



Case Study: **Arizona School for the Arts**

A college-preparatory and performing arts charter school serving the greater Phoenix area



*Funding for this project was provided by the
Arizona Community Foundation.*

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Acronyms & Abbreviations

ADE	Arizona Department of Education
ADM	Average Daily Membership
AFR	Annual Financial Report
ASA	Arizona School for the Arts
ASRS	Arizona School Retirement System
ASBCS	Arizona State Board for Charter Schools
CMO	Charter Management Organization
EOY	End of Year
GCI	Grand Canyon Institute
OAG	Office of Accountability and Government
SPED	Special Education

Overview

Arizona School for the Arts is one of Arizona's oldest charter schools. Located in downtown Phoenix in the Central Arts District, it provides a college-preparatory education integrated with an expansive performing arts program. The school serves 840 students from 5th through 12th grade who have the opportunity to choose from 135 arts classes in music, dance, and theatre.

The Purpose of this Case Study

The purpose of this case study is to document and share best practices in charter school management of an exemplary charter school serving a specialized community—in this case, performing arts. ASA was selected due to its academic and financial performance according to ASBCS' standards while offering an expansive performing arts curriculum. With generous support from the Arizona Community Foundation, the Grand Canyon Institute (GCI) developed a series of similar case studies to feature exemplary charter organizations that operate their schools in a financially sustainable manner that respects the public funds entrusted to them.

This case study provides insight into how ASA has sustained its academic and performing arts programs while maintaining a solid financial position. GCI met with ASA's head of school/CEO and chair of the corporate board's finance committee.

Best Practices in Charter School Management

This case study documents several of ASA's practices that contribute to the school's exemplary academic and financial performance. GCI recommends that the practices documented here be considered by other medium-sized charter schools in that they provide a framework for managing and growing an organization.

Best practices highlighted in this case study include:

- Education Program
 - Academic and performing arts programs are balanced, allowing students to succeed in both
 - Staff compensation is competitive
- Governance
 - Diverse governing/corporate board membership with unrelated parties provides professional oversight and guidance

GRAND CANYON INSTITUTE

Grand Canyon Institute is developing a series of similar case studies to feature exemplary charter organizations that operate their schools in a financially sustainable manner that respects the public funds entrusted to them.

- Financial Management
 - Members of the board’s finance committee regularly monitor and advise on the school’s finances
- Financing and Acquisition of Assets
 - Properties have been acquired gradually
 - Current debt is sustainable
 - Prepayment of high-interest bond was costly but lowered interest payments significantly
 - End-of-year cash is well above ASBCS performance standard
 - Due diligence prior to securing a bond
- Purchased Services
 - Purchased services are low, allowing for revenues to be maximized for student spending
- Fundraising to Support its Performing Arts Program
 - ASA hired staff dedicated to building strategic partnerships and raising funds to support the costs of its performing arts program

The Grand Canyon Institute

GCI is a public policy research organization that provides an analysis of the economic, fiscal, and social impacts of public policy in Arizona. It published a series of policy papers on the financial practices of Arizona’s charter schools and provided recommendations for improving oversight. These policy papers include [Following the Money](#) (2017), [Red Flags: Net Losses](#) (2018) and [Red Flags: Overleveraged Debt](#) (2019).¹

GCI appreciates the cooperation and availability of ASA’s leadership when conducting its research for this case study. The Grand Canyon Institute gratefully acknowledges support from the Arizona Community Foundation to prepare this case study.

Introduction

Arizona School for the Arts (ASA) was chartered and began operations in 1995. It is one of the founding schools in Arizona’s charter school marketplace. In Arizona, there have been 1,016 charter school openings and 437 closures since they first began operating in 1995, charter schools with outstanding academic and financial performances stand out as exemplars of best practices in the data on charter schools.

Dr. Mark Francis founded the school when he determined that there was a need for a school for children that were creatively motivated. He sought out community support for his school choice model at a time when the arts were suffering cutbacks in traditional district schools. Dr. Francis found an enthusiastic community for his innovative college preparatory school focused on a curriculum that valued the arts.

¹ The Grand Canyon Institute’s policy papers on charter financial practices can be found at <https://grandcanyoninstitute.org/category/research/charter-schools/>.

ASA has followed a fiscally conservative financial model. The school started with 120 students in a space leased from a local church. The current Head of School/CEO Leah Fregulia was a founding teacher. This helps to ensure that the original vision for the school continues.

During an interview for this case study, a member of the school’s finance committee and a parent of students at the school summed up the corporate and governing boards’ underlying reason for fiscal responsibility, “We have been here for 25 years and want to be here another 25 years.”

Today, the school serves 840 students in 5th through 12th grade. ASA is located in downtown Phoenix in the Central Arts District. It offers more than 135 classes in music, theatre, and dance and enrolls students from across the metropolitan area.

Academically performing charter schools with a matching financial performance history are exemplars of what charter schools can be in our educational marketplace. Analyzing the financial practices that lead to this result is the stated purpose of GCI’s series of case studies.

Academic Performance

ASA provides a college-preparatory education with a 16:1 ratio of students to teachers. A critical component of the school’s academic program are formal academic presentations that each student must research, prepare, and present every year. Seniors must prepare a capstone project that integrates economics and environmental science. ASA is ranked 22nd out of 554 high schools in Arizona for its students’ combined SAT scores. According to US News & World Reports, it is ranked number 12 in Arizona and number 8 in charter schools in Arizona for its academic performance.

ASA has received “A’s” and exceeded the state of Arizona’s academic standards for the past three years as shown below from the ASBCS’ Academic Performance Dashboard.

Figure 1: Academic Performance

Charter School: Arizona School For The Arts CTDS: 07-87-22-001 | Entity ID: 5519 Back to search results

General Site Contact Governing Body Grades Member Campuses Charter Holder Amendments Academic Performance File Complaint

Academic Performance

Please see the [charter holder's detailed information page](#) to view the charter holder's financial and operational performance.

