

I. Authorization of the School and District Decision to Revoke

On May 24, 2011, the MNPS Board of Education approved the charter application for Knowledge Academy and executed a charter agreement on November 14, 2011. Knowledge Academy began operation at the start of the 2012-13 school year serving 5th and 6th grade students. On April 2, 2019, the Governing Board of Knowledge Academies, the charter network that includes Knowledge Academy, KA @ The Crossings, and Knowledge Academy High School, signed a charter management agreement with Noble Education Initiative (NEI). Representatives from the MNPS Office of Charter Schools attended the Governing Board's meeting on April 16, 2019 to discuss concerns that had been brought to the attention of the MNPS Office of Charter Schools. Also at this meeting, the Governing Board approved the separation agreement of the school's long-term founder and Chief Executive Officer (CEO). On April 17, 2019, representatives from the MNPS Office of Charter Schools met with representatives of NEI and Knowledge Academies to discuss concerns at the network's schools.

On April 26, 2019, the MNPS Office of Charter Schools issued a notice of concern to the Knowledge Academy Governing Board, which stated that the office had recently become aware of a number of items of concern regarding the Knowledge Academies network. The items of concern included: a) authorizer fee payments were delivered to the LEA late, payments received were not according to state law, and signatures were missing; b) employee benefits were paid late in 2017-18 and had to be deducted from the BEP payments in the fall of 2018; c) as of April 17, 2019, a significant number of staff were reported as having been released from the school; d) concerns that one middle school was assigned nine (9) staff while the other middle school was assigned fifty-eight (58); e) questions about student transcripts, student grades, and concerns regarding the validity of course credits for some high school seniors; and f) NEI had been retained to support the school with many of these concerns almost three weeks prior to the date the MNPS Office of Charter Schools was officially notified. On April 29, 2019, the Governing Board Chair of Knowledge Academies submitted the signed management agreement with NEI to the MNPS Office of Charter Schools for review.

On June 5, 2019, a MNPS Board of Education member emailed the MNPS Office of Charter Schools stating that the Tennessean, a Tennessee news affiliate of The USA Today Network, had reported on the situation at Knowledge Academies with additional whistleblowers stepping forward. The board member stated that he heard the former CEO of Knowledge Academies promised scholarships to students that never materialized and asked that this information be folded into any near-term board conversations about possibly closing the schools. The same board member emailed the MNPS Office of Charter Schools on June 10, 2019, stating that NEI was allegedly not communicating with families in their native languages and there was significant confusion amongst parents and students about what was going on at the school.

On June 10, 2019, the MNPS Office of Charter Schools sent an email to the Governing Board Chair of Knowledge Academies stating that Knowledge Academy would need to be put on charter probation, an intervention level in the MNPS's "Procedures for Sub-Standard Performance of a Charter School," and that a charter review would occur at the end of the first year of probation in June 2020. However, the next day, on June 11, 2019, a MNPS Board of Education member emailed the MNPS Office of Charter Schools stating that he had a conversation with the MNPS Board attorney about whether the local board of education had grounds to revoke the charter agreements of the Knowledge Academies schools based on three reasons: 1) financial malfeasance under T.C.A § 49-13-122(b), 2) attempted subversion of the state's ban on for-profit charter schools, and 3) poor academic performance.

On June 11, 2019, the MNPS Board of Education met in an executive session with the board attorney and district staff to discuss Knowledge Academies. On June 11, 2019, in a Board of Education meeting that took place after the executive session, a MNPS Board of Education member gave notice in the public board meeting that she would bring a motion to the next MNPS Board of Education meeting to revoke the three charter agreements of Knowledge Academies.

On June 12, 2019, the MNPS Charter Office sent Knowledge Academies a letter relating the notice of intent to recommend revocation of the charter agreements as mentioned during the June 11, 2019 MNPS Board of Education meeting.⁴ The letter stated that the potential reasons for revocation were: "1) school performance, 2) committed a material violation as set forth in the charter agreement, and 3) failed to meet generally accepted standard of fiscal management." Further, it stated that the MNPS Board of Education's concerns included a) recent notices of concern regarding academic performance; b) engagement with NEI as a charter management organization (CMO) prior to MNPS notification or board approval; c) concerns about NEI's relationship with Charter Schools USA (a for-profit organization); d) broad concerns of financial mismanagement; and e) poor charter governing board oversight. On June 17, 2019, Knowledge Academies sued MNPS Board of Education for a violation of the Tennessee Open Meetings Act and breach of contract. On June 26, 2019, Chancellor Anne Martin of the Davidson County Chancery Court issued a temporary injunction but allowed MNPS to continue any responsibilities as an authorizer, including revocation proceedings, under T.C.A. § 49-13-122.

After receiving Chancellor Martin's order on June 26, 2019, MNPS restarted its revocation proceedings of Knowledge Academies under T.C.A. § 49-13-122. At a July 9, 2019 MNPS Board of Education meeting, MNPS Board Members approved a motion stating that after thirty (30) days, it may consider revocation of the three charter agreements under Knowledge Academies. On July 10, 2019, the MNPS Office of Charter Schools issued a notice to the Governing Board Chair of Knowledge Academies stating the reasons for possible revocation: a) poor school performance; b) committed material violations as set forth in the charter agreement; and c) failed to meet generally accepted standards of fiscal management. Additionally, the MNPS Board of Education cited: a) recent notices of concern regarding academic performance; b) engagement with NEI as a CMO prior to MNPS notification or MNPS Board of Education approval and NEI's relationship with a for-profit organization; c) broad concerns of financial

⁴ The June 12, 2019 letter was not provided to the State Board in the request for information. The State Board staff found the letter in the petition filed with the Chancery Court for Davidson County on June 17, 2019.

mismanagement, including but not limited to side-businesses, missing money, not paying teachers on time, etc.; and d) poor charter governing board oversight.

As part of the July 10, 2019 notice from the MNPS Office of Charter Schools, MNPS requested Knowledge Academies submit documentation related to these possible reasons for revocation. The MNPS Office of Charter Schools sent additional notices to the Governing Board Chair of Knowledge Academies on August 19, 2019 and August 23, 2019 requesting the submission of the documentation. Knowledge Academies did not submit the requested documentation to MNPS.

On August 22, 2019, the MNPS Office of Charter Schools notified the Governing Board Chair of Knowledge Academies that the MNPS Board of Education intended to discuss the possible revocation of the three charter agreements of Knowledge Academies at the August 27th MNPS Board of Education meeting. The MNPS Board of Education allowed a representative of Knowledge Academy ten (10) minutes to address the Board of Education at the meeting.

On August 27, 2019, the MNPS Board of Education voted to revoke the charter agreements of the charter schools operated by the Governing Board of Knowledge Academies pursuant to T.C.A. § 49-13-122(b) and cited the following reasons for revocation:

1. A lack of instructional staff including certified teachers,
2. Staff not being paid on time and not being paid as promised,
3. Undelivered promise of scholarships to families,
4. Poor academic performance as federally designated Additional Targeted Support and Improvement (ATSI) or Targeted Support and Improvement (TSI) school,
5. Low performance scores as compared to other charter schools,
6. Outsourcing the entire management of the school to NEI without seeking approval of the contract by the MNPS Board of Education prior to implementation,
7. Lack of oversight of the Knowledge Academies Governing Board and no evidence that greater oversight would be put in place in the future,
8. Private businesses being run out of Knowledge Academies facilities with no apparent benefit to students,
9. Closing the Knowledge Academies facilities for the benefit of a private business, without clear documentation of who benefitted from this rental,
10. Lack of fiscal management including losing substantial amounts of public money in a phishing scam,
11. Deficit balances,
12. Special education concerns,
13. Repeatedly ignored requests by MNPS to provide documents with no explanation to the authorizing authority, and
14. Other specific findings discussed or stated in this board meeting, previous board meetings, and those outlined by the Charter School Office.

On August 27, 2019, pursuant to T.C.A. § 49-13-122(h), the MNPS Board of Education also voted to close the charter schools operated by the Governing Board of Knowledge Academies on December 19, 2019, rather than the end of the school year, and cited the following reasons for this decision:

1. Failure to deliver promised scholarship money to parents who relied on the school's promises in choosing Knowledge Academies for their child.
2. Misappropriation of funds intended for the education of students.
3. Flagrant disregard of its charter agreement as Knowledge Academies outsourced management of its operations to a Florida-based charter management company, NEI, without the required approval by the MNPS Board of Education.

II. State Board Review of the Record and Requests for Additional Information

Following the revocation of Knowledge Academy's charter agreement, the Governing Board of Knowledge Academy appealed the revocation of its charter agreement in writing to the State Board on September 6, 2019. State Board staff collected evidence from MNPS and Knowledge Academy to determine whether or not the decision of the MNPS Board of Education was contrary to T.C.A. § 49-13-122. Information collected by State Board staff focused on the fourteen (14) reasons for revocation cited by the MNPS Board of Education and the three (3) reasons for closure prior to the end of the school year, as outlined above. After reviewing evidence submitted by both parties in response to the initial request for information, State Board staff sent a second request for information to Knowledge Academies and MNPS on September 24, 2019. On September 24, 2019, the State Board staff also sent a request for information to representatives of the Tennessee Department of Education for any documentation relating to the Knowledge Academies governing board meeting minutes.

