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Charter star Tindley in cash crunch as CEO's expenses questioned

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The much-lauded Tindley Accelerated Schools has missed its ambitious enrollment targets this year, leaving the network in a cash crunch that's forced it to eliminate positions and seek loans to pay bills.

Two board treasurers have resigned and board members have raised questions about the travel expenses incurred by Tindley CEO Marcus Robinson, a sort of celebrity in the charter school world who often flies first class and stays in first-rate hotels.

"We were broke," former treasurer Eric Stovall said of Robinson's travels. "We couldn't afford that even in the best of times."

Tindley is a fast-growing charter network that operates six schools in Indianapolis and has been repeatedly praised publicly by federal, state and local leaders for its academic achievements. But internally, the network is struggling with whether its finances are sustainable to support its growth plans—and whether they've been correctly managed.

Tindley this fall was awarded an \$8.7 million loan—a sum that equates to roughly half its annual budget—from a new state charter school loan program. It was the biggest amount allocated to any group. The network said in documents it needed the funds to address a "short-term cash crunch" and to "buy more time to grow enrollment."



Robinson

The school network met just 75 percent of its enrollment goal of 2,197 this year, creating a \$2.8 million revenue shortfall. That has caused the staff to eliminate open teaching positions and other jobs. It's also raised questions among board members about how Tindley can afford to pay back the loans and still maintain its programs.

Now, more spending cuts might be necessary to keep the schools afloat, said longtime board member John Neighbours, given that Tindley's cash balance has dwindled from \$440,000 to under \$45,000 since October. Tindley planned to spend more than it took in each of the last three months, according to a recent financial presentation shown to board members.

"It requires us to make some very difficult, tough decisions," said Neighbours, a partner at Faegre Baker Daniels. "We're very carefully trying to assess where we have extra capacity."

Meanwhile, the spending habits of Robinson, who joined the organization as principal of Charles A. Tindley Accelerated School in 2004, have created strife among board members.

According to records obtained by IBJ, Robinson used his Tindley credit card over the past two years to make frequent first-class flights, stay at four- and five-star hotels—including the Ritz Carlton and the Waldorf Astoria—and pay for meals. The network was also billed roughly \$10,200 for personal fitness training for staff members in 2013, although Robinson said they were too busy to use it.

Stovall, the former board member who resigned as treasurer in early December, said he didn't want to be associated with the organization anymore because of Robinson's "unethical" behavior.

"He was living lavishly when he was on the road representing Tindley and that was inconsistent with the values necessary in order to serve the population we were serving," said Stovall, a managing director at a Chicago financial advisory firm. "If you're a public-company CEO, maybe that's OK. But a CEO of a nonprofit has no business staying at five-star hotels and flying first class."

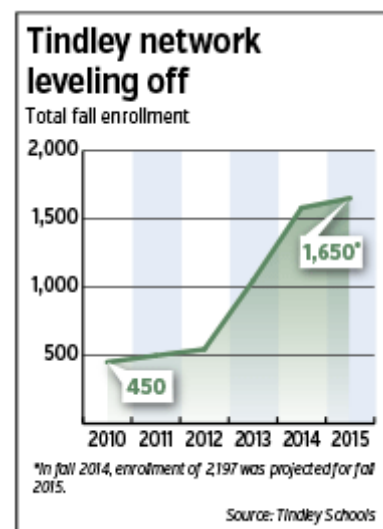
Stovall replaced former treasurer Tom Sponsel, managing partner of the Sponsel CPA Group, who resigned early this year. Sponsel declined to comment.

Who's checking?

Robinson, a former teacher, often traveled for fundraising and to complete his doctoral program at Columbia University in New York. Board members said Tindley paid for Robinson's travel to the program because it was allowed under his contract.

The board allowed Robinson, 43, to fly first class because of back pain associated with a medical problem, Neighbours said. But he said the board has put a kibosh on some of Robinson's future travel plans in light of the cash crunch.

"We don't feel he needs to do some of the travel he was invited to do," Neighbours said. "As much as he's



become a well-regarded charter school leader, [travel] is not important right now because we need to be focusing on enrollment, how our schools are being run, and our academics.”

Robinson told IBJ that his habit of staying in luxury hotels—including a \$5,000 stay at the Chatwal Hotel in New York, a \$2,858 stay at the Ritz Carlton in New York, and a \$2,283 stay at the Waldorf Astoria in New Orleans—would not continue in light of a recent conversation with board members.