Arizona School For The Arts

	FY 2017		FY 2018		FY 2019	
	Traditional		Traditional		Traditional	
	K12 5-12		K12 5-12		K12 5-12	
	Measure	Rating	Measure	Rating	Measure	Rating
1a. A-F Letter Grade	A	Exceeds	A	Exceeds	A	Exceeds
1b. School Improvement	No	Meets	No	Meets	No	Meets
OVERALL RATING	Exceeds Standard		Exceeds Standard		Exceeds Standard	

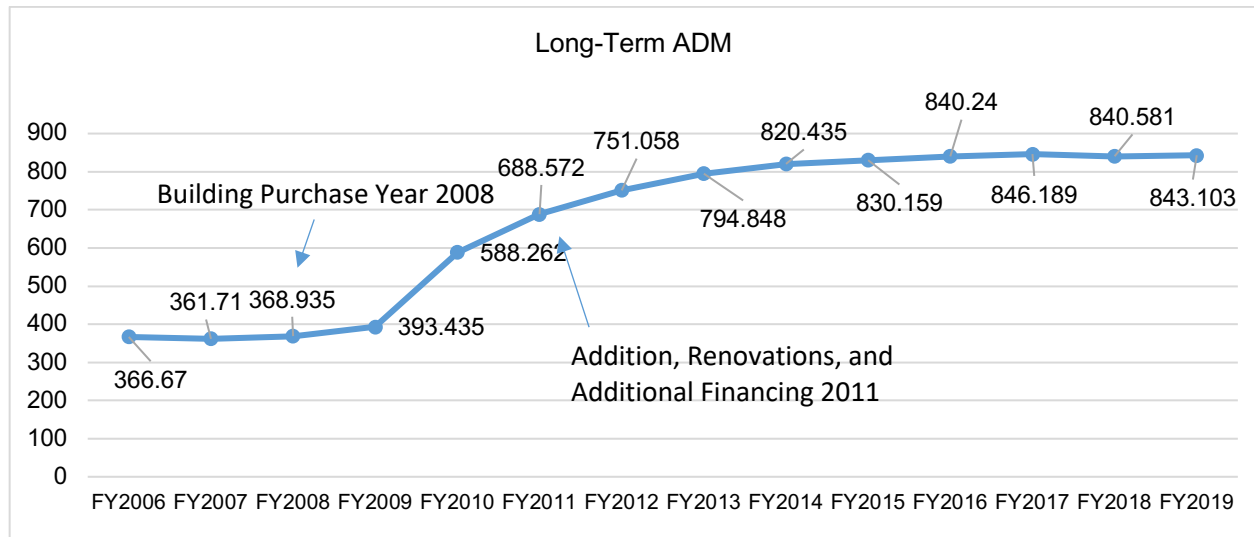
Source: ASBCS Academic Performance Dashboard.

Enrollment

ASA’s FY2019 Average Daily Membership (ADM) was 843.103. An analysis of ASA’s ADM from FY2006 to present illustrates the growth that occurred after the school purchased its first property in FY2008. Figure 1 illustrates this growth and includes key purchases as a part of this graph.

Building construction, renovation, and land acquisition in FY2011 led to continued growth in ADM which has since stabilized as the school is currently close to capacity.

Figure 2: Long-Term ADM with Major Purchases of Real Estate Noted



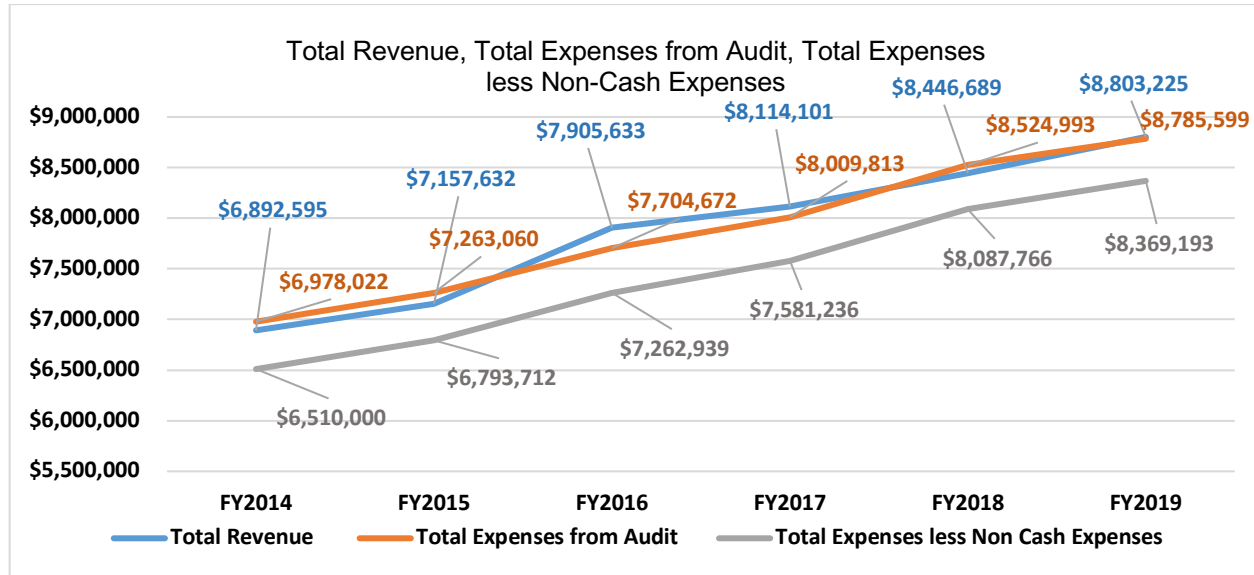
Source: Superintendent’s Annual Report, FY2006-FY2019. Audit, FY2019.

Financial Performance

In FY2019, ASA’s annual revenues were \$8,803,225, with expenditures of \$8,785,599. Both revenues and expenditures have gradually increased over the past six years, with net accrual accounting² losses in three of those years, the highest being \$105,428 in FY2015. Figure 8 shows ASA’s revenues and expenditures for FY2014 through FY2019. Expenditures are presented as they appear on the school’s annual audit as well as Adjusted Net Income, a measure adopted by the ASBCS in July 2019 that allows for adjustments for non-cash expenses including depreciation, amortization, and write-offs of loan issuance costs, and prepayment penalties. ASA’s adjusted net income results in a net surplus from FY2014-FY2019.

