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Achievement First

A High-Performing Network of Charter Schools
Faces Political and Patron Pressures

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For decades, the educational establishment had argued that the persistent achievement gap between the test scores of minority inner-city youths and suburban kids could not be leveled by creating better inner city schools. Poor educational performance, it was asserted, was the result of low socioeconomic status (SES) and until the social and economic conditions of the inner city improved, poor city students would score lower on the standardized tests that determine so many of life's opportunities. At the margin, inner city schools could help a few students gain better opportunities, but for the most part, educational elites believed SES was destiny.

And yet, on the edges of a warehouse district in New Haven, Connecticut, an intrepid group of educational pioneers were turning this conventional theory on its head. Amistad Academy, a charter school founded by two Yale Law School graduates, was not only getting students on par with their grade levels in reading and math, but was pushing them to perform as well as the best suburban school districts too.

Educators dismissed Amistad's results as the product of a "boutique school" and claimed their methods weren't applicable to the general problems of urban education. Amistad's Director of Academic Affairs Doug McCurry and Executive Director Dacia Toll thought differently. From the beginning, they had been motivated by more than the desire to build a single school; they wanted to change the tenor of the debate on the achievement gap. Five years after opening Amistad, McCurry and Toll opened an additional school in New Haven and four schools in Brooklyn, New York – all of which showed the same promise as Amistad. They dubbed their network of schools Achievement First (AF), and garnered national attention and funding from "venture philanthropists" interested in educational reform.

However, in the summer of 2006, AF was facing critical questions about its future direction. The funding environment in Connecticut for charter schools remained perilous. Representatives of AF's largest financial backer wanted to put expansion in Connecticut on hold and build more schools in New York, where public funding was more generous. Others on the AF board wanted to open more schools in Connecticut to build on the political momentum in the state. AF also faced questions of how much to spend on its central office function, particularly on curriculum development and teacher recruitment and training. Internally, AF grappled with how expansion would influence its operations and ability to recruit talent. Finally, AF's leaders considered the fundamental issue of how to best leverage their efforts to drive educational reform and help close the achievement gap nationwide.

Founding Amistad Academy

The Charter Idea Takes Shape

Dacia Toll (LAW '99) and Stefan Pryor ('93 and LAW '98) were Yale Law School students when they first conceived the idea of Amistad Academy. Pryor, a native of New York City, had already made his mark on New Haven politics. As a senior at Yale College, he won a seat on the city's Board of Aldermen, and then went on to work as a top policy advisor to New Haven Mayor John DeStefano.⁴ Pryor came from a family of teachers and was passionate about urban politics and development. "Stefan knew everybody and everybody loved Stefan," Toll noted. A writer for the *New York Times* quipped, "He happens to be the sort of guy who gets hopelessly revved up by start-ups, no caffeine necessary."⁵

Like Pryor, Toll seemed to be propelled by a limitless reserve of energy, but her interests were focused on the connection between civil rights and education. As an undergraduate at the University of North Carolina, Toll worked in one of Chicago's most impoverished and dangerous housing projects, the Robert Taylor Homes, which was almost exclusively African-American. A Rhodes scholar, Toll applied to Yale Law School with an eye toward becoming a civil rights lawyer. Reading books like Jonathon Kozol's *Savage Inequalities* and reflecting upon her own experiences working with an anti-poverty program called The Atlanta Project convinced her that inequality in K-12 education was the most important civil rights issue of our time. Toll argued "It seemed like most of the things that you fight about downstream are fundamentally the result of unequal investments in children. The achievement gap between African-American and white children manifests itself in the need for affirmative action, job training, and other antipoverty programs."

The achievement gap between the test scores of African-American and white students had long been a feature of education in America. Studies documented persistent racial differences in graduation rates, SAT scores, state tests, and in the U.S. Department of Education's National Assessment of Educational Progress (NAEP). Among fourth graders taking the NAEP in 2005, 47% of white students scored at or above proficiency in math compared to 13% for black students. Results in reading showed a similar pattern: 40% versus 13% respectively. These disparities were even more severe in Connecticut. No matter how the achievement gap was measured, Connecticut's scores showed one of the widest disparities in the nation. On the NAEP, 54% of white students in Connecticut scored at or above proficiency in math versus 11% of black students; the percentages for proficiency in reading were 47% versus 13% respectively. And as students advanced to higher grades, the gaps became even larger.⁶

Studies have focused on the achievement gap as a key driver of racial inequality. In Christopher Jencks' and Meredith Philips' 1998 book, *The Black-White Test Gap*, they argued, "If racial equality is America's goal, reducing the black-white test score gap would probably do more to promote this goal than any other strategy that could command broad political support."⁷ This was particularly significant because Jencks, a prominent sociologist, had argued in 1972 that narrowing the achievement gap would not do much to reduce economic inequality.⁸ In the quarter-century since his original study, Jencks claimed that the economic rewards for education had increased dramatically, with significant consequences for the importance of the achievement gap.

Taking a class on education and the law, Pryor and Toll became excited by the possibility of closing the achievement gap. Their entrepreneurial instincts drove them to search for ways they could contribute to improving public education in New Haven. They met with the city's superintendent of schools, Reginald Mayo, and offered their help, but Mayo didn't know how to use them. Toll and Pryor proposed opening a magnet school in New Haven, but the discussion dead-ended. Eventually, Toll and Pryor became convinced they could pursue their goal by opening a public charter school.

Toll recalled, “The charter law basically says, ‘If you think you can do better, put your money where your mouth is.’ The charter vehicle gives you total control over budget, total control over hiring, and total control over the program and curriculum. Basically, all the ingredients you need to create a truly great school.”

Connecticut passed its first charter school law in 1996 after a series of emotionally charged negotiations between legislators, the state Department of Education and the teachers’ unions. Under the charter law, Connecticut funding does not follow the child, as it does in many states. Instead, funding reflects local population levels, so districts that lose enrollment to charter schools generally don’t lose funding. The law limits student enrollment, as well as the number of charters that can be granted statewide (see Exhibit 1). The law aims to make charter schools incubators of ideas while curtailing their growth to avoid threatening traditional public schools. “Given the level of collaboration and discussion that occurred in developing the charter school proposal, it is not surprising that the legislation passed in 1996 was called a ‘compromise’ and an ‘eclectic’ law, aimed at addressing the concerns of several constituencies,” a researcher noted. “Significant by its absence was the sense that charter schools were intended to create competition among public schools in Connecticut.”⁹

Charter schools are still public schools in that they receive public funding. They are not allowed to charge tuition and they are required to admit applicants by lottery. In Connecticut, charter school funding was originally set at 105% of the state’s funding level for public schools. While this might seem generous, charter schools do not receive funding from local property taxes that traditional public schools rely on for financing. A per pupil funding comparison showed that Connecticut charter schools receive approximately 30 percent less in public funding than traditional public schools.

Under the charter law, anyone may apply to the state Board of Education with a proposal for setting up a nonsectarian school (see Exhibit 2). When granted, a charter exempts a school from many rules and regulations imposed on traditional public schools, and it allows a school to operate without answering to a local school board. Each charter comprises an independent school district with an appointed (rather than publicly elected) board. The price for autonomy is that charters are accountable to the state. A charter can be revoked for mismanagement, illegal activities, and poor student academics, among other offenses. Existing charters are re-evaluated every five years and renewed if the school is meeting the specified performance criteria.

Building a Team to Develop the Idea

Pryor and Toll wanted to demonstrate that urban, low-income, minority children in New Haven could perform at the same levels as their wealthier, white suburban counterparts. A considerable portion of the educational establishment believed that this goal could not be achieved until inner-city children had healthier living environments, improved safety and nutrition, and well-educated parents. Despite sharing many of these progressive political beliefs, Pryor and Toll also believed that students could perform at high levels irrespective of their backgrounds. By founding Amistad Academy, Pryor and Toll sought to move the political debate from *whether* these students could match their suburban peers to *how* they could achieve similar, if not better, results. At the time, fifth graders in New Haven were scoring two grade levels behind their peers on most achievement tests, so the duo decided to focus on building a middle school (grades 5-8), since it was clearly an area in need.¹⁰

To get the ball rolling, Toll and Pryor organized and co-chaired a planning committee including teachers, parents, lawyers, philanthropists, bankers, community activists and a juvenile court judge. The committee started lobbying for political support to overcome the significant hurdles involved in setting up a charter school, and to help bridge the gap between their operating costs and the amount of funding they received from the government. The committee enlisted institutional partners such as the Yale Law School, the Southern Connecticut State University School of Education, the Yale Child Study Center, New Haven Savings Bank, the New Haven County Bar Association and the Greater

New Haven Chamber of Commerce.¹¹ Toll noted the importance of building a broad base of support and expertise,

It was very clear that this couldn't and shouldn't be just a Yale project. We set up the committee not only to ease town-gown political tensions, but also to learn from the community. While we had energy and some ideas, we clearly didn't have the total package of what you needed to start a truly great school.

To formulate a curriculum, Pryor and Toll secured a seed grant of several thousand dollars from the Dean of the Yale Law School, Anthony Kronman.¹² Toll and Pryor used the money to visit high-performing schools across the United States and in Canada to discover the keys to their success, and assess which techniques could be applied in New Haven. Toll recalled, "The school visits were transformational in giving us the rocket fuel to believe it was really possible."

Ray Smart, a local philanthropist who sat on Amistad's planning committee, introduced them to Calgary Academy, a private school in Alberta, Canada that serves predominantly affluent, white children with learning disabilities. While these students did not appear to have much in common with the low-income African-American students Toll and Pryor were targeting, they shared the obstacle of starting school a couple of grades behind. Calgary Academy had shown remarkable success in rapidly eliminating the gap.

Pryor and Toll ended up adopting many of Calgary Academy's principles on instruction and school culture for their own school, including a values program called "REACH", an acronym for Respect, Enthusiasm, Achievement, Citizenship, and Hard Work (adopted from Calgary's Respect, Enthusiasm, Altruism, Commitment, and Honesty). In addition, they committed to:

- Adding 720 hours to the school year by adopting a 7:30am to 5pm school day and extending the school year;
- Organizing a clear structure for the day and a rigorous curriculum to avoid wasting time;
- Developing a "no excuses, high expectations" ethos that would be consistently applied across the school, with instances of disrespect and disruptions to the learning environment taken seriously;
- Highlighting achievement and good character through a daily "Morning Circle," where teachers and students would start the day with songs and chants and then communicate acts worthy of both praise and discipline to the community;
- Reinforcing school culture with uniforms of blue collared shirts (awarded to students who demonstrate REACH values) and khakis;
- Obtaining parental buy-in by developing an informal "contract" between the school, students and parents to reinforce the school's culture at home. The contract would serve as an inspirational document to communicate the school's mission, and encourage parents to get their children to school on time and supervise their homework.

The planning committee decided to name the school Amistad Academy after the anti-slavery case argued by John Quincy Adams in the U.S. Supreme Court in 1841. The decision freed 53 African men from Sierra Leone, who had been kidnapped by Spanish slave traders but revolted against their captors and took control of the schooner, "La Amistad." The kidnapped men were initially tried in the New Haven courthouse after the schooner reached the city's shores 1839.

Mindful of their larger mission to drive public school reform, Pryor and Toll sought to work within the same constraints as traditional public schools. Toll explained "If we want to be a part of a public school reform conversation, then we have to play by the same rules. We cannot hand pick our students. We can't oust the ones that are the most challenging. We can't spend a lot more money. We can't have class sizes that are a lot smaller unless we figured out a creative way to finance that within

the existing budget.”¹³ To avoid cherry-picking students, they publicized the school widely, and admitted students through blind lotteries with no requirements other than a child’s name and address.¹⁴

Getting State Authorization and Opening Up Amistad

The planning committee engaged in considerable research and put together an application for a charter, which they submitted in December 1998. Based on the strength and quality of the application, the school was ranked number one on the priority list that the state Education Commissioner submitted to the Board of Education.¹⁵ The Connecticut Board of Education approved the application at the beginning of April 1999, making Amistad one of only sixteen charters operating in the state.¹⁶

While Amistad had cleared its first bureaucratic hurdle by securing a charter, the school still lacked funding. The General Assembly had to approve an appropriation to allocate funding for the school, as it did for each new charter the state added. While they were lobbying for funding, Amistad’s founding team was also planning the curriculum, recruiting students, hiring teachers and renovating the property.

With the help of New Haven state Rep. Bill Dyson, who chaired the appropriations committee, Amistad secured state funding in June 1999. With its funding and infrastructure in place, Amistad Academy Middle School opened its doors in the fall of 1999 with 84 students (selected from more than 550 applications) in fifth and sixth grades. Student demographics were similar to those in New Haven’s traditional public schools: predominantly African-American and eligible for free or reduced lunch (see Exhibit 3). Amistad’s goal was to add a grade each year until it reached 250 students through eighth grade.

Toll became the Executive Director of the school. Pryor, however, had left New Haven to become Executive Director of Breakthrough for Learning, a \$15 million pilot program to experiment with teacher and principal performance awards in Brooklyn, New York.¹⁷ He continued to serve as chairman of Amistad Academy’s board.