Additionally, the Executive Director, sitting as the State Board's designee, held a public hearing in Nashville, Tennessee on October 2, 2019. Both parties presented evidence at the public hearing, and the State Board staff collected public comments. After reviewing evidence submitted by both parties in response to the first and second requests for information and information shared at the public hearing, State Board staff sent a third request for information to Knowledge Academy and MNPS on October 3, 2019.

III. Facts and Analysis Related to the Reasons for Revocation and Closure

a. Revocation of the Charter Agreement under T.C.A. 49-13-122(b)

The decision of the MNPS Board of Education to revoke the charter agreement of Knowledge Academy was based upon a resolution presented by a MNPS board member that cited fourteen (14) allegations that MNPS Board of Education determined supported revocation. Additionally, the MNPS Board of Education cited three (3) reasons to close Knowledge Academy prior to the end of the school year.

The following is an analysis of the evidence collected by the State Board from both parties on appeal regarding the fourteen (14) allegations that the MNPS Board of Education cited in its decision to revoke Knowledge Academy's charter agreement. A detailed description of the facts and evidence collected by the State Board relating to each allegation can be found in Appendix A.

1) Knowledge Academy lacked instructional staff including certified teachers.

Based on the totality of the evidence presented on this allegation, I determine that this issue is substantiated, but is not a material violation of the charter agreement under T.C.A. § 49-13-122(b)(1). When the MNPS Board of Education voted to revoke the charter agreement of Knowledge Academy, the primary evidence was the statement from the Governing Board of Knowledge Academy, who stated that they were aware of unlicensed teachers in the school during the 2018-19 school year. During the October 2, 2019 public hearing, MNPS stated that there appeared to be only two unlicensed teachers across all three schools during the 2018-19 school year, and the representatives of Knowledge Academy confirmed at the hearing that, according to a review of their records, approximately 10% of their teachers did not have an appropriate license during the 2018-19 school year. In response to the State Board's third request for information, which occurred after the public hearing, MNPS stated that initial communication with Knowledge Academy about unlicensed teachers in the 2018-19 school year did not "raise red flags". In developing the response to the State Board's third request for information, MNPS pulled documentation from Nextera, the TN Ready testing platform, that they stated was documentation to indicate that there were four (4) unlicensed teachers at the school during the 2018-19 school year. MNPS lacks definitive evidence of the precise size and scope of the unlicensed teacher issue during the 2018-19 school year, and the number of unlicensed teachers cited has changed throughout the appeal process. While any issue of unlicensed teachers is one that needs to be remedied as soon as possible, MNPS has not presented clear evidence of the magnitude of the issue or the exact specifics of the issue, and therefore, it does not merit revocation of the charter agreement.

2) Knowledge Academy staff not being paid on time and not being paid as promised.

Based on the totality of the evidence presented on this allegation, I determine that this issue is not substantiated and is not evidence of the school's failure to meet generally accepted standards of fiscal management under T.C.A. § 49-13-122(b)(3). Two complaints from two former staff members of Knowledge Academy is neither clear nor compelling evidence of this allegation, and Knowledge Academy presented evidence that refuted these claims by eleven teachers who were also employed at the school during the 2018-19 school year. Therefore, based on the evidence presented on both sides of this allegation, I am unable to determine that this issue is substantiated. Therefore, I cannot find evidence in this claim of financial mismanagement that merits revocation of the charter agreement.

3) Knowledge Academy did not deliver on the promise of scholarships to families.

Based on the totality of the evidence presented on this allegation, I determine that this issue is not substantiated and is not evidence of the school's failure to meet generally accepted standards of fiscal management under T.C.A. § 49-13-122(b)(3). The only evidence presented on this issue consisted of two complaints from two former parents and a flier from January 2015. This does not amount to clear evidence substantiating this allegation. The 2015 flier stated that the first graduating class was "on track to be eligible for \$500,000 in academic scholarships," but the flier does not promise or guarantee scholarships to students. Additionally, one of the parent emails provided by MNPS stated that the class of 2019 received approximately \$450,000 in scholarship money, including the Hope Scholarship and TN Promise, which is very close to the original estimate of \$500,000. Therefore, based on the lack of evidence

presented by MNPS, I am unable to determine that this issue is substantiated, is evidence of financial mismanagement, and merits revocation of the charter agreement.

4) Knowledge Academy had poor academic performance as a federally designated ATSI⁵ or TSI⁶ school.

Based on the totality of the evidence presented on this allegation, I determine, while this issue is substantiated, it is not grounds to revoke the charter agreement under T.C.A. § 49-13-122(b)(2). MNPS presented clear evidence that Knowledge Academy was designated as a TSI school by the Department of Education (TDOE) based on 2018-19 academic data; however, the MNPS Charter Office stated that the school would be placed on a corrective plan of action because of this designation, not that it was grounds for revocation. I agree with this determination in terms of next steps to remedy the issue, but I do not find that this designation merits revocation of the charter agreement.

5) Knowledge Academy had low performance scores as compared to other charter schools.

Based on the totality of the evidence presented on this allegation, I determine, while this issue is substantiated, it is not grounds to revoke the charter agreement under T.C.A. § 49-13-122(b)(2). In the 2018-19 school year, Knowledge Academy achieved an Overall Composite of a Level 4 in TVAAS, meaning that the school had achieved above expected student growth. Additionally, a February 2019 memo from the charter office to Knowledge Academy was the only evidence MNPS presented that demonstrated communication to Knowledge Academy regarding academic underperformance; in the memo, MNPS notified Knowledge Academy of underperformance in math and ELA as compared to the district, but also commended the school's performance in science as compared to the district. Furthermore, in the 2018-19 school year, Knowledge Academy outperformed the surrounding zoned middle schools in the Antioch cluster. While it is clear that Knowledge Academy has work to do to increase academic performance for its students, the academic evidence MNPS presented does not merit revocation of the charter agreement.

6) Outsourcing the entire management of the school to NEI without seeking approval of the contract by the MNPS Board of Education prior to implementation.

Based on the totality of the evidence presented on this allegation, I determine that this issue was substantiated, but is not a material violation of the charter agreement under T.C.A. § 49-13-122(b)(1). The Governing Board for Knowledge Academy admits that it signed the management contract with NEI prior to seeking approval from the MNPS Office of Charter Schools or the Board of Education, and the Governing

⁵ "[2019 Accountability Protocol](#)," Tennessee Department of Education, July 12, 2019. *The Tennessee Department of Education identifies ATSI schools every three years. The Every Student Succeeds Act defines ATSI schools as those in which "any subgroup of students, on its own, would lead to identification" as a Priority school. Only schools identified as TSI based on the most recent TSI list will be eligible for ATSI identification. TSI schools whose student group success rates are less than or equal to the maximum success rate of any Priority school in their pool will be identified as ATSI if they do not also have a score of A or B for each indicator for which that student group is eligible.*

⁶ *Ibid.* *The Tennessee Department of Education identifies TSI schools each year. Schools are eligible for TSI identification if they have one or more student groups whose overall accountability score includes data from all indicators. Schools whose overall accountability scores for a given student group are in the bottom five percent for that student group will be identified as TSI schools. For example, a school in which Economically Disadvantaged (ED) students perform in the bottom five percent of all eligible ED student groups will be identified as TSI for its ED student group.*

Board did not follow the process prescribed in the charter agreement with MNPS. However, upon learning of this misstep, there is evidence that the Governing Board attempted to remedy the issue by stating that they were willing to work with MNPS on any amendments to the charter agreement and submitted the management agreement to MNPS for review. Additionally, the MNPS Office of Charter Schools communicated to the school that it would submit amendments to the charter agreement to the MNPS Board of Education for approval in June 2019. At no time prior to the commencement of revocation proceedings did MNPS notify the Governing Board that signing the management contract was a material violation of the charter agreement, grounds for revocation, or ask the Governing Board to cancel the management contract or face revocation. On the contrary, the MNPS Office of Charter Schools communicated to the Governing Board their appreciation for the collaboration and transparency, which was ultimately used against the school. There is no doubt that the Governing Board should have sought approval of the MNPS Board of Education prior to signing the management agreement with NEI. However, that action in and of itself is not an issue that merits revocation of the charter agreement.

- 7) Lack of oversight of the Knowledge Academies Governing Board and no evidence that greater oversight would be put in place in the future.

Based on the totality of the evidence presented on this allegation, I determine that this issue is not substantiated and is not evidence of the school's failure to meet generally accepted standards of fiscal management under T.C.A. § 49-13-122(b)(3). A review of the Governing Board minutes demonstrated that the board was engaged with the former school administration on the finances as far back as 2017, worked closely with the former administration to correct budgetary issues, brought in an external party to support the finances of the network, and ultimately fired the former CEO because of the financial issues. Each of these actions taken by the Governing Board occurred independently and without request by MNPS. The minutes show that the Governing Board was more engaged in the finances of the school than any other area of operations. Certainly, there is a valid argument that the Governing Board could have acted even more quickly to change the management of the school given the financial situation, but the Governing Board Chair stated at the public hearing that they wanted to give the school founder an opportunity to fix the problems first. The Governing Board appears to have done everything that an authorizer expects a governing board to do once financial issues are identified. In addition, the Governing Board continued to demonstrate investment in the success of the school, including seeking out new management. It is without a doubt that the Governing Board needs to provide strict oversight of the new management of the school to ensure its success; however, there is insufficient evidence of a complete lack of oversight in the past by the Governing Board or evidence indicating a lack of oversight moving forward that would merit revocation.

