

**How to Loot a Failing Charter School:
Bradley Academy closes after the owners steal millions... while the Charter Board stood Idly by.**

By

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The Bradley Academy suddenly closed its doors January 30th leaving parents scrambling to enroll their children in a new school mid-year. The closure wasn't a surprise to the Arizona State Board for Charter Schools – they knew about the possible fraud at the school for nearly a year without reporting it to the Attorney general.

The Charter Board knew that Bradley was in default, for the second time, on lease payments to the owner of their facilities. The Board was completely aware that Bradley CEO Daniel Hughes had spent hundreds of thousands of dollars in 2016 to benefit Bradley executives rather than deal with multiple defaults with creditors. Bradley's expenditures in 2016 were obvious and blatant:

- Hughes formed four new for-profit companies and "hired" them to provide over \$575,000 for undisclosed "supplies and services".
- Hughes paid off loans from former CEO Tanya Burston, her husband and her now deceased mother totaling \$101,795
- Current school board members were paid for the first time – two board members were paid \$58,975 in 2016. Salary payments to Bradley Academy non-profit board members increased by \$100,000 in 2016.
- Daniel Hughes started a "revolving fund" where he was able to personal make purchases of supplies and services and then be reimbursed by the school. Hughes made purchases totaling \$477,108 for unaccounted supplies and services for which he was reimbursed.
- Bradley listed expenditures of \$101,880 for "food" on their IRS 2016 990 submission.

The Bradley Academy's enrollment has remained stagnant from 2012-2017, enrolling between 380-522 students each year. Teacher salaries showed a sharp decline – Bradley teachers were paid \$200,000 less in 2017 than in 2012 with similar student enrollment.

	2012	2013	2014	2015	2016	2017
100th Day enrollment	450	427	385	380	441	522
Instruction	\$985,547	\$845,359	\$797,635	\$677,424	\$1,053,204	\$1,059,280
Instruction Salaries	\$824,812	\$724,398	\$652,093	\$456,132	\$613,602	\$632,172

While expenditures on instruction plummeted, spending for supplies and administration soared 2015-2017. Bradley averaged \$85,000 annually for all supplies 2012-14. In 2015 supply expenditures tripled to \$262,157 and continued to increase in 2016 and 2017. Administrative costs also nearly tripled 2015-17 compare with the three previous years.

	2012	2013	2014	2015	2016	2017
Instruction Supplies	\$6,578	\$14,925	\$25,489	\$44,763	\$99,607	\$174,840
School Administration	\$146,227	\$139,677	\$153,150	\$230,910	\$773,879	\$340,697
Central Administration	\$288,120	\$210,893	\$205,547	\$337,007	\$1,064,369	\$1,089,207
Total Supplies	\$88,683	\$83,705	\$99,047	\$262,157	\$334,615	\$336,543

The Bradley Academy spent \$3.6 million more in total expenditures for supplies and administration the last three years than they did 2012-2014 - \$662,000 more for all supplies and \$2.7 million more for administration. The \$662,000 in supplies is now the property of Daniel Hughes.

	Total Expenditures 2012-14	Total Expenditures 2015-2017	Increase in Expenditures
Instruction Supplies	\$46,992	\$319,210	\$272,218
School Administration	\$439,054	\$1,345,486	\$906,432
Central Administration	\$704,560	\$2,490,583	\$1,786,023
Total Supplies	\$271,435	\$933,315	\$661,880
Total More 2015-17 than in 2012-14			\$3,626,553

Instead of focusing on resolving the schools debt problem, Bradley's expenditures for supplies and management actually increased in 2017. Did this huge increase in spending for supplies and administration raise any red flags with the Charter Board? The Board doesn't review charter spending so they had no way of knowing. The Charter Board simply warned Bradley about concerns with dealing with related parties, and utilizing revolving funds. Daniel Hughes was able to suck out an unknown amount of cash from the school this year before he suddenly closed the school in January 2018, a year after the Charter Board became aware of Hughes practices.

Finally in March 2017 the Charter Boards informed the Attorney General about possible fraud at Bradley Academy, ten months after they received the audit detailing the unprecedented self-deal by Daniel Hughes. The Charter Board does not track charter expenditures (as we did in this report) so they are likely unaware of the huge increases in spending for supplies and administration the last three years. Pity.

The Arizona State Board for Charter Schools has no mechanisms in place to detect fraud and the misappropriation of state funds. The State Auditor General certainly pursues state agencies that mis-spend tax dollars - as we have seen by the reports about Scottsdale Unified's hiring of their architect. The Auditor is not allowed to even review charter spending - by law.

The result?

Daniel Hughes and the board members of the Bradley Academy are rich...and hundreds of children have no school to attend. The Charter Board needs to be held accountable for this tragedy.