Finding the right person to serve as Amistad’s first principal proved difficult. The plan had been to set up a division of labor between an Executive Director and the principal of the school, with the executive director focused on administrative concerns and the principal attending to instructional matters. The planning team conducted a national search and selected an award-winning principal with 12 years of experience. It soon became apparent, however, that the new hire did not have the right mix of energy, attitude and skills, and by November, the teachers were reporting to Toll. Fortunately for Toll, Doug McCurry, the lead teacher, was able to step up during the first year and provide additional help. The next year, McCurry formally took on the duties of principal under the title of Director of Academic Affairs.

Doug McCurry had been a private school teacher in Charlotte, North Carolina and came to Amistad after completing his certification at Columbia University’s Teacher’s College. Reflecting on how he came to be interested in working at a charter school, McCurry noted “I felt like it was almost criminal what was happening in our urban areas, and really got fired up at the time. This was when charter schools were just starting up, and so I was just really taken by the idea of an entrepreneur starting a school and showing that it’s different.”

Upon taking over as principal, McCurry recalled:

I don’t think [the original principal] understood the nature of an entrepreneurial startup. She was not willing to work the long hours and was used to working within a system, where she had a curriculum and regularly scheduled meetings with

teachers. She didn't look at the whole organization and ask, "What are the problems? How can I solve them right now?"

The time demands on the Amistad faculty and staff were incredibly high. Most of the staff was putting in 60-70 hours a week to accommodate the longer school day and the increased focus on tutoring and mentoring students. A teacher commented, "There weren't many systems in place, so it was kind of like laying a path right before walking on it." McCurry took de facto control of the curriculum during the first year and then added it officially to his portfolio of duties during the second year. While Calgary Academy had provided the basic instructional techniques, Amistad had to create its own interim assessment instruments and curriculum materials. "The idea for the school was there, but not a lot of the actual infrastructure for the educational program, so even the daily schedules were in a state of flux early on," McCurry remembered.

The first year proved to be a challenging learning experience for faculty, staff and students alike. Toll recalled:

It was my first real experience managing a team, and I made all the mistakes you make when you take on such a challenge. There were hiring mistakes, role definition mistakes, a principal who effectively gets sidelined halfway through the year, a staff that was not happy with the principal – and not that much happier with me. Lines of communication were not clear, and it wasn't plain what decisions were being made by whom and through what process. You don't have some of the tough conversations that you really should have, and not every conversation happens in the most professional way. We were all so young. But in spite of this, we got through it because we did have a very mission-driven group of people who really did care about the kids and had very high standards.

Toll had set high expectations for Amistad and the school met many of her goals soon after it opened. In 2001, less than two years after the school's launch, the state Board of Education reported: "Amistad's eighth graders, 87 percent of whom receive free or reduced-price lunches, achieved at the same level as their suburban counterparts on the Connecticut Mastery Test. They exceeded the statewide average in writing and math and were close to the state average in reading. All but four of the 32 eighth grade students (three of whom are special education students) reached either proficiency or mastery in math and writing."¹⁸ By contrast, New Haven's public schools reported that only 30 percent of its students were achieving either proficiency or mastery.

Amistad continued its impressive success. From its first graduating class to its present student body, Amistad Academy eighth graders taking the Connecticut Mastery Test have consistently performed close to or above the state average of students at "mastery," not just the weaker standard of "proficiency" (see Exhibit 4).

Founding Achievement First

Debating the Next Step

With Amistad Academy's consistently strong results, debate swirled around what the organization's next step should be. The original mission of the school included being "partners in public school reform," even though it was uncertain how that would manifest itself at the time. The school's supporters, board and staff differed on whether the school's influence would be best spread by disseminating best practices, adding new schools, improving teacher training, or something else entirely. Board conversations on this topic began in the summer of 2002 in a hotel in New York. Toll invited additional participants who could contribute to an informed discussion, including a member

of the state Department of Education, a consultant from McKinsey, and Peter Istvanffy, the President and CEO of Calgary Academy.

Istvanffy was eager for Amistad to establish teacher training centers like Calgary Academy's "Inlets" (Innovative Learning and Teaching Solutions), which had provided the original professional development for Amistad. Ray Smart, the Amistad board member who first introduced Pryor and Toll to Calgary Academy, was also a proponent of this approach. However, McCurry, Toll and some other board members felt differently, believing that the answer was more charter schools. McCurry explained:

I was always of the mind that we needed to do more schools to prove it was possible and that the teacher training model was going to have a limited effect. When you train a teacher, they still go back to relatively dysfunctional schools. I had a hard time seeing how that was going to systematically drive public school reform, since the fundamental unit of change is the school. Without changing schools, you can have a great fifth grade teacher and if you have a bad fourth grade, sixth grade, seventh grade teacher, it's irrelevant.

Toll was also increasingly skeptical that traditional public schools could replicate Amistad's breakthrough - rather than just incremental - results:

I think that the experience of running a school makes you painfully aware of the countless details required to get it right. It's not as simple as hiring great teachers; it's not as simple as providing great teacher training; it's not enough to have a high quality curriculum with aligned assessments; it's not enough to create a culture where kids want to do well in school. It's all of those things plus another 100 things that result in spectacularly high levels of student achievement. It was very clear to us that we were not interested in marginally improving outcomes for kids. There are people who do it and it is worthwhile - to take a kid from the 20th to 40th percentile. But for us, if you leave that kid at the 40th percentile, they're better off, but they are not fundamentally planted on a path to a competitive college and to all the opportunities that follow. If your goal is to have students who can graduate from college and become leaders in their communities, you have to get into the business of new school creation, because that's the only way you can control all the pieces to the puzzle.

Most of the staff and the board felt that building a network of schools would add to the credibility of the model Amistad had pioneered. McCurry observed, "Educators in New Haven always said, 'There is a straight line correlation between socioeconomic status and achievement' and so basically schools don't make a difference. We proved that schools can be the variable, and we can have suburban-like results with urban kids." But many members of the educational establishment dismissed Amistad's accomplishments as the result of a particularly strong group of leaders that could not be replicated. The school, they argued, was a boutique. McCurry believed that if they could systematize their process and expand to another school, they could prove that the achievement gap could be closed. "The Herculean martyr leader is not a model for public school reform," he noted.

Building a CMO

Soon thereafter, McCurry and Toll began engaging in talks to establish more schools and started thinking about organizational structure (see Exhibit 5). At the time, the concept of creating a network of charter schools was still fairly new. In the early 1990s, for-profit entities, such as Edison Schools, began creating education management organizations (EMOs). These companies managed several schools (Edison served as many as 149 schools in 2003¹⁹), and centralized functions including payroll, budget and finance, curriculum, and professional development in exchange for a management fee. However, EMOs faced obstacles due to their for-profit status; most states did not allow them to

apply directly for charters as nonprofits could, and they could not serve on the boards of their schools. Most EMOs attracted significant political backlash and were unprofitable.

Towards the end of the 1990s, nonprofit school networks emerged. These networks called themselves Charter Management Organizations (CMOs) to distinguish themselves from the troubled EMOs. While they eschewed for-profit status, they posited that there were advantages in creating a network of schools that would allow for inter-school learning and centralized administrative functions.

CMOs developed various strategies to influence school reform, ranging from direct competition with the school district, where schools attempt to divert student enrollment and resources from the traditional public schools (e.g., Green Dot Public Schools in Los Angeles) to close collaboration, by taking over the district's failing schools with some of the constraints of traditional public schools (e.g., Mastery Charter Schools in Philadelphia). Most were somewhere in between, adopting a cooperative growth approach whereby they would try to get to scale and reach a "tipping point" without directly challenging local school districts (e.g., Aspire Public Schools) (see Exhibit 6).

As a vehicle to expand the number of charter schools and serve as the network's central office, McCurry and Toll incorporated Achievement First as a nonprofit Charter Management Organization in July 2003. The CMO structure had a number of interesting features. The individual schools in AF's network would be legally independent from AF, and each school's board would hold their school's charter. The boards of AF schools would include at least one representative of AF, as well as others who understood AF's mission. While they intended to create strong bonds between the school and AF based on centralized functions, a shared brand name, and high-quality training and services, the AF board recognized the need for a formal management contract between each school and its parent entity. The agreement would detail the network's services, the conditions under which the relationship would be terminated, and a management fee estimated at 8 percent of city and state revenues once the school was established (see Exhibit 7).

While the contract was an important legal requirement, AF's board believed that the strong bonds created between schools through ongoing coaching and training, as well as considerable curriculum and operations support, would be the glue that held the network together. Core functions could be centralized and the "Herculean" effort of Amistad's first years could be reduced in subsequent ventures. McCurry moved over to AF in July 2003 to continue his work on curriculum development, interim assessments and teacher training, among other things. His mission was to provide teachers with resources, training and clear expectations from the start. While Toll did not officially move over to AF until 2005, she effectively devoted 25 percent of her time to AF after its founding.

Expansion in Connecticut and New York

Within a matter of three years, AF had created a network of schools in Connecticut and then in New York. To the surprise of critics, the results from the new schools were as dramatic – even greater in some cases – as those achieved by Amistad (see Exhibit 4).

Connecticut

In January 2003, before AF was created, McCurry and Toll initiated discussions with the City of New Haven about taking over one of its failing schools, and spent over a year in negotiations. This process led to the realization that they would have to make numerous compromises in order to work within the confines of a traditional public school district. The city's position kept changing and the city administrators were loathe to give AF power to make crucial decisions like hiring and firing staff. Eventually, AF concluded that the takeover would not work. "It was one of those things where we

were upset about it at the time,” recalled McCurry. “But you look back on it and say, ‘Thank God we didn’t do that.’”

By the time the school takeover fell through, McCurry and Toll had already recruited Amistad teacher and program director Marc Michelson to be the principal of a new school. Toll approached the state education commissioner, Betty Sternberg, explained that the school takeover could not happen, and requested a charter. The state Board of Education was enthusiastic. Even though the state of Connecticut had not put out a request for charter school proposals in years, they did so in less than two months. Driven by strong allies in the state legislature, “A bureaucracy that typically doesn’t move very quickly, shot into action,” Michaelson recalled. “Again, it was a testament to Dacia’s political acumen, but obviously the results that Amistad had made it a little easier.”

Michaelson “went into overdrive” assuming that they would be awarded the charter and the school would receive the necessary appropriations. The team for the new school mailed out brochures and fliers to all of the fourth graders and pre-kindergarten children in the city, and hosted a couple of open houses to attract students to apply. They held their own lottery because they had missed the deadline for the city and the school was not a legal entity yet. In fall 2004, AF opened a second charter school in New Haven called Elm City College Prep (ECCP), combining an elementary and middle school.

In addition to the statutory issues, replication posed significant internal challenges. Starting an elementary school for the first time required an entirely new curriculum and approach, because the students were not multiple grades behind, as in the middle school. They experimented with radically different elementary routines, such as working three hours of reading a day into the kindergarten and first-grade curricula.

There was also concern over the impact of the replication project on Amistad Academy. Michaelson sensed that many of Amistad’s teachers there were anxious about what would happen next:

They didn’t know if we were ready to replicate on one hand and they were worried about losing the high level of quality. They said, “Will it be as good as Amistad?” Dacia didn’t want them to feel like Amistad was going to lose her or Doug’s attention, resources, teachers, or anything that would make the two schools feel like they were competing.

The new middle school was not a carbon copy of Amistad. McCurry and Toll trusted Michaelson, knowing that he fundamentally understood the model and AF’s larger agenda. Michaelson started to talk with them about how he could adapt the Amistad model:

I was lucky to have had four years at Amistad, so I had the ability to take all of the core and still innovate a bit. I believed in the core of what Amistad was all about, so they knew that I would preserve all of that and yet be thoughtful about the things that we wanted to do a little differently.

One thing Michaelson did differently as a result of these discussions was shortening the length of the school day. While this seemed counterintuitive, he saw it as essential for thinking about public school reform. “All of the nay-sayers who picked apart Amistad and all the reasons why it wasn’t replicable – one of them was the extremely long hours.” The school day at ECCP runs from 7:30 a.m. to 4:00 p.m., which is still longer than the public school day, but shorter than Amistad’s. Michaelson also eliminated “Morning Circle,” the motivational school assembly that most people associated with being a core part of the Amistad culture. Instead, he developed “Critical Thinking,” exercises that students completed the moment they walked into school. These exercises were later adopted by Amistad (see Exhibit 8).

Despite the condensed timeline in getting ECCP up and running, the establishment of the school was a lot smoother than Amistad's first years. As McCurry recalled,

We knew from the start, here are the mistakes that we don't want to make from a school culture perspective. We started very tight and were clear about schedule, curriculum, progress reports, report cards, and policies. There were still some things that were weak, but we were light-years ahead of where we were when we started Amistad.

New York

Meanwhile, the Chancellor of Schools for New York City, Joel Klein, approached McCurry and Toll in early 2003, and asked them, "How many schools can you start in New York?" Klein kept Amistad Academy student achievement data in his pocket to show to various audiences, including principals, as evidence that the achievement gap could be closed.²⁰ Klein offered AF everything that they wanted from the City of New Haven but couldn't have: a facility, charter status, over \$10,500 in funding per student, and personal support from the Chancellor of Schools (see Exhibit 9). McCurry and Toll decided that Brooklyn was close enough to New Haven to operate as one organization while opening schools in two cities.

