

What is Great Hearts?

Great Hearts is a non-profit, 501c3 organization that opens and operates public charter schools. No part of our structure is for-profit, and no individuals privately own the organization. We are a mission-driven organization dedicated to improving education through classical preparatory K-12 academies. Our core purpose is to cultivate the hearts and minds of students in the pursuit of Truth, Goodness, and Beauty.

Each academy in the Great Hearts network is a state-chartered public school and a subsidiary 501c3 non-profit. Collectively, our academies utilize a home office team for more efficient support of the network: Human Resources, Curriculum Development, State Compliance and Reporting, IT, Marketing, Facilities support, Enrollment, Finance and Accounting, Exceptional Student Services support, Fundraising support, and Teacher, Staff, and Leadership Professional Development. Each academy directs 10% of their state aid payment to the network for academy support services. Importantly, however, every penny donated at each academy stays at the academy and is not moved between schools or used for network support services.

Why do Great Hearts and the schools in our network have a need to fundraise?

There is a gap between what the state invests in our schools and what it actually costs to run them.

As you probably know, public charter schools are funded differently than public district schools. Both districts and charters receive what is called a base per-pupil amount. For our school, the total of this base amount comes from the state's general fund and some federal grants. For a district school, the general fund plays a smaller role in their overall funding with local property taxes making up a significant portion of their total.

Because charter schools do not receive any local tax revenue, charter schools receive more from the state's general fund than district schools.

Some have taken this difference to mean that charter schools get more funding than districts schools. This is false. In addition to local property tax revenue received to cover their base amount, school districts can also increase their per pupil funding through local bonds, voter-approved budget overrides, and additional facilities funding from the state's school facilities board. When all sources of public revenue are totaled, district schools receive significantly more in public funding than charter schools.

Depending on which district a public charter school resides in, it can receive anywhere between \$1,000 - \$5,000 less per student than the public district school next door.

Even still, this doesn't tell the whole story. Charter schools must pay rent or a mortgage on their facilities. District schools don't have that expense as the local taxpayer covers that payment. This means that charter schools only have their per-pupil funding at their disposal to ensure students have a safe and functional school in which to learn.

[Here's how this ends up working out at Archway Scottsdale:](#)

\$6,799 = The amount that Archway Scottsdale receives in total per-pupil funding from the state and federal sources

 \$940 = What your Community Investment dollars add, per-pupil, to our school funding*

\$7,739	= Total Unrestricted Per-Pupil Funding Amount
<u>-\$1,407</u>	= Lease payment on our facility on a per-pupil basis
\$6,332	= Total Per-Pupil Amount Left Over To Operate Our School

**\$940 is the average amount of Community Investment campaign funding we receive per student.*

The reported average per-pupil funding level for public schools in Maricopa County is around \$9,600. In the public school district that Archway Scottsdale resides, Scottsdale Unified School District, the reported total per-pupil funding amount is around \$10,300. In real dollars, this constitutes over a \$3,900 difference between the funding of a SUSD student and a Great Hearts student. **This means that our school has approximately \$109,200 less in funding per classroom.**

[Here's how this ends up working out at Scottsdale Prep:](#)

\$7,605	= The amount that Scottsdale Prep receives in total per-pupil funding from the state and federal sources
<u>\$805</u>	= What your Community Investment dollars add, per-pupil to our school funding
\$8,410	= Total Unrestricted Per-Pupil Funding Amount
<u>-\$1,125</u>	= Mortgage payment on our facility on a per-pupil basis
\$7,285	= Total Per-Pupil Amount Left Over To Operate Our School

The reported average per-pupil funding level for public schools in Maricopa County is around \$9,600. In the public school district that Scottsdale Prep resides, Scottsdale Unified School District, the reported total per-pupil funding amount is around \$10,300. In real dollars, this constitutes over a \$3,000 difference between the funding of a SUSD student and a Great Hearts student. **This means that our school has approximately \$66,000 less in funding per classroom.**

Great Hearts and the schools in our network fundraise not only because of these low per-pupil investments, we also do more inside our classrooms than you will find at many district schools: Smaller class sizes, lower student-to-teacher ratios, along with daily, core curricular programs like art, music, foreign language, drama, poetry, not to mention college counseling and a range of extra-curricular and cultural opportunities. All of this adds to the richness of the student experience and all of it costs money. We know this is what our children deserve, and it is why we rely on our partnership with families to help provide their children with this unique and worthwhile education.

Why do schools in the Great Hearts network need to run capital campaigns?