² Net accrual is practice based on generally accepted accounting principles (GAAP) which guide accountants in recording and reporting financial information. GAAP comprises a broad set of principles that have been developed by the accounting profession and the Securities and Exchange Commission (SEC).

Figure 3: Revenue and Expenditures and Expenditures Adjusted for Depreciation



Source: Audits, FY2014-FY2019.

As measured by the ASBCS Financial Performance Dashboard, ASA is in good standing and meets the ASBCS' expectations.

Figure 4: Financial Performance

Charter Holder: Arizona School for the Arts CTD5: 07-87-22-000 | Entity ID: 4345

General
Mission Statement
Representatives
Board Members
Schools
Documentation
Complaints
Amendments
Performance

Select a dashboard to view: Financial Performance Dashboard

Financial Performance - FY2019

Click on any of the triangles below to see more information

Key: ▲ Meets Standard ► Approaches Standard ▼ Below Standard [Expand All](#)

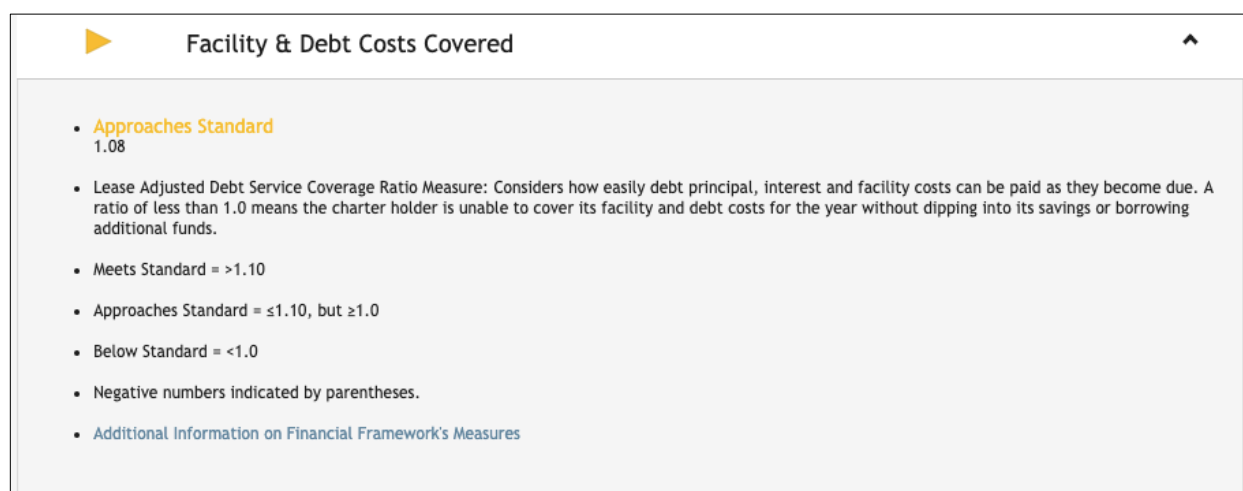
▲	Going Concern	▼
▲	Default	▼
▲	Available Reserve	▼
▲	Revenues Exceed Expenses	▼
►	Facility & Debt Costs Covered	▼
▲	Stable or Increasing # of Students	▼

GOOD STANDING: MEETS THE BOARD'S FINANCIAL PERFORMANCE EXPECTATIONS

Source: ASBCS Financial Performance Dashboard, FY2019.

On the financial performance dashboard's measure of "Facility & Debt Costs Covered" ASA received an "Approaches Standard" rating. ASA's audit shows a debt costs coverage ratio of 1.13, which meets the ASBCS "facility and debt costs covered" standard; however, information compiled and presented by the auditor was not sufficiently detailed by the auditor for the ASBCS to make an accurate calculation. ASA chose not to revise its audit but will ensure added detail is available in future audits so that a more precise calculation can be reflected on the financial dashboard.

Figure 5: ASA's Facility & Debt Cost rating by ASBCS, FY2019



Source: ASBCS Financial Performance Dashboard, FY2019.

Best Practices in Charter School Management

Education Program

Students excel across ASA's academic and performing arts programs, which drives demand for the school

ASA's innovative college-preparatory academic and arts programs are underpinned by extensive research that shows the link between music and improved cognition. ASA's curriculum also focuses on the social and emotional gains that students achieve through problem-solving, increased confidence, and inclusivity. The school builds on a faculty with diverse backgrounds, partnerships with professional arts organizations, and the engagement of families. The school's enrollment is steady and near capacity which is a testament to this.

ASA focuses on delivering a curriculum that provides challenging and engaging learning, critical reading, writing, and inquiry. Students take four core academic classes: English/language arts, math, science, and social studies, along with a life skills class that hones academic and executive function skills. Students conduct scientific experiments, write lab reports, and perform independent research on which they build throughout their academic careers.

Third-quarter presentations, known as 3QP among ASA's community, are a key component of ASA's curriculum. Students spend nine weeks researching, writing, and preparing their presentations which are formally delivered to a jury of faculty and parents. Content varies by grade and touches on areas such as science, and social science, and contemporary world issues. Seniors develop semester-long capstone projects that involve the integration of environmental and economic issues. Similar to 3QP, seniors present and defend their findings.

The unique dual-focused curriculum leads to outstanding student outcomes. In 2019, ASA had 92 seniors and a 100% graduation rate; 98% of those students went onto college with plans to study a mix of arts, STEM, and humanities. Collectively, the class was offered \$6.7 million in scholarships.

ASA is a non-audition school; students can enter with no prior experience in any of the school's arts programs. Each year students are assessed and placed in classes according to their skill level rather than grade. All 5th through 8th graders are required to take piano and choir and select one additional art class focused on dance, theatre, or learning an instrument. The curriculum helps students develop skills in practice, concentration, and teamwork. ASA's high school arts curriculum includes music, theatre, and dance. Students narrow their focus to one major by their junior year.

ASA's arts program provides students with the opportunity to learn from professional teaching artists who perform with the Phoenix Theatre and Ballet Arizona and many other arts organizations. Students also have opportunities to access master classes, lectures, and presentations from guest artists. A partnership with the School of Ballet Arizona allows dance students to train and perform with a professional performing arts organization.