- 8) Private businesses being run out of the Knowledge Academies facilities with no apparent benefit to students.

Based on the totality of the evidence presented on this allegation, I determine that this issue is not substantiated and is not evidence of the school's failure to meet generally accepted standards of fiscal management under T.C.A. § 49-13-122(b)(3). From the evidence, it is clear that the former administration was seeking avenues to generate additional revenue for the school, including renting out the facilities, and the Governing Board was aware of these pursuits. However, renting out a school's facilities in and of

itself is not an issue, and it is a common practice across many school systems. Additionally, it is clear from the evidence that the former administration sought and established partnerships with businesses and other stakeholders to further the mission of the school. The Governing Board minutes demonstrate that the Governing Board was aware of the administration's pursuits of partnerships to support the efforts of the school. Partnerships with external stakeholders are not illegal or inherently bad. Even as early as the charter application process, charter schools are encouraged to describe the community partnerships they intend to establish when the school is in operation. Additionally, there is not clear evidence presented that any of the businesses or partnerships made a profit, used public funds inappropriately, or that any of the former administration illegally profited from the partnerships or businesses. Furthermore, there is evidence that the Governing Board, on its own accord, was pursuing the return of a relatively small amount of rental income collected by an individual involved with two businesses previously affiliated with the former administration that may have in fact belonged to the school. While the pursuit of partnerships may have pulled the attention of the former administration away from the day-to-day school operations, the Governing Board has taken steps, without direction from MNPS, to end the partnerships and refocus efforts on improving the quality of the school. Therefore, I do not find that the evidence relating to this reason merits revocation of a charter agreement.

- 9) Closing the Knowledge Academies facilities for the benefit of a private business, without clear documentation of who benefitted from this rental.

Based on the totality of the evidence presented on this allegation, I determine that this issue is not substantiated and is not evidence of the school's failure to meet generally accepted standards of fiscal management under T.C.A. § 49-13-122(b)(3). From the evidence, it is clear that the former administration was seeking avenues to generate additional revenue for the school, including renting out the facilities, and the Governing Board was aware of these pursuits. However, renting out a school's facilities in and of itself is not an issue, and there is no conclusive evidence that any facilities were closed during the school day because of these rentals. Therefore, this issue is not substantiated and does not merit revocation of the charter agreement.

- 10) Lack of fiscal management including losing substantial amounts of public money in a phishing scam.

Based on the totality of the evidence presented on this allegation, I determine that this issue is not substantiated and is not evidence of the school's failure to meet generally accepted standards of fiscal management under T.C.A. § 49-13-122(b)(3). The evidence presented demonstrates that the Governing Board was upholding its fiduciary duty, monitoring the financial situation of the school, and taking corrective action prior to MNPS becoming aware of the financial situation. As early as the 2017-18 school year, the Governing Board recognized there was an issue with the former administration meeting approved budgets and began holding regular discussions with the former administration on improving the school's financial situation. The Governing Board brought in an external consultant to work with the former administration on its finances and ultimately fired the former CEO regarding the financial situation. All of this action occurred prior to MNPS becoming aware of the issues and without MNPS instructing the Governing Board to take corrective action. Additionally, once MNPS became engaged in the spring of 2019, the Governing Board Chair was transparent about the financial issues and shared the steps they

took to rectify the situation, including bringing in a new management organization to right-size the finances and to manage the schools.

The evidence of the delayed benefits payments in 2017-18 presented by MNPS confirm that there were financial challenges at the school and the network. However, upon reviewing the correspondence between MNPS and Knowledge Academies in 2018 regarding the overdue balance, MNPS did not implement any corrective follow up action beyond ensuring the balance was paid. If MNPS was concerned in 2018 about the financial management of the school, MNPS should have communicated its significant concern to Knowledge Academy at that time rather than waiting a year to cite it as a reason for revocation.

Additionally, there is no clear evidence of impropriety regarding the outstanding invoices for vendors. MNPS provided evidence of late or delayed payments to three vendors, but Knowledge Academy presented evidence of service disputes and repayment negotiations. Without clear evidence regarding this allegation, I cannot determine that it is a reason for revocation.

Finally, the former administration at the school did fall victim to an online phishing scam, and it paid false invoices. Although this issue is concerning, it is certainly not uncommon in the digital world today. Companies across the world are constantly training their staff to not fall for online phishing scams. In response to the scam, the Governing Board reported the issues to the FBI, coordinated with Reliant Bank to reimburse 70% of the money lost, and purchased cyber security insurance in March 2019. Although there is evidence of this allegation, I cannot determine that it is a reason for revocation of the charter agreement.

11) Deficit balances

Based on the totality of the evidence presented on this allegation, I determine that this issue is substantiated, but is not evidence of the school's failure to meet generally accepted standards of fiscal management under T.C.A. § 49-13-122(b)(3). There is evidence that the Knowledge Academies network was operating in a deficit beginning in FY17, and if the network's FY17 audit had been accurately evaluated by the MNPS Office of Charter Schools according to MNPS's adopted financial performance framework, MNPS would have found indications of financial challenges at the school. When the State Board staff ran the FY17 audit through MNPS's adopted financial performance framework, our team noted several indicators receiving a rating of "falls far below" standard. However, the MNPS Office of Charter Schools only evaluated the FY17 audit to see if there were any material findings, and after seeing that there were no material findings in the audit, the office gave the school an "exceeds standards" on all indicators on the financial performance framework. Therefore, it appears that MNPS was unaware of any of the financial challenges at the network because the district did not analyze the financial audits beyond looking for any material findings, and, as a result, never accurately communicated to the network or the public the school's standings on the financial performance framework. It was the Governing Board who recognized in 2017-18 that the network was having financial challenges and was operating in a deficit, and it was the Governing Board that took corrective action to improve the financial outlook of the school.

The evidence presented in the revocation proceedings indicates that MNPS only became concerned about the deficits in spring 2019 when the Governing Board provided information about the

financial challenges of the school. The Governing Board openly shared with MNPS the corrective action taken by the Governing Board to improve the network's financial standings, including bringing on a new management organization and eliminating unnecessary positions. There is evidence that the Governing Board was exercising its fiduciary responsibilities over the school; however, there is a lack of evidence that MNPS was accurately fulfilling its oversight and monitoring responsibilities and communicating accurate information to the school regarding its standing on the MNPS financial performance framework. As a result, I cannot determine that this merits a reason for revocation of the charter agreement. Finally, while issues identified in the school's FY18 audit do support that the school continued to operate in a negative financial position, the audit was received by MNPS after the MNPS Board of Education voted to revoke the charter agreement and therefore did not inform the MNPS Board of Education's vote on this issue. Given this landscape, I recommend that MNPS work with the school to evaluate the audit and any next steps they wish to take upon remand.

12) Special education concerns

Based on the totality of the evidence, I do not find that the evidence under this allegation meets the bar for revocation of a charter agreement under T.C.A. 49-13-122(b)(1). The evidence demonstrates that there were some special education issues throughout the years at Knowledge Academies, but MNPS also praised the schools for their handling of past issues. Knowledge Academies have contracted with a new vendor to provide a school psychologist and other support services as of May 2019, and the special education representative for MNPS at the public hearings stated that the schools are currently in compliance with regard to special education services. While this type of monitoring and compliance is certainly an ongoing expectation, there is no clear evidence that this allegation is substantiated to a level that merits revocation of the charter agreement.

13) Repeatedly ignored requests by MNPS to provide documents with no explanation to the authorizing authority.

Based on the totality of the evidence, I determine that this allegation is substantiated. However, I do not determine that it merits revocation of the charter agreement under T.C.A. 49-13-122(b)(1). The evidence is clear that Knowledge Academy did not respond to requests for information from their authorizer. This choice was wrong and did not align with Knowledge Academy's previous spirit of collaboration and transparency. T.C.A. § 49-13-111(d) states that a charter school shall be accountable to the authorizer for the purpose of ensuring compliance with the charter agreement, and T.C.A. § 49-13-111(h) states that all records of the charter school are open for inspection to the same extent that the record of public schools operated by an LEA are open for inspection. I understand that Knowledge Academies felt they were misled by MNPS after being transparent and open in spring 2019 and, while a response to the information requests may not have ultimately changed the decision to revoke the charter agreement by the MNPS Board of Education, Knowledge Academy should have complied with the requests for information. However, I do not determine that this issue merits revocation of the charter agreement.

14) Other specific findings discussed or stated in this board meeting, previous board meetings, and those outlined by the Charter School Office.

Based on the failure of MNPS to provide any specific evidence to support this reason, I determine that it does not merit revocation of the charter agreement under T.C.A. § 49-13-122(b).

b. Revocation of the Charter Agreement under T.C.A. 49-13-122(h)

In addition to the fourteen (14) reasons for revocation detailed above, the MNPS Board of Education cited three (3) reasons to close Knowledge Academy prior to the end of the school year under T.C.A. 49-13-122(h). While my recommendation is to overturn the decision of the MNPS Board of Education, should the State Board disagree with my recommendation and choose to uphold the decision of MNPS to revoke, I am providing my analysis of the reasons for early closure under T.C.A. 49-13-122(h). The MNPS Board of Education based its decision for early closure on the reasons discussed below. Again, a detailed summary of the facts and evidence collected by the State Board relating to each allegation can be found in Appendix A.

