SKYVIEW SCHOOL
Fiscal Viability and Sustainability

PART I: Fiscal Viability Related to Fundraising and Philanthropic Support.
When Skyview School was first chartered in 1996, the charter school movement was in its infancy. As such, there were only limited start-up funds available to launch our school. While subsequent charter schools received an average of $250,000 to $500,000 in start- up funds from state and federal sources, Skyview School received only $30,000. However, from July 1996 through June 1999, the school's fundraising campaigns raised $223,103, which helped Skyview School to establish its long-term fiscal viability. In fact, over the past fourteen years Skyview School has raised close to a million dollars through family foundation and corporate grants, donations from our parent community and local businesses, and a multitude of fundraising events.

Skyview School was fortunate to be the recipient of $147,629 in grants from the Walton Family Foundation. This grant money allowed us to create a computer lab; purchase science equipment and create a basic science lab; build an outdoor traversing wall; purchase music, visual arts, and dance materials; install sinks in some rooms; and build a storage shed. All of these improvements greatly impacted the quality of our educational program. In addition, Skyview School was granted $45,000 by the Frankel Family Foundation to assist with the design and construction of an outdoor performance theater, which has been used for school-wide gatherings and class-level celebrations of learning.

Another invaluable resource has been our parent community. Skyview School was the first charter school founded in Arizona by parents and many of them were educators within the Prescott area who understood the value of offering opportunities for families to be actively involved in the life of the school. As a school of choice, families have selected Skyview School because they connected to the mission of the school and wanted to be involved in their children's education. Over the years parents have supported the learning at Skyview School through their service ethic by volunteering and assisting the school in meeting its educational goals.

Furthermore, parent volunteerism helps Skyview School meet the financial obligations of the school's operations, given the limits of its public funding. While Skyview School was deliberately designed (and research supported) as a small school, studies indicate that administering a smaller school is more costly. Moreover, Arizona's educational funding has historically ranked low nationally, making school budgeting all the more challenging. According to the organization, Independent Sector (which is used by volunteer programs for value referencing), the average estimated value of each contributed volunteer hour is $18.00. For the past fourteen years Skyview School families have annually logged in around 8,000 hours, which financially equates to over two million dollars! The service of parent volunteers is important, necessary, and an integral part to Skyview School's fiscal viability and sustainability.

The strength of the school's fundraising, the high rate of parent volunteerism, and strategic financial decision-making positioned Skyview School after only three years to embark on an effort to purchase a facility. Under the leadership of the Director and the Board President, Skyview School purchased a two-acre site in downtown Prescott in 1999 that had once been a

Moose Lodge. The location has offered easy walking access to the Prescott Public Library, The Elks Theater, Acker Park, Ken Lindley Park, and Yavapai College. After the site was purchased, our extremely dedicated staff and parents spent their entire summer renovating the facility. This massive project included remodeling spaces in the Moose Lodge, adding modular buildings, grading the property, adding curbs, and paving a parking lot. Due to the high level of volunteerism, the school was able to keep the overall expenses lower, which contributed to Skyview School laying a strong financial foundation and sense of ownership that has continued into the school's fourteenth year.

From the founding of Skyview School, fundraising has been and continues to be an extremely valuable asset to the fiscal success of the school. The Board of Directors has established a Fundraising Committee that meets annually and develops fundraising goals and actions plans. In addition to the Walton Family Foundation and Frankel Family Foundation grants, Skyview School has been the beneficiary of many grants and donations from sources like APS, Prescott Farmers Market, Wells Fargo, Rotary Club, Lowe's, Home Depot, Target, Freeport McMoran Mines, and many more. In addition, Skyview School is now moving into its fifteenth year and has established itself as an excellent educational organization with a respectable reputation. This has created an increased level of confidence among potential donors. Finally, our growing ranks of alumni are beginning to enter into professions where they will have the financial means to support the school and contribute to its continued academic and financial success.