In their senior year, students have the opportunity apply for the Arizona Arts Proficiency Seal, a recognition provided by the Arizona Department of Education and included in ASA's diploma which is awarded to students that meet specific standards including a 3.0 or higher G.P.A. requirement, four credits in one artistic area, 80 hours of arts-related extracurricular activities, and completion of a student capstone project. ASA also offers a mentoring program to students planning on conservatory arts studies following graduation to prepare them for their future study.

The school's extracurricular program includes extensive opportunities to participate in arts festivals and competitions as well as robotics, mock trial model UN and national honor society.

Financial Management

Members of the board's Finance Committee regularly monitor and advise on the school's finances

Financial management at ASA is guided by its governing board's finance committee and three staff members. ASA's finance committee members have expertise in finance, one is a charter school finance executive and the other is a CFO with a commercial property developer. The committee developed specific targets that guide the school's financial decisions. For example, One such target is that cash reserves valued at 60 days of liquidity or greater be maintained at all times. Should they increase beyond 90 days then guidelines have been developed that provide a regimented approach to how excesses can be allocated in what was described as a waterfall of priorities:

- Staffing and salaries—For example, if the excess is due to a permanent increase in ongoing revenues, then salary increases can be considered. If not, then performance bonuses are an option.
- Programmatic needs
- Facilities—For example, A/C units, paving the school's parking lot.

ASA's financial management is handled internally by three staff members, including a CPA who splits her time as administrator of the school's arts program, an accountant and a bookkeeper. The organization decided to directly employ financial management staff to provide the school's leadership with easy access to financial figures for updates and decision-making. ASA's finance staff generate monthly financials and provide forecasting to the end of the year to guide decision-making.

Financing and Acquisition of Assets

Charter schools are responsible for securing the financing to purchase their property and assets. They are given bonding capacity to do this because they do not receive a fixed asset allocation from the state government. How long-term debt is managed by a charter school has important implications for the school's financial sustainability. GCI's research found that overleveraged debt in the charter sector contributes to the financial challenges faced by some charter schools. In its 2018 report *Net Losses: Overleveraged Debt*, GCI found that one-fifth of charter schools are at risk of closing due to their financial position, 30 of which it determined were beyond recovery.

In FY2018, 149 charter school companies in Arizona held \$2.1 billion in long-term debt. Of this total, 72 charter school companies held \$1.9 billion in Industrial Development Authority (IDA) bonds. These are tax-free bonds that can be more accessible for charter schools relative to commercial lending because they do not require equity and allow for the amortization of a bond over the useful life of the building.

Properties have been acquired gradually

To date, ASA has secured three IDA bonds, one to purchase property with existing buildings, the second to purchase property and build a classroom building, and the third to refinance one of its original bonds. Its experience provides some insight for others. During the first 13 years of operation, ASA leased a building used by a church in downtown Phoenix with an enrollment of 120 students. Leasing over this time period allowed the school's leadership to build up a strong relationship with families to ensure sustainable enrollment and associated revenue. The school secured its first bond in FY2008 to purchase the leased property along with an adjacent building allowing it to grow to 600 students.

In FY2011, ASA purchased a third building on a neighboring property that has brought the school's enrollment cap up to 860 students. All property purchases have been made by ASA as a nonprofit corporation and are held in its name.

Current debt is sustainable

As of June 30, 2019, ASA had \$18,088,062 in long-term debt in the form of two bonds secured in 2011 and 2019.

In 2011, ASA secured a \$8,750,000 bond to acquire property and construct a multi-story classroom building.

Table 1: 2011 Industrial Development Authority (IDA) Education Revenue Bonds

Principal amount	\$8,750,000
Term	30 years
Stepped interest rate	6.25% to 7.75% (7.53% as of June 30, 2019)
Monthly principal and interest payments	Range from \$53,739 to \$65,506
Bonds are secured by land and the constructed building with loan proceeds, by State Equalization revenue.	

Note: This bond would incur significant penalties if refinanced prior to 10 years.

In 2019, ASA refinanced its 2008 bond to lower interest payments.

Table 2: 2019 Industrial Development Authority (IDA) Education Revenue Bonds

<i>Refinance to retire 2008 bonds and borrow additional funds</i>	
Refinanced amount — 2008 bond	\$8,335,000
Principal amount — 2019 bond	\$10,575,540
Term	30 years
Interest rate	4.41%
Monthly principal and interest payments	\$53,827
Issuance cost	<i>-\$484,151</i>
<i>Less Current Portion</i>	<i>-\$338,226</i>
Bonds are secured by a deed of trust on real property and through the assignment of State Equalization revenue.	

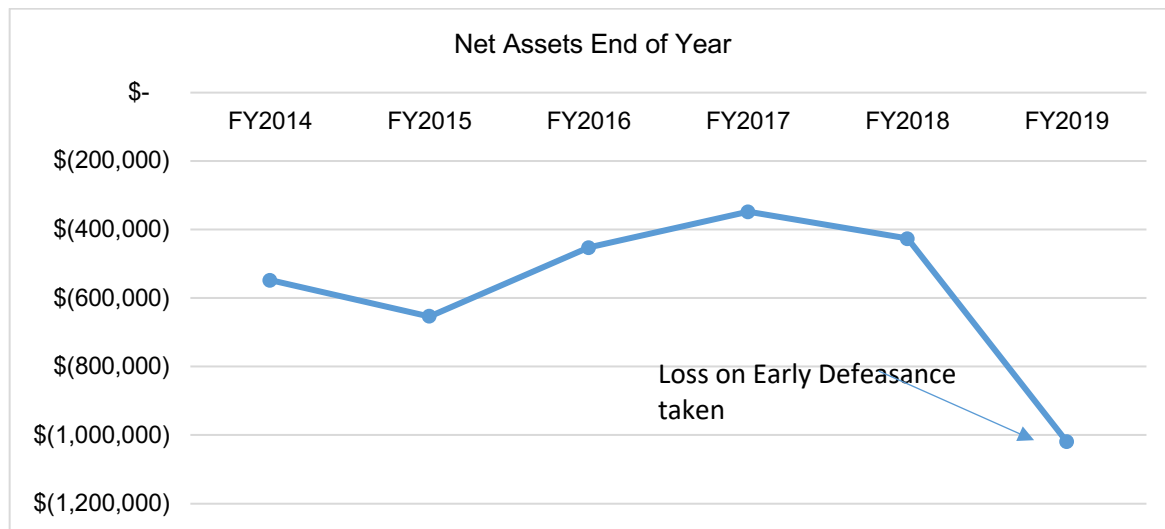
Sources: Audit, FY2019 and Request for Consent to Amendment of Loan Agreement, 2019.³