AF proposed creating a mini-district of five combined elementary, middle and high schools; however the number of charter schools was capped at 100 in New York State, and AF secured four of the last few charters before the cap was reached at the end of 2005. By this time, AF thought of itself as a network of schools, and reflecting its concern with branding, each of the schools had "Achievement First" in its name and used similar signage. Achievement First Crown Heights and Achievement First East New York opened in the fall of 2005, followed by Achievement First Bushwick and Achievement First Endeavor in the fall of 2006.

Expanding in a new region raised numerous problems, starting with the state education department. Although they had strong support from Chancellor Klein in New York City, they had no close allies in state institutions who could help expedite the process. Furthermore, this time they were an outside player rather than the home-grown organization that they were in Connecticut. McCurry recalled:

People were concerned that this organization from Connecticut was coming to Brooklyn. What do they know about Brooklyn? And while their track record in Connecticut is all well and good, they've only done one school and now they've started two more and they're saying that they want to do three charters in one year, what's that about? The State Ed Department sent us a list of 40 questions to answer in 48 hours, and then asked us to produce 16 binders for all their people.

Operational challenges abounded. AF hired Melanie Mullan, a founding member of an educational tech start-up, GlobalLearn, to tackle school start-up 10 months before the schools were to open. She spent two months on a fact-finding mission, as a result of which she developed a 121-item timeline to accomplish everything that needed to be done. Based on conversations with people who had started schools in New York, she anticipated that there would be unexpected things that they could not control. "I had always known that the world we were interacting with was bureaucratic, but not all of it followed rhyme or reason."

The new facilities arrangement for AF Crown Heights involved sharing the premises with two other schools, including one that was being closed. This meant that AF did not have complete flexibility in scheduling. At AF East New York, where they also shared the premises, they abruptly discovered that they could not use the elevators in the summer to move supplies. New York was more compliance driven than Connecticut, so things like certifications, fingerprints, and elaborate curriculum "crosswalks" had to be in order before they opened. McCurry saw this as a mixed blessing, "On the

one hand, they're a little bureaucratic, but on the other hand it has been nice because it has forced some discipline on our organization, and we brought some of that discipline back to Connecticut, which has been not altogether a bad thing." Governance was also more challenging; unlike Connecticut, New York forced each school to be a separate charter with its own board. Hiring teachers had to be more systematic, and AF had to be more aggressive about building a pool of applicants. Lastly, there were different state standards, which required developing new curricula.

Stepping Out Onto a Larger Stage

Working for Political Reform

One of Amistad Academy's missions and a critical reason for establishing AF was driving public school reform (see Exhibit 10). Amistad's success had opened some doors with Connecticut's General Assembly. Against the odds, AF succeeded in opening up the charter approval process, raising the enrollment cap so they could open an elementary and high school, and securing state funding for permanent facilities for Amistad. Toll noted:

None of this would happen if Amistad hadn't had the track record. But it has not been passive. We don't say, "Gosh, we hope they change the charter law in CT." It's a more active effort to create the conditions we need to be successful. The whole thing has been a wild ride and you have to get out in front of your skis – it's just set up that way. When founding Amistad, we had to plough forward and do all these things without a charter, without a guarantee of funding, and it was the same thing with Elm City College Prep. You've just got to keep pushing. The belief was if we forced the issue, at the end of the day, the General Assembly will respond to the need.

AF board members Jon Sackler, Ray Smart, and Alex Troy realized that the issue of school reform in Connecticut was not only critical to AF, but also to the tens of thousands of public school students that AF could not reach. They founded ConnCAN, a Connecticut education advocacy group, in the fall of 2004. The Executive Director of the organization, Alex Johnston, recalled:

Jon played a leading role in the creation of ConnCAN after he became excited by the possibilities in urban public education by seeing the great results that Amistad was achieving. He thought here's a great idea, let's take this to scale. Once he started exploring why we can't just close the achievement gap in Connecticut by replicating high performing charters, statutory barriers become apparent as well as the lack of receptivity on the part of a number of school districts – not to mention the very scale of the problem itself: 100,000 kids across the state who've fallen behind. These realities led him and the other founding board members to think about some kind of organization that would focus on closing the achievement gap across Connecticut through policy research and political advocacy. Part of my job with ConnCAN has been to help shape a vision of school reform and political action in Connecticut that ripens the environment for AF and other high performing charter management organizations to expand, while at the same time working to create broader policy solutions for the more than 100,000 children who are suffering from the achievement gap across the state. People who supported AF needed to step back and have a political strategy -- it was not just about charter school expansion but it was about creating the environment for school reform in the broader sense.

Johnston argued that simply proving the achievement gap could be closed was not sufficient to get many public officials interested in school reform:

People defending the public education system as it is currently constituted will sometimes invest a lot of resources in arguing that these high performing charter schools are not relevant for the larger discussion of how to improve public education – they are serving different kids, they play by different rules – whatever they can do to argue that no comparison should be drawn.

Going to the Venture Philanthropists

When Amistad Academy and AF were established, their main financial supporters were small, local family foundations and board members. Many of the people who visited Amistad were immediately impressed and gave donations. However, AF's ambitious expansion strategy required the engagement of larger national funders.

By the time AF started expanding in New York, the organization attracted media interest and the attention of national foundations and venture philanthropists.²¹ One of AF's early supporters was the Robin Hood Foundation, whose annual fundraiser was one of the biggest philanthropic events of the year. Its 2006 auction raised money to build high schools for AF and two other like-minded charter school networks, KIPP and Uncommon Schools (see Exhibit 6), which together with matching funds from New York City's Department of Education and private sources, resulted in a total of \$180 million.²² Besides the Robin Hood Foundation, AF's supporters by 2006 included the Michael and Susan Dell Foundation, the Walton Family Foundation, and NewSchools Venture Fund.

However, the demands of philanthropists were also becoming more stringent. Many philanthropic organizations had adopted a new way of distributing grants based on the model of venture capital. These venture philanthropists, like New Schools Venture Fund, insisted on detailed financial plans and often took an active role in the governance of the organizations they funded. Like venture capitalists, venture philanthropists viewed their giving not as grants, but as investments in organizations that they assisted in scaling-up and exited when the organizations reached self-sufficiency.

NewSchools Venture Fund, one of the most notable educational venture philanthropies, became AF's largest financial backer, providing 40 percent of the central office's funding and 23 percent of the organization's overall funding in fiscal year 2006 (see Exhibit 11). NewSchools was founded in 1998 by Kim Smith and venture capitalists John Doerr and Brook Byers to focus on "transforming public education so that all children have the opportunity to succeed in the 21st century." The foundation concentrated on five geographic markets: Oakland, CA; Los Angeles; Chicago; Washington, DC; and New York City. Jim Peyser, a partner at NewSchools and leader of the organization's East Coast initiatives, described NewSchools,

The organization was essentially started by a group of venture capitalists and tech entrepreneurs, so the [venture philanthropy] model made sense to them and allowed them to leverage their impact. The founders had a clear understanding of what they wanted to do, which was to catalyze dramatic improvement in public education. The venture philanthropy model enabled them to make strategic investments that could broaden the impact of their dollars. In addition, they believed entrepreneurs were the primary agents of change, and so they wanted to invest in entrepreneurial people and organizations at an early stage.

Like a venture capital fund, NewSchools raised money for specific "funds". The organization raised \$65 million for its first two funds²³ predominantly from large foundations, such as the Bill and Melinda Gates Foundation, the Walton Family Foundation, and the Broad Foundation. In 2003 alone, NewSchools received \$25.3 million from seven foundations, making it the second largest recipient of foundation grants in elementary and secondary education.²⁴ NewSchools acted as a clearing house for the large foundations on charter schools. The large foundations were hesitant to

make early-stage investments in CMOs, and would urge charter schools that contacted them to apply to NewSchools.

To be selected by NewSchools, CMOs had to explain the long-term effect they would have on education reform and how they would become self-sustaining. If NewSchools liked the model, they would make an initial grant to allow the CMO to achieve particular milestones in its business planning process and to staff up its home office. During this time, NewSchools would conduct further due diligence before making a “portfolio investment,” which is a larger sum of money doled out over time. In addition, NewSchools would take a board seat so that the relationship became more of a partnership. “We try to make it as clear as possible up front that the nature of venture philanthropy and NewSchools is that we don’t just write checks – we are part of your team,” Peyser explained. “We join the board and provide various sorts of management assistance. Equally important, as a venture in our portfolio, you are obliged to be part of our larger community and contribute to the growth of other ventures, not just yourself. It’s a high-engagement relationship.”

Peyser admitted that there were frequently tensions between NewSchools and its portfolio organizations. “There are some CMOs who feel that they would rather have the funder write a check and just ask for a report every year.” CMOs occasionally pushed back on the conditions that are attached to the giving. Peyser noted that portfolio organizations tended to “have a higher tolerance for indefinite fundraising than we do” and not the same commitment to performing at the highest levels on statewide assessments of academic achievement. Although NewSchools may appear to be paternalistic, Peyser explained that it is more than just meddling. “We want to invest in entrepreneurs; we don’t want to run organizations. However, we feel that we bring a unique perspective not only in terms our breadth of knowledge but also in our ability to advocate for high expectations on the boards of these organizations.”

Given NewSchools’ narrow geographic focus and interest in high performing schools led by entrepreneurial teams, Peyser explained that AF was “one of the obvious candidates” for funding. Once AF expressed an interest in expanding in New York, NewSchools considered it a candidate for a portfolio investment. Peyser noted:

At that stage of the game it was clear that Amistad was a very high-performing school. Elm City was also off to a very strong start; they had a credible brand in New York, and a very close relationship with the Chancellor. Those factors, in addition to the fact that Doug and Dacia were a very strong entrepreneurial team, suggested that AF was a great opportunity for us.

NewSchools required that AF achieve several “milestones” in exchange for the initial grant (see Exhibit 12). These were essentially ways to mitigate risk, and included the timing of securing facilities, budget, and facilities planning and the appointment of Peyser to AF’s board of directors. By the fall of 2006, NewSchools’ funding was up for renewal.

Tensions Over Further Expansion

In the summer of 2006, AF developed its long-term financial plans in accordance with the milestone requirements of NewSchools. The financial plan included creating nine new academies in Connecticut within five years, and another 10 academies in Brooklyn, New York, pending an increase in the state’s charter cap. This was in addition to natural expansion as the existing schools added grades each year (see Exhibit 13).

The new plan was controversial. Expanding in Connecticut raised concerns among some AF board members because it would require funding the “philanthropic gap” between what the state provided

in funding and what AF required to educate each student. The plan also projected continued heavy spending for the central office, in excess of what most CMOs spent.

Expansion in Connecticut

While still growing in New York, Toll wanted to expand in Connecticut to continue her years of work creating political momentum for changing the debate around the achievement gap and charter schools in the state. She had conversations with local philanthropists and city officials in other Connecticut cities who were willing to assume 100 percent of the funding gap themselves so that AF would not have to take on this burden. However, there had been no formal decision by the board on Connecticut expansion, although there was consensus to expand Amistad Academy by creating elementary and high schools in the fall of 2006. At the end of a board meeting in July of 2006, there was a motion to give Toll authorization to negotiate for additional charters in Stamford. However, Peyser managed to get the board to agree to put off the vote. He felt the board needed to make a clear decision between two strategies. The first was to expand in Connecticut to gain greater political leverage while requiring the local communities to close the gap until there was increased state funding for charter schools. The second was to put growth on hold in Connecticut until there was a policy change and instead focus on expanding in New York.

The difference in the money AF would have to raise for each pupil in New York and Connecticut was stark. Even though the schools in New York did not have permanent facilities yet, the state per pupil funding was sufficient to fully fund school operations after the first few years. In Connecticut, AF faced a philanthropic gap of approximately \$2,700 per student. In the 2005-2006 school year, per-pupil operating costs for AF's Connecticut elementary and middle school students were approximately \$11,500 excluding facility costs, while public funding was only about \$8,800 per student (composed of \$7,650 from the state, special education funding from the city, and additional federal Title I funds for students receiving free or reduced lunch).²⁵ This was compared to \$11,690 that was spent per elementary and middle school student in traditional public schools in New Haven for the same year (see Exhibit 9)²⁶ The total fundraising gap over the next five years was projected to be \$56 million if there were no changes in public funding and expansion continued as planned.

Peyser favored the strategy of putting expansion in Connecticut on hold, arguing that it was akin to thinking that “the way to dig ourselves out of this hole is to dig deeper.” He believed that if AF was successful in New York that would put pressure on Connecticut lawmakers to revisit its funding formulas.

Other AF board members favored expansion in Connecticut. Alex Troy, board member of Amistad and AF, had followed the conversations on this issue from AF's inception:

There definitely was a difference of opinion, going back to the earliest days of AF. On the one hand, people said that there is no prudent way to expand in Connecticut given the funding gap. And you had others, including Dacia, who believed that there was a way to get it done. I was a believer that if we opened up more schools in Connecticut, we would find a way to put them on a solid financial footing. If you start a school in Stamford or Bridgeport, and it does as well as Amistad did in New Haven, what we will find is that it creates its own political support. The legislative delegation from Stamford or Bridgeport will become allies. ‘If you build it, they will come’ is a somewhat risky strategy, but ultimately that’s what an entrepreneur does. No one knew ahead of time that if they made this little thing called an iPod anyone would buy it, but they took a risk, and it paid off.