- 1) Failure to deliver promised scholarship money to parents who relied on the school's promises in choosing Knowledge Academies for their child.

Based on the totality of the evidence presented on this allegation, I determine that this issue is not substantiated and is not evidence of fraud under T.C.A. § 49-13-122(h). As discussed in further detail on page 8, complaints from two former parents and a flier from January 2015 are not clear evidence supporting this allegation. Therefore, I am unable to determine that this issue is substantiated, is evidence of fraud, and merits closure of the school prior to the end of the year.

- 2) Misappropriation of funds intended for the education of students.

Based on the totality of the evidence presented on this allegation, I determine that this issue is not substantiated and is not evidence of the school's misappropriation of funds pursuant to T.C.A. § 49-13-122(h). As discussed in further detail on page 10, a review of the Governing Board minutes demonstrated that the board was engaged with the former school administration on the finances as far back as 2017, worked closely with the former administration to correct budgetary issues, brought in an external party to support the finances of the network, and ultimately fired the former CEO because of the financial issues. Each of these actions taken by the Governing Board occurred without the request of MNPS. Additionally, the Governing Board stated that they have not identified any misuse of public funds by the former administration nor did the FY18 audit cite any misuse of public funds.

As further detailed on page 11, from the evidence, it is clear that the former administration was seeking avenues to generate additional revenue for the school, including renting out the facilities, and the governing board was aware of these pursuits. However, renting out a school's facilities in and of itself is not an issue. Additionally, it is clear from the evidence that the former administration sought and established partnerships with businesses and other stakeholders to further the mission of the school, and partnerships with external stakeholders are not illegal or inherently bad. While the pursuit of partnerships may have pulled the attention of the former administration away from the day-to-day school operations, the Governing Board has taken initiative, without direction from MNPS, to end the partnerships and refocus on improving the quality of the school.

As further discussed on page 13, the evidence is clear that Knowledge Academy did not respond to requests for information from their authorizer, and Knowledge Academy should have complied with the MNPS requests for financial information even if they believed it had already been provided to MNPS. However, I did not determine that the evidence presented rises to the level of misappropriation of funds and thus does not merit the school closing prior to the end of the school year.

- 3) Flagrant disregard of its charter agreement as Knowledge Academies outsourced management of its operations to a Florida-based charter management company, NEI, without the required approval by the MNPS Board of Education.

MNPS asserted Knowledge Academy demonstrated flagrant disregard for the charter agreement because:

- a) Knowledge Academy entered into a management agreement with NEI prior to review and approval of the contract by the MNPS Charter Office or the MNPS Board of Education.
- b) Knowledge Academy refused to provide the MNPS Office of Charter Schools access to its records.
- c) Knowledge Academy violated provisions of the charter agreement related to teacher licensing and certifications.

Based on the totality of the evidence presented on this allegation, I determine that the school did not flagrantly disregard its charter agreement with MNPS. As discussed in further detail on page 9, the Governing Board for Knowledge Academies admits that it signed the management contract with NEI prior to seeking approval from the MNPS Office of Charter Schools or the Board of Education, and the Governing Board did not follow the process prescribed in the charter agreement with MNPS. However, upon learning of this misstep, the Governing Board attempted to remedy the issue by stating that they were willing to work with MNPS on any amendments to the charter agreement and submitted the management agreement to MNPS for review. At no time prior to the commencement of revocation proceedings did MNPS notify the Governing Board that signing the management contract was a material violation of the charter agreement, grounds for revocation, or ask the Governing Board to cancel the management contract or face revocation. On the contrary, the MNPS Office of Charter Schools communicated to the Governing Board their appreciation for the collaboration and transparency, which was ultimately used against the school.

The evidence is clear that Knowledge Academies did not respond to the requests for information from their authorizer, a choice that was wrong and did not align with their previous spirit of collaboration and transparency. I understand that Knowledge Academy believed they were misled by MNPS after being transparent and open in spring 2019 and that most of the information had already been provided. While a response to the information requests may not have ultimately changed any decision by the MNPS Board of Education, Knowledge Academies should have complied with the requests for information.

Finally, as discussed in further detail on page 7, there is a lack of clear evidence of the number of unlicensed teachers employed by Knowledge Academy during the 2018-19 school year, and, yet, MNPS is using it as a reason to close the school prior to the end of the school year. MNPS stated that initial

communication with Knowledge Academy about unlicensed teachers in the 2018-19 school year did not “raise red flags,” and MNPS lacks definitive evidence of the precise size and scope of the unlicensed teacher issue during the 2018-19 school year. Additionally, the number of unlicensed teachers cited has changed throughout the appeal process. While any issue of unlicensed teachers is one that needs to be remedied as soon as possible, MNPS has not presented clear evidence that this issue was treated as material during the 2018-19 school year and that it would be grounds for revocation of the agreement if not fixed.

ALIGNMENT TO QUALITY AUTHORIZING STANDARDS

Detailed information regarding MNPS’s revocation process was collected and analyzed by State Board staff to determine alignment with the State Board Quality Authorizing Standards as set forth in State Board policy 6.111 and as required by T.C.A. 49-13-108(f). The State Board Quality Authorizing Standards serve as a crucial guidepost for authorizers to ensure quality and fairness. In totality, MNPS failed to align their practices to the state’s quality authorizing standards.

At the start of the 2017-18 school year, MNPS adopted the model performance framework that was developed by the Tennessee Department of Education. This performance framework includes standards for performance for charter schools in the areas of academics, operations, and finances. The adoption of these performance standards aligns with T.C.A. § 49-13-143 and State Board policy 6.111. However, MNPS did not meet the authorizing standard for evaluating each school annually on the performance framework and clearly communicating the evaluation results to the school’s governing board and leadership. MNPS incorrectly ran its financial performance framework using Knowledge Academy’s FY17 audit, and therefore, the results shared with the school and the public were inaccurate. As a result, MNPS appeared to have no notion of the early warning signs of the school’s financial position that were available in the FY17 audit. It is not an encroachment on school autonomy to evaluate a school’s audit against the financial performance framework indicators, as MNPS stated at the public hearing. On the contrary, it is a minimum requirement and expectation of authorizers to ensure it has accurate information about the current status of a school and is able to communicate clearly to the school and the public regarding any short-term or long-term financial concerns. A quality authorizer must ensure that it has the capacity to analyze a school’s performance on all aspects of the performance framework, and MNPS’ incorrect evaluation of the financial position of Knowledge Academy was a failure to the school, the students, and the public.

Additionally, a quality authorizer communicates regularly with schools, provides timely notice of contract violations or performance deficiencies, and articulates and enforces stated consequences for failing to meet performance expectations or compliance requirements. The documentation of communication provided by MNPS and Knowledge Academies demonstrates that MNPS has not regularly provided timely notice of contract violations or performance deficiencies. MNPS issued its first notice regarding academic performance in February 2019, but nowhere in the notice was there a mention that the school was up for possible revocation because of the academic performance. In fact, the memo praised some areas of the school’s academic performance.

Furthermore, MNPS did not clearly communicate to the school regarding next steps for the management contract with NEI. In communications with the school in April 2019, the MNPS Office of Charter Schools stated that the charter agreement would likely need to be amended because of the new management contract and that the office intended to bring an amendment for MNPS Board of Education approval by June 2019. However, after receiving the management contract from Knowledge Academies at the end of April 2019, MNPS did not move it forward as an amendment to the charter agreement nor did they inform Knowledge Academies that there were issues with the contract so great that it might lead to charter revocation. Instead, less than two months after the contract was submitted to MNPS, the signing of the contract was used as a reason to initiate revocation proceedings.

The MNPS Office of Charter Schools established intervention procedures called “Procedures for Sub-Standard Performance of a Charter School” to use when dealing with underperformance by a charter school. This aligns with the quality authorizing standard of establishing and clearly communicating to schools an intervention policy that states the general conditions that may trigger an intervention and the types of actions and consequences that may result from it. Based on evidence reviewed by State Board staff, the MNPS Office of Charter Schools used its intervention procedures when it stated in a June 10, 2019 email to Knowledge Academy that the school would be placed on Charter Probation for the 2019-20 school year. Furthermore, the email stated that MNPS and Knowledge Academies would work together on creating a corrective action plan, and the school would undergo a charter review in June 2020. However, the MNPS Board of Education, acting on information from the news media and some complaints they directly received, decided to move immediately to revocation proceedings beginning on June 12, 2019. This action did not align with the work of the MNPS Office of Charter Schools staff from April 2019 to June 10, 2019, nor was it backed by the evidence cited in the allegations against the school.