³ *Request for Consent to Amendment of Loan Agreement*. (2019, January 25). In Electronic Municipal Market Access. <https://emma.msrb.org/ES1235880-ES965400-ES1366285.pdf>

Prepayment of a high-interest bond was costly but lowered interest payments significantly

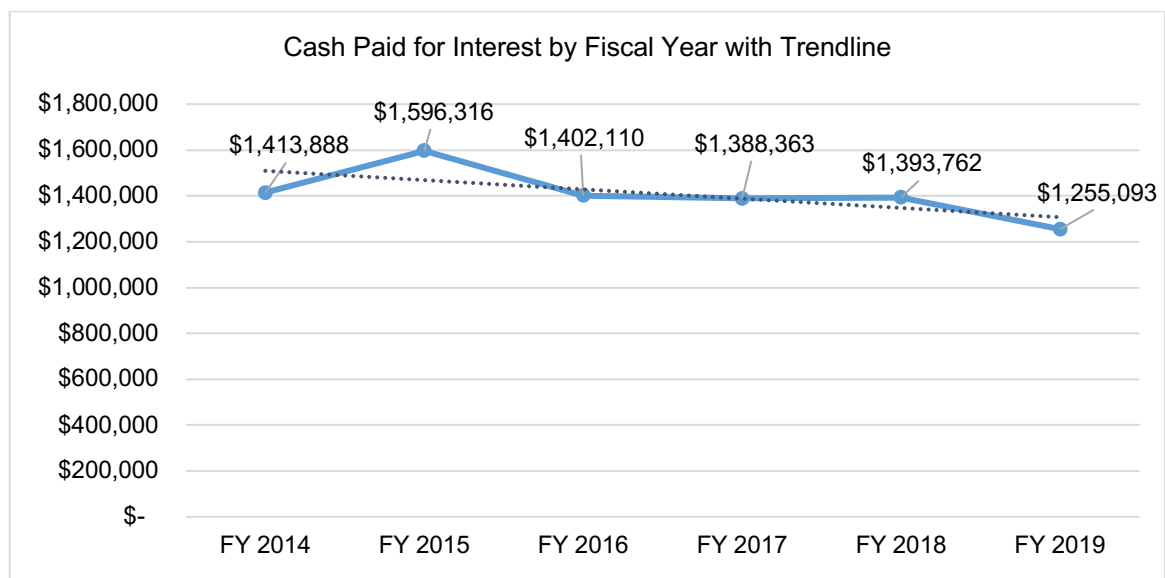
ASA refinanced its 2008 bond, lowering its interest rate from 7.25% to 4.41% and decreasing interest payments by almost \$140,000 in FY2019. The unamortized loan costs of the 2008 bond of \$594,185 are noted in ASA’s FY2019 end-of-year changes in net assets. The “loss on early defeasance” as reported in ASA’s audit resulted in a significant end-of-year change in net assets. While Figure 6 below looks dramatic, the school will recoup the costs in the next five years and the value of net assets will continue to improve while benefitting from the significantly lower interest payments.

Figure 6: End-of-Year Net Assets Showing Loss Taken on Early Defeasance



Source: Audits, FY2014-FY2019.

Figure 7: Cash paid for interest on long term bonds at Arizona School for the Arts

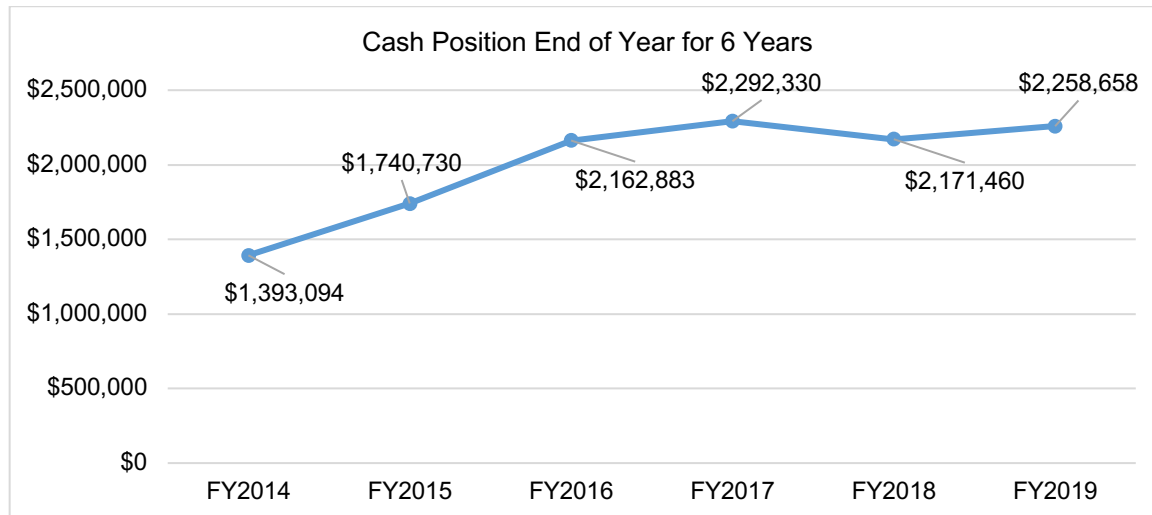


Source: Audits, FY2014-FY2019.

End-of-year cash is well above ASBCS performance standard

The company's cash position is solid at the end of each year. This position justifies the loss on early defeasance. The cash position rose despite the declaration of a non-cash loss for defeasance. GCI confirmed this opinion with accountant John Faccone who specializes in charter school finance.⁴

Figure 8: Cash Position of Arizona School for the Arts FY2014-FY2019



Source: Audits, FY2014-FY2019.