Many supporters of expansion in Connecticut commented specifically on Toll's political acumen. Alex Johnston at the education advocacy group ConnCAN observed:

It's a game of brinksmanship, but I don't think you can point to a risk that [Dacia] has taken that hasn't paid off. For those of us with a direct stake in improving the public education system in a particular state, or a particular community, there's something missing in the approach that many national school reform funders have taken, which is that they don't necessarily care where a kid lives; if they can help any kid somewhere in the U.S., that's consistent with their mission. That logic leads to a flow of resources into places where the politics are already aligned in favor of reform. But we don't need more charter schools in Arizona right now; we need them here because we have the largest achievement gap in the country. That's exactly why NewSchools should invest here. I don't feel that the country's philanthropic resources are so limited that we can only make investments in reform where the ball is already rolling downhill. I think the greatest opportunity for leveraging philanthropy and leveraging the charter school movement is precisely in the places where the politics are most difficult

Central Office Costs

A second concern of NewSchools was AF's central office costs, which were approximately \$3,000 per student in the 2005–2006 fiscal year, driven by the cost of developing new curriculum materials, staff recruitment and external relations, including fundraising (see Exhibits 13 and 15). Peyser argued that AF's current central office costs were far higher than other CMOs and these costs had to be reined in. He noted that spending on curriculum development had been a conscious decision to ensure high performance, but that there would be long-term consequences to maintaining such a high level of spending. Peyser argued, "The overall level of philanthropic need as a result of central office spending was such that a) we couldn't ensure through our own resources that we could cover it; and b) it placed a pretty heavy burden on the organization to raise money from new sources."

However, Toll viewed these expenses as predominantly start-up costs and expected them to decline to \$800 per student once the organization was at scale. Furthermore, Peyser received pushback from McCurry, who argued that no other CMOs were comparable:

I do think what we're trying to do is different than what some of the other CMOs are doing, because we're trying to build a curricular infrastructure to where we can support people so that the model can be replicated. Historically, we have asked "what do we need to do to be successful?" versus "how much success can we buy with this pot of money?" We're trying to do something fundamentally different in public education.

Negotiations between NewSchools and AF

Ultimately, resolving the decision concerning expansion in Connecticut and the funding of the central office were contingent on negotiations between NewSchools and Toll. Peyser noted, "It wasn't necessarily the kind of conversation where we insisted that unless you stop growing in Connecticut you're not going to get any money from NewSchools. It wasn't quite that explicit." However, both parties were aware that that there was much at stake if their relationship deteriorated. NewSchools did not have a large pool of CMOs with student academic outcomes as strong as AF's to choose from, and from AF's perspective, losing NewSchools' support would have greater implications than the immediate loss of money. As Peyser explained, "The larger foundations are interested in doing later stage funding and are starting to do some of that as some of the CMOs reach maturity, but they would have been pretty reluctant to say, 'You didn't work things out with NewSchools, but we'll give you money anyway.'" There were compelling reasons for both sides to maintain a productive working relationship, which discouraged unhelpful ultimatums and encouraged sustained back-and-forth conversations focused on finding a mutually beneficial outcome. Even as talks wore on, Toll commented that Peyser remained optimistic that they would be able to work it out.

At the same time that discussions were going on between NewSchools and AF, AF was able to comply with a longstanding request by NewSchools to hire a senior financial manager, whom they believed could enforce greater fiscal discipline. In August 2006, Max Polaner was hired as chief financial officer. Polaner had been CFO of Inductis, an analytical consulting firm, and had helped the company double its revenue and grow from 100 to 250 employees. Prior to that, he had been a consultant at McKinsey in New York, founded his own start-up, and had spent the first four years of his career as a middle school math, social studies and music teacher in the San Francisco Bay area. Polaner had earned a Master of Public Policy from the Kennedy School of Government, an MBA from Harvard Business School, a teacher's certificate from San Francisco State University, and a BA from Yale University.

Polaner set to work studying how AF's financial processes were organized, and his initial assessment left him satisfied. He saw the discussions between NewSchools and AF as a standard give-and-take relationship between a financier and a start-up.

I felt AF had a clear-eyed view of the hurdles in front of them. In some ways, the discussion with NewSchools was very much like my experience with my own start-up, when we would debate with our venture capitalists how much we needed to invest, and how long it would take for us to reach sustainability. All startups have the same issue of not having a clear yardstick for knowing how much to invest in their early years, as even private sector companies are not profitable yet. So you have the same discussion with your funders that we were having with NewSchools.

Internal Concerns about Expansion

Internally, the idea of expansion brought up the delicate balance between decentralization to promote creative problem-solving, and centralization to preserve the integrity of its schools. Toll recognized that they needed to determine which parts of their model were subject to change and on what basis. This was an issue from the first replication with Elm City College Prep. Marc Michaelson, principal at Elm City College Prep, noted:

We have to be flexible enough to adapt and learn from our experience, and I think there is a way to do that without compromising the core of the model. I think it's more of a continuous conversation. There are certain pillars that aren't going to be compromised, like standards-based instruction, data-driven assessment, strong institutional culture, a focus on character development as well as academics – all of those pillars are, I think, sacred. But where you get a bit of give-and-take is on the “how” of those things. I wouldn't go to a totally different instructional model – that would be foolish. But if someone had another way to teach reading that was both creative and rigorous, that's something they could do and should do.

Toll saw the potential for AF's network of schools to expand to new geographic locations, such as Washington D.C. and Newark, New Jersey, but believed that the physical proximity of the schools was helpful to insuring high standards,

By being closer, we have the ability to leverage the power of the network to bring people together to talk to each other and provide for quality control. For instance, where you have a struggling school leader, Doug and I can physically be there and keep it glued together more easily than if we were in Boston or New Orleans or something.

Ultimately, however, Toll observed, “Our greatest challenge right now is talent; figuring out how to attract, develop and retain the right people.” As AF expanded quickly, staffing issues would become more acute.

Even beyond this current expansion, insiders wondered what AF's ultimate objectives would be. McCurry reflected,

I think to be relevant we need to say "We're now up to 5,000, 10,000, 15,000 students and they are all great, and so now here's how, with scale, you achieve greatness." To me that's Phase II - get district-wide excellence on all dimensions, with sustained student results that are outstanding across multiple schools. But Phase III is a bit of a question; it could simply mean starting more and more schools in more and more areas, and kind of moving on. It could mean working with a district. I don't know.

This case has been developed for pedagogical purposes with the co-operation of individuals at Achievement First. The case is not intended to furnish primary data, serve as an endorsement of the organization in question, or illustrate either effective or ineffective management techniques or strategies.

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Endnotes

¹ SOM '07.

² Director of Case Study Research, Yale School of Management.

³ Frederic D. Wolfe Professor of Management and Entrepreneurship & Director of the Program on Social Enterprise, Yale School of Management.

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Exhibit 1: Selected Components of Charter School Law in Connecticut and New York

	Connecticut	New York
<u>General</u>		
Year Law was Enacted	1996	1998
Maximum Number of Schools	24; unlimited conversions (“local charters” determined by districts).	100 new; unlimited conversions (as approved by local school boards).
Number In Operation	15	93
<u>Approval Process</u>		
Eligible Applicants	Any person, group or regional school board, or regional educational service center. For-profit providers may manage schools but may not be granted a charter.	Teachers, parents, school administrators, community residents. For-profit providers may manage schools but may not be granted a charter.
At-Risk Preference	Schools in districts with significant at-risk populations or districts with >75% minority enrollment.	Applications that demonstrate the capability to provide comprehensive learning experiences to students at-risk of academic failure.
Term of Initial Charter	5 years; renewals up to 10 years.	Up to 5 years.
<u>Operations</u>		
Exemption from State/District Education Laws, Regulations and Policies	No; charter schools may seek waivers on a case-by-case basis from state board of education.	Yes, with some exceptions.
Governance	Governing council as specified in charter; teachers and parents of students must be represented.	As specified in the charter. Requires that each charter school be a separate 501(c)3 organization.
Transportation	Provided by the district unless otherwise specified in the charter; districts may provide transportation to resident students outside their district and be reimbursed for reasonable costs by the state.	Districts that are required to provide transportation of their students to eligible nonpublic schools are also required to provide transportation to eligible charter schools.
Facilities Assistance	No, but charter schools may apply for low-interest loans from the CT Health and Educational Facilities Authority.	A “state stimulus” fund exists.
Reporting Requirements	Annual report profiling school to commissioner. Commissioner must prepare annual report on charter schools for legislature.	Annual report documenting educational progress, financial statements, indicators of parental and student satisfaction, and in some cases, accountability plan progress.
<u>Students</u>		
Enrollment Requirements	Maximum 250 students (300 for K-8) or 25% of the students in a school district, whichever is less. Selected schools are exempt and may enroll up to 85 students per grade (2006 amendment).	Minimum 50 students and 3 teachers unless compelling justification is presented.
Selection Method	Lottery/random process, with preference to siblings.	Lottery/random process.
Accountability	School must describe a means to assess student performance that includes participation in state tests.	State performance standards and Regents requirements apply as they do for other public schools.

Sources: Center for Education Reform; Connecticut State Department of Education; New York State Education Department.

Exhibit 2: Connecticut Required Components of a Charter School Application

Connecticut's legislation requires that charter schools applications must include, at a minimum, the following:

1. Mission, purpose and any specialized focus of the proposed charter school
2. Interest in the community for the establishment of the charter school
3. School governance and procedures for the establishment of a governing council by the applicant, teachers, administrators, and parents and guardians of students enrolled in the school
4. Financial plan for the operation of the school, provided no application fees or other fees for attendance may be charged, except where provided in the statutes
5. Educational program, instructional methodology, and services to be offered to students
6. Number and qualifications of teachers and administrators to be employed by the school
7. Organization of the school in terms of ages or grades to be taught and the total estimated enrollment of the school
8. Student admissions criteria and procedures to: (a) ensure effective public information (b) ensure open access on a space available basis (c) promote a diverse student body and (d) ensure that the school does not discriminate on the basis of race, color, national origin, gender, sexual orientation, religion, disability, athletic performance or proficiency in the English language, provided the school may limit enrollment to a particular grade level or specialized educational focus and, if there is not space available for all students seeking enrollment, the school may give preference to siblings but shall otherwise determine enrollment by a lottery
9. Means to assess student performance that includes participation in state-wide mastery examinations pursuant to chapter 163c of the Connecticut General Statutes
10. Procedures for teacher evaluation and professional development for teachers and administrators
11. Provision of school facilities, pupil transportation and student health and welfare services
12. Procedures to encourage involvement by parents and guardians of enrolled students in student learning, school activities and school decision-making
13. Efforts to increase the racial and ethnic diversity of the staff and
14. Five-year plan to sustain the maintenance and operation of the school

An application may include requests to waive provisions of the general statutes and regulations not required by specific language in the legislation, and which are under the jurisdiction of the State Board of Education.

Source: Connecticut State Department of Education

Exhibit 3: AF Student Demographics Compared to Surrounding Districts, 2005-2006

Percent of Student Enrollment

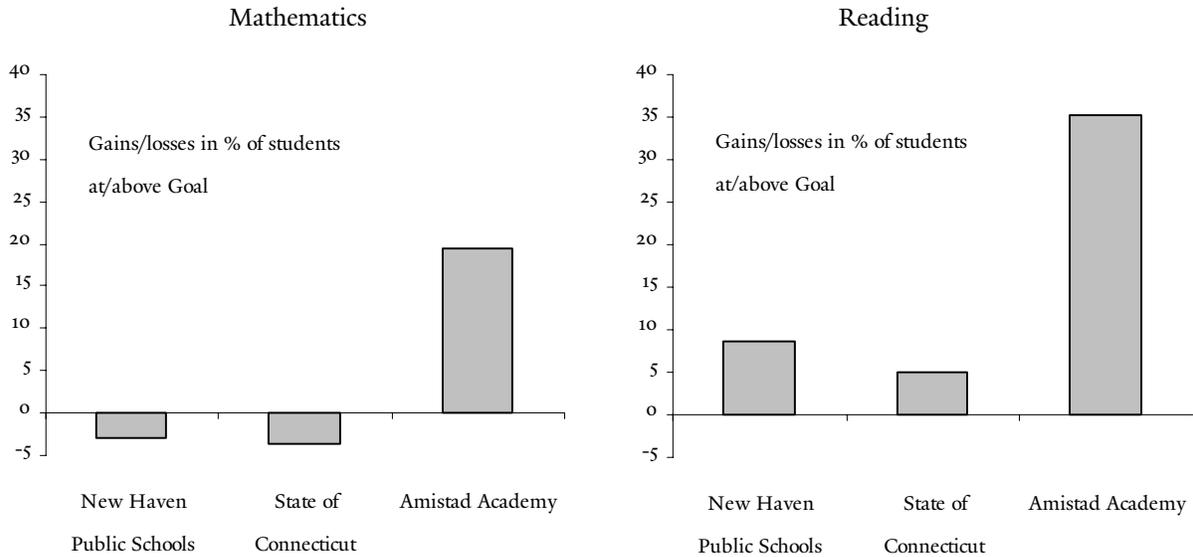
	African American	Hispanic	Free and Reduced-Price Lunch	English Language Learners	Special Education
Connecticut					
Amistad Academy	61.8%	34.5%	84.0%	0.0%	7.0%
Elm City College Prep	75.9	22.2	77.0	0.0	3.9
New Haven Public Schools	53.7	33.9	61.7	28.7	9.5
State of Connecticut	13.8	15.4	26.9	12.6	11.8
New York					
AF Crown Heights	95.0	4.0	75.0	0.0	7.5
AF East New York	88.0	12.0	63.0	0.0	6.0
District 17, New York City	87.0	10.1	82.2	7.5	4.5
District 19, New York City	53.5	39.4	84.8	11.4	6.0
New York City	33.1	39.0	64.8	13.6	4.8

Source: AF Internal Documents; Connecticut State Department of Education; New York City Department of Education.