Tindley Preparatory Academy, a boys' middle school, reached just 55 percent of its enrollment goal this year. (IBJ photo/Lesley Weidenbener)

“We’ve all agreed that’s inappropriate,” Robinson said. “None of that has happened in 2015 nor going forward.”

Julia Vaughn, executive director at good government advocacy group Common Cause Indiana, said flying first class on the taxpayer’s dime is unethical.

“It is disturbing to hear someone fiddling while Rome burns,” Vaughn said. “Bring your lumbar pillow and sit in coach. I mean, come on. Unless you want to pay personally for the upgrade, that’s kind of lame.”

Officials with Indianapolis Mayor Greg Ballard’s charter school office—Tindley’s authorizer—said the schools’ board is supposed to hold the staff accountable for its financial performance and that the network will be faced with “accountability decisions” if the office’s standards aren’t met.

“It is the board’s responsibility to ensure the chancellor is spending that organization’s money appropriately,” said Kristin Hines, director of charter schools.

But when IBJ asked Tindley board Chairman Jan Guffin if he had knowledge of Robinson’s expenses, Guffin said he was “not aware of the excesses” and that the board “redirected all financial responsibility” to Tindley’s chief operating officer, who reports directly to Robinson. Guffin stepped into the board chairman role in June.

“The board doesn’t spend a lot of time on that,” Guffin said, although he added, “We look at all the records routinely.”

The Mayor’s Office has previously identified concerns with the Tindley network’s finances.

Auditors found a material weakness and two significant deficiencies on a review of Tindley’s 2014 financials submitted to the State Board of Accounts. And the Mayor’s Office noted problems on the network’s last accountability report in the areas of financial management and board oversight.

Among the concerns in those reports were a lack of internal controls over financial reporting; the management of outsourced bookkeepers; preparation of an accurate schedule of expenditures; and late submission to the Mayor’s Office of employee spreadsheets, board meeting minutes and quarterly financial reports.

Another key deficiency: The Mayor’s Office was concerned that the board did not formally evaluate Robinson and other members of the leadership team.

“The lack of a formalized evaluation system inhibited it from setting clear goals and determining progress throughout the year,” according to the accountability report.

Among the moves suggested to Tindley at that time: changes in the school board’s membership and a requirement that all expenses exceeding a specified amount be approved at the board level, said Brandon Brown, the mayor’s former charter school director.

“We also had multiple conversations with the school’s leadership regarding specific areas of concern and new internal processes moving forward,” said Brown, who left the office earlier this year.

“While at the Mayor’s Office, I oversaw several changes that were likely to improve the oversight of the organization’s finances and it’s the board’s responsibility to implement those changes,” he said. “If the changes were not implemented effectively, the Mayor’s Office would move to hold the school accountable.”

Precarious finances

Since learning about the revenue shortfall in October, board members said, they have asked Robinson and his team to “comb through expenses” to try to make cuts. The schools were on track to spend \$1.5 million more than they took in.

Among the reductions was a salary cut for senior staff, including Robinson, who said he took a “substantial” pay cut. Robinson reported a salary of \$210,374 on the group’s 2012 IRS filing. But he wouldn’t say how much he is making now.

The network’s enrollment shortfall also created a disagreement among board members about tapping into the state loan program and other lines of credit.

The network considered putting to use a \$750,000 line of credit from the private Charter School Growth Fund to cover November payroll, but Robinson said Tindley ultimately decided not to use it for that purpose.

“It’s there in case we need it,” he said. “We’ve done other things to restructure and cut costs.”

Board member Jo Anne Rutigliano wrote in an email to other board members in mid-November that she was concerned about the board’s personal liability if it borrowed money it couldn’t pay back. Rutigliano told IBJ later she has “every confidence that Tindley is acting prudently in dealing with our financial situation in a responsible manner.”

Tindley charter network

Schools: Charles A. Tindley Accelerated School, Tindley Preparatory Academy, Tindley Collegiate Academy, Tindley Renaissance Academy, Tindley Summit Academy, Tindley Genesis Academy

Founded: Charles A. Tindley Accelerated School, in 2004

CEO: Marcus Robinson

Employees: about 150

Students: 1,664, kindergarten through grade 12

2015 revenue: \$15.9 million

Source: Tindley Schools



Students work at Tindley Preparatory Academy. Tindley’s six schools reached 75 percent of the network’s enrollment goals for this year. (IBJ photo/Lesley Weidenbener)

“If we borrow money from the Charter [School] Growth Fund and the state and we don’t get our enrollment up, that means we have no money to pay them back,” Rutigliano wrote in an email obtained by IBJ. “So what happens to us when we renege on all of our loans? Is the board protected? Will we be sued?”