As a result of this immediate jump to discussions of revocation, MNPS’s practices did not align to the standard of giving schools clear, adequate, evidence-based, and timely notice of contract violations or performance deficiencies. In fact, prior to June 12, 2019, the evidence supports Knowledge Academy’s belief that MNPS was appreciative of their transparency and wanted to collaborate on improving the school. The school was not given any indication of contract violations so great that revocation was possible nor was it given an opportunity or time by MNPS to remedy the issues. This is further evidenced by the evolving nature of reasons cited by MNPS for possible revocation of the charter agreements. There has been significant inconsistency around the issues and concerns cited by MNPS throughout the revocation proceedings and the appeal process. For example, the April 2019 notice of concern sent by MNPS to Knowledge Academies cited late and inaccurate authorizer fee payments as an issue, but that issue was never raised again as part of the appeal proceeding. The lack of oversight by the governing board was listed as a reason for revocation in the August 2019 revocation decision, but MNPS did not provide any direct response to this allegation until specifically asked by the State Board in its third request for information. Further, a violation of the Open Meetings Act was cited as a reason for revocation at the public hearing on October 2, 2019, but this was the first time this reason had ever been cited.

Finally, the quality authorizing standards state that a quality authorizer allows schools reasonable time and opportunity for remediation in non-emergency situations and revokes a charter if there is clear evidence of extreme underperformance or violation of law. While the issues alleged by MNPS are serious

in nature and some will require immediate attention by the school, a number of the issues had already been remedied prior to MNPS's decision to revoke the charter agreement in August 2019 and other issues could have been remedied if the school had been given notice to fix them. None of the substantiated issues deal with the health or safety of students or have conclusive evidence of fraud or embezzlement, and MNPS failed to give the school any notice or time to remedy the issues before immediately moving to revoke the charter agreements.⁷ As a result, MNPS's procedures in this revocation decision did not align with the state's quality authorizing standards or the practices of a quality authorizer.

CONCLUSION

While it is evident that Knowledge Academies has experienced significant issues in the past two years under its former administration and still has a long way to go to correct some of the issues cited by MNPS, for the reasons outlined in this report, I cannot conclude that the substantiated issues merit revocation of the charter agreement under T.C.A. § 49-13-122(b).

Based on a review of the totality of the evidence presented in this appeal and the State Board's standard of review, I determine that the MNPS Board of Education decision to revoke the charter agreement of Knowledge Academy was contrary to T.C.A. § 49-13-122(b). Therefore, I recommend that the State Board overturn the revocation decision of the MNPS Board of Education in the appeal of Knowledge Academy and remand the school back to MNPS for continued operations.

Although I recognize it is up to the district to determine how to move forward with Knowledge Academy, I recommend that MNPS utilize its intervention procedures to implement the original probationary plan proposed by the MNPS Office of Charter Schools. Knowledge Academy should be placed on charter probation, have a clear corrective action plan in place, and MNPS should regularly monitor that plan. If the school is not meeting the mutually agreed upon benchmarks, then the school may rightfully be subject to increasing consequences. However, at a minimum, the school, the Governing Board, the students, and the public will be on notice about the expectations and consequences of a failure to meet those expectations.



Dr. Sara Heyburn Morrison, Executive Director
State Board of Education

10/24/2019

Date

⁷ T.C.A. § 49-13-122(b), (h)

APPENDIX A

FACTS AND EVIDENCE RELATING TO MNPS REASONS FOR REVOCATION

I. Revocation of the Charter Agreement under T.C.A. § 49-13-122(b)

- 1) Knowledge Academy lacked instructional staff including certified teachers.

Facts

MNPS stated that during the 2018-19 school year, Knowledge Academy had unlicensed teachers in the classroom and therefore was in violation of state law and their charter agreement. Section 3.11.2 of the charter agreement between MNPS and the Governing Board of Knowledge Academy states the following:

The Charter School shall employ (sic) sufficient number of personnel to carryout (sic) the full program as provided in the Final Amended and Approved Charter Application (Exhibit 1). The Charter Schools shall ensure that personnel hired for instructional duty (including teachers as well as paraprofessionals) possess appropriate qualifications for the duties assigned to them including but not limited to Tennessee certification and licensure (T.C.A. 49-13-111(i)), appropriate subject matter qualifications, and federally required qualifications including highly qualified, exceptional education certified, and ESL certified according to federal requirements.

A statement released by the Governing Board Chair for Knowledge Academies on May 9, 2019 states that the Governing Board had become aware that “some teachers were not properly certified for classes they were teaching.” On July 10, 2019, the MNPS Office of Charter Schools requested staff rosters from the 2018-19 and 2019-20 school year, including staff assignment and certification information. Knowledge Academies did not submit this information to MNPS, even after two subsequent requests.

At the public hearing on October 2, 2019, representatives of MNPS stated that, during its routine monitoring of teacher licenses at charter schools during the 2018-19 school year, they found evidence that two teachers over all three schools operated by Knowledge Academies were unlicensed in the 2018-19 school year. Additionally, at the public hearing, representatives of Knowledge Academy stated that approximately 10% of teachers at Knowledge Academy were unlicensed in the 2018-19 school year.

In response to the State Board’s October 3, 2019 request for information, MNPS stated that initial correspondence between Knowledge Academy and the MNPS Charter Office in the 2018-19 school year regarding teacher licensure did not raise any red flags. Documentation provided as a part of this request for information included a February 2019 email from the MNPS Charter School Office to Knowledge Academy that asked for additional licensure information regarding three (3) teachers at Knowledge Academy in preparation for TNReady testing. The MNPS Office of Charter Schools stated that an assigned teacher of record had to possess a Tennessee license number to be loaded into the testing platform, and it was seeking additional licensure information from Knowledge Academy regarding these three (3) individuals. This is the only correspondence from MNPS regarding the teacher licensure issue from the 2018-19 school year.

In response to the State Board’s October 3, 2019 request for information, MNPS further stated that, upon a recent review of the 2018-19 TNReady reports from Nextera, it appears that Knowledge Academy did not have licensed teachers for some core content courses in the 2018-19 school year. The

Nextera documentation has former Knowledge Academy administrative personnel listed as the teacher of record in four courses at Knowledge Academy, and MNPS asserts that this shows there were unlicensed teachers at the school in the 2018-19 school year.

Based on documentation submitted by Knowledge Academies in response to a State Board's October 3, 2019 request for information, it appears that four teachers were unlicensed for the entirety of the 2018-19 school year at Knowledge Academy, and the school had two unlicensed long-term substitutes in the 2018-19 school year.

2) Knowledge Academy staff not being paid on time and not being paid as promised.

Facts

The MNPS Office of Charter Schools received statements from two former teachers at Knowledge Academies that staff was paid late more than once, teachers were offered a \$650 bonus if they chose to receive their paychecks late, and stipends being offered but not being paid to teachers as promised. On July 10, 2019, the MNPS Office of Charter Schools requested any emails to staff related to teacher non-payment or late payment (payroll, stipends, bonuses, etc.) for the 2017-18 and 2018-19 school years. Knowledge Academies did not submit this information to MNPS, even after two subsequent requests. In response to the State Board's September 9, 2019 request for information, Knowledge Academies submitted a signed affidavit from eleven (11) staff members who state they have been employed since at least the start of the 2018-19 school year and state that they have been paid in full.

At the public hearing on October 2, 2019, current teachers at Knowledge Academies stated that they had worked at the school for several years, and they had always been paid on time and in full. In response to the State Board's October 3, 2019 request for information, Knowledge Academy also provided a signed separation agreement between Knowledge Academies and one of the two staff members that alleged he was not paid in full.

3) Knowledge Academy did not deliver on the promise of scholarships to families.

Facts

MNPS provided evidence of two emails from parents stating that the former CEO had promised students full academic scholarships to college if they stayed at Knowledge Academies, and these scholarships did not materialize. MNPS also provided a screenshot of a flier from January 2015 from Knowledge Academies that states, "First graduating class is on track to be eligible for \$500,000 in academic scholarships." One of the parent emails submitted by MNPS stated, "[...] the entire class as a whole received approximately 450K in scholarship money. This is including Tennessee Hope and Promise dollars that are pretty much accessible (sic) to all of TN graduating seniors".

4) Knowledge Academy had poor academic performance as a federally designated ATSI⁸ or TSI⁹ school.

Facts

In an August 13, 2019 presentation to the MNPS Board of Education, the MNPS Office of Charter Schools stated that Knowledge Academy was designated as a TSI school by the TDOE based on 2018-19 academic data. On August 23, 2019, the MNPS Office of Charter Schools notified the CEO of Knowledge Academies that Knowledge Academy was identified as a TSI school by the TDOE and asked the school leadership to work with MNPS on a corrective plan of action.

5) Knowledge Academy had low performance scores as compared to other charter schools.

Facts

MNPS submitted documentation demonstrating that Knowledge Academy has struggled academically over the past several years as compared to the district and other charter schools. Based on the performance framework implemented by MNPS at the start of the 2017-18 school year, Knowledge Academy received a “falls far below standard” rating in ELA and math based on 2017-2018 data. Additionally, the school received a “does not meet standard” rating when compared to the performance of the district in ELA and math in 2017-18.