The refinancing of ASA's 2008 bond dropped its interest payment over \$130,000 in FY2019.

Considerations prior to securing a bond

To date, ASA has had experience securing three bonds and also has the benefit of insight from a board member John Snider who is charter school finance executive. Mr. Snider had the following advice to share:

Prior to securing a bond, a charter school should prove that it can operate as a successful school and a successful school business, which are two different things. One requires successful educational outcomes, the other requires sound business and financial management. While bonds do not require equity, a charter school should have liquid assets to meet its financial commitments should there be a temporary drop in revenue. If a charter school has not operated long enough to save up money, then it is not ready for a bond.

⁴ Faccone and DeWilde PC

Faculty

Teachers receive fair compensation

ASA's programs are delivered by more than 70 faculty members including 41 full-time academic teachers, 19 full-time arts teachers, and 16 part-time teachers. Teacher retention ranges between 86% and 93% across both academics and arts. ASA employs a mix of certified and noncertified teachers. Those that are noncertified have a minimum number of units in their content area. Sixty-six percent of teaching staff hold advanced degrees.

ASA's staff is fairly compensated with salaries that are competitive with the charter market and participation in the Arizona State Retirement System. In FY2020, ASA's average total full-time faculty salary is \$52,624. ASA's average teacher salary had previously lagged behind the state averages for charter and district schools. In FY2020, it has been able to provide a significant increase in teacher salaries as a result of lower interest payments which followed the refinancing of one of its bonds and the governor's 20x2020 policy of providing salaries increases to teachers throughout the state.

ASA's low turnover rate of employees means that they receive a salary and benefits package that keeps and encourages professionals to stay with the school and in their chosen profession. The importance of this element cannot be understated as it ensures a consistent, long-term professional culture at the school. ASA's staff retention is even more impressive given that average teacher salaries at Phoenix Union High School District, the district in which it resides, was \$64,218 in FY2019 given the desegregation funding it receives.

Purchased Services

Purchased services are low, allowing for revenues to be maximized for student spending

In FY2019, ASA spent 10.2% of its budget on purchased services. The school's six-year average of purchased services budgetary allocation is 11.6%. ASA's purchased services are contracts for specialized services such as Ballet Arizona as well as special education. Careful management of its purchased services allows ASA to ensure that financial resources are maximized for students.

In its research, GCI found that purchased services among Arizona's charter schools are often tied to related-party expenditures and/or an over-reliance on third-party vendors. For reference, the average purchased services cost at charters in Arizona in FY2018 was 29.9% of their overall spending, according to AFR data. In some cases, that amount is as high as 90%. Typically in a school district, purchased services amounting to more than 15% of spending raises alarms. As with any business, a charter school must consider cost savings and creating efficiencies when deciding to purchase a service or provide it in-house. The exemption from competitive procurement processes afforded most charter schools in Arizona has resulted in questionable transactions, often with related parties. ASA shows no sign of this in their financial reports.

LOW TEACHER TURNOVER

Teacher retention ranges between 86% and 93% across both academics and arts. The importance of this element cannot be understated as it ensures a consistent, long-term professional culture at the school.

FUNDRAISING IS ESSENTIAL

Arizona School for the Arts dedicates several resources to fundraising and it has paid off. The school is able to capitalize on its proximity to the Downtown Phoenix art scene and student performances to raise funds critical to investing in its arts program.

Fundraising to Support its Performing Arts Program

ASA invests in supporting the costs of its performing arts program

Fundraising is an important part of business for most charter schools as they operate as private businesses and are not able to draw on local property taxes for bonds to purchase land and construct buildings. In addition, a school such as ASA with an arts emphasis, by its very nature, costs more to operate. ASA's performing arts program comes with a \$2 million per year price tag.

ASA employs a development and marketing director and a donor relations and marketing manager to lead its efforts to raise funds and develop strategic relationships. The school's geographic location in the Central Arts District in downtown Phoenix lends itself to the latter given the range of professional arts organizations nearby. The school's annual end-of-year showcase event held at the Orpheum Theatre featuring its student performances serves as the school's major annual fundraising event. Other fundraising revenue sources include an annual fund campaign, grants, donations, tax credit contributions, and 'friendraisers' to promote the school. These strategies have paid off, with ASA raising \$986,841 in FY2019

Within its school community, ASA emphasizes parental involvement and encourages support by regularly scheduled events and continuous reporting regarding student's academic and artistic progress. Each year, ASA holds an annual meeting with parents to present the results of its fundraising efforts. ASA also receives revenue from student activity fees that families are asked to pay for their student's participation in the arts program. This practice is similar to what would be found in other publicly funded schools.

As with any business proposition, the amounts raised by paid fundraising staff need to be offset by revenues generated by their efforts. There are also non-employee costs that must be assessed.

Table 3 provides an overview of ASA's investment in its fundraising efforts and the returns it has achieved.

Table 3: Fundraising Expenses and Revenue

	Tax Credit Donations	Other Fundraising Income	Total Raised	Fundraising Expenses
FY 2014	\$189,083	\$479,765	\$668,848	\$171,421
FY 2015	\$183,299	\$483,817	\$667,116	\$211,410
FY 2016	\$193,084	\$744,949	\$938,033	\$212,626
FY 2017	\$174,425	\$790,429	\$964,854	\$160,773
FY 2018	\$140,212	\$824,162	\$964,374	\$159,096
FY 2019	\$161,813	\$825,028	\$986,841	\$184,912

Source: IRS Form 990s, FY2014-FY2019.

