**BASIS Continues to Lose Millions While the Competition Thrives:**

**Great Hearts Made $4 Million in 2019**

(Next: Legacy Traditional Tops Them All Clearing $13 million Last Year…)

BASIS and Great Hearts account for 14% of all of the charter students in Arizona, both offering an accelerated, college prep curriculum in affluent suburbs across Arizona. They each have bright new facilities and a growing enrollment. But BASIS has lost $14 million the last three years while Great Hearts cleared $5 million in 2019.

We have assumed that huge real estate debt and high management costs were the cause of BASIS financial woes, but we were wrong, at least when comparing them to Great Hearts. Great Hearts spent nearly as much on administration and *more* for their facilities than BASIS in 2019. Classroom spending is nearly the same. Why then, does BASIS consistently lose money while Great Hearts increased assets by $5 million last year?

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|  | Administration/Pupil | Facilities/Pupil | Regular Education/pupil |
| Basis | $2,150 | $1,525 | $3,689 |
| Great Hearts | $2,025 | $1,620 | $3,532 |

The answer is Great Hearts simply has more money to spend. Great Hearts received $9,413/pupil in total revenue in 2019 while BASIS only had $9,031/pupil to work with.

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|  | Revenue/Pupil |
| Basis | $9,031 |
| Great Hearts | $9,413 |

The $382 deficit per pupil cost BASIS $5,680,722in revenue. If BASIS had as much to spend as Great Hearts, BASIS would have been in the black by $2 million.

What’s up? Funding from the state is the same for both charters and both received about $150/pupil in federal funds. The difference is in “Local Revenue”.

Local revenue is the money parents pay for activity fees, athletics, supplemental instructional materials, fund raising, and donations. Great Hearts tops the state in extracting money from parents - $1,687/pupil last year. Basis *only* was able to collect $1,322/pupil in 2019, $365 less per pupil than Great Hearts. Multiplied by 14,871 BASIS students, that’s over $5.4 million - the difference that prevented BASIS from being a profitable company in 2019.

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|  | Local Revenue/Pupil |
| Basis | $1,322 |
| Great Hearts | $1,687 |

Both Great Hearts and BASIS have extremely high administration and facilities costs compared to the average charter school in Arizona. The only thing that allows two companies to create growing real estate empires and reap huge management profits is the extensive additional funds required of parents in one form or another. Each Great Hearts School has two employees - an Academy Giving Manager and an Academy Giving Assistant that do nothing but raise money from parents. It seems to be paying off.

Both the BASIS and Great Hearts business models are lucrative, extremely expensive and completely dependent on the highest fees and donations from parents in Arizona. The difference between BASIS and Great Hearts is BASIS can’t squeeze enough out of parents to break even.

We will look next at the largest charter company in Arizona, Legacy Traditional Academy, a company that gets half of what Great Hearts receives from parents but had a $13 million increase in assets in 2019.

(Note: the three charter companies discussed are non-profit organizations so profits are described as “an increase in assets”)

See azcsa.org for supporting data from the 2019 Annual Financial Reports used in this report.