MNPS provided academic performance data from the 2018-19 school year for the portfolio of twenty-one (21) charter schools in MNPS serving grades 3-8 which shows the following:

- In TVAAS for 4-8 ELA, Knowledge Academy received a Level 3 while 14 charter schools received a Level 4 or Level 5.
- In TVAAS for 4-8 Math, Knowledge Academy received a Level 4 while 10 charter schools received a Level 5.
- In TVAAS Overall Composite, Knowledge Academy received a Level 4 while 13 charter schools received a Level 5.
- In the percentage of students achieving on-track or mastered in ELA, Knowledge Academy had 16.2% which is ranked 19th of 21 charter schools. The charter school ranked 20th is also operated by Knowledge Academies.

⁸ “[2019 Accountability Protocol](#),” Tennessee Department of Education, July 12, 2019. *The Tennessee Department of Education identifies ATSI schools every three years. The Every Student Succeeds Act defines ATSI schools as those in which “any subgroup of students, on its own, would lead to identification” as a Priority school. Only schools identified as TSI based on the most recent TSI list will be eligible for ATSI identification. TSI schools whose student group success rates are less than or equal to the maximum success rate of any Priority school in their pool will be identified as ATSI if they do not also have a score of A or B for each indicator for which that student group is eligible.*

⁹ *Ibid.* *The Tennessee Department of Education identifies TSI schools each year. Schools are eligible for TSI identification if they have one or more student groups whose overall accountability score includes data from all indicators. Schools whose overall accountability scores for a given student group are in the bottom five percent for that student group will be identified as TSI schools. For example, a school in which Economically Disadvantaged (ED) students perform in the bottom five percent of all eligible ED student groups will be identified as TSI for its ED student group.*

- In the percentage of students achieving on-track or mastered in math, Knowledge Academy had 18.8%, which is ranked 19th of 21 charter schools. The charter school ranked 20th is also operated by Knowledge Academies.
- In the percentage of students achieving on-track or mastered in social studies, Knowledge Academy had 23.6%, which is ranked 13th of the 15 charter schools that has this data. The 15th ranked charter school is also operated by Knowledge Academies.

On February 12, 2019, the MNPS Office of Charter Schools sent the former CEO of Knowledge Academies a notice regarding the three-year data review for Knowledge Academy. The notice states that the school “has demonstrated inconsistent growth over the past three years” in English/Language Arts (ELA), and, for the past two of the three years, the school “has underperformed the district in the percentage of students scoring at levels 3 and 4 on TNReady assessments.” Moreover, in math, Knowledge Academy “has consistently underperformed the district average in mathematics, with TVAAS Level 1 for two out of the three years and Level 4 for 2018.” However, in science, Knowledge Academy has “consistently exceeded district averages over the past three years, with an average or above average growth for two out of the three years”. In the public hearing, the MNPS Office of Charter Schools stated, beyond the February 2019 notice for the three-year review, MNPS would have discussed academic data during their monthly check-in meetings at schools and during an end of year meeting with its charter schools. However, MNPS did not provide additional evidence regarding notices of concern for academic performance issued beyond the February 2019 memo nor agendas for the monthly check-ins or end of year meetings.

The TNReady data available for the past three years from the TDOE on Knowledge Academy is displayed in Table 1 below.

Table 1: Knowledge Academy TNReady Performance, 2017-2019

Year	Subject	Students On-Track/Mastered
2019	Math	19.8%
2018	Math	15.1%
2017	Math	10.3%
2019	ELA	16%
2018	ELA	16.1%
2017	ELA	16.6%
2019	Social Studies	24.3%
2018	Social Studies	17.2%
2018	Science	48.4%
2017	Science	58.7%
2018	Algebra I	14.3%
2017	Algebra I	10%

Knowledge Academies shared data stating that it is higher performing than any of the zoned middle schools in the Antioch area of Nashville, Tennessee. Knowledge Academy cited the following data:

- When compared to the five (5) zoned middle schools in the Antioch cluster, in 2017-18, Knowledge Academy achieved the highest TVAAS Composite score of a Level 5 along with another middle school (John F. Kennedy Middle School) and the other schools achieved a Level 4 or below.
- When compared to the five (5) zoned middle schools in the Antioch cluster, in 2018- 2019, Knowledge Academy had the highest percentage of students achieving on-track or mastered in ELA, math, and social studies.

Additionally, Knowledge Academies stated that, pursuant to T.C.A. § 49-6-6012, no adverse action may be taken against any student, teacher, school or LEA based, in whole or in part, on student achievement data generated from the 2017-2018 school year.

- 6) Outsourcing the entire management of the school to NEI without seeking approval of the contract by the MNPS Board of Education prior to implementation.

Facts

MNPS stated that the Governing Board of Knowledge Academy signed the contract with NEI without approval of the MNPS Board of Education, which was a violation of the charter agreement. Section 3.3 of the charter agreement between MNPS and the Governing Board of Knowledge Academy states, in part, the following:

Neither this Charter Agreement nor the Application may be amended without prior written approval of the Chartering Authority...If the Sponsor seeks to amend this Charter Agreement or the Application, it shall petition the Chartering Authority as set forth in T.C.A. § 49-13-110(b).

All changes from the finally (sic) amended and approved Charter Application (Exhibit 1), must be reported to the Office of Charter Schools and Private Schools for review prior to implementation. The Office (OCPS) will assess the changes to determine whether they constitute material changes that must be approved through the Charter Amendment process as set forth in T.C.A. § 49-13-110(b). Material changes made unilaterally may result in the Governing Body's being found in violation of the Charter, assigned a corrective action plan, placed on probation, and/or required to reverse the change.

Changes that are almost always material and which require Charter Amendment include but are not limited to:

- *Adding grades not included in the school's Charter Agreement;*
- *Enrollment changes beyond the limits establish in Section 1.3 of this Charter Agreement...*
- *Changes to curriculum, pedagogical approach or staffing structure that are inconsistent with the Charter Agreement...*
- *School calendar changes that reduce the calendar at all in the first year of operation...*

- *Changes to the student disciplinary code(s) that are inconsistent with state and federal law;*
- *Changes in operational specifications found in the Charter Application including but not limited to transportation plans, facility plans, etc.*
- *Substantial changes in the makeup of the Governing Board from those listed in the Final Amended and Approved Application*

Further, Section 3.4 of the charter agreement between MNPS and the Governing Board of Knowledge Academy states, in part, the following:

Any decision by the Charter School Board to contract with any education service provider (such as a Charter Management Organization (CMO)) must be reviewed and approved by OCPS [Office of Charter and Private Schools within MNPS] prior to the execution of the contract. All such contracts are limited to non-profit organizations. Proposed contracts must be submitted to OCPS for review no later than 30 days prior to the intended execution date....The contract must be accompanied by a letter from the School's outside attorney stating that the contract has been review by counsel to the School's Board. OCPS has 30 days to review the contract and communicate any reasons for disapproval.

The Governing Board of Knowledge Academy signed a management agreement on April 2, 2019 with NEI. In Article III, Section C of the management agreement, the following specific functions are included:

NEI shall be responsible for the management, operation, accounting, and Educational Program at the Charter School. Such functions are generally implemented by School Leadership and employees of the Charter School, subject to consulting and oversight by NEI, and include:

- *Perform day-to-day management of the Charter School...*
- *Implement and administer the Educational Program, including the selection of instructional materials, personnel, equipment, technology and supplies...*
- *Management, selection, and application of technology services...*
- *Manage personnel functions, including professional development...and the personnel functions outlined in Article VI of this Agreement including drafting operations manuals, forms (including teacher offer letters, applications, enrollment and similar forms), and management procedures.....*
- *Management of the business administration of the Charter School*
- *Management of the accounting operation, including general ledger management and financial reporting...and preparing the proposed annual budget for presentation to the Charter School for modification, amendment or approval....*

An April 24, 2019 email from the Governing Board Chair of Knowledge Academy to the MNPS Office of Charter Schools stated that the Governing Board would be “glad to work with you on any amendments that we may need to our charters.” An April 26, 2019 letter from the MNPS Office of Charter Schools to the Governing Board Chair of Knowledge Academy states that “during the meeting [on April 17, 2019], it was determined that there will likely need to be contract amendments. Once all amendments

are determined, this office will present to the MNPS Board of Education for approval. We anticipate this will occur by June 2019.” On April 29, 2019, the Governing Board Chair for Knowledge Academy submitted the management contract to the MNPS Office of Charter Schools for review and approval.

A May 1, 2019 email from the MNPS Office of Charter Schools to the Metro Nashville Public Schools Legal Counsel stated that Knowledge Academies “has contracted with NEI and I have attached the contract. Can you review and see if anything sticks out to as you as inappropriate or questionable?” The email included the contract between Knowledge Academies and NEI as an attachment. An August 9, 2019 email from the MNPS Office of Charter Schools to the MNPS Legal Counsel stated, “It is our office [MNPS Office of Charter Schools] opinion that the contract between NEI and Knowledge Academies is that of a CMO. Can we get your opinion please?” The MNPS Office of Charter Schools stated they needed to determine if an amendment to the charter agreement was necessary.

At the public hearing, representatives from MNPS stated that they did not review the management contract and present it for approval to the MNPS Board of Education because it had already been signed by the Governing Board and NEI. Additionally, MNPS stated that Knowledge Academies originally stated that the agreement with NEI was for “consulting” rather than management of the school, which may not have triggered a need for an amendment to the charter agreement.

- 7) Lack of oversight of the Knowledge Academies Governing Board and no evidence that greater oversight would be put in place in the future.

