

THE FINANCIAL SUSTAINABILITY
OF MAUI'S SMALL INDEPENDENT SCHOOLS

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Abstract

“The Financial Sustainability of Maui’s Small Independent Schools” examined strategies for financial sustainability used by Maui’s small independent schools (three hundred students or less). The author articulated strategies used by the schools and suggested measurement and evaluation of these strategies. The project utilized mixed method, exploratory action research to collect data in three phases and from three perspectives for triangulation: Phase One—what do the experts say? Phase Two—what do the numbers say? and Phase Three—what do the schools say? Primary data included interviews as well as the IRS Tax Form 990 submitted by small Maui schools over a three-year period. Patton’s Actual-Ideal Comparative Evaluation Format guided integration of the data in order to produce an adjusted vision for the financial sustainability of Maui’s small independent schools. The key finding was that financial sustainability relies on a clearly articulated and relevant mission activating “passion and heart” for what the school is doing, and personal sacrifice by faculty, staff, and parents. This mission was central to two strands of action for the school: 1) expressing “the soul of a school” so that strong enrollment and donations result, and 2) developing strategic action for the school so that finances are managed and the school adapts to the environment. Execution of the school’s mission relied on an entrepreneurial spirit of “doing what it takes,” “planning for growth,” “defying odds,” and “taking a chance.” Limitations of this study included its focus on six small schools on Maui, and a single researcher approach. This study contributed to HAIS’ understanding of the nature of a small school on Maui, and provided the Maui schools with an opportunity to self-define their existence, especially within the context of accreditation.

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List of Abbreviations

CAIS	California Association of Independent Schools
H AIS	Hawai‘i Association of Independent Schools
HWS	Haleakala Waldorf School
HCPS	Hawai‘i Council of Private Schools
MISO	Maui Independent School Organization
DANA	Development and Administrators Network of the Association of Waldorf Schools of North America
NAIS	National Association of Independent Schools
NBOA	National Business Officers Association
MNPD	Maui Nonprofit Directors

Chapter One. The Story Behind the Project

In 2011 I chaired an accreditation team visiting a small neighbor island school. The school had lost about a hundred students over the past few years and credited the loss in students to the economic downturn. Despite this significant loss of students, the visiting team felt that the school showed extensive evidence of students engaged in their own learning and strong programmatic and administrative leadership. During this accreditation process, the school cited evidence for why they thought their school was on the upswing: they had double the number of applications, the local area's economy was picking up, and they had a new person in charge of marketing that was enacting a realistic plan with results that they could already see. In addition, the school owned prime acreage that it could sell or lease should it need more income. The visiting team recommended a six-year term; the Hawai'i Association of Independent Schools (HAIS) accreditation commission issued a three-year term. The school felt disappointed, and so did the team.

A year and a half later I participated in a consultancy group focusing on the financial viability of independent schools. At a meeting with HAIS, one of its leaders stated

Most of Hawai'i's schools are really small. But the evaluators are from the larger schools and they don't have the body of knowledge to help them understand [the small schools]....It is a precarious situation. If schools are accredited for three years and they close, it is on HAIS. There is no lens to see if they will last (HAIS representative, personal communication, January 6, 2012).

H AIS wanted to learn more about small independent schools so that that it could make better judgments about the schools' financial sustainability, particularly when assigning accreditation terms or even if advising them to close. Questions that came up at the meeting included: "How do you reliably evaluate the financial structure of a small school?" and "Define what is sustainable for a small school. Is 'surviving' sustainable?" (Consultancy meeting with H AIS, January 6, 2012).

These two stories illustrate my interest and my role within an action research dissertation focused on Maui's small independent schools. This is a project where I "[wrote] myself into the picture" as a participant and as part of the narrative (Hunter McEwan, personal communication, July 10, 2013). As an administrator of a small independent school on Maui, financial sustainability holds direct relevance for me. Additionally, I feel almost obligated to tell the story of how small neighbor island schools achieve financial sustainability—perhaps because I am the only one who really can. Perhaps this is my story to tell.

My Story

I was socialized in the '60s and '70s by Asian descendants of Hawai'i's plantation era who had lived through the depression. A small town quality dominated Maui, one of neighborliness, collaboration, and extending a hand when needed. My role models taught me that "hard work always pays off" and that "giving back" when you can is the natural and right thing to do. I also learned early on that Hawai'i was Honolulu-centric and that neighbor islanders must work harder to be heard, seen, or understood—if they want a voice. It remains the case where neighbor islands must ask to be included rather than sought out as part of the complete picture for the state.

In the mid-'80s I earned an MA at U.C. Berkeley in sociology, ran a home business, and began teaching. At the time I became a school administrator in the late 1990s, I interacted with no one who had been raised on a neighbor island *and* was head of a school. In fact, there were only a very few school heads who had been raised in Hawai'i at all. In taking a chance on me, my school found someone who was socialized to work hard, someone trained to look at the sociological or "big picture," someone obligated to connect with and give back to her community, and someone used to speaking up on behalf of her island.

As a school administrator I served the local, state, and national educational community through conducting school licensing visits, accreditation visits, and leading administrators within a national educational organization. The schools we licensed tended to be very small, frequently ranging from fifty to one hundred students. Through visiting these schools I learned that schools with less than 100 students had been operating for many years. I saw that teachers and administrators willingly worked for very low salaries. I noticed that many independent schools around our state charged incredibly low tuitions. Most importantly, I saw that these schools functioned and offered a beneficial service to their communities—they provided educational options desired by parents as well as educational environments particular to student needs.

Many of these small schools appeared to be "scraping by," going into their school years with deficit budgets. The data from these small schools did not look like data from the significantly larger and wealthier schools that comprised the National Association of Independent Schools (NAIS) membership. I respected that these small schools continued

to exist, to serve, and to make a difference in the world for many students and their families, despite their limited resources.

The Need

An assumption revealed by the opening small school story, echoed by HAIS' desire to understand small schools, is that there is a causal link between a school's financial history and whether or not the school can be sustainable. While there is certainly truth to this statement, there also seems to be an expectation that financial sustainability looks a certain way. If this assumption is accepted, there is also a need to make this expectation explicit, along with a clear description of "the way" financial sustainability "should look." Is there only one way? A multitude? Is there a difference between large school sustainability and small school sustainability? Between Honolulu sustainability and neighbor island sustainability? Who makes that decision?

It is my hope that this research project will assist small schools on Maui in assessing their own viability and sustainability, as well as provide organizations such as HAIS with information as to how these schools keep running. If these schools are better seen and understood, then teams that visit them for licensing and accreditation, as well as the boards and commissioners that read the reports, might have a stronger platform for making term recommendations and decisions. They might have a set of criteria or benchmarks specific to Hawai'i's neighbor islands. With such research, non-profit consulting organizations, foundations, and accrediting bodies might feel more knowledgeable in advising or assisting these schools and the communities they represent.

Using Action Research

Action research was an excellent tool for addressing the need of Maui's small independent schools. McNiff and Whitehead (2010) described action research as, "intentional. When you identify your research issue and formulate your research question, you imply that you intend to do something about it" (p. 41). In this process it puts the researcher and her values at the center of the project. As one participant said,

Once you establish the answer to your essential question, then you can pose the subsequent one that challenges accreditation work to employ multiple assessment strategies when it comes to determining something that can be as elusive as the idea of sustainability (D.A., Personal communication, 11/26/12).

In this effort of trying to reckon with "real-world questions" and "real-world solutions," McNiff and Whitehead (2010) suggested that action research is "more than problem solving" but "about identifying what we want to achieve in terms of the values we hold and offering justification for the actions we take" (p. 95). We are "hoping to find an imaginative way forward" (p. 100).

McNiff and Whitehead (2010) cited characteristics of action research specifying how and why this project goes beyond "traditional research." This project "is practice based, and practice is understood as action and research," "is about improving practice," "emphasizes the values of practice, "is collaborative, and focuses on the co-creation of knowledge of practices," "is intentionally political," "requires people to hold themselves accountable for what they are doing and accept responsibility for their own actions," and "can contribute to social and cultural transformation" (p. 17).