PART II: Accounting Procedures

The following are accounting procedures utilized at Skyview School:

- The Operations Manager initially processes all accounts payable and receivable.
- Accounts Payable: all expenses exceeding $50.00 require a Director's signature on a purchase order. All expenses exceeding $5,000.00 require board approval.
- The Operations Manager receives invoices and payables throughout the week. A spreadsheet is compiled on Friday, listing all vendors with amounts due, which is then sent, with a copy of all invoices, to Educational Services Inc. (ESI); this spreadsheet is then kept in a binder in the office as a permanent record of payables for that week. Payables are then processed (checks cut) by ESI and sent back for distribution the following week. All checks are signed by the Operations Manager and mailed or distributed.
- Accounts Receivable: the Operations Manager processes all receivables, with supervision by the Director. Receipt books are kept separately for general receivables and tax-credit donations. Deposits are made in a timely manner, averaging twice a month. A summary is sent to ESI for their records and deposit data and slips are kept according to the Arizona State Library Archives and Public Records, Records Management Division guidelines.
- Educational Services, Inc. (ESI): A business agreement between ESI and Skyview School, Inc. is made and entered into on a yearly basis. The scope of core services provided to Skyview School, Inc. is as follows:
    - Advise on all financial affairs.
    - Assist in budget development.
    - Provide a program of accounting to comply with state and federal guidelines.
    - Provide accounting functions for budgeting, accounts payable and payroll.

- Monitor the apportionment of local, state and federal funds.
- Monitor the apportionment of funds to Skyview School.
- Develop and recommend procedures for the collection and deposit of all other funds.
- Prepare all regular payrolls and weekly expense vouchers.
- Deliver accounts payable checks once a week and payroll checks every other week.
- Provide financial information when applying for grants.
- Assist school staff in development and implementation of internal records procedures.
- Work with outside auditors.
- Provide a listing of items to be added to the fixed assets record and assist in maintaining a fixed asset list.
- Provide legislative updates on changes in the law.
- Submit budget and other financial reports to the State of Arizona as needed.
- These services are currently provided at the rate of $20,040.00 for the fiscal year 2010.

PART III: Process Used in Fiscal Decision-Making

The Board of Directors recognizes that effective budgeting and money management constitutes the foundation of the entire school program. In order to make that support as effective as possible, the Board of Directors:

- Requires maximum efficiency in accounting and reporting procedures in compliance with USFRCS.
- Develops advance planning through established budgeting procedures.
- Actively explores all practical and legal sources of additional revenue.
- Approves the expenditures of funds.
- Requires maximum efficiency and compliance in accounting and reporting procedures.

The Director is responsible for the development of the annual budget. The Board of Directors has established that the Director must present them a balanced budget for review. With this in mind, the Director determines the projected student enrollment and calculates the budget using state aid formulas, including state and federal grants and Classroom Site Fund money, to determine the total revenue for the year. After an account for fixed expenditures is made, the Director establishes guidelines and limitations on particular line items such as classroom aides, supplies, and professional development. When the Director has completed the proposed budget, it is presented, along with supporting documentation, to the Board of Directors for review and action. Each school year the Director prepares and disseminates the proposed, adopted and revised budgets and accompanying documents to accomplish all required budgetary actions for the following school year, as required by Arizona law.

The Board of Directors prepares and posts an agenda notifying the stakeholders that a meeting will be conducted to consider the proposed, adopted, and revised budgets. Approval of the proposed, adopted, and revised budgets are consistent with Arizona Revised Statutes. In order to determine if budgeted expenditures are in line with the adopted budget, the Director and Operations Manager meet monthly with the accountant before the scheduled Board of Directors

meeting. The Director presents a monthly report of expenditures and revenues to the Board of Directors and reports on any variances within the budget categories. Periodically throughout the year, the budget is reconciled with actual expenditures of the school.

As the CEO of the organization, the Director is granted the discretion to make fiscal decisions on expenditures up to $5,000. For all expenditure exceeding $5,000, the Board of Directors has the sole authority. Throughout the fiscal year, as services are required or requests are made, the staff must complete a purchase order for purchases over $50 outlining each expense and the total cost and present it to the Director for authorization. Purchase orders are required to be completed by the staff and signed by the Director prior to the purchase.