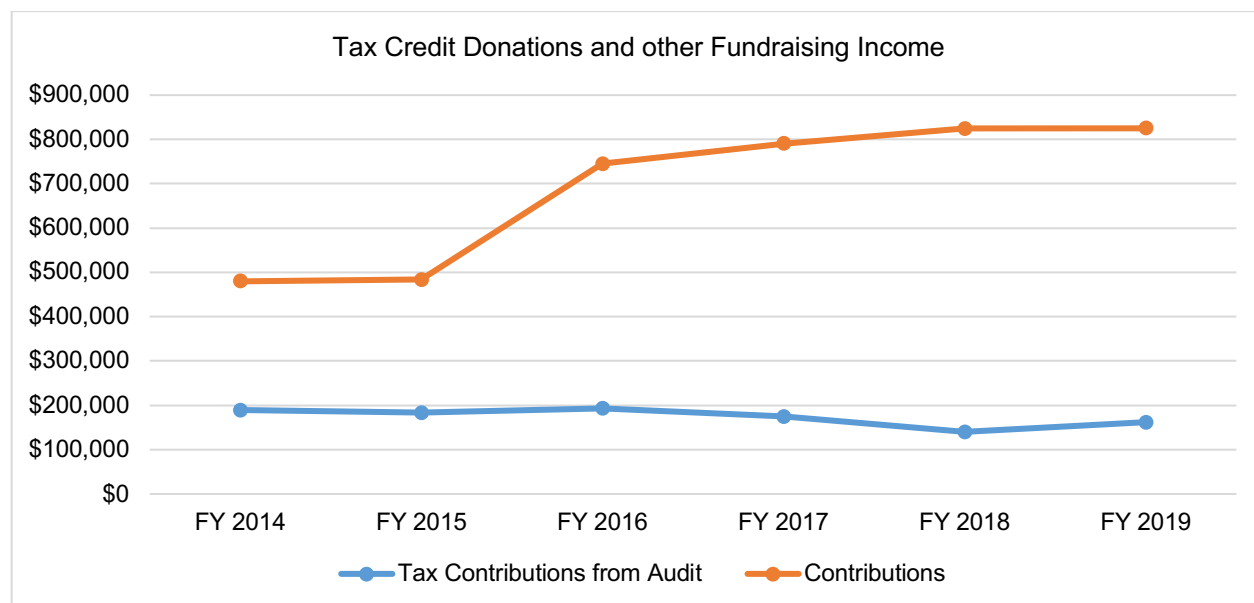
When an organization considers its fundraising strategy, the opportunity to raise funds must be balanced with the cost of staffing. In ASA's case, the cost of staff is more than offset by the revenues that they help generate for the organization.

Table 4: Fundraising Salaries & Benefits

	Fundraising Staff Salaries & Benefits
FY 2014	\$130,463
FY 2015	\$166,891
FY 2016	\$191,216
FY 2017	\$121,730
FY 2018	\$131,709

Source: IRS Form 990s, FY2014-FY2018.

ASA's tax credit donations and other fundraising income showed a marked increase in FY2015 when the organization began employing fundraising staff.

Figure 9: Growth in Contributions FY2014-FY2018

Source: Audits and AFRs, FY2014-FY2019.

Governance

Diverse governing/corporate board membership with unrelated parties provides professional oversight and guidance

ASA's governing and corporate boards share the same membership. With 13 current members (bylaws allow up to 15), the boards are large enough to include expertise in the management of both the financial and academic sides of the school. The diverse membership has expertise in the arts, real estate, finance, medicine, engineering, and law. Board members are a mix of parents and community members. The board meets once a month except for July. Its finance committee reviews monthly reconciliations of accounts and forecasting to the end of the school year prior to each meeting. There are no related parties among board members.

ASA has a matrix that tracks key information regarding its board members that helps ensure that it maintains a diversity of backgrounds and experience. Information tracked includes gender, age range, board position, school year joined, end of current term, number of terms, race/ethnicity/disability, occupation, and experience and qualities.

The organization developed a process for recruiting and training new board members that includes recruitment and nomination, orientation, onboarding, and continuing development.

The board established several committees designed to guide and support different aspects of the school's operations. The committees and their responsibilities include:

DIVERSITY IN GOVERNANCE

Arizona School for the Arts' Board of Directors is diverse in gender, age, race, ethnicity and ability. Its current members have expertise in the arts, real estate, finance, medicine, engineering, and law. Board members are a mix of parents and community members.

- **Executive Committee:** Discusses issues requiring immediate attention and reviewing board meeting agendas.
- **Resource Development Committee:** Provides input on the school's fundraising strategy, supports fundraising efforts, and reviews progress towards achieving goals.
- **Governance Committee:** Responsible for board recruitment and development, head of school/CEO evaluation, compliance with regulatory requirements and public policy, and succession planning.
- **Finance Committee:** Reviews school finances and budget and provides support in managing bond debt and refinancing when relevant.
- **Facilities Committee:** Reviews the school's needs and current facilities and plans for capital improvement projects to meet needs.
- **Technology Committee:** Reviews school needs and current technology and ensures the school's technology plan is updated to meet needs.
- **Major projects:** Supports Youth Arts Campus, presents the background to this project, discusses the advantages for ASA and the community, and discusses considers the case for support regarding the project.

Lessons Learned

Arizona School for the Arts' path to becoming an academically and financially exemplary Arizona charter school began by one person recognizing the value in an academically challenging public school with an integrated performing arts curriculum. The support that coalesced around this concept is a vital component and a key element in involving the community in the creation and long-term viability of a new charter school.

The lessons learned from ASA's experience include:

- **Educational excellence is a priority.** ASA's founder and community stayed true to their vision for an integrated academic and performing arts public high school and have grown the school through its extracurricular activities and strategic partnerships over the years.
- **Community engagement is part of how ASA operates.** Community engagement from developing the concept for a charter school through to ongoing operations is vital to ensuring that a school is responsive to its community's needs and sustains ongoing interest in the school.
- **Demand for the school through sustainable enrollment and successful academics was proven before significant debt was incurred.** A school must establish and ensure that there is a demand for the educational product that it offers students and families. This will determine whether a school can sustain the enrollment necessary to service any debt obligations it assumes. This means a school should plan to lease property first to develop strong relationships with families and the surrounding community. Realistically, it takes a

few years to produce education outcomes to demonstrate a school's academic success which is a sound timeframe for leasing prior to purchase.