Neighbours replied that he didn’t believe the board could be held responsible.

“Absolutely we can not misrepresent our financial condition to the state,” Neighbours wrote. “Otherwise, if the state is willing to loan us money, I assume it is the state’s obligation to do its own due diligence on our credit worthiness.”

Tindley listed its revenue as \$18.7 million on an application to the state loan program dated Oct. 29. But on Oct. 23, board members saw a financial presentation that showed revenue was actually about \$15.9 million.

However, even if Tindley had included the reduced amount on its application, the schools would have qualified for the state loan, anyway. That’s because the parameters set by the Legislature for funding were based on academic performance under the state’s accountability system. Schools were allowed to receive advances if they had an A through C school accountability grade or were in their first or second year of operation or met a number of other criteria.

Stovall said concerns over the network’s ability to repay the loans were among the reasons he resigned.

“I wouldn’t be any part of financial shenanigans where we were asking for loans and not telling them we couldn’t pay it back,” he said. “We knew we could not repay that money unless it was with other borrowed money, but that information was not being shared.”

Schools don’t actually have a choice about repayment. That’s because the state automatically withholds the payments from the money it distributes to schools, meaning Tindley will be receiving less than it originally anticipated from the state. The full amount of the loan plus 1 percent interest is withheld over 10 years.

Previous concerns

Tindley has been celebrated for the academic success it’s had with educating poor students. Its first school—Charles A. Tindley Accelerated School—won a National Blue Ribbon Schools award in 2010 from the U.S. Department of Education.

The model was also given a vote of confidence from state officials when, in 2012, they tapped Tindley and Robinson to turn around Indianapolis Public Schools’ struggling Arlington High School through being its state takeover operator.

But the network’s precarious financial position was aired to education policymakers last year when Robinson showed up to a State Board of Education meeting to ask officials for more money to run Arlington.

Robinson shocked board members when he said he would take advantage of an option in the contract to end it within 60 days unless Tindley received \$2.4 million in extra aid, saying the charter school could not afford to run Arlington anymore. The school is now being run again by Indianapolis Public Schools.

“You can’t hold the young people you committed to serve hostage,” then-state board member Dan Elsener told Robinson at the time.

Neighbours said the acquisition of Arlington contributed to the network’s financial troubles, along with its expansive growth plans, but he said he believes the long-term financial health of the organization will be OK if schools start meeting enrollment targets.

“We weren’t as aggressive as we should be,” he said. “There’s more competition spread out among more options

and we're going to get less of the market than we were getting. If we hit our enrollment targets, we'll be fine next year."

For now, Robinson and the board have decided not to launch the network's seventh school this year as planned. It's unclear when that will happen, Robinson said, or if it will.

He said some soul-searching is in order about the future of the network.

"I think the right answer to the question is, Tindley has to go back and re-evaluate even with the tremendous pressures to grow fast," Robinson said. "What does Tindley want to be in the next three to five years and what infrastructure does it take to support that?"

Staff pushes on

The financial strife has meant that remaining staff members are working harder than ever for the network's 1,664 students.

Tindley held an enrollment fair this month for all of its schools. The principals made passionate speeches about the benefits of a Tindley education. Some spent more than an hour talking with families in small groups.

Robinson did not attend the event. Staff members said he was at a funeral.

Patrick Jones, principal of Tindley Preparatory Academy, said the network's financial situation has caused him stress. The boys' middle school he oversees is only 55 percent enrolled. He said the network needs a "more detailed plan" to increase enrollment.

"One of the things I worry about the most is how to provide a good education," Jones said. "We have great teachers, dedicated teachers who put a part of their life on hold to educate these young men. The network provides the effort to find more kids. I have to trust them that they're doing that portion of their job."

Meanwhile, he said his staff is prepared to "beat the street" for services until the school's funding has been restored.

"We had a counselor and now we use counseling from the outside," Jones said. "It's not the same. Some resources are not as available as they were. It's forced us to do things we wouldn't normally have done."•