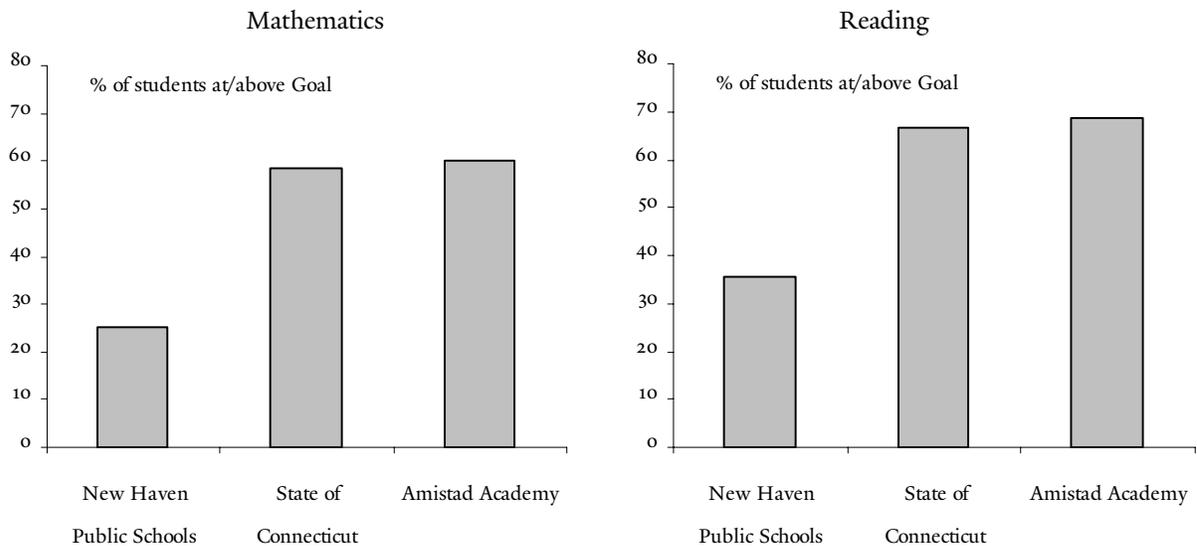
Exhibit 4: AF Student Academic Results

Amistad Academy

Comparison of Class of 2006 Performance Gains on the Connecticut Mastery Test
(Sixth Grade in 2004 vs. Eighth Grade in 2006)



Comparison of Eighth Graders on the Connecticut Mastery Test, 2006



Note: Goal is equivalent to “Mastery” on previous generations of the Connecticut Mastery Test.
Source: *Connecticut Mastery Test, 4th Generation*.

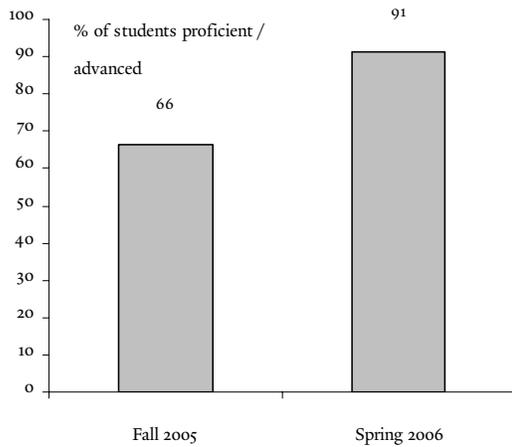
YALE SCHOOL OF MANAGEMENT

EXHIBIT 4 (CONTINUED)

Elm City College Prep

Elementary School

Kindergarten and First Grade Developmental Reading Assessment Results, Beginning and End of School Year

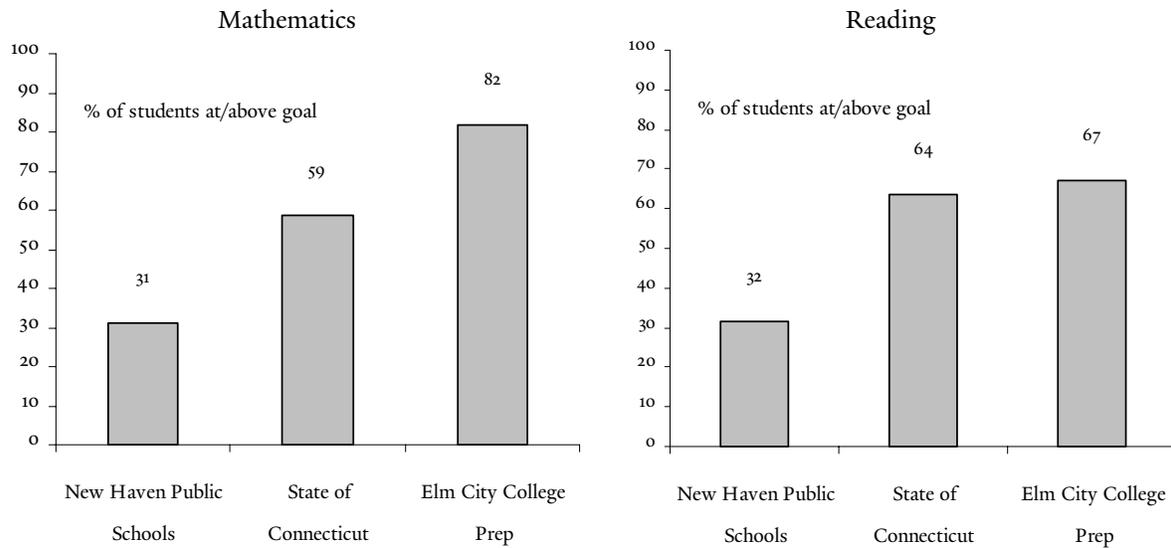


Source: AF Internal Documents.

Middle School

Comparison of Sixth Graders on the Connecticut Mastery Test, 2006

(No eighth grade results available yet)



Note: Goal is equivalent to "Mastery" on previous generations of the Connecticut Mastery Test.
Source: Connecticut Mastery Test, 4th Generation.

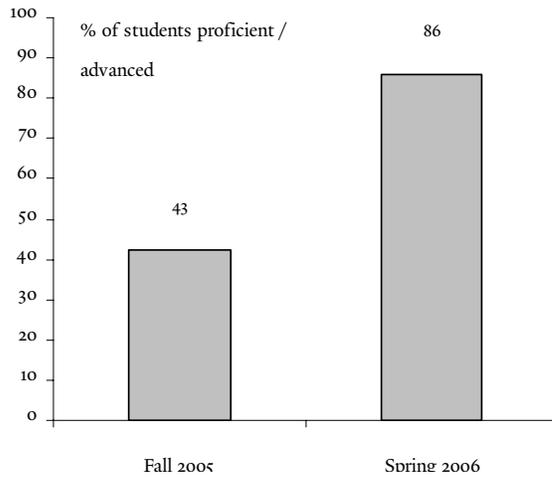
YALE SCHOOL OF MANAGEMENT

EXHIBIT 4 (CONTINUED)

Achievement First Crown Heights

Elementary School

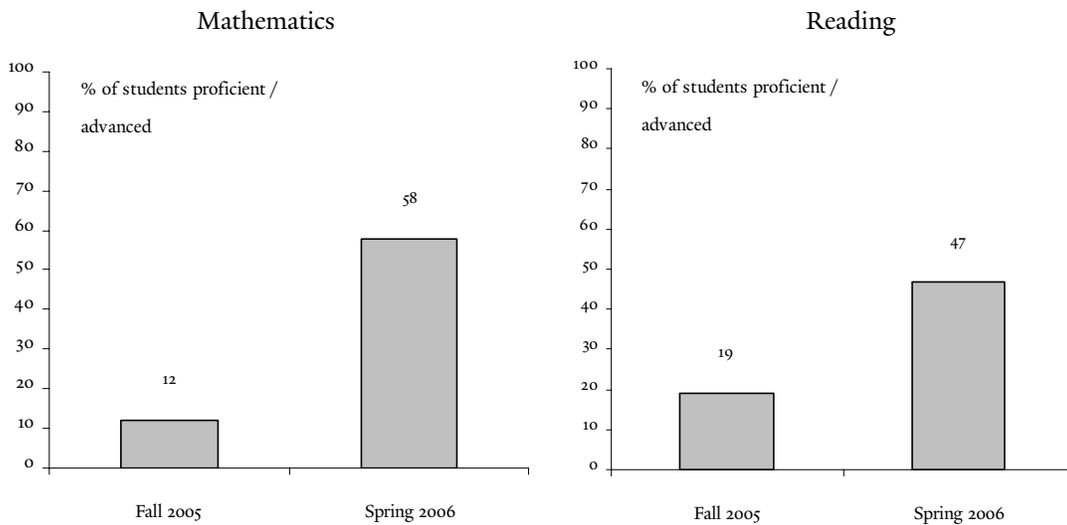
Kindergarten and First Grade Developmental Reading Assessment Results, Beginning and End of School Year



Source: AF Internal Documents.

Middle School

Fifth Grade Stanford 9 (Math) and Degrees of Reading Power Results, Beginning and End of School Year



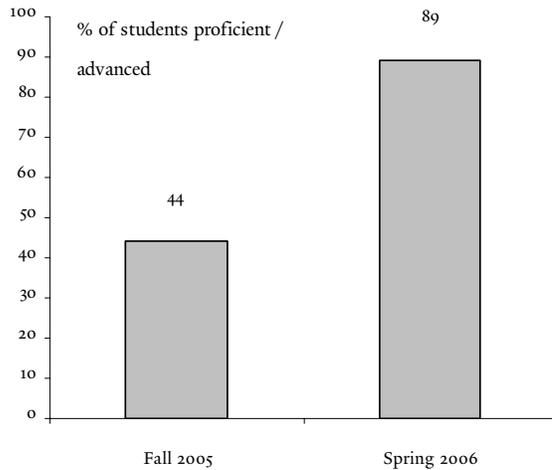
Source: AF Internal Documents.

EXHIBIT 4 (CONTINUED)

Achievement First East New York

Elementary School

Kindergarten and First Grade Developmental Reading Assessment Results, Beginning and End of School Year



Source: AF Internal Documents.

Exhibit 5: Key Events for AF in Creating a Network of Schools

September, 1999 – September, 2006

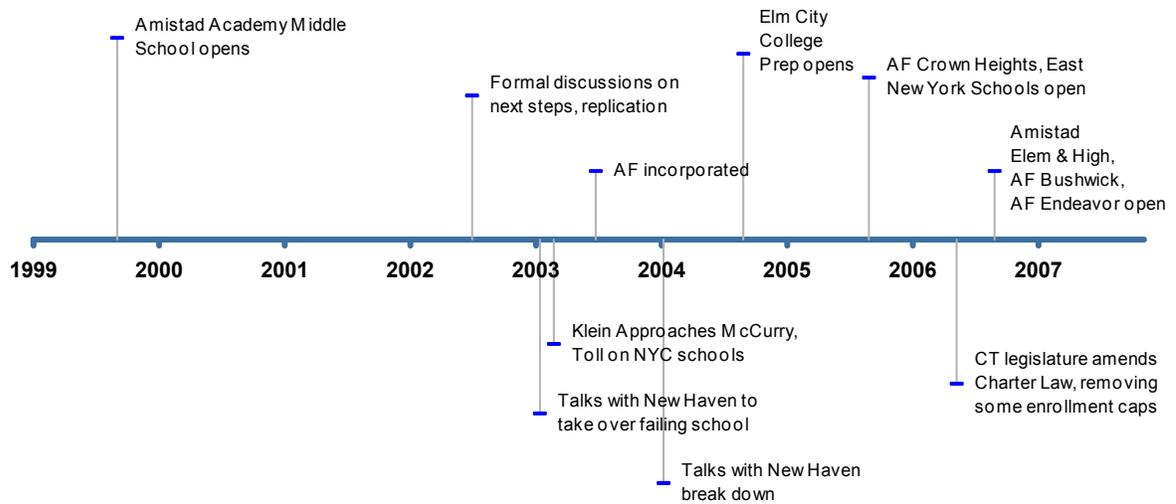


Exhibit 6: Selected Nonprofit Charter School Networks and Charter Management Organizations (CMOs)

Name	Geographic Focus	Year Founded	Description	CMO?
Aspire Public Schools	California	1998	Aspire was created with the explicit purpose of being a catalyst for political change and sharing best practices in California. It sought to rapidly expand its network, with a view to creating fifty schools in low-income areas. It was the first CMO to operate at significant scale, with over 5,000 students in the fall of 2006.	Yes
Green Dot Public Schools	Los Angeles	1999	Green Dot locates their schools around failing public high schools, in order to provide competition (and a spur to improvement) by attracting students and state resources. Green Dot’s strategy is pressure schools to reform in order to preserve state funding (unlike Connecticut, public revenues follow the child in California).	Yes
KIPP Schools	Nationwide, in over 16 states	1995	KIPP influenced many charter school networks by building a model for strong school culture, built on its “five pillars” (high expectations; choice and commitment; more time; power to lead; and focus on results). Unlike a CMO, KIPP does not provide school support services. It has focused on developing a fellowship program to prepare individuals to start their own schools, with considerable autonomy but guided by the five pillars under the KIPP brand name. They adopted an experimental CMO-style central office approach in 2006 with a cluster of schools in New York.	No, Except in New York
Mastery Charter Schools	Philadelphia	2001	Rather than creating new charter schools, this network specializes in taking over failing traditional public schools. Their goal is to provide a model for working cooperatively with school districts and achieving academic improvement within the confines of school takeover requirements.	Yes
Uncommon Schools, Inc.	Boston, New York, New Jersey	1996	Founded in 1996 to support the creation of North Star Academy Charter School in Newark New Jersey, with a long-term goal of creating a network of high-performing schools. Instead of growing organically with its own school model, it became the umbrella organization for other “philosophically aligned” schools, including Roxbury Preparatory, Boston Collegiate and Academy of the Pacific Rim Charter Schools in Boston. Uncommon Schools provides assistance to establish and manage replication of those schools in New York.	Yes

Exhibit 7: Example Contract Between AF and Schools

Term Sheet Representing Initial Understanding between the [____] Charter School Board of Trustees and Achievement First

Achievement First (“AF”) and the [____] Charter School (the “School”) intend to operate a charter school wherein all students can and shall aim to achieve high academic results. AF is a non-profit organization dedicated to helping start and run charter schools.