Facts

T.C.A. § 49-13-104(a)(10) states: “Governing body” means the organized group of persons who will operate a public charter school or schools by deciding matters, including, but not limited to, budgeting, curriculum and other operating procedures for the public charter school and by overseeing management and administration of a public charter school.”

A review of the Knowledge Academies’ Governing Board minutes beginning in June 2017 reflect that the Governing Board received updates on the schools financials and engaged with the former administration on the issuance of a bond to purchase the facility that now houses Knowledge Academies. In December 2017, the Governing Board discussed the results of the FY17 audit and reviewed the financial position of the school. In May 2018, the Governing Board received an update on the bond covenants and had an in-depth discussion of the financial status of the network with eight action items specified to improve the school’s financial situation. According to the statement of the Governing Board Chair at the October 2, 2019 public hearing, the Governing Board was aware of the network’s financial challenges during the 2017-18 school year. In response to these challenges, the Governing Board brought on a financial consultant after the 2017-18 school year to work with the former administration in an effort to rectify the financial situation at the schools. The December 2018 Governing Board minutes state that the former administration was working with an independent financial team that had been approved by Nuveen, the financial company that financed the bond issuance. The Governing Board ultimately terminated the former CEO in April 2019 largely because of the financial issues, as reflected in the April 2019 governing board minutes, and hired NEI to manage the schools. At the April 29, 2019 meeting

between representatives of MNPS, NEI, and Knowledge Academies, a financial update of the network and next steps regarding financials were discussed.

In a statement from the Governing Board Chair dated May 9, 2019, it is noted that there was a deficit reported for 2017-18 based on the school's management team incurring operating expenses in excess of the budget authority granted by the Governing Board. The statement further provided that the financial issues and deficit continued into the 2018-2019 school year, even after corrective measures were adopted by the Governing Board.

In Knowledge Academies' FY18 audit, received by MNPS in September 2019, a material weakness for the network regarding its internal controls over financial reporting is noted, and as a result, a material adjustment was required during the audit. The auditor recommended that management should ensure there is proper review of its internal financial statements prior to finalization. Additionally, the FY18 audit noted that there was a deficit change in net assets, which was primarily caused by "unbudgeted compensation, transportation, and general and administrative expenses during the year ended June 30, 2018."

At the public hearing, Knowledge Academy was asked to describe the evaluations that the governing board did of the former CEO. The Governing Board Chair stated that evaluations were typically held annually, and the board would survey stakeholders as a part of the evaluation. The Governing Board Chair stated that the Governing Board did not formally evaluate the former CEO in the 2017-18 or 2018-19 school years because of the need to focus on the financial situation. No further evidence of school leader evaluations was provided by the Governing Board.

8) Private businesses being run out of the Knowledge Academies facilities with no apparent benefit to students.

Facts

According to a May 9, 2019 statement from the Governing Board Chair, the Governing Board became aware that former management arranged external partnerships with certain organizations not approved by the Governing Board. One company, Empower the Journey, was established by the former CEO and three other individuals who provided consulting services to Knowledge Academies. Additionally, another company called KA Connects was established by a marketing consultant whose services were paid for by Knowledge Academies. The statement says the Governing Board ended all of the relationships upon becoming aware of relationships.

In a letter from the Governing Board Chair dated May 16, 2019 to an individual affiliated with two businesses connected to Knowledge Academies (Empower the Journey and The Connect Magazine), the Governing Board Chair requests the return of \$5,700 to Knowledge Academies. According to the letter, the individual collected this money as rental income that was paid to the individual by a church as part of a rental-share agreement for the use of Knowledge Academies' facilities. The Governing Board Chair states that accepting this revenue is a violation of Knowledge Academies' conflict of interest policy.

Minutes from a Governing Board meeting on April 5, 2018 detail additional partnerships and recurring revenue sources that had been established for the schools. The minutes state, "Since our November 2017 closing [on the facility bond], we have been showing the KA Campus to multiple business leaders, executives, and community partners, along with incubating career training partnerships for families." Partnerships discussed at this meeting included: The U.S. Small Business Administration establishing an official satellite office/training center on the KA campus; The Nashville Airport authority establishing an Official Family Workforce and Career Awareness Partnership on the KA Campus; weekend ACT prep; the launch of KA's first official summer camp series; and University of Tennessee to host a Construction Growth Conference on the KA Campus in Mid-October 2018.

Additionally, in an email from the Governing Board Chair to the MNPS Office of Charter Schools on May 24, 2019, the Governing Board Chair stated they were aware of four businesses or programs established in partnership with the former CEO to either generate revenue for the school or utilize some of the facility space for programs. The Governing Board stated they had not approved the initiatives and did not intend to pursue any of the programs. In addition, the Governing Board Chair stated there was no evidence of the former administration or anyone else personally benefiting from the companies.

- 9) Closing the Knowledge Academies facilities for the benefit of a private business, without clear documentation of who benefitted from this rental.

Facts

In a May 9, 2019 statement from the Governing Board Chair, it is stated that the Governing Board became aware that a conference for construction professionals was held in the Knowledge Academies facilities without the approval of the Governing Board. MNPS provided evidence of a flier from the conference that occurred on October 10, 2018 from 9:30 am to 3:30 pm. One former teacher at Knowledge Academies stated at an MNPS public board meeting that the school was closed on October 10, 2018. The Governing Board stated it did not have evidence that classes had been cancelled because of the conference.

- 10) Lack of fiscal management including losing substantial amounts of public money in a phishing scam.

Facts

In a statement from the Governing Board Chair dated May 9, 2019, it is noted that there was a deficit reported for 2017-18 due to the school's management team incurring operating expenses in excess of the budget authority granted by the Governing Board. The statement further provided that the financial issues and deficit continued into the 2018-2019 school year, even after corrective measures were adopted by the Governing Board.

The Governing Board Chair stated at the October 2, 2019 public hearing that the Governing Board was aware of the financial challenges of the network during the 2017-18 school year and worked closely with the former administration on these issues, which is confirmed by a review of the Governing Board meeting minutes. Beginning in June 2017, the minutes reflect that the Governing Board received updates on the network's financials and was engaged with the former administration on the issuance of a bond to

purchase the school's facility. At the December 2017 meeting, the Governing Board discussed the results of the FY17 audit and reviewed the financial position of the school. In May 2018, the Governing Board received an update on the bond covenants and had an in-depth discussion of the financial status of the network with eight action items specified to improve the school's financial situation.

Knowledge Academies stated that the 2017-18 budget deficit was due to the following reasons: 1) the bond interest expense and bond issuance costs and 2) the hiring of additional administration and teachers because of growth and building expansion. In response to these financial challenges, the Governing Board Chair stated they brought on a financial consultant after the 2017-18 school year to work with the former administration to rectify the financial situation at the school. The December 2018 Governing Board minutes state that the former administration was working with an independent financial team that had been approved by Nuveen. The Governing Board ultimately terminated the former CEO in April 2019 largely because of the financial issues, as reflected in the April 2019 governing board minutes, and hired NEI to manage the schools.

MNPS provided evidence of delayed or unpaid invoices since the 2017-18 school year. In June 2018, MNPS notified the former administration of Knowledge Academies regarding its unpaid benefits and bus services debt of \$801,451.25 from the 2017-18 school year. The amount was repaid by Knowledge Academies through the 2018-19 BEP payments, and based on correspondence from MNPS to Knowledge Academies, this delayed payment did not raise immediate red flags.

MNPS presented evidence of unpaid invoices from three companies: Premiere Cleaning Company, Grayline Transportation, and If I Had a Hammer. At the public hearing on October 2, 2019, representatives from Knowledge Academies stated that they had negotiated payments with Grayline, and that Grayline was still providing transportation to the school. Additionally, Knowledge Academies stated that it was in negotiations with Premiere Cleaning Company to settle the payment dispute, and it had determined the invoices from If I Had a Hammer were not valid.

The audit for FY18 notes a material weakness for the network regarding its internal controls over financial reporting and, as a result, a material adjustment was required during the audit. The auditor recommended that management ensure there is proper review of its internal financial statements prior to finalization. In response to these findings, Knowledge Academies stated that they have already made the necessary adjustments to ensure these problems are not repeated.

MNPS also alleges that the school lost substantial amounts of public money in an online phishing scheme. On February 1, 2019, the Governing Board Chair of Knowledge Academies reported to the FBI that the school had been defrauded of \$270,000 in an online phishing scam by someone posing as the school's vendor for the school lunch program. The school's bank, Reliant Bank, credited the school \$190,550 for the fraud on March 13, 2019. The Governing Board purchased a cyber insurance policy for Knowledge Academies on March 13, 2019.

11) Deficit balances

Facts

The MNPS Office of Charter Schools presented evidence that Knowledge Academies had a total net position of \$(315,546) in its FY17 audit. However, the MNPS financial performance framework analysis rated Knowledge Academies as “exceeds standard” on all indicators from 2013-14 through 2017-18. At the public hearing, representatives from MNPS stated that, when reviewing the FY17 audit, they were only looking for findings and scored Knowledge Academies as “exceeds standard” because there were no findings. MNPS stated that analyzing the audit further would violate the autonomy provided to charter schools.