- **A competitive salary and benefits package are important for retention.** Staff recruitment and retention is a priority at this school as reflected in competitive wages, generous health benefits, and participation in the Arizona State Retirement System.
- **A benchmark for cash reserves is fundamental.** A charter school must have sufficient cash reserves to meet its financial obligations. This is particularly relevant prior to securing debt. Bonds, the most common form of long-term debt, are increasingly setting a requirement of 60 days cash reserves while the ASBCS performance standard is 30 days of cash liquidity. A charter holder must be prepared to manage financial resources with this benchmark in mind.
- **Plan in advance for how cash excesses will be used.** Develop guidelines in advance for reference when cash excesses occur to guide how money is best used depending on whether it is a once-off surplus or due to on-going additional revenue. ASA's plan includes possible expenditures such as salary increases or performance bonuses, programmatic needs, or facilities expenses.
- **Successful fundraising requires a strategy and resources.** A school such as ASA with its costly performing arts program must be committed to fundraising. This will be most effective when the educational team delivers on the promises of an academically challenging and focused learning model, i.e., there is congruence between the academic and financial success of the charter. Fundraising requires human resources—paid staff and volunteers. Having a strategy in place as a guide will enhance outcomes.
- **Strong governance benefits the entire organization.** An engaged, representative and independent corporate and governing board plays an important role in maintaining the vision of the school. "If you build it, they will come" works when the team building the school commits to the vision and by being financially savvy as you "build."

ASA is an exemplar of starting slow and acquiring facilities and increasing enrollment in a fiscally sustainable manner while consistently building an "A Exceeds" program. This case study provides a framework for others to follow this successful model.

Conclusion

The practices highlighted in this case study are supported by the data included in the analysis of ASA as an exemplary charter school. As one of the oldest charter schools in Arizona, its history of demonstrating careful financial management while providing excellent academic outcomes provides a range of practices that warrant consideration by other charter schools and their boards as they consider the establishment or expansion of a charter school.

Appendix

Table 5: Salaries and Benefits for Arizona School for the Arts

	Page 10 Salaries All		Salaries and Benefits AFR	AFR Figures
	Salaries	Benefits	Salaries + Benefits	Benefits as a %
	6100	6200	6100+6200	of Payroll
FY 2014	\$3,112,715	\$903,926	\$4,016,641	29.04%
FY 2015	\$3,299,157	\$923,254	\$4,222,411	27.98%
FY 2016	\$3,630,782	\$984,116	\$4,614,898	27.10%
FY 2017	\$3,770,495	\$1,063,789	\$4,834,284	28.21%
FY 2018	\$4,043,253	\$1,138,065	\$5,181,318	28.15%
FY 2019	\$4,457,212	\$1,253,964	\$5,711,176	28.13%

**Average for Benefits
on AFR**

28.10%

Source: Annual Financial Reports from the ADE website. Collated and analyzed by Grand Canyon Institute as part of its meta-data on Arizona charter schools.

Table 6: Participation in the Arizona State Retirement System

	Participates in ASRS	ASRS as % of Payroll
FY 2014	\$318,640	10.18%
FY 2015	\$339,715	10.23%
FY 2016	\$372,913	10.23%
FY 2017	\$389,424	10.33%
FY 2018	\$430,703	10.66%
FY 2019	\$480,401	10.78%

Average Participation Rate

10.40%

Source: Audits for Arizona School for the Arts from ASBCS database. Collated and analyzed by Grand Canyon Institute as part of its meta-data on Arizona charter schools.

Table 7: AFR Revenue Sources for Arizona School for the Arts

	From AFR Data on Revenue State Equalization	From AFR Data on Revenue		
		Classroom Site Funds and Inst Imp	Revenues from Federal Govt	Local Revenues and Contributions
FY2014	\$5,260,907	\$367,273	\$79,109	\$1,185,302
FY2015	\$5,407,884	\$365,620	\$91,408	\$1,230,295
FY2016	\$5,771,464	\$410,056	\$94,878	\$1,629,235
FY2017	\$5,911,958	\$416,505	\$90,723	\$1,694,914
FY2018	\$5,935,318	\$478,261	\$83,620	\$1,745,026
FY2019	\$6,319,146	\$523,001	\$94,837	\$1,640,468

Source: AFR Reports, FY2014 – FY2019.

Table 8: Annual Financial Position for Arizona School for the Arts

	Total Net Assets and Net Liabilities All	Total Net Assets (Deficit) year	Cash EOY
FY2014	\$19,850,137	-\$547,356	\$1,393,094
FY2015	\$19,593,760	-\$652,784	\$1,740,730
FY2016	\$19,934,704	-\$451,823	\$2,162,883
FY2017	\$19,252,506	-\$347,535	\$2,292,330
FY2018	\$18,910,917	-\$425,839	\$2,171,460
FY2019	\$18,465,270	-\$1,002,398	\$2,258,658

\$2,003,193

Average

Source: Audits, FY2014 – FY2019. Collated data is in Grand Canyon Institute's Metadata Set from FY2014 through FY2019.

Table 9: Links to Sources Used for this Case Study

Locator Links to Main Storage of Charter Board Data

Charter Board, IRS 990 and ADOE Data on Charter Locations

*****Item one through 3 are links to the IRS Form 990 for Arizona School for the Arts FY2016-FY2018**

https://pdf.guidestar.org/PDF_Images/2016/860/792/2016-860792809-0ddaf0b8-9.pdf

https://pdf.guidestar.org/PDF_Images/2017/860/792/2017-860792809-0f6a46d2-9.pdf

https://pdf.guidestar.org/PDF_Images/2018/860/792/2018-860792809-105d2d1c-9.pdf

Audit Locators by Fiscal Year for Arizona School for the Arts

2014 https://online.asbcs.az.gov/dms/view_file/32/18576

2015 https://online.asbcs.az.gov/dms/view_file/32/20669

2016 https://online.asbcs.az.gov/dms/view_file/32/23318

2017 https://online.asbcs.az.gov/dms/view_file/32/25068

2018 https://online.asbcs.az.gov/dms/view_file/32/26649

2019 https://online.asbcs.az.gov/dms/view_file/32/28298

ADOE AFR Locators by Fiscal Year for Arizona School for the Arts

[afr14.xls](#)

[afr15.xls](#)

[afr16.xls](#)

[afr17.xls](#)

[afr18.xls](#)

[afr19.xls](#)