Unlike district schools, charter schools do not receive local or bond override funding to build or maintain their facilities. Therefore, Great Hearts and the schools in their network seek bond funding from open markets to finance capital projects to build new schools or refinance existing bonds. The lease

payment/debt service of the bond is paid directly from the operating budget of each academy. Capital campaigns may be run at some academies to complete campuses with program amenities for our students and teachers beyond what responsible debt service will allow.

What will it take in charitable giving for us to reach our Better Together Goal of \$5.7M?

In order to reach our goal, we will need at least two gifts in the \$500,000 or above range, six gifts in the \$250,000-\$500,000 range, 8 gifts in the \$100,000-\$250,000 range and many other gifts at \$100,000 and below. Most families are participating in the \$25,000-\$50,000 range with fulfillment over three years. Commemorative naming and sponsorship opportunities are available for most all gifts of support and can be found on the campaign website.

How many other campuses have had capital campaigns to build out the school and what were the amounts of those campaigns?

All schools with recent new builds have held capital campaigns with the exception of Lincoln. Campaign goals are set based on many granular factors. Most campaigns have been over \$1M and have successfully raised that including Trivium, Glendale and Arete. Maryvale and the new Scottsdale campaign are our largest to date.

What are the actual costs of the project?

Sources

Bond Debt Project Fund	\$20,976,232
Sale of DC Ranch (net)	\$2,056,751
Use of Funds from 2016 bond for Sports Field	\$500,000
Better Together Capital Campaign	\$5,765,064

Uses:

Initial purchase of the building including legal, closing, commissions	\$18,897,316
Capitalized Interest and Bond Debt Reserve	\$1,874,931
Total cost of Phase I	\$5,396,963
Total cost to date	\$26,169,210
Phase II est including knocking down part of whse and building new wall	\$3,300,000
Total estimated project cost	\$29,469,210

How is the amount apportioned between Archway and Prep? Is Prep paying more as part of the property acquisition and square footage being allocated to their use/field? Since they are separate entities who has control/priority of the field?

As you can see in the sources above, left over bond proceeds for SPA’s field at DC ranch and the proceeds from the sale DC ranch property is one of the sources of revenue for the new build out. Also, please keep in mind that the field isn’t just for SPA. Archway will have many uses for the new field as well including additional PE space, field days etc. As you can see in the chart above, SPA has put in about \$2.5M toward the overall project to date. Currently the primary beneficiary of the property is the Archway as we received new debt based on the number of students being added to the Archway. When the field and remaining warehouse have been completed we will review and determine what the

appropriate split should be. It should be noted that SPA's PSO has also given about \$70,000 toward the project to date in support of a future field.

Is the Capital campaign a combined campaign, or is it part of each school? Is this a GH corporate campaign with the funds allocated to GH to do as they see fit?

SPA has their own debt for their building that they are paying on. The debt related to the new campus is all on Archway. With that being said, it is a combined campaign as Prep will reap the benefits of having the field and whatever else we do with the rest of the warehouse.

Can the order of project priorities and timeline be changed? There is not enough playground or space for the large increase in children. Could we convert the open warehouse area to an indoor playground/activity space before next year versus years later when the whole campaign is done?

Sure, we can change and determine as a community once we have raised the Phase One capital need of \$2.5M. It would make sense to put in the field as mentioned above for extra running/play space, athletics and games during recess. Our only obstacle right now is capital. Construction of an actual field is approximately 6 months once capital is secured.

Who decided the order and has decision making on the process and were parent's part of the planning phase?

We did have a group of parents under a non-disclosure agreement during the initial phase prior to the purchase of the property in which Great Hearts Arizona consulted. This parent participation was part of the planning process during the initial stages of project and campaign roll out. The actual purchase had a confidentiality clause which complicated public participation during the escrow process prior to close. We welcome parents to sit down with school leadership and/or any of our cabinet members to discuss.

Can GH lower the management fee until the project is completed or allocate part of those fees derived from this campus? Could this help to fund the project versus using fees from these two schools to finance opening other new schools out of the area?

Management fees go to support all our schools in the Arizona network for combined services such as Payroll/HR, Talent & recruiting, Training and support, facility management, Headmaster college, development services etc. Other regions have their own budgets. The management fee is not used to finance buildings.

Why an athletic field? Is that a real need of Prep's student body or would they prefer something different?

An athletic field would provide the needed additional space for Archway activities as well as provide support for the high school athletic programs. It also removes expenditures for families and Prep such as travel, rental or field lease expenses associated with all athletic games and practice space. In addition, a field could potentially provide an opportunity for sources of revenue with other outside athletic community partnerships. And, yes, there are many Prep families who have long dreamt of a day when their students would have a home field of their own. We can explore alternatives as well.