After initial discussions and in preparation for a formal agreement (the “Contract”), AF agrees as follows:

1. The Contract shall have an initial term commencing on the effective date and ending on the later of (i) June 30 following the fifth anniversary of the effective date or (ii) the expiration of the initial term of the charter contract (the “Initial Term”). Thereafter, the Contract shall automatically be renewed for additional renewal terms ending on the later of June 30 of each year or the expiration of any renewal term of the charter contract (each a “Renewal Term” and collectively with the Initial Term the “Term”) unless written notice of intent to terminate or renegotiate is given by either Party not later than the December 31 prior to the end of the Initial Term or the December 31 prior to the end of any Renewal Term. In no event shall any such renewal or renegotiations extend beyond the effective date of any subsequent charter contract granted by the charter authorizer.
2. The School may terminate the Contract if one of the following events occurs and AF does not cure within 60 days of a notice from the School that the event has occurred and is grounds for termination:
 - (i) AF becomes insolvent, enters into receivership, is the subject of a voluntary or involuntary bankruptcy proceeding, or makes an assignment for the benefit of creditors;
 - (ii) AF has been found by an arbitrator to have been grossly negligent in the use of funds to which the School is entitled; provided however, that an unconditional offer by AF to pay the School an amount of money equal to the amount so found to have been used in a grossly negligent manner shall extinguish the School’s right to terminate;
 - (iii) a regulatory authority has revoked any license which may be required for AF to carry on its business and perform its obligations and functions under the Contract;
 - (iv) the School fails to make reasonable progress toward achievement of the goals and objectives outlined in the “Goals and Objectives” section of the charter application after a period of at least three years from the effective date;
 - (v) AF violates any material provision of law with respect to the School from which the School was not specifically exempted and which results in material adverse consequences to the School;
 - (vi) AF materially breaches any of the material terms and conditions of the Contract;
 - (vii) the charter authorizer revokes its charter contract with the School;
 - (viii) New York State (“State”) authorities revoke the charter contract pursuant to State statute; or
 - (ix) there is (a) enacted or repealed any federal, State or local law, (b) promulgated or withdrawn any regulation, or (c) issued any court or administrative decision or order (any such enactment, repeal, promulgation, withdrawal, or issuance being an “Action”), where the substance or consequence of such Action is that the Contract, the operation of the School in conformity with the Contract, or the School’s charter contract with the charter authorizer materially violates the School’s, the charter authorizer’s or the State’s responsibilities, duties or obligations under federal or State constitutions, statutes, laws, rules or regulations, or materially violates any contract or agreement to which the School was a party on the effective date;

provided, however, that AF has not cured the breach within 60 days written notice from the School of the breach.

Notwithstanding the foregoing, in the event that federal or State rules or regulations, existing as of the effective date or thereafter enacted, interfere with the AF School Model, the foregoing termination right of the School shall be deferred for a period of time as may be reasonably required for the School, with AF’s assistance, to apply for and support a waiver of any such federal or State rules or regulations.

YALE SCHOOL OF MANAGEMENT

EXHIBIT 7 (CONTINUED)

3. AF may terminate the Contract if one of the following events occurs and the School does not cure within 60 days of a notice from the School that the event has occurred and is grounds for termination:
 - (i) the School materially breaches any of the material terms and conditions of the Contract;
 - (ii) the School fails to comply with a material provision of its Bylaws;
 - (iii) the School violates any material provision of law with respect to the School from which the School was not specifically exempted and which results in material adverse consequences to AF or to the School;
 - (iv) the School takes any action which materially interferes with the ability of AF to perform under the Contract;
 - (v) the School refuses or willfully fails to follow any material direction of AF related to implementation of the Achievement First School Model (attached);
 - (vi) the charter authorizer revokes its charter contract with the School;
 - (vii) the State revokes the charter contract between the charter authorizer and the School pursuant to State statute; or
 - (viii) there is (a) enacted or repealed any federal, State or local law, (b) promulgated or withdrawn any regulation, or (c) issued any court or administrative decision or order (any such enactment, repeal, promulgation, withdrawal, or issuance being an "Action"), where the substance or consequence of such Action is that the Contract, the operation of the School in conformity with the Contract, or the School's charter contract with the charter authorizer materially violates the School's, the charter authorizer's or the State's responsibilities, duties or obligations under federal or State constitutions, statutes, laws, rules or regulations, or materially violates any contract or agreement to which AF was a party on the effective date;

provided, however, that the School has not cured the breach within 60 days written notice from AF of the breach.

Notwithstanding the foregoing, in the event that federal or State rules or regulations, existing as of the effective date or thereafter enacted, interfere with the AF School Model, the foregoing termination right of AF shall be deferred for a period of time as may be reasonably required for the School, with AF's assistance, to apply for and support a waiver of any such federal or State rules or regulations.

4. The Contract may be terminated upon mutual written agreement of the parties.
5. The Contract shall have provisions providing for transition upon termination of the Contract, including minimal disruption to the students, return of applicable records to the School, and the School's forfeiture of the right to use any of the trademarks or copyrights belonging to AF.
6. The School shall pay AF no service fee for the period from the effective date through June 30 of the year following the year of the effective date. Thereafter, for each 12-month period, the School shall pay AF a service fee equal to eight percent of: the average number of students enrolled during the school year then ending, times the Approved Per Pupil Operating Expense for the upcoming year.
7. AF will provide the following services to the School:
 - (i) *Generally:* AF will support the School by (1) providing administrative support services, (2) developing a comprehensive curriculum, (3) overseeing the implementation of the School's education and staff development programs, and (4) recruiting, supervising and evaluating the School Principal.
 - (ii) *Charter Application:* AF will prepare the charter application.
 - (iii) *Curriculum:* AF will develop a curriculum, an assessment system, a daily schedule and a central file server containing electronic curricular and school administration resources.
 - (iv) *Budget:* AF, in consultation with the School Principal, will create a projected school budget which grants some flexibility to the School Principal to set salaries and to allocate a certain amount of funds. AF will provide a bimonthly budget report to the School.
 - (v) *Fundraising:* AF will fundraise for the School.

YALE SCHOOL OF MANAGEMENT

EXHIBIT 7 (CONTINUED)

- (vi) *IT*: AF will provide computer support and IT support, including a curricular intranet, desktop and laptop support, training in the use of a student information system, and a phone system and voicemail. AF will recommend and ensure the effective implementation of a data back-up protocol, and will create and maintain a link from AF's website to a page specific to the School.
 - (vii) *Recruiting*: AF will help recruit outstanding teachers and administrators, including the School Principal.
 - (viii) *Staff Development*: AF will provide a two-year sequence of professional development opportunities for the School's teachers. The School Principal will have the authority to hire and fire staff, and to set teacher salaries based on performance.
 - (ix) *Principal Training & Evaluation*: AF will provide an intensive leadership training program for School Principals. AF will conduct a School Principal evaluation once per year, using a comprehensive performance assessment model. AF will provide ongoing coaching and training for the School Principal.
 - (x) *School Evaluation*: AF will conduct an intensive school evaluation within three years after the Effective Date. The evaluation will be designed as a comprehensive school inspection by a team of both AF and outside evaluators.
 - (xi) *Start-up*: AF will manage the School's start-up process, including recruiting, training and facilitating the School's purchase of materials, equipment and supplies.
 - (xii) *Advocacy*: AF will market and advocate for the School.
8. AF shall not contract to provide any of the services described herein to the extent such sub-contracting is not permitted by law or regulation.
9. AF and the School shall be jointly responsible for the recruitment of students and the administration of the lottery for selecting students.
10. The School shall:
- (i) adhere to the Achievement First School Model (attached);
 - (ii) provide a suitable facility for the charter school; provided, however, that AF, if requested by the School, will use commercially reasonable efforts to assist the School in the identification of a facility;
 - (iii) arrange and pay for its own audit and legal services;
 - (iv) be responsible and accountable for the following financial, accounting and bookkeeping functions: (a) timely payment of invoices, (b) payroll for School employees, (c) monthly reconciliation of bank statements; (d) debit and credit entries, using the financial management software selected by AF; and (e) procurement.
11. AF will own all intellectual property developed by AF or by the School or the School's employees, including curriculum materials. The School will own all other school assets and property.

[Doug McCurry, Superintendent] Achievement First	Date
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[Name] [Title] [Name of School]	Date
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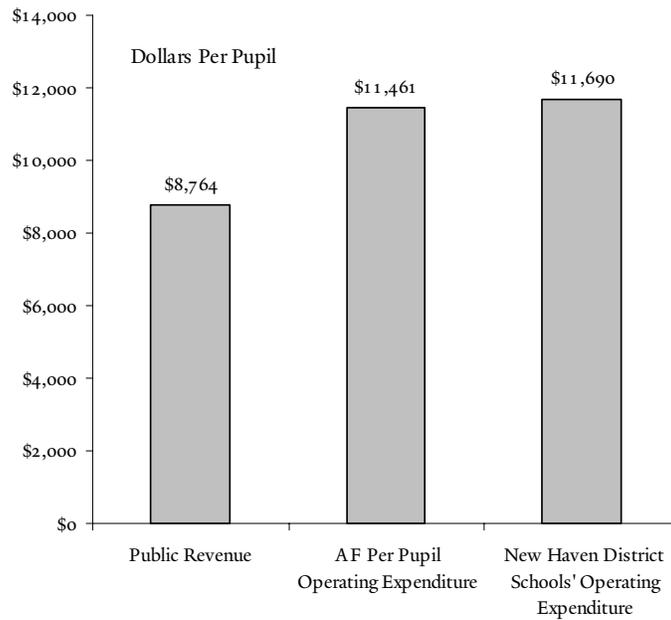
Exhibit 8: Core Components of an AF School

1. Unwavering focus on breakthrough student achievement
 - Student performance is the lead factor in school, principal, & teacher evaluation
 - Goal is to CLOSE the achievement gap (bring urban students up to and beyond the state average), not simply to narrow the gap
2. Consistent, proven, standards-based curriculum defined for every class at every grade level
 - WHAT is taught (the standards) are clear, systematic, and not up for debate
 - Proven curricula consistently implemented across the district to ensure quality and increase efficiency (Saxon Math, SRA Reading, Waterford Early Reading, Amistad middle school writing and math, etc.)
3. Interim assessments & strategic use of data to drive a continuous improvement process for students and teachers
 - Interim standards-based assessments every six weeks
 - Structured process for analyzing data and using it to plan future instruction; required conversation with principal, who then knows how every student is doing in every subject every six weeks
 - Interim assessment results used to focus professional development of teachers and schools
4. More time on task
 - Instructional day that is 1.5 hours longer (8:00 – 3:45)
 - Before school and after-school tutoring for students who are struggling
 - Mandatory Summer Academy designed for acceleration, not remediation
5. Principals with the power to lead
 - Control over hiring, evaluation, and termination of all employees
 - Control over budget (within specified line item variations)
 - Ability to change non-model program elements
6. Increased supervision of quality of instruction
 - Principal's time freed up by efficient, high-quality back office services provided by AF's central office
 - Second instructional leader (Academic Dean) at every school
 - Comprehensive teacher evaluations two times a year; daily classroom visits and frequent observation and feedback by principal and academic dean
7. Aggressive recruitment and retention of talent
 - AF central office spends considerable time and money of talent recruitment
 - Compensation driven by contribution to mission, not seniority
 - Programs to "grow" AF's own teacher and leader talent
 - Multiple career paths for top performers
8. Disciplined, achievement-oriented school culture
 - Teachers and administrators all support a consistent, persistent, and insistent application of all school rules to create an orderly environment focused on learning
 - Extraordinarily high expectations for student conduct; countless details are intentionally managed to create an overall culture in which achievement is valued and "cool"
9. Rigorous, high-quality, focused training for principals & leaders
 - Principals-in-training have one-year "residency"
 - Teachers receive extensive, high-quality training in how to best teach the standards
10. Parents as partners
 - Home visits, multiple orientations, and student-parent-school contract help parents understand the mission and practices of the school
 - Parents supervise daily independent reading at home and sign a log indicating that all independent reading and homework was completed
 - True commitment by all school leaders and teachers to continuously communicate with parents, engaging them as partners

Source: AF Internal Documents.