When the Director requests authorization from the Board of Directors for expenditures over $5,000, but less than $15,000, at least three verbal price quotations must be obtained. The Director is then responsible to present the price quotations on a related requisition form to the Board of Directors. Written price quotations are required from at least three vendors for transactions costing at least $15,000, but less than $50,000, for non-construction costs, or $25,000 for construction-related costs. Sealed bids are required for transactions costing $50,000 or more for supplies, equipment, outside professional services or construction-related costs.

In the event that funding sources are reduced or unexpected expenditures occur, the Director has the authority to freeze discretionary spending and reduce non-exempt positions in order to balance the budget. The Board of Directors has final authority to freeze or reduce exempt position salaries or reduce exempt positions.

PART IV: Site-Level Personnel with Fiscal Authority

As stated in Part III, the Director holds discretionary responsibility for expenses up to $5,000. Any expense over this amount must be approved by a majority vote by the Board of Directors.

PART V: Fiscal Viability

Skyview School is in a very sustainable position in terms of remaining fiscally viable. As evidenced by the previous two *Financial Statements and Independent Auditor's Reports*, Skyview School completed both fiscal years with healthy net assets (June 30, 2008 - $191,643 and June 30, 2009 - $208,423). In addition, due to increased federal funding and making strategic budgetary cuts during fiscal 2009-2010, Skyview School is projected to end the fiscal year by increasing its net assets by $90,298 to $298,721. Even with the expected $89,760 reduction in state aid in the 2010-2011 fiscal year for kindergarten funding and base level support, Skyview School is projected to increase its net assets another $14,674. By June 30, 2012, Skyview School's net assets are projected to be $329,355.

This positive financial trend is the result of a strategic restructuring of our multi-age levels. During the 2006-2007 school year, as the costs of insurance and other fixed expenses were growing at a faster pace than educational funding, it became very apparent that for Skyview School to remain fiscally viable well into the future a structural change was needed. During this time four years ago Skyview School had one kindergarten classroom, two primary classrooms (1st, 2nd, & 3rd graders), two intermediate classrooms (4th, 5th, & 6th graders), and two middle school classrooms (7th & 8th graders).

In an effort to position Skyview School as a fiscally sustainable model, instead of increasing classroom sizes the Board of Directors, in consultation with the Director, decided to re-configure the multiage model and to eliminate one of the middle school classrooms. While they understood there would be a short-term loss of students, and subsequently a decrease in net assets, as shown in the June 30, 2008 financial audit, the plan was to slowly build back up the numbers so that the majority of the students were on the younger end and there was room to expand the student population if there ever was a need in the future.

At the start of the 2007-2008 school year there was one kindergarten classroom with a cap of 18 students, two primary classrooms (1st and 2nd graders) with a cap of 24 students in each class, one intermediate 3-4 classroom with a cap of 24 students, one intermediate 5-6 classroom with a cap of 24, and one middle school classroom with a cap of 25 students, for a total of up to 139 students. However, because the 3rd graders were shifted out of the primary level to the intermediate 3-4 level, the total number of students in the primary dropped considerably to approximately 33, leaving the school with a student population of 124 students.

In order to increase student enrollment, the other middle school classroom was renovated into a second kindergarten classroom and a second kindergarten was started in 2008-2009. After two transitional years with relatively low classroom sizes in the primary classrooms, in the current school year (2010-2011) students from the two kindergarten classrooms entered into the primary and we saw enrollment back at normal levels and our budget surplus began to grow once again.

Despite some growing pains, the changes that have occurred in the last three years have been very successful for many reasons. They have allowed us to shed many unnecessary expenses and this has improved the school's surplus budget projections; they have created an educational atmosphere that feels "softer" because there are more students at the lower levels; they have increased the percentage of students who will stay at Skyview School from kindergarten through 8th grade, which means the school will not need to rely as much on enrolling students at the upper levels; they have increased our student population in a sustainable manner that has allowed us to hire additional aides; they have provided teachers a much greater opportunity to teach to every child's academic and emotional needs; and they have helped us strengthen the school's personal intelligences curriculum and seamless K-8 academic program.

As the school continues to grow its net assets through careful fiscal decision-making and expands its source of fundraising and philanthropic sources, Skyview School is poised to continue successfully fulfilling the tenets of its charter for the next fifteen years.