Knowledge Academies stated that the 2017-18 budget deficit was due to the following reasons: 1) the bond interest expense and bond issuance costs and 2) the hiring of additional administration and teachers because of growth and building expansion. In response to these financial challenges, the Governing Board Chair stated they brought on a financial consultant after the 2017-18 school year to work with the former administration to rectify the financial situation at the school. The Governing Board ultimately terminated the former CEO in April 2019 largely because of the financial issues, as reflected in the April 2019 governing board minutes, and hired NEI to manage the schools. Knowledge Academies further stated that when they brought on NEI, the network right-sized the staff based on enrollment, which led to the reduction of \$900,000 in staff expenses. Knowledge Academies stated that the reduction in staff included nine administrative positions and one teaching position.

In the FY18 audit that was submitted by Knowledge Academies to MNPS on September 5, 2019, Knowledge Academies had a total net position of \$(3,285,454) at the end of June 30, 2018, which aligns with the Governing Board’s assessment of the financial position of the school. The audit was received by MNPS after the MNPS Board of Education voted to revoke the charter agreement.

12) Special education concerns

Facts

The MNPS Office of Charter Schools issued a Notice of Deficiency to Knowledge Academy in May 2017 for concerns regarding services to special education students including: some students were provided special education services without the benefit of appropriate screening or eligibility, missing annual reports, incomplete information in green folders (invitations to IEP team meetings, functional behavioral analysis, student assessments, psychological reports, and missing signature pages). The notice also applauded Knowledge Academy for immediately taking steps to rectify the situation and stated that MNPS appreciated the quick response to the issue.

Additionally, MNPS submitted a January 26, 2018 memo from a representative for Project Play to the Knowledge Academies’ Managing Director of Student Services stating that Knowledge Academies did not follow the recommendation to purchase appropriate Hearing Assistive Technology for students, as recommended by the audiologist. Instead, the school decided to purchase devices whose efficacy had not been determined, and the audiologist said she could not ethically be responsible for drafting or monitoring

IEP goals for these students. A September 5, 2019 email from the MNPS Special Education Coach for Charter Schools stated that he was unaware of this January 2018 issue and therefore did not follow up with the school on it.

In a February 21, 2019 memo to the former administration of Knowledge Academies, three special education complaints were raised. First, it stated that the school had contracted with a vendor that provided a school psychologist who was not properly credentialed. Secondly, the memo stated that the school contracted with a school psychologist with limited availability to directly interact with the school. In a memo provided by representatives of Knowledge Academies dated on September 16, 2019, Knowledge Academies stated, “as of May 2019 the contracts with previous school psychologist vendors were discontinued and the school now contracts with another reputable agency for special education related services, including a licensed school psychologist”.

The third complaint noted in the February 2019 letter was in regard to a special education teacher from Knowledge Academy and KA @ The Crossings. The memo listed several allegations of unprofessional behavior by the teacher, and ultimately, Knowledge Academy reported the teacher to the Department of Children’s Services (DCS). MNPS alleges that the former administration at Knowledge Academy did not move quickly enough to address the concerns raised about the teacher. The September 16, 2019 memo from representatives of Knowledge Academy states that the teacher resigned from Knowledge Academy after being reported to DCS.

At the public hearing, a representative for Special Education within MNPS stated that Knowledge Academy and the other schools in their network were currently in compliance with regard to services to students with disabilities.

13) Repeatedly ignored requests by MNPS to provide documents with no explanation to the authorizing authority.

Facts

Section 3.6 of the charter agreement between Knowledge Academy and MNPS provides the following:

Sponsor shall ensure that the following information is maintained at the charter school and make such information available to the Chartering Authority or its representative upon request no later than the fourth (4th) business day following such request: (1) Sponsor’s Articles of Incorporation; (2) Sponsor’s bylaws; (3) the enrollment and admissions process for the Charter School; (4) a list of all formerly and currently enrolled students and, for each student, the following information: full legal name, student identification number (for purposes of state testing), birth date, address, local school zone in which the student resides, names and address of legal guardians; required documentation relevant to the student’s special needs status (if applicable); results on assessments required by applicable law and the application, and documentation of a student’s suspension or expulsion (if applicable); (5) list of all former and current staff members and teachers who work at the Charter School and, for each one, the following information: name, social security number, birth date, address, compensation, certification and evidence of highly qualified status;

(6) evidence of insurance; (7) leases; (8) a documentation of loans and other debt of the Sponsor related to the Charter School; (9) detailed accounting of school expenditures and sources of income received that are current through the preceding month, within twenty (20) days after the last day of such month, and (10) copies of all required certifications, and health and safety-related permits for occupancy of the physical plant for the purposes of the Charter School. Such information shall be used by the Chartering Authority to evaluate whether the Charter School is meeting its goals under this Agreement, the Application, and the Act.

As part of the July 10, 2019 notice from the MNPS Office of Charter Schools stating that the charter agreements for Knowledge Academies may be considered for revocation after thirty (30) days, MNPS requested Knowledge Academies submit documentation related to the possible reasons for revocation no later than July 15, 2019. The MNPS Office of Charter Schools sent additional notices to the Governing Board Chair of Knowledge Academies on August 19, 2019 and August 23, 2019 requesting the submission of the documentation. Knowledge Academies did not submit this requested documentation to MNPS.

When asked at the public hearing why the requested information had not been turned over, the representatives from Knowledge Academy stated that they believed a lot of the information had already been produced at the April 29, 2019 meeting between Knowledge Academy, NEI, and MNPS. Additionally, Knowledge Academy stated they had been misled by MNPS. Knowledge Academy stated that the Office of Charter Schools had been collaborative with them, thanked them for their transparency, and stated that the school would be put on probationary status for the 2019-2020 school year on June 10, 2019. However, at a June 11, 2019 public board meeting, a member of the MNPS Board of Education announced her request to initiate revocation proceedings causing Knowledge Academy to deem the requests for documentation invalid, and therefore, the requests did not warrant response.

14) Other specific findings discussed or stated in this board meeting, previous board meetings, and those outlined by the Charter School Office.

Facts

Throughout the requests for information and the public hearing, MNPS presented no specific evidence for this reason for revocation.

II. Revocation of the Charter Agreement under T.C.A. 49-13-122(h)

1) Failure to deliver promised scholarship money to parents who relied on the school's promises in choosing Knowledge Academies for their child.

Facts

MNPS provided evidence of two emails from parents stating that the former CEO had promised students full academic scholarships to college if they stayed at Knowledge Academies, and these scholarships did not materialize. MNPS also provided a screenshot of a flier from January 2015 from Knowledge Academies that states "First graduating class is on track to be eligible for \$500,000 in academic scholarships". One of the parent emails submitted by MNPS states, "[...] the entire class as a whole

received approximately 450K in scholarship money. This is including Tennessee Hope and Promise dollars that are pretty much accessible (sic) to all of TN graduating seniors.”

2) Misappropriation of funds intended for the education of students.

Facts

MNPS cited the following evidence as substantiation of the misappropriation of funds:

- a) Knowledge Academy’s former administration had unbudgeted expenditures in school year 2017-2018 and school year 2018-2019 that resulted in deficits for two consecutive years. Knowledge Academies stated that the 2017-18 budget deficit was due to the following reasons: 1) the bond interest expense and bond issuance costs and 2) the hiring of additional administration and teachers because of growth and building expansion. At the public hearing, the Governing Board Chair stated that the Governing Board was aware of the financial challenges of the school in the 2017-2018 school year and had been working with the former administration to address the issues. In response to these financial challenges, the Governing Board Chair stated they brought on a financial consultant after the 2017-18 school year to work with the former administration to rectify the financial situation at the school. Knowledge Academies further stated that when they brought on NEI, the network right-sized the staff based on enrollment which led to the reduction of \$900,000 in staff expenses. Knowledge Academies stated that the reduction of staff included nine administrative positions and one teaching position. The Governing Board’s restorative actions ultimately lead to the removal of the former CEO in spring 2019.
 - b) The former administration developed business and consulting relationships with companies and entities that had not been approved by the Governing Board. The Governing Board Chair confirmed the companies and relationships in a May 9, 2019 statement, but the statement also said that the Governing Board had not identified any embezzlement of funds or funds personally benefiting the former administration of any kind. The Governing Board Chair stated that they were aware of some of the facility rentals, but once it became aware of the unapproved business and partnership arrangements, the Governing Board ended them.
 - c) Knowledge Academy did not provide requested documentation of how the public funds were expended through the MNPS Office of Charter Schools requests for information. However, Knowledge Academy states that the information had already been given to MNPS by the school.
- 3) Flagrant disregard of its charter agreement as Knowledge Academies outsourced management of its operations to a Florida-based charter management company, NEI, without the required approval by the MNPS Board of Education.

Facts

MNPS states that Knowledge Academy demonstrated flagrant disregard for the charter agreement because:

- d) Knowledge Academy entered into a management agreement with NEI prior to review and approval of the contract by the MNPS Charter Office or the MNPS Board of Education.
- e) Knowledge Academy refused to provide the MNPS Office of Charter Schools access to its records.
- f) Knowledge Academy violated provisions of the charter agreement related to teacher licensing and certifications.

All facts relating to these specific allegations are discussed in section I. of this appendix.