Exhibit 9: School Expenditures Compared to Local Districts & Public Revenues, 2005-06

Connecticut

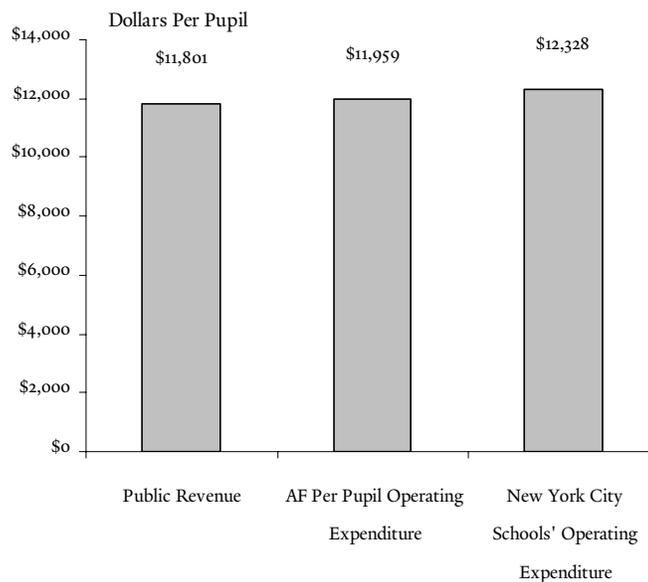


(1) Public revenues include \$7,650 in state revenue, in addition to special education and federal Title I funds.

(2) To make expenditures comparable to those reported by New Haven Schools, facility and transportation costs were excluded. New Haven's per pupil expenditures are for elementary and middle school students and include only salaries and benefits, supplies, and equipment.

Source: AF Financials; Connecticut State Department of Education.

New York

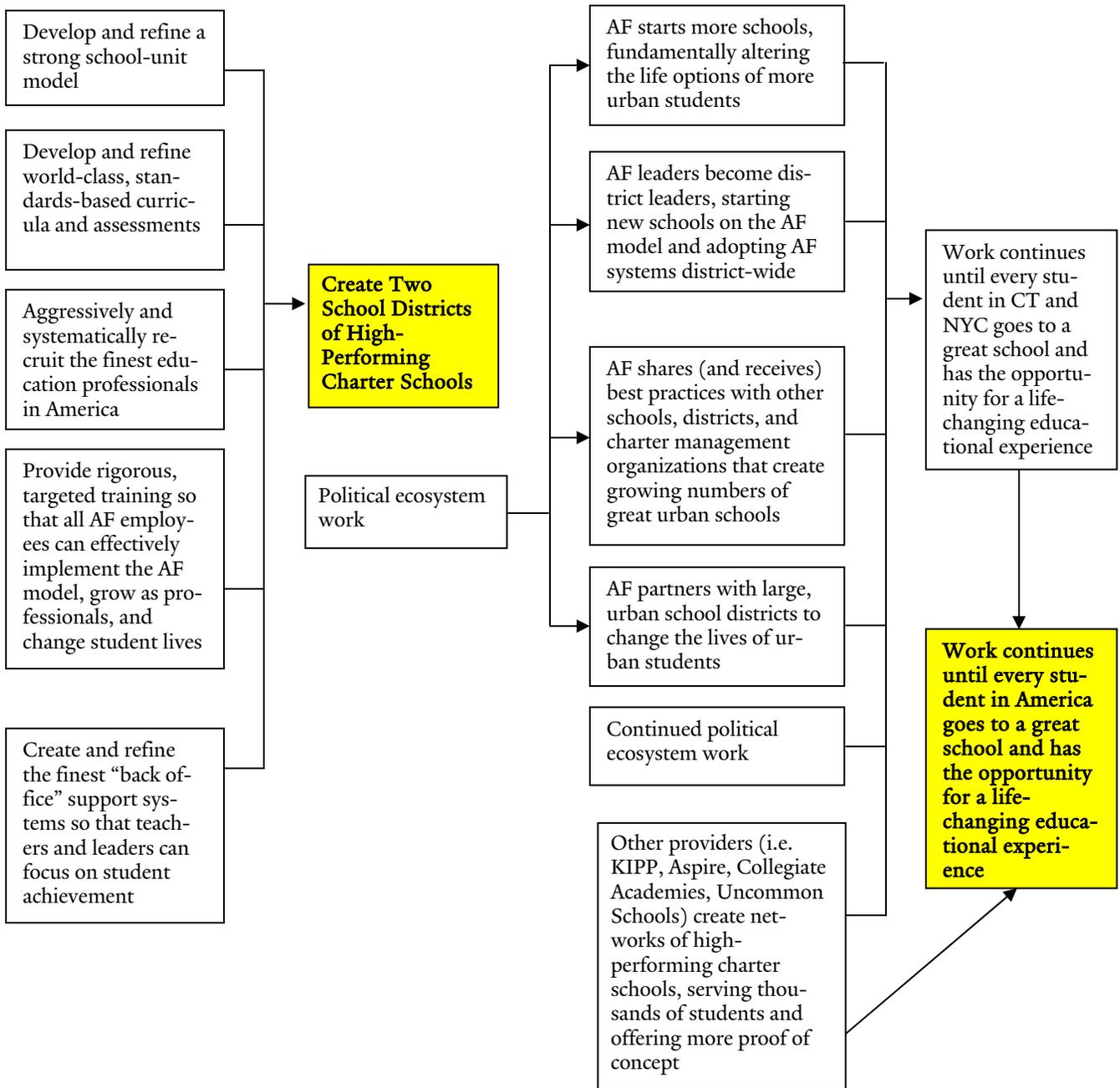


(1) Public revenue includes \$9,084 in New York City per pupil operating revenue, in addition to City per pupil start-up funds, special education and federal Title I funding.

(2) New York City expenditures were \$11,969 in 2004-05; the number reported here is adjusted for inflation to be comparable with AF's 2005-06 expenditures.

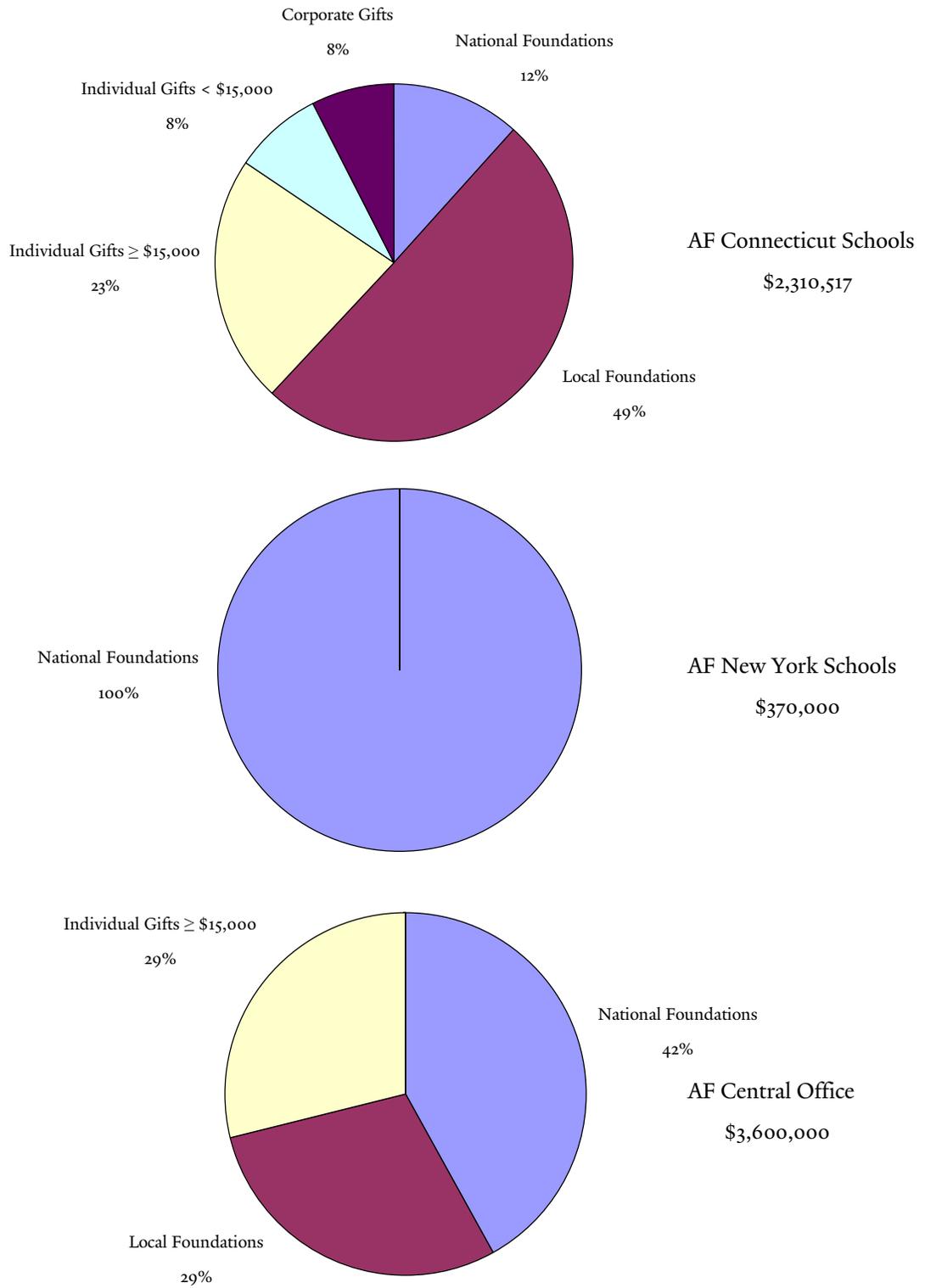
Source: AF Financials; New York City Department of Education.

Exhibit 10: AF's Original Theory of Change



Source: AF Business Plan, November 2004.

Exhibit 11: Grants and Gifts Received by AF by Type of Grantmaker, 2005-2006



Source: AF Internal Documents.

Exhibit 12: NewSchools Venture Fund Reporting Requirements and Grant Milestones

Reporting Requirements

	Report Purpose and Description	Report Timing
Milestone Status Report	<p>Purpose: Monitor grant progress and trigger staged disbursements</p> <p>Includes: Qualitative and quantitative accounts, as appropriate, of progress/status for each milestone</p>	Due at least two weeks before a fund disbursement event
Quarterly Update	<p>Purpose: Used by NewSchools to update its Investment Partner committee quarterly</p> <p>Includes: Financial update; progress against key goals for the past quarter; setting of goals for the next quarter. NewSchools provides report format and maintains prior quarter's content to ease reporting burden on grantees.</p>	First month of each calendar quarter
Annual Report	<p>Purpose: Used by NewSchools for annual reporting to NewSchools funders</p> <p>Includes: Narrative account of what was accomplished by the expenditure of funds, a description of progress made towards achieving the goals of the grant, and a complete project financial statement attested to by the responsible financial officer of the grantee or a certified public accountant</p>	No later than two months after grant-end

Grant Milestones

	Action/Metric	By When
Disbursement 1	Open three new academies in Brooklyn, NY at full enrollment, based on enrollment targets established by AF's board of directors	September 6, 2005
	Elect a NewSchools representative to AF's board of directors	September 30, 2005
	Receive commitments for an additional \$500,000 from other private funders, in support of AF's FY06 home office costs and NYC expansion	November 1, 2005
	Adopt a budget and facilities plan for FY07-08 that has been approved by AF's board of directors	November 1, 2005
Disbursement 2	Execute an agreement on an affordable long-term facility in Brooklyn sufficient to house at least one fully enrolled K-8 school unit, or secure low-cost multi-year space that can accommodate at least 2 academies for at least 3 years	January 1, 2006
	Prior to a final decision to open additional academies in CT, identify private funders to cover at least two-thirds of projected total CT deficit through FY08	February 1, 2006
	Execute an agreement on an affordable long-term facility in in New Haven for Elm City	February 15, 2006
	Acquire 1-2 new charters, sufficient to support the opening of 2 new academies in Brooklyn	April 30, 2006
	Secure low-cost incubation space for schools opening in the fall of 2006	May 15, 2006

Source: New Schools Venture Fund Grant Letter

Exhibit 13: AF Historical Statements of Operations

Amistad Academy

	Jun-06	Jun-05	Jun-04
Revenues:			
Intergovernmental Revenue	\$2,739,305	\$3,031,376	\$2,165,522
Other	\$1,418,779	\$1,288,270	\$1,481,749
Interest	\$18,410	\$13,349	\$49,319
Rental income	<u>\$55,000</u>	<u>\$35,000</u>	<u>\$23,788</u>
Total Revenues	\$4,231,494	\$4,367,995	\$3,720,378
Expenditures:			
Instructional	\$2,191,491	\$1,992,762	\$2,236,967
Support Services:			
Students	\$658,201	\$606,421	\$125,311
Instructional Improvement	\$33,859	\$100,497	\$65,437
Special Education	\$174,152	\$82,277	\$88,059
General Administration	\$34,619	\$141,920	\$364,348
School Administration	\$257,167	\$159,559	\$39,702
Operation and Maintenance of Plant	\$223,940	\$217,730	\$165,227
Student Transportation	\$101,315	\$102,703	\$47,747
Food Service	<u>\$161,443</u>	<u>\$173,023</u>	<u>\$69,731</u>
Total Operational Expenditures	\$3,836,187	\$3,576,892	\$3,202,529
Fixed Assets	\$343,388	\$100,210	\$1,176,217
Debt Service	\$43,461	\$542,888	\$758,074
Interest Expense	\$123,790	\$88,910	\$0
(Gain) Loss on Disposal of Fixed Assets	<u>(\$300)</u>	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$4,346,526	\$4,308,900	\$5,136,820
Excess (Deficiency) of Revenues	(\$115,032)	\$59,095	(\$1,416,442)

YALE SCHOOL OF MANAGEMENT

EXHIBIT 13 (CONTINUED)

Elm City College Prep

	Jun-06	Jun-05
Revenues:		
Intergovernmental Revenue	2,377,676	1,340,422
Other	1,096,062	777,916
Interest	<u>6,584</u>	<u>2,839</u>
Total Revenues	3,480,322	2,121,177
Expenditures:		
Instructional	1,772,022	1,176,001
Support Services:		
Students	141,236	110,050
Instructional Improvement	22,213	27,938
General Administration	157,537	3,265
School Administration	263,486	315,586
Operation and Maintenance of Plant	186,549	98,162
Student Transportation	100,000	122,799
Food Service	<u>160,849</u>	<u>140,450</u>
Total Operational Expenditures	2,803,892	1,994,251
Fixed Assets	161,239	241,568
Loss on Disposal of Fixed Assets	<u>168</u>	<u>---</u>
Total Expenditures	2,965,299	2,235,819
Excess (Deficiency) of Revenues	515,023	(114,642)

YALE SCHOOL OF MANAGEMENT

EXHIBIT 13 (CONTINUED)

AF East New York

Period from March 15, 2005 (date of inception) to June 30, 2006

Operating revenue:

State and local per pupil operating revenue	\$1,461,352
Government grants and contracts	<u>551,164</u>

Total operating revenue 2,012,516

Expenses:

Program services	1,737,344
Management and general	<u>344,556</u>

Total operating expenses 2,081,900

Deficit from school operations (69,384)

Contributions and other grants	327,613
Other income	<u>3,015</u>

Unrestricted net assets at end of period \$262,144

Breakdown of Operational Expenses

Salaries and wages	\$1,065,167
Payroll taxes and employee benefits	\$188,434
Accounting fees	\$11,500
After-school academic program	\$8,565
Classroom supplies and instructional materials	\$237,078
Furniture and equipment - noncapitalizable	\$57,596
Insurance	\$11,658
Interest and bank service charges	\$11,138
Legal	\$60,018
Management fee	\$132,620
Office expense	\$26,501
Parent activities	\$331
Postage, Printing and photocopying	\$13,119
Rent - building permit fees	\$34,102
Repairs and maintenance	\$9,278
Special education contracted services	\$48,794
Staff professional development	\$15,830
Student field trips and incentive programs	\$2,617
Student food services	\$9,928
Student transportation	\$19,500
Student uniforms	\$11,994
Technology infrastructure and software	\$11,653
Telephone and internet	\$18,225
Depreciation	<u>\$76,254</u>

Total expenses \$2,081,900

YALE SCHOOL OF MANAGEMENT

EXHIBIT 13 (CONTINUED)

AF Crown Heights

Period from March 15, 2005 (date of inception) to June 30, 2006

Operating revenue:

State and local per pupil operating revenue	\$2,187,382
Government grants and contracts	<u>638,323</u>

Total operating revenue 2,825,705

Expenses:

Program services	2,401,152
Management and general	<u>420,192</u>

Total operating expenses 2,821,344

Revenue from school operations 4,361

Contributions and other grants	458,611
Other income	<u>5,891</u>

Unrestricted net assets at end of period \$468,863

Breakdown of Operational Expenses

Salaries and wages	\$1,444,714
Payroll taxes and employee benefits	\$251,934
Accounting fees	\$11,500
After-school academic program	\$7,881
Classroom supplies and instructional materials	\$339,362
Furniture and equipment - noncapitalizable	\$66,188
Insurance	\$20,153
Interest and bank service charges	\$8,254
Legal	\$52,626
Management fee	\$197,124
Office expense	\$39,605
Parent activities	\$983
Postage, printing and photocopying	\$18,818
Rent - building permit fees	\$54,838
Repairs and maintenance	\$12,758
Special education contracted services	\$71,994
Staff professional development	\$16,082
Student field trips and incentive programs	\$28,973
Student food services	\$16,081
Student transportation	\$20,975
Student uniforms	\$20,110
Technology infrastructure and software	\$7,224
Telephone and internet	\$25,873
Depreciation and amortization	<u>\$87,294</u>

Total expenses \$2,821,344

YALE SCHOOL OF MANAGEMENT

EXHIBIT 13 (CONTINUED)

AF Central Office

	<i>Year Ended June 30,</i>	
	2006	2005
Support and Revenue:		
Grants and contributions	4,160,118	3,089,557
In-kind revenue		10,200
In-kind management fees	653,433	
Program fees		6,500
Interest income	49,001	
Other income	<u>10,605</u>	<u>7,074</u>
Total support and revenue	4,873,157	3,113,331
Expenses:		
Program services	2,790,890	936,790
Management and general	309,053	137,864
Fundraising	<u>142,005</u>	<u>70,013</u>
Total expenses	3,241,948	1,144,667
Total change in net assets	1,631,209	1,968,664
Breakdown of operational expenses		
Salaries and wages	1,406,322	542,462
In-kind management fees	653,433	
Curriculum development	191,145	42,640
Staff recruitment expenses	141,739	162,387
Payroll taxes	117,562	46,889
Facility search and permit costs	116,149	
Employee benefits	96,046	46,934
Information technology	78,454	
Staff training	75,414	43,194
External relations	68,364	
Auditing and accounting	61,966	8,943
Rent	55,000	35,000
Office expenses	52,280	
Leadership team	39,960	
Telephone	28,914	11,435
In-kind occupancy		10,200
Depreciation	23,254	6,192
Insurance		8,504
Payroll service		7,666
Student recruitment expenses		15,916
Utilities and internet		8,398
Postage and printing		2,494
Office cleaning and supplies		14,756
Publicity/fundraising expenses		1,638
Consultants and legal		71,665
Travel		19,660
Website and internet design		24,119
Misc.	<u>35,946</u>	<u>13,575</u>
Total Expenses	3,241,948	1,144,667

Exhibit 14: AF Projected Financials

School Expansion Plans

	Actual		Projected (as of August, 2006)				
	2005	2006	2007	2008	2009	2010	2011
Number of Schools	2	4	6	7	9	9	11
Number of Academies ¹	3	6	10	12	16	21	25
Connecticut	3	3	5	6	8	10	12
NewYork	-	3	5	6	8	11	13
Number of Students	393	936	1,680	2,490	3,836	5,222	6,761
Connecticut	393	526	765	1,095	1,727	2,432	3,233
NewYork	-	410	915	1,395	2,109	2,790	3,528

¹ An “academy” is a school unit, such as elementary, middle, or high school.

Projected School Expenses

Connecticut

	Projected (as of August, 2006)				
	2007	2008	2009	2010	2011
Revenues¹:					
Public Revenue	\$7,005,537	\$10,586,337	\$17,972,516	\$26,421,106	\$37,271,909
Interest Income	7,650	10,950	17,270	24,320	32,330
Total Revenues	7,013,187	10,597,287	17,989,786	26,445,426	37,304,239
Expenditures²:					
Salaries and Benefits	6,969,494	9,672,914	15,288,956	21,232,066	27,829,808
Services and Activities	1,110,299	1,647,433	2,812,203	4,044,172	5,726,068
Supplies and Equipment	1,281,809	1,616,492	3,177,701	3,795,575	4,815,253
Facilities	833,524	1,055,099	1,567,082	1,927,205	2,360,955
Total Expenditures	10,195,126	13,991,939	22,845,943	30,999,019	40,732,084

New York

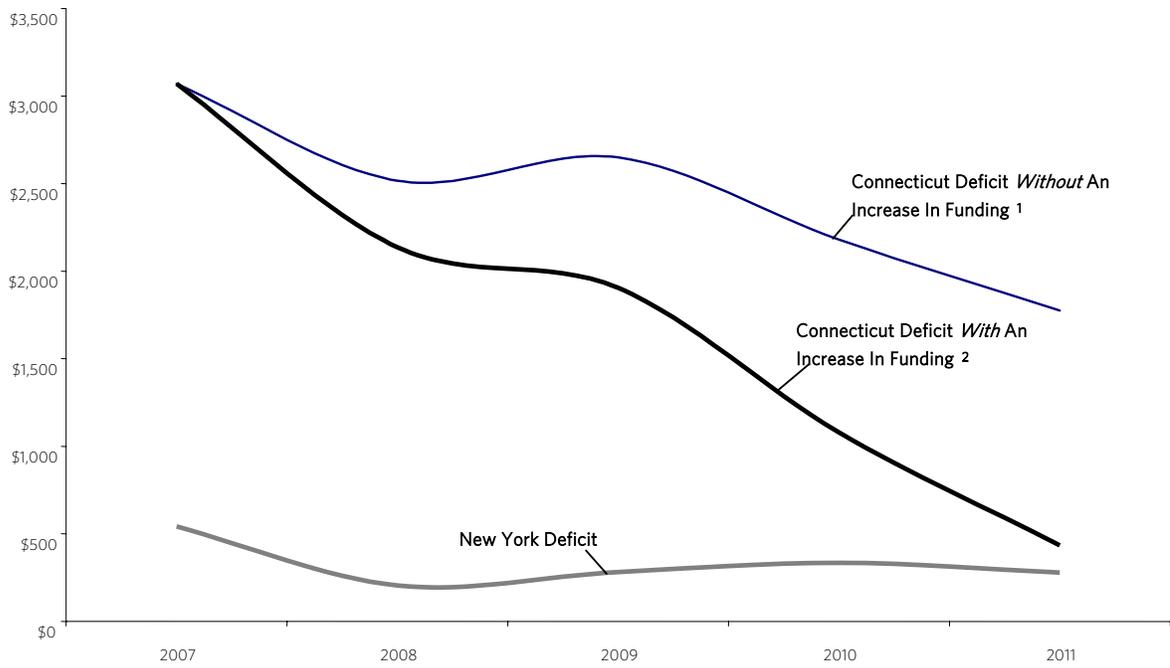
	2007	2008	2009	2010	2011
	Revenues:				
Public Revenue	\$11,279,144	\$16,771,930	\$25,752,764	\$34,276,688	\$44,227,021
Interest Income	9,150	13,950	21,090	27,900	35,280
Total Revenues	11,288,294	16,785,880	25,773,854	34,304,588	44,262,301
Expenditures²:					
Salaries and Benefits	7,617,774	11,621,866	17,353,884	23,815,425	31,594,879
Services and Activities	1,993,817	2,868,618	4,593,864	6,309,996	8,035,702
Supplies and Equipment	2,048,757	2,202,680	3,328,536	3,825,314	4,784,060
Facilities	5,021,784	404,097	807,039	1,083,685	1,229,909
Total Expenditures	16,682,131	17,097,261	26,083,323	35,034,420	45,644,550

¹ Includes a projected increase in state funding per pupil of \$650 each year, reaching \$10,600 in 2011.

² Expenditures include start-up costs. These numbers do not reflect expenditures at steady state, because new schools are added each year.

EXHIBIT 14 (CONTINUED)

Projected Per Pupil Operating Deficits, 2007-2011



¹ Projects an increase in Connecticut state funding per pupil at the rate of inflation.

² Projects a \$650 increase in Connecticut state funding per pupil each year, reaching \$10,600 in 2011.

Exhibit 15: AF Central Office Projected Financials

	Projected (as of August, 2006)				
	2007	2008	2009	2010	2011
Reve					
Achievement First Management Fee	\$832,258	\$1,455,625	\$2,666,449	\$4,089,861	\$5,724,361
Total Revenues	832,258	1,455,625	2,666,449	4,089,861	5,724,361
Expenditures:					
School Leader and Teacher Recruitment	576,850	804,921	887,837	1,057,419	1,111,351
New School Development	41,933	201,079	229,658	213,188	218,736
Budget, Finance, and Facility	417,861	456,176	499,374	513,914	528,898
Curriculum & Professional Development	1,168,073	1,236,364	780,347	844,230	1,008,270
External Relations	703,171	754,880	786,737	822,706	867,288
Principal & School Support	395,831	535,773	809,112	1,258,409	1,596,685
Operations	315,885	325,504	335,159	345,110	355,366
Central Office Management	366,278	564,828	795,162	817,880	841,291
Information Technology	448,015	580,455	681,476	839,415	861,616
General and Administrative	285,125	320,437	332,342	349,508	359,269
Total Expenditures	4,719,021	5,780,417	6,137,205	7,061,779	7,748,771
Surplus (Deficit)	(3,886,763)	(4,324,792)	(3,470,756)	(2,971,918)	(2,024,410)
Expenditures Per Student	2,809	2,321	1,600	1,352	1,146