To this end, I seek to make my values as a practitioner within the small independent school world explicit. I believe that small neighbor island independent schools have a value and a shelf life that is important to the communities they serve. They struggle through and make it on a daily basis for years and they offer invaluable choices to families in small towns. Applying large school standards and expectations to the evaluation of small schools may not be fair and the resulting judgment can have costly and time-consuming ramifications in terms of accreditation. I believe that national and Oahu based accrediting bodies can learn from the survival of small neighbor island independent schools, just as small neighbor island independent schools can learn from the licensing and accreditation process of large institutions. Each group can inform the other, and learning is mutual. Ideally, learning is shared versus authority imposed. This learning might help HAIS develop accreditation standards that would include the experience of small independent schools on the neighbor islands.

The Project and Overall Purpose

The purpose of this study was to examine the financial sustainability of Maui's small independent schools: can their strategies be articulated, measured, and evaluated? This question is answered in three phases: What do the experts say? What do the numbers say? And what do the schools say? "Small" is defined as a school with less than 300 students enrolled.

NAIS described an accredited school as "one that has available the necessary resources to achieve its stated purposes through appropriate educational programs, is substantially doing so, and gives reasonable evidence that it will continue to do so in the foreseeable future" (www.nais.org). This statement closely parallels the definition of

financial sustainability given by Mari Brown (2008): “an ability to determine whether the resources necessary to provide and sustain that mission will be available both in the short and long term” (p. 19). These definitions underscore the value that accrediting bodies place on financial sustainability. An accredited school is a financially sustainable school, and thus, a school must be financially sustainable before receiving full terms of accreditation.

The primary “expert” data within Phase One consists of five interviews with HAIS and National Business Officers Association (NBOA) representatives, a CPA who works with most of Maui’s independent schools, and HAIS accreditation commissioners. The secondary expert data came mostly from the extensive practitioner research generated by NAIS and NBOA.

The “numbers” data within Phase Two came from the IRS Tax Form 990 that non-religious non-profits are required to file. These are public documents. A completed Form 990 provides a glimpse into numerous factors that may or may not impact a school’s financial landscape. Such factors include tuition collection, management of expenses, enrollment, marketing, fundraising, facility maintenance, etc.

Additionally, through GuideStar, these data are available for all independent schools free of charge, with a three-year history on each school. GuideStar is a nonprofit that gathers and publicizes “information about nonprofit organizations” because “the best possible decisions are made when donors, funders, researchers, educators, professional service providers, governing agencies, and the media use the quality information that we provide” (www.guidestar.org). The Form 990 and Guidestar appear to be a treasure trove of data that has not yet been mined on behalf of Hawai‘i’s independent schools. There

are six small independent schools on Maui that file the Form 990. The forms were found at www.guidestar.org. Appendix A, “IRS Tax Form 990 and GuideStar,” included an explanation of the IRS Tax Form 990 and who must complete it, an introduction to GuideStar, why it posts the IRS Tax Form 990s, and their limitations.

The “schools” primary data within Phase Three came from interviews with the six schools filling Form 990 forms. Secondary data came from a workshop group of participants at the Maui Independent Schools Organization (MISO) 2013 Conference on Maui.

The Inquiry Framework

Patton’s (2011) “Dynamical Actual-Ideal Comparative Evaluation Framework with Emergent and Retrospective Baselines” illustrated the relationship between the project’s three phases. It is a framework that emphasized “comparing baselines with benchmarks and outcomes” (p. 256). The “reality” of Maui’s school’s (both interviews and 990s) was compared with the “ideals” of the experts to produce an updated and adapted vision of Maui’s small school financial sustainability. This framework is further discussed in Chapter Three.

Figure 1. Actual-Ideal Evaluative Comparison for Maui's Small Independent Schools

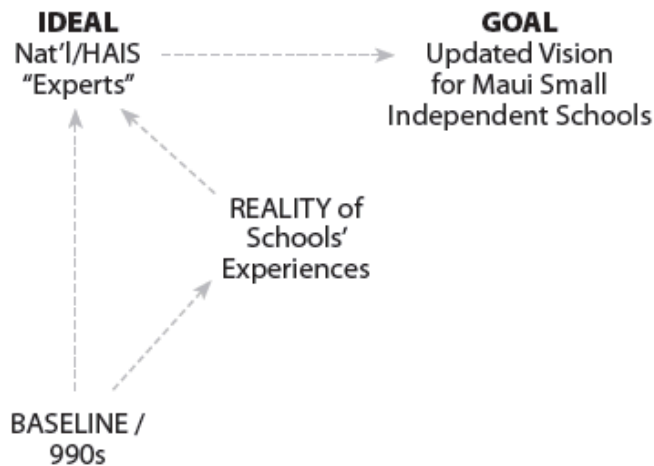


Figure 1. A model for integrating the project's data based on Patton's Actual-Ideal Comparative Evaluation Framework with Emergent and Retrospective Baselines (2012, p. 257)

The Project's Key Assumptions

Patton (2002) described a “key assumption” of action research dissertation as people solving problems through studying themselves. This is also the basic tenet of the self-study within the accreditation process. McNiff and Whitehead (2010) echoed this tenet but included the political ramifications of those who do not study themselves: “If a field cannot articulate its own criteria and standards of judgment, it must expect to be judged in terms of associated fields” (p. 30). And finally, “The key questions are about what counts as knowledge, who counts as a knower, and who says so” (Patton, 2002, p. 224). Who better to speak for financial sustainability on Maui than those who live with

that struggle on a daily basis? The opportunity for Maui schools to self-define their existence is the ultimate reason for this project. Through a combination of analyzing the Form 990s of Maui's small independent schools, exploring the advice of experts in the field, and the actual words of administrators working in these schools, I hope to provide research that begins to make this existence more visible.

Chapter Two. The Literary and Geographic Context

The context of this paper included both a literary context and a geographic one. The literary context focused on the following components associated with small, independent school sustainability and viability: applying business standards, financial sustainability, schools as complex organizations, school values, and independent schools in Hawai‘i. This literary context reflected a gap between ideals and practice in terms of a school as a business, the nature and values of a school, and the intent and practice of school evaluation. This chapter places my study within the gap between standards used to describe and measure the financial sustainability of larger independent schools on the mainland and in Honolulu, and the reality of small independent schools of Maui. A look at these components also emphasizes the complex nature of independent schools, and thus the need to evaluate them with a construct that recognizes complexity. Patton’s concept of developmental evaluation is very useful for this purpose.

The geographical context of this project described the island of Maui, including its physical geography, demographics, economy, ethos, and independent school environment. What was happening on Maui that has caused a number of its schools to go against the statewide trend of declining enrollment?

The Literary Context

Applying business standards. Mari Brown (2008) defined the financial sustainability of independent schools for the National Business Officers Association (NBOA) as “an ability to determine whether the resources necessary to provide and sustain that mission will be available both in the short and long term” (p. 19). Pat Bassett (2005), Executive Director for NAIS, described a “sustainable school for the 21st

century” as one that is sustainable financially, environmentally, globally, programmatically, and demographically (2005).

The question of financial sustainability raises the opportunity for schools to consider examples from the business world. However, this is an uncomfortable position for many educators who say schools are not businesses. Bassett (2007a) distinguished schools from businesses by saying that a school’s bottom line is “about the kids,” not the financial bottom line; that a school is about stakeholders, not shareholders; and that a schools offers a “collegial environment” for its teachers and administrators rather than an adversarial one that businesses with unions experience. Looney (2009) stated that business thinking does not apply to schools because schools cannot respond to the market the way that businesses do—they cannot lower their prices mid-year, and they cannot respond quickly to market forces:

Tuition at independent schools is set once per year, and the resulting sticker price is the cumulative total of all previous increases. The economic tools available to businesses, quickly cutting costs, cutting sticker price, or offering an immediate discount, are not possible for independent schools (p. 67).

When speaking on behalf of public schools, Larry Cuban (2004) stated it has never been proven in America that business models can be successfully applied to schools. He further surmised that schools by their very natures are not businesses and that applying the business model to schools only leads to over-standardization. In discussing higher institutions of learning, Chait and First (2011) echoed the thought that business strategies such as “zero-based budgeting, management by objectives, total quality management, continuous quality improvement, business-process engineering,

strategic planning, benchmarking, and innovative business models” cannot be applied “fruitfully” across all industries (p. 37).

Sarah Daignault (2003), former Executive Director for NBOA (a 700 member organization serving independent schools), former business officer for two different independent schools, and trustee, urged independent schools to “keep money front and center” saying:

all aspects of independent schools are inextricably tied to money...It is time for independent schools to focus as much energy on money and how money affects and controls schools as they have on mission and educational objectives. The Bottom Line is simply this: schools cannot meet those essential and important objectives without money (p. 20).

John Barry (2012), CPA, MBA and CFO at an independent school, spoke more directly and stated that “independent schools are essentially cash flow activities, not different economically from any medium-sized commercial venture, but with a tax exemption” (p. 22). He encouraged schools to consider their return on investment when making capital investments and to view their budgets dynamically, adjusting them mid-year if necessary. A financial institution that serves independent schools advised that schools consider a number of different strategies for financial sustainability, including bonds, loans, and revolving lines of credits (Procknaw, 2012).

Financial sustainability. If schools *are* considered businesses, there is no shortage of advice for financial sustainability, including the concepts of cost-benefit analysis (Thompson, 2003), dimensions of viability (Thompson, 2005), economic activities through voluntary environmental and social contributions (Schaltegger, 2008),

and consideration of intangible capital, social capital, effectiveness, efficiency, sufficiency, and equity (Dyllick & Hockerts, 2002). NAIS offered ten benchmarks for financial sustainability. These include “>2.5 applications for each opening,” “7% annual day student attrition,” “>65% parent participation [in annual fund], \$1,000 average annual gift,” “>75,000 top salary for faculty,” “annual tuition increases at CPI +2 or less,” “average awards of 50% tuition” for financial aid, “>6:1 students to total staff,” “>2% of budget for technology,” “>\$25,000 endowment per day student,” and “>95% graduate from college within six years” (Bassett & Mitchell, 2006, p. 32-34).

NAIS also stressed that “financial equilibrium” through a balance of four elements (as first introduced for universities by Hopkins and Massey) will lead to financial sustainability—a balanced operating budget, growth in revenue exceeds or meets growth in expenses, preservation or growth of endowment, and preservation or increase in the value of physical plant. “It is a simple, quantitative model that provides some structure to assess whether a given school’s financial plan is viable in the long term” (McIntyre, 2009, p. 29).

Jim McManus, Executive Director of the California Association of Independent Schools, studied independent schools that close and found that schools “die” frequently. In reviewing a list of private schools existing as of 1927, approximately one third of them are no longer open (2012). He cited four main reasons for these closures. One of these is money problems; schools burn through reserves or have no reserves, schools become overwhelmed by deferred maintenance costs, schools experience a significant enrollment loss, or schools cannot pay back money it has borrowed. But he also stated that schools close due to mission fatigue, a phenomenon experienced when schools cannot “reinvent”

themselves or convey their value when societal values change or when economic conditions change. Additionally, McManus (2012) noted two other critical reasons for closures: unsuccessful leadership transitions and lack of planning. Strategic planning was key in his findings.

What is striking in examining the surviving written record of deceased independent schools is the paucity of evidence that school leaders ever regularly engaged in long-term planning. Most seem to have been engaged in the demands of the day, with minimal appetites for assessing the future and their institutions' potential fates as that future unfolded. This orientation—which favors short-term, small picture thinking—heightened the likelihood that more schools would perish. Schools that don't astutely anticipate and plan for the impacts of demographic shifts, disruptive wars, economic downturns, cultural sea changes, and technological revolutions are more likely to be sabotaged by them than to benefit from them (p. 30).

Pat Bassett (2012) also touted the importance of strategy to independent school survival but references Henry Mintzberg in clarifying that it is strategic *thinking* rather than strategic planning that is essential, and in particular, remaining in a “strategic posture at all times” (p. 9). With a strategic posture, a school is more nimble and able to correct its course when circumstances change. Further, Bassett (2012) specified three key “gauges” that if watched closely, could signal danger when targets are not met: enrollment, annual giving, and staffing. A specific form of strategic thinking would be to completely reconsider the traditional methods of income for independent schools. John Farber (2012) pointed out that there has been some level of recession every decade for

the past two hundred years and that responding to this trend will require independent schools to develop models of financial survival that go beyond collecting tuition and donations. Farber (2012) stressed profitability through essentially running two businesses—one that is mission driven and concerned with educating students, “while the second will create and run profitable activities whose profits are then reinvested in the school” (p. 35). He cited Kamehameha Schools as an example of a school sustained by the profitable activity of real estate.

As independent schools are financially dependent on collecting tuition and fundraising for financial survival, it does appear that they must consider some aspect of their nature as a kind of business. But it is equally true that their natures go beyond traditional economics. Barry (2012) compared schools to the political nature of small towns. Somewhat contrary to McManus’ look at independent K-12 schools, Chait and First (2011) showed that private colleges long outlive Fortune 500 companies and emphasize that private colleges do not face an “existential threat.” Although writing about eighteen to twenty-two year olds, it is easy to extend their argument to younger students within America’s independent schools: “We remain unconvinced that sizeable numbers of 18-22 year old collegians will opt exclusively or predominantly to be home-schooled via technology (a prospect many parents might not relish, either” (p.38). Further, they argued that techniques used by independent schools such as collaborative leadership, a public process for vetting strategic plans, and cooperative relationships with their competitors points to their different, often misunderstood natures: “artful leadership on campus unfolds tentatively, ambiguously, gradually, and somewhat obscurely. To the untrained eye, no one seems in charge” (p. 39).

Burnett, Davison, McIntyre, and Torres (2009) pointed to the nonprofit aspect of independent schools as another indicator of education defying traditional economics. In particular, they stated “there are not straightforward measures” for excellent education (p. 151). The authors referred to a “measurement challenge” when considering excellence and success. “Even if the definition of success were clear, the methods available to attribute student success to the actions of the school are inherently limited because of the sheer number and nature of the other variables at play” (p. 151).

Schools as complex organizations. It is this blend of business with a different political, social and economic reality that might lead one to argue that schools are complex organizations. Davison (2009) described the income of a school as affected by such factors as marketing and demand, “affordability,” tuition assistance strategies, and sources of auxiliary income; expense issues include the rise in faculty and staff salaries and benefits, tuition assistance strategies, and spending. Consumer demand for independent education was “affected by the complicated intersection of so many factors” (Morton, 2009, p. 19). Daignault (2009) added that the worldwide economic crisis of 2008 left the financial situation of schools as “such a complicated question, it seems overwhelming” (p. 55). In fact, the financial life of a school can be compared to a complex ecosystem. “The financial flows and cycles of any school are part of a complex ecosystem of interrelated forces, outcomes, and influences. Like pulling on a spider web, changing one variable will have an impact on the others” (Burnett, et al., 2009, p. 154). Finally, when looking at the mission, location, type, size, age, etc of a school it can be argued that each school’s ecosystem is quite unique; there is no “one size fits all” financial model for independent schools (Bassett & Mitchell, 2006).

Michael Patton (2011), author of *Developmental Evaluation: Applying Complexity Concepts to Enhance Innovation and Use*, described six characteristics of “complex adaptive systems” that also described independent schools: nonlinearity, emergence, dynamical, adaptive, uncertainty, and co-evolutionary. Moreover, the method Patton proposed to evaluate complex organizations strongly supported the desires of independent schools. Patton, founder of utilization-focused evaluation, was also the proponent for a more recently developed process he called developmental evaluation. According to Patton (2011), the traditional summative method of evaluating organizations presumes that these organizations are static, fixed, and mechanical in terms of cause and effect. Developmental evaluation bases causality on pattern detection, recognizes “far too many variables and possibilities emerging and interacting dynamically to conceptualize simple counterfactuals,” tracks “implications of key decisions as innovation evolves,” and expects the unexpected (Patton, 2011, p. 24). Patton (2011) also stated that within a developmental evaluation, accountability is “centered on the innovators’ deep sense of fundamental values and commitment to make a difference” (p. 25).

These statements supported the intent of NAIS and HAIS to recognize the unique characteristics of each independent school. Bassett (2007b) described NAIS’ Strategy for the Future:

We believe the freedoms derived from independence and self-determination are deserving of preservation, worthy of emulation, and a source of the success of independent schools in preparing students to contribute successfully toward a peaceful, prosperous, just, and equitable world. The National Association of

Independent Schools exists to represent and sustain schools that are self-determining in mission and program, free from government control, and governed by an independent board.

Bassett (2007b) also cited the NAIS core values of independence, interdependence, inclusivity, and innovation, along with a strategic direction to commit to equity, justice, and the global perspective. Similarly, HAIS “services a diverse community” and “seeks to preserve and promote the unique nature and mission of each of its member schools” and “to ensure that the unique needs of school improvement in Hawai‘i’s independent schools are best met through the accreditation process” (www.hais.org).

However, some might argue that the format of traditional accreditation seems to rely on traditional summative evaluation. Patton (2011) spelled out some of the tendencies of traditional program evaluation based on a summative approach: “Organizational locus of evaluation: Evaluation often a compliance function delegated down in the organization,” “Locus and focus of accountability: Accountability focused on and directed to external authorities...based on explicit preordinate criteria,” “Ideal evaluator stance: Evaluator is independent, whether located internally or externally. Credibility depends on independence,” “Desired and ideal evaluation findings: Validated best practices, generalize across time and space,” “Impact of evaluation on organizational culture: Evaluation often engenders fear of failure,” and “Approach to uncertainty: Aims for as much certainty and predictability as possible” (p. 25-26).

When we look at the goals of “complexity-sensitive developmental evaluation,” most independent schools would recognize the following as goals of accreditation: “Evaluation capacity built through the evaluation process: Building ongoing and long-

term capacity to think and engage evaluatively is built into the process,” “Impact of evaluation on organizational culture: Evaluation aims to nurture hunger for learning,” “Reporting mode: Rapid, real-time feedback. Engaged, present voice (first person, active),” “Key evaluator attributes: Methodological flexibility, eclecticism, and adaptability; systems thinking: creative and critical thinking balanced; high tolerance for ambiguity; open and agile. Teamwork and people skills: able to facilitate rigorous evidence-based reflection to inform action,” and “Organizational locus of evaluation: Evaluation a leadership function: nurturing reality-testing, results-focused, learning-oriented leadership” (Patton, 2011, p. 25-26).

Aspects of Bassett’s (2012) distinction between strategic planning and strategic thinking appeared to align with Patton’s description of an environment that requires more developmental thinking. Bassett (2012) highlighted that strategic thinking: “Leverages variety and divergent thinking in the name of creating value,” “capitalizes upon instability and uncertainty,” and utilizes a “continuous cycle of learning” (p. 10).

While independent schools and their supporting organizations highly value their freedom to define their own missions, accept only the students their mission says they can serve well, define quality and the teacher preparation or credentialing necessary for that quality, and teach the truth as they see it (Bassett, 2007a), the traditional format of accreditation may not support this freedom as successfully as is hoped. The gesture of developmental evaluation is one that supports innovative learning; why wouldn’t we evaluate this way as well?

School values. Another area where our desire and intent as independent schools perhaps differ from our practice was in the articulation and operationalization of a

school's values. Grant Lichtman (2012), Chief Operating Officer in an independent school stated the "driving question" over the past ten years is "how to continue to pay for what we all generally believe is a superior college preparatory education for our students" (p. 19). Lichtman's (2012) advice was for schools to clearly identify their "value proposition" through their mission and vision. A school's mission and vision "define the foundational principles against which we measure our program and ourselves. The value proposition is the reason for customers to spend money on our mission and vision." (p. 19) But "value," too, was a complex concept within independent schools. Value "includes things such as outstanding academics, high quality cocurriculars, opportunities for every child to participate, a faith/values orientation, safety, etc." (ISM, 2010, p. 6).

While most independent schools would agree with the need to convey its value, perhaps we are not as successful in operationalizing and articulating just how to do this. Sean Compagnucci (2007), an administrator within a Friends School conducting action research in his own school, suggested that even a school culture that appears to be clearly based on a specific philosophy has difficulty operationalizing and articulating its values throughout the school. When leading his school's first accreditation effort, he asked each committee to add the following question: "In what ways are Quaker belief and practice revealed in the areas of the school studied in this section?" Seventy percent of his committees were unable to answer the question, and the 30% that did answer it answered as any independent school would (care and respect for the individual). He concluded saying, "I realized that even at our school, where I think we have a fairly strong Quaker ethos, there were significant gaps in understanding."

The same gap between ideals and practice has also been observed within the Waldorf school system. A long time bursar of Emerson College, a former Waldorf teacher training college in England began his book on money in the Waldorf system as follows:

If it is to fulfill its purpose in accordance with the spiritual reality out of which it teaches, then a Waldorf school must be structured and make its administrative and financial decisions in accordance with that same spiritual reality...But too often it [“the supersensible reality of teaching”] seems to be limited to that which goes on in the classroom; it does not reach into the offices, into the meetings, and the working arrangements. This supersensible reality is denied when it comes to dealing with those things of this world, with legal matters, with the fees and salaries. Then, conventional business economic thinking prevails (Spence, 1999, pp. 5-6).

Independent schools in Hawai‘i. It is this concept of a gap between ideals and practice in terms of a school as a business, the nature and values of a school, and the intent and practice of school evaluation that raises another question: whether or not there is a gap between the recommendations for the financial sustainability of NAIS schools on the mainland and schools on the neighbor islands, and in particular, for small schools on Maui. Here the literature is virtually non-existent. One unpublished study completed by a group of doctoral students in the University of Hawai‘i Ed.D. program examined “The Financial Sustainability of Independent Schools in Hawai‘i” (Demirbag, Gaudi, Walker, & Watson, 2012). This study suggested that independent schools in Hawai‘i do follow the general trends of NAIS schools on the mainland. These trends included tuition

increases exceeding income increases, an increased number of families applying for tuition assistance, and private schools losing students to charter schools and other forms of schooling.

One aspect that was quite different from the mainland is that the number of students enrolled in private schools in Hawai'i is significantly larger: Eighteen percent of Hawai'i's students are enrolled in independent schools while approximately 10% of mainland students are enrolled in independent schools. This Hawai'i study further suggested that schools on the neighbor islands differ from schools in Honolulu, and to some degree, they also differ from schools on the island of Oahu (Demirbag, et al., 2012). While the islands of Hawai'i, Maui, and Kauai each represent an educational district, Oahu consists of four educational districts: Honolulu, Central, Windward, and Leeward. In Honolulu, 41% of students are enrolled in independent schools; 13% of neighbor island students are enrolled in independent schools. Seventy-five of Hawai'i's independent schools are on Oahu; Honolulu has 42 independent schools while the other three districts on Oahu have 11 independent schools each. The neighbor islands have a total of 44 independent schools and 4% of the total student population in Hawai'i. Over the past five years, Oahu has lost 4.99% of its independent school enrollment and neighbor islands have lost 11.66% (Demirbag, et al., 2012).

Finally, the Hawai'i study also tests the ten NAIS benchmarks for financial sustainability referred to earlier with three case study schools using a tool called "Data Markers of School Success" (see Appendix B). The tool was developed from benchmarks developed by Bassett and Mitchell (2006) as described previously under the sub-heading "Sustainability." All three schools reported that this tool was useful in

assessing their own positions. They planned to use the data markers in budgeting, in strategic planning, as a dashboard, and as a report to the share with their boards. In line with McManus' observation, one school recommended that facilities also be added to the markers. One of the case study schools identified an issue at the heart of this proposal: "A theme repeated fairly consistently from one school was that the instrument could be further modified to include data providing benchmarks specific to HAIS schools. The rationale provided was that 'our situation here differs greatly'" (Demirbag, et al., 2012, p. 47).

"Leading in the Light: A Study of Financial and Organizational Sustainability of Friends Schools," a 2011 doctoral dissertation by Betof also pointed to the issue of a gap that arises when standards are applied broadly by an organization such as NAIS.

...the frameworks are too coarse, considering the independent school community as a whole, rather than being adequately organizationally specific... Financing Sustainable Schools was groundbreaking. The value of Bassett and Mitchell's work is that it is accessible and applicable to the spectrum of NAIS member schools. This broad applicability is also limiting. Just as it would be difficult to build a single financial approach to both a local coffee shop and Starbucks Corporation, Bassett and Mitchell are trying to write for a broad audience with diverse organizational characteristics and varying relevant knowledge backgrounds. Bassett and Mitchell's approach and criteria are valuable, but schools need more specifically if they are to avoid foundering (p. 30).

Further, Betof (2011) questioned the use of benchmarking as a method, while recognizing that there was not much to replace it at this point. He stated that schools are much too

complex to cite a single benchmark as a proxy for a concept such as “reputational value.” Betof (2011) suggested that developing customized, school-specific financial modeling might be more useful though they require staff with such sophisticated skills that they become unusable, and may also “produce significantly inaccurate outputs” when small errors are made (p. 147).

Ultimately, Betof (2011) stated that a school’s financial sustainability cannot be considered without also studying its organizational capacity. He cites work done by Letts et al. (1999) and Sussman (2004) to highlight three components of organizational capacity: (1) programmatic capacity that brings value to an effective organization, (2) institutional capacity that brings stability to an effective organization, and (3) adaptive capacity that brings change effectively to an organization. Betof (2011) also emphasized that financial sustainability cannot be put ahead of a school’s mission. “If one holds financial sustainability at the center, everything else, including the program, is only an offshoot of that core. Instead, I hold organizational sustainability at the center and recognize that financial sustainability is a critical component of the whole” (p. 144).

The Geographic Context

School size. Almost by definition, a school on a neighbor island is a small one. The exceptions include the Kamehameha Schools serving students K-12 on Hawai‘i Island with 1,100 students and on Maui with 1068 students, as well as one other school in each neighbor island county. These are Hawai‘i Preparatory Academy, K-12 at 606 students; Seabury Hall on Maui, 6-12 and exploring K-12 at 440 students; and Island School on Kauai, K-12 at 367 students (Hawai‘i Council of Private Schools (HCPS) Enrollment Report 2012-13). It should be noted that while the Kamehameha Schools

would be considered large anywhere, the other exceptions listed would be considered medium sized schools in Honolulu or on the mainland (NAIS Stats-on-line).

HCPS lists 16 schools on Maui that go beyond kindergarten. Table 1 shows these schools broken down into the size categories used by NAIS, and adds in the category of “100 or less students.” If we take a closer look at the schools under 200 students, we find that 41% of neighbor island schools enroll less than 100 students (HCPS Private School Enrollment Report 2011-12).

Table 1

Size of Independent Schools on the Neighbor Islands 2011-12

Enrollment	1-100	101-200	201-300	301-500	501-700	700+	Total
	# Schools						
Maui	4 (25%)	7 (44%)	3(19%)	1 (6%)	0 (0%)	1 (6%)	16 (100%)
Hawai'i	7	3	3	1	0	1	15
Kauai	3	2	0	1	0	0	6
Molokai	2	0	0	0	0	0	2
Total	16 (41%)	12 (31%)	6 (15%)	3 (8%)	0 (0%)	2 (5%)	39 (100%)

Source: HCPS Private School Enrollment Report 2011-12

In contrast, during the same time period (2011-12), NAIS reports its member schools distributed as indicated in Table 2.

Table 2

Size of NAIS Member Schools 2011-12

Enrollment	1-200	201-300	301-500	501-700	Over 700	Total schools
# of Member Schools	232 (20%)	214 (18%)	313 (26%)	179 (15%)	251 (21%)	1189 (100%)

Source: NAIS Stats on Line Comparison Groups 2011-12

Whereas 87% of Hawai‘i’s neighbor island schools enroll 300 or fewer students, only 38% of NAIS member schools enroll 300 or fewer students. Sixty-two percent of NAIS schools are over 300 students as opposed to 13% of neighbor island schools (NAIS Stats on Line Comparison Groups 2011-12). Hawai‘i’s neighbor island schools are significantly smaller than most NAIS membership schools. When looking at the NAIS enrollment categories, one could say that schools with 300 or fewer students are “small” schools; schools with 301 – 700 students are “medium-sized” schools, and schools with 700 or more students are “large” schools. For the purpose of this study, a “small” neighbor island school will be considered a school that has 300 or fewer students. When looking at Maui, this represents 88% of its schools (See Table 1).

While neighbor island schools are clearly much smaller overall than the NAIS member schools, neighbor island schools are also much smaller than Honolulu schools and somewhat smaller than Oahu’s other districts. Table 3 shows that 36% of Oahu’s schools have more than 300 students, with the bulk of these schools being in the Honolulu district (HCPS Private School Enrollment Report 2011-12).

Table 3

Size of Oahu Independent Schools 2011-12

Enrollment	1-100	101-200	201-300	301-500	501-700	Over 700	Total schools
	# Schools						
Honolulu	8	7	5	9	1	7	37
Central	1	2	5	0	1	1	10
Leeward	3	3	3	1	1	0	11
Windward	3	1	3	3	0	1	11
Total schools	15 (22%)	13 (19%)	16 (23%)	13 (19%)	3 (4%)	9 (13%)	69

Source: HCPS Private School Enrollment Report 2011-12

Maui's geography. Maui is the second largest island in the state of Hawai'i and is located in the center of the Hawaiian island chain. It is characterized by the mythic homes of the sun, Haleakala (the world's largest dormant volcano), and the moon, Hale Mahina, also known as the West Maui Mountains. As the location of these homes, Kahu Lyons Naone claimed that Maui is the most sacred spot on earth (Kahu Lyons Naone, personal communication, 1997). Together, these mountains provide the most distinctive geographical features of the island, and are linked by a large isthmus between the two. It is because of this isthmus that the island is called "The Valley Isle." Altogether, the island is approximately 728 square miles—about 48 miles long and 26 miles wide (www.mauionline.com). Maui County also includes the much smaller islands of Molokai, Lanai, and Kahoolawe.

Maui's demographics. Maui County is home to 154,834 people with a median age of 39.6 years old. Twenty-five point three (25.3) percent of the population is

between 0 – 19 years of age. Seventy-six point five (76.5) percent of the population cites that it consists of “one race” and of these, 34.4% cite “White,” 28.8% cite “Asian” (with Filipinos representing the largest group followed by Japanese), and 7.4% cite “Native Hawaiian.” Twenty-three point five (23.5) percent described themselves as “two or more races.” When race was looked at alone or in combinations, “White” is the largest group (50.4%), followed by Asians (47%), and then followed by Native Hawaiians and other Pacific Islanders (27.3%). (www.factfinder2.census.gov)

Twenty-six percent of Maui’s households included children. Forty-seven percent of Maui’s households consisted of husbands and wives. Fifty-six percent of households were owner occupied, and 44% were rental occupied. Median income was \$64,583, and 9% of Maui County’s residents lived in poverty. Eighty-nine percent of adults were high school graduates or completed advanced degrees. (www.factfinder2.census.gov).

When these demographic statistics are compared with those of Honolulu County, Hawai‘i County, and Kauai County we can conclude that Maui County has the third largest population in the state. Like Hawai‘i and Kauai counties, Maui County has a significantly more white population than Honolulu County, which reports a much higher Asian population. The median income for Maui County was significantly lower than Honolulu County, but Maui County had the highest number of businesses per capita in the state (www.factfinder2.census.gov). Appendix C compared Maui’s demographic statistics to those of the other counties.

Maui County experienced more growth than every other county in the state over the last 20 years, with the exception of Hawai‘i County between 2000 – 2010. Between 1990 – 2000, Maui grew by 27.6% while the state grew at 9.3%. From 2000 – 2010,

Maui grew 20.8%, while the state grew by 12.3%. Within the same two time periods, Honolulu County grew 4.8% and 8.8% respectively; Hawai'i County grew 23.6% and 24.5%; and Kauai County grew 14.2% and 14.8%. In 2011, Maui grew by 1.2% while the state grew by 1.1% (www.hisbdc.org, Maui County Data Book 2012, p. 4).

The Maui Island Plan, adopted in December of 2012, states that between 2010-2013, Maui's resident population will increase by 35%. It also states that the island's population is aging (when looking at median ages across time), and confirms that households are becoming smaller (www.mauicounty.gov, "Population," p. 3). Further, the plan reports that as of 2000, only 53% of Maui's population was born in Hawai'i (a decrease from 67% 1980). Twenty-nine percent of Maui's residents were born in another state (www.mauicounty.gov, "Population," p. 6). The changing population is indicative of new influences on Maui, including the openness to private education.

Maui's economy. The general economic trends as reported by the Maui Island Plan include the following: Maui's wages and salary jobs are expected to increase by 1.1% annually; "[p]er capita income will increase very little in constant dollars;" but the visitor count will increase by approximately 1% annually. The plan also reported that Maui's economy was now more diverse and less reliant on tourism than in the past (www.mauicounty.gov, "Population," p. 3).

As shown in Table 4, the plan also provides specific findings for each population area: West Maui, Kihei-Makena, Wailuku-Kahului, Makawao-Pukalani-Kula, Paia-Haiku, and Hana.

Table 4

Economic Conditions and Projections for Maui's Population Areas

Population Area	Economic Conditions and Projections	Independent Schools in the Area
West Maui	Significant growth in population and jobs	Maui Preparatory Academy Sacred Hearts
Kihei-Makena	Significant residential growth, smallest average household size, transient population	Montessori Hale O Keiki
Wailuku-Kahului	The major economic and population center for the island (1/3 of residential population); will grow faster than any other part of Maui	Emmanuel Lutheran Kaahumanu Hou Maui Adventist School St. Anthony Grade School St. Anthony Jr/Sr High School
Makawao-Pukalani-Kula	Few job options, most residents commute outside to work, slower growth due to water supply problems, slower economic growth	Carden Academy of Maui Clearview Christian Girls School Haleakala Waldorf School Kamehameha Schools, Maui Campus Montessori School of Maui Seabury Hall
Paia-Haiku	Slowed growth in housing and population due to limited availability of suitable land	Doris Todd Christian Memorial School ROOTS

Source: www.mauicounty.gov (Maui Island Plan adopted 12/28/12, "Population," p. 4)

Maui's independent schools can be found in each of these areas except for Hana.

According to the plan's findings, the most growth in terms of population and jobs will occur within West Maui, Kihei-Makena, and Wailuku-Kahului. This projected growth follows past and current development trends for these areas. Interestingly, these trends contradicted the experience of Maui's independent schools. As discussed later in the section called "Maui's independent schools," the areas slated for growth experienced decreasing enrollments.

Although the Makawao-Pukalani-Kula and Paia-Haiku areas have smaller populations, arguably they represented more affluent populations, with Kula ranking as the fifth wealthiest zip code in the state. Out of 80 statewide zip codes, the five population areas with independent schools on Maui rank within the top half (Kahului ranks 37). Wailuku-Kahului has 15,358 households; Upcountry has 13,378 households; Kihei-Makena has 10,728 households; and West Maui has 7074 households. Table 5 shows the distribution of wealth by area.

Table 5

Maui's Wealthiest Zip Codes

Zip Code and Rank	Average Home Value	% Households with income >\$100,000	Per capita income	# of households
5—Kula	\$851,242	30%	\$36,155	3024
10—Lahaina	\$678,299	24%	\$27,901	7074
11—Paia	\$616,165	22%	\$28,710	1061
20—Wailuku	\$540,114	24%	\$26,457	8639
23—Makawao	\$593,568	22%	\$27,430	5978
24—Haiku	\$742,893	17%	\$27,260	3315
30—Kihei	\$568,720	20%	\$29,217	10,728
37—Kahului	\$490,623	19%	\$21,771	6719

Source: www.scribd.com, "Hawai'i's Wealthiest Zip Codes Chart," based on 2010 data

Notwithstanding that families do attend independent schools outside of their population areas, these numbers would suggest that although Wailuku-Kahului has the highest population as well as financial capacity, that population has been less likely to attend independent schools. Questions for further exploration include: How likely are people moving to Maui to select Upcountry population areas rather than "Downtown" areas? How much of the affluence reported in West Maui and Kihei-Makena coming

from households on extremely valuable beachfront property excludes families with school-aged children?

Stereotypes, as well as my own general experience tell me that people born in Hawai‘i are more likely to be living downtown than those moving to Maui from other states. Because Maui had so few private school options prior to the 1970s – 1990s, most of these Maui residents attended public schools and so are unafraid of the system. “What was good enough for me is good enough for my children.” Most affordable housing was built in this large population center. In contrast, people moving to Maui from other states are more likely to move Upcountry than downtown, are more afraid of the public school system (ranked at the bottom of the United States public school system), are generally more affluent than families downtown, and are more likely to seek alternative lifestyles. People moving to the Kihei-Makena and West Maui areas are either ultra wealthy, or families serving the restaurant and tourism industry.

Maui’s ethos. The ethos of Maui reflects its geographic location. In a large family, the child in the middle zone may take on the rebellious “black sheep” behavior, or it may take on the mediator or peacemaker role (Signe Schaefer, personal communication, September 6, 2013). Maui seemed to have adopted the mediator characterization. Maui has a collaborative spirit. This can be seen in two unusual organizations in the state found only on Maui: the Maui Nonprofit Directors (MNPD) and the Maui Independent Schools Organization (MISO). Nonprofit executive directors on Maui formed MNPD in the late 1980’s. Nonprofit executive directors from around the island get together monthly for professional development, to collaborate on how to

work with the county and legislators, and to coordinate calendars so that events held around the island do not conflict with each other.

MISO is very similar. Formed in 2002, Maui's independent school heads meet quarterly, put on a shared professional development day conference with up to 400 attendees, communicate with the county during storms regarding school closures, and share thoughts on matters pertaining to the independent school world. Indeed, it is because of this collaborative spirit between Maui's independent schools that this project is undertaken.

Maui's independent schools. Demirbag, et al. (2012) stated "there were 122 licensed or accredited private schools in Hawai'i in 2009-2010," with 75% as "traditional schools," 23% as Catholic schools, and 2% as "special purpose schools." (p. 17). The Honolulu Magazine Private School Guide 2014 listed 20 private schools on Maui, with three of these as Catholic early learning centers, and one of these as a special purpose school. The remaining 16 schools include nine that go PK/K through 6th or 8th grades (two of these are Catholic), four that go PK/K through high school, and three that go 6th or 7th through high school. One school is single gender. (2013, p. 51-52). Maui's small independent schools are listed and described in Table 6.

Table 6

Maui's Independent Schools 2013-14

Type of School	Name of School	Accreditation Status	Tuition Rate	Enrollment	% of Students on Tuition Assistance
PK/K	Christ the King	HECAP	\$5,775- \$6,775	21	10%
	St Anthony Preschool	HAIS/WASC/ WCEA	\$5,750	45	25%
	St Joseph	NAEYC	\$6,120	42	--
Special Purpose	Horizons Academy	Unaccredited	\$27,600	10	25%
PK/K – 6 th or 8 th	Carden Academy	HAIS/WASC	\$9,000- \$9,700	121/ 130	15%
	Doris Todd	ACSI	\$5,650 – \$5,985	176/ 175	27%
	Emmanuel Lutheran	Unaccredited	\$5,600- \$6,600	170	48%
	Maui Adventist	NADCA	\$5,020- “variable”	26	40%
	Montessori Hale O Keiki	HAIS/WASC/ AMS	\$9,450- \$11,000	60	42%
	Montessori School of Maui	HAIS/WASC	\$11,008- \$12,895	230/ 255	32%
	ROOTS	Unaccredited	\$6,300	50/ 68	--
	Sacred Hearts	WASC/WCEA	\$6,650- \$7,380	154	5%
	St Anthony Grade School	WASC/WCEA	\$5,000	160/ 144	26%
	PK/K- High School	Haleakala Waldorf School	HAIS/WASC/ AWSNA	\$6,320- \$14,500	261/ 288
Kaahumanu Hou Christian		Unaccredited	\$4,800- 5,850	100/ 145	25%
Kamehameha Schools Maui		HAIS/WASC	\$3,276- \$4,128	1068	67%
Preparatory		HAIS/WASC	\$9,610- \$16,350	188/ 179	40%
6 th /7 th – High School	Clearview Christian	Unaccredited	\$5,100- \$6,100	21/ 14	93%

Girls School				
St Anthony	HAIS/WASC/	\$8,050-	166/162	35%
Jr/Sr High	WCEA	\$11,000		
School				
Seabury Hall	HAIS/WASC	\$17,765	440	36%

Source: Honolulu Magazine Independent School Guide 2014.
Numbers in red come from direct calls and emails to schools.

Further data from Demirbag, et al. demonstrated the difference between Maui's independent schools and those within NAIS and Oahu. Eighty-eight of Maui's independent schools have less than 300 students. This compares with 38% of NAIS schools, 44% of Oahu schools, and an average of 87% on the neighbor islands (2012, p. 18). Demirbag, et al. also state that although the median household income increase was 1.42% from 2010 to 2011, average independent school tuition on Maui increased 3.3% from 2010-11 to 2011-12 (2012, p. 14). This put increased pressure on schools to also provide tuition assistance—30% of Hawai'i's students attending private schools receive financial assistance. On Maui, 42% of independent school students received tuition assistance in the 2010-11 school year, significantly higher than the NAIS benchmark “standard” for independent school tuition assistance, which is 20-25% (Demirbag, et al., 2012, p. 15).

Hawai'i's rate of private school attendance is also significantly higher than the national average. Nationally, 10% of students attend private schools (Demirbag, et al., 2012, p. 11). Within Honolulu 41% of students attend private schools. The neighbor island average is 13%. Maui's student attendance of private schools represented 16% of its students in the 2009-10 school year (Demirbag, et al., 2012, p. 18).

Despite a projected population growth of school-aged children in Hawai'i all across the state between 2011-16, Hawai'i's schools have seen a serious decline in

private school enrollment. Over the past six years from 2007-08 through the 2012-13 school years, Honolulu's private school enrollment has decreased by 7.8%, and Maui's enrollment dropped by 8%. The average neighbor island decrease was 11.66%. Catholic schools across the state experienced the heaviest losses at 14.64%. (Demirbag, et al., 2012, p.21).

It should be noted that two of the three early childhood centers reported on by the Honolulu Magazine Independent School Guide 2014 used to include elementary schools until the diocese interceded after their enrollment declined (Christ the King and St. Joseph). Moreover, the special purpose school cited used to serve a different, and larger, population. Horizons Academy changed its mission from serving 50 students with general learning disabilities to serving students with severe emotional and health disabilities (Head of School, personal communication, May 13, 2013). Changes made in these schools alone have reduced independent school children numbers on Maui by 202 students (see Table 7).

Table 7

Maui Independent School Enrollment from 2006-2007 through 2013-14

School	2006- 07	2007- 08	2008- 09	2009- 10	2010- 11	2011- 12	2012- 13	2013- 14
Carden Academy	Data	Not	Available	99	119	123	121	121/ 130
Christ the King*	147	145	143	131	130	113	65	65
Clearview Christian	18	24	24	28	17	17	21	21/ 14
Doris Todd	153	147	130	123	155	165	176	175
Emmanuel Lutheran	180	213	211	197	212	217	204	170
Haleakala Waldorf	243	247	239	228	258	258	261	261/ 288
Horizons Academy*	Data	Not	Available	--	--	--	--	10
Kaahumanu Hou	177	148	203	165	100	100	100	100/ 145
Kamehameha Maui	1084	1068	1076	1068	1068	1068	1068	1068
Adventist Maui	41	46	42	38	26	26	26	26
Preparatory Montessori Hale O Keiki		189	183	171	174	174	188	188/ 179
Montessori of Maui	80	93	117	97	67	67	60	60
ROOTS	205	210	228	222	209	209	230	230/ 255
Sacred Hearts St Anthony Preschool	Data	Not	Available	--	--	--	--	50/ 68
St Anthony Grade School	232	202	216	205	190	184	154	154
St Anthony Jr/Sr High	Data	Not	Available	46	44	45	48	45
St Joseph*	192	236	190	170	162	151	160	160/ 144
Seabury Hall	340	320	292	184	153	137	158	166/ 162
	111	122	88	82	56	48	42	42
	415	420	420	436	449	445	440	440

Source: HCPS Enrollment Reports 2006-07, Honolulu Magazine Private School Guide 2014 (Numbers in red come from school reports provided to JRD by telephone or email Oct 2013 and are noted because the schools' reports differ from Honolulu Magazine's)

*Early childhood and special purpose schools described above.

Demirbag, et al. report 3830 independent school students on Maui during the 2007-08 school year (p. 21). The losses to St. Joseph and Christ the King accounted for half of the 8% loss in Maui's independent school population between 2006-07 and 2011-12. As a special purpose school, Horizon's students were not accounted for in the independent school total.

Given this statewide and local context, the fact that a group of schools on Maui has experienced *increased* enrollment is quite significant. A look at the enrollment of Maui's independent schools over the past eight years indicates that most of these schools are experiencing a large upward trend. The majority of these schools are "Upcountry," in the areas projected with minimal residential population growth (Makawao-Pukalani-Kula and Paia-Haiku).

Chapter Three. Methodology

This chapter consisted of the following components: Action research design; conceptual framework; process theory; project summary; inquiry framework; phase one; phase two; phase three; data analysis; tests for validity; participants and sampling; and relationships, positionality, and ethics. The chapter concluded with a summary of methods and comparisons.

Action Research Design

An action research design as discussed by McNiff and Whitehead (2010) was used in this study. Like traditional research, action research is about “knowledge creation” and requires higher order thinking. However, action research is conducted from the practitioner’s point of view rather than from the point of view of an objective observer. This view causes action research to be values based, intentionally political, collaborative, and potentially transformative to the practitioner’s work and field (McNiff & Whitehead, 2010). A full disclosure of my values and intentions was provided in the introduction under “My Story.”

Because of the political, collaborative, and practice based nature of action research, a cultural or value-based lens easily lent itself to the project. University of Hawai‘i’s first Ed.D. cohort identified numerous methods for incorporating culture and community into one’s research during the summer of 2012. These methods were recorded and reintroduced to the cohort via a PowerPoint presentation on July 8, 2013 within the context of EDCS 732—Qualitative Data Analysis—by Professor Sanjeev Sridharan. These methods serve to recognize a value-based lens within research and include: “Every institution has its own sense of sovereignty...[and] value[s] sense of

place, language, history, and culture. Reclaim ways of determining merit and worth;” “Understand that the solution is not imposed; you co-create the solution with the community and it needs to fit the context;” “Create opportunities for participants to sit and share their stories;” “How would we allow the group we are studying to frame the questions of research? Explicitly identify who is asking the questions for what purpose[s];” “Establish clarity about what each party needs from the other. Be clear about intentions. For example, establish early, ‘whose voice will be represented;” “Use the existing strengths to address weaker areas;” “Understand that within every group there will be heterogeneity;” “Understand the norms and protocols by which people engage;” “Account for different ways of knowing: e.g. traditional, empirical and revealed knowledge;” and finally, “Be respectful. Period” (Sridharan, 2013). This cultural lens supported the importance of an action research project giving voice to the Maui schools.

Conceptual Framework

Utilization-focused evaluation served as the conceptual framework for this project (Patton, 2008). Patton’s approach of utilization-focused evaluation supported the goals of action-based research and allowed space for values to enter research. Utilization-focused evaluation depends on the *users*’ participation. “In utilization-focused evaluation, interpretation involves the active participation of primary users because, in the end, they are the ones who must translate data into decisions and action, and evidence into conclusions” (p. 472). Developmental evaluation as a specific form of utilization-focused evaluation encouraged research from an insider’s point of view, looked for emergent findings along the way, supported program development, and represented “a way of thinking” (Patton, 2011, p. 75)

Patton designed developmental evaluation particularly for complex organizations and environments. Patton (2011) cited six main characteristics of complex organizations: *nonlinear* (large, unexpected reactions may result from small actions); *emergence* (patterns of interaction emerge that are greater than its separate parts); *adaptive* (interacting elements respond and adapt to each other through doing and observing); *uncertainty* (“*processes and outcomes are unpredictable, uncontrollable, and unknowable in advance*”); *dynamical* (rapidly changing, unpredictable and even volatile interactions between variables); and *co-evolutionary* (the self-organization of interacting and adaptive parts within a system) (p. 150-515). In studying the schools on Maui through a variety of sources, watching what was emergent and what was co-evolutionary in discussions was important. The process of abduction—working back and forth between general trends and specific observations—supported the developmental approach. “This interaction and dialogue between reasoning and evidence, with attention to context and relationships, is how an ongoing developmental evaluation inquiry unfolds” (Patton, 2011, p. 287).

The approach of utilization-focused evaluation, and developmental evaluation in particular, in combination with action and values based research, allowed an exciting possibility of “insider” participation in the process of Maui’s schools determining their own standards of financial sustainability—the establishment of participant driven and explicit standards that allow both school leaders and accrediting bodies to measure a school’s progress. In addition to fostering transparency, the ability to consciously work toward improvement of a school’s financial sustainability will strengthen Maui’s small independent schools.

Patton (2008) also stated that in addition to being useful to the users of data, the data found must be comparative. “Numbers in isolation, standing alone without a frame of reference or basis of comparison, seldom make much sense...Some basis of comparison or standard of judgments is needed in order to interpret such statistics. The challenge lies in selecting the appropriate basis of comparison” (Patton, 2008, p. 484-485). This challenge begged the question: What should Maui’s small, independent schools be compared with when looking at financial sustainability? Patton (2008) described a “Menu of Program Comparisons” and said “Evaluators should work with stakeholders to decide which comparisons are appropriate and relevant to give a full and balanced view of what is happening in the program” (p. 485). The menu included:

1. The outcomes of selected similar programs.
2. The outcomes of the same program the previous year (or any other trend period).
3. The outcomes of a representative or random sample of programs in the field.
4. The outcomes of special programs of interest, e.g., those known to be exemplary models (a purposeful sample comparison, Patton 2002a: 230-234).
5. The stated goals of the program.
6. Participants’ goals for themselves.
7. External standards of desirability as developed by the profession.
8. Standards of minimum acceptability, e.g., basic licensing or accreditation standards.
9. Ideals of program performance

10. Guesses made by staff or other decision makers about what the outcomes would be.

Combinations of these comparisons are also possible and usually desirable” (Patton, 2008, p. 485).

Process Theory

When I originally conceived of my project in 2012, I believed that researching what experts have to say about financial sustainability would primarily be a reliance on the specific practitioner literature (versus scholarly literature) of the kind found in NBOA’s *Net Assets* and in NAIS’ “*The Independent School*,” two publications dedicated to the world of independent schools and written by its practitioners. But a class with Dr. Joanne Cooper early on in 2013 where she introduced the concept of using artifacts in research inspired me to include qualitative methods in Phase One. Listening to Dr. Heipua Kaopua share her research journey, a woman I had met nearly forty years ago when I was 12 and she was not yet “Dr.,” then caused me to redesign my methodology. I was compelled by the depth of the research experience and the data--and thus, the meaning—that she elicited from her interviews. From my first interview I was very surprised by the effect of “live” data. I realized that I had not been prepared to think about “the human story” when considering strategies for financial sustainability.

I did know that I wanted to work inductively. I wanted to let the data speak to me and reveal its meaning, rather than impose a structure onto it. But I was not yet aware of what that meant, nor of the role I wanted to give to the data collected from interviews with experts. I was still unconsciously holding onto the notion that my research needed

to prove or disprove “the literature.” An early conversation with my advisor in June 2013 freed me to follow the data that I found so intriguing.

I am looking to inductively work with data to see processes going on and causes. I will not start with a theory and test for it. This is enhanced by Nathan’s recommendation that I use the interviews as primary data, and the reports and lit review as secondary and tertiary. I had not realized I had been thinking the other way around.” (JRD Memo: “Causal Process,” June 14, 2013)

Further, once I had completed the practitioner literature review, I realized that it covered all of the many viewpoints held across the independent school industry by its practitioners; the literature did not point to just one specific direction.

Maxwell’s (2013) description of process theory described my approach, supporting Patton’s developmental and emergent frameworks described earlier. Process theory

tends to see the world in terms of people, situations, events, and the processes that connect these; explanation is based on an analysis of how some situations and events influence others. The strengths of qualitative research derive significantly from this process orientation toward the world, and the inductive approach, focus on specific situations or people, and emphasis on descriptions rather than numbers that this requires (p. 29-30).

Project Summary

This action research project utilized mixed methods within three phases in order to articulate, measure, and evaluate the strategies for financial sustainability that are used by Maui’s small independent schools. The phases studied what the experts said, what the

numbers said, and what the schools said. As there was virtually no research in this area, this project took a first and exploratory look at the financial sustainability of small independent schools on Hawai'i's neighbor islands using Maui's schools as an example.

Maxwell (2013) summarized three purposes for using mixed-methods within a project. The first is "triangulation," or using multiple methods to confirm singular conclusions. If a conclusion was supported by more than one source, it became more credible (see "Tests for validity" below). The second purpose was for "complementarity" or "expansion"—using multiple methods to understand different aspects of the phenomenon being studied. The third purpose was to provide depth of understanding. Ultimately, "the use of different methods is most valuable for providing divergent perspectives, and thus creating a more complex understanding of the phenomena studied" (p. 104).

Both quantitative and qualitative data were used. The quantitative data included enrollment data available through HCPS and NAIS as well as existing data collected from schools' IRS tax form 990s. The qualitative data included observation of the HAIS accreditation commissioners meeting, interviews with experts such as HAIS and auditors, as well as interviews with Maui independent school heads and business officers. The mixed methods served to triangulate data about Maui's small independent schools through the perspectives of experts, data reports, and the schools themselves. Patton's menu of comparisons can be assigned to the three research phases as shown in Table 8.

Table 8

Research Phases and Comparisons

Research Phase	Comparisons to be Used
1—What the experts say	<ul style="list-style-type: none"> • External standards of desirability as developed by the profession • Standards of minimum acceptability, e.g., basic licensing or accreditation standards • Ideals of program performance
2—What the numbers say	<ul style="list-style-type: none"> • The outcomes of selected “similar” programs • The outcomes of a representative or random sample of programs in the field • The outcomes of special programs of interest • The outcomes of the same program the previous year (or any other trend period)
3—What the schools say	<ul style="list-style-type: none"> • The stated goals of the program • Participants goals for themselves • Guesses made by staff or other decision makers about what the outcomes would be

Adapted from Patton, 2008, Menu of Program Comparisons, p. 485

Inquiry Framework

Patton’s (2011) “Dynamical Actual-Ideal Comparative Evaluation Framework” summarized the relationship between these three phases (see Figure 1). Within this framework, the questions of “What? So what? Now what?” are expanded upon and used to compare baselines with benchmarks and outcomes (p. 256). What the experts said expressed the Ideal: “Where should we be? Ideals, vision, hopes, desired results.” What the numbers said expressed the Actual: a baseline, or “where did we begin?” What the schools said allowed for the process of abduction: “Where are we now? How far have we come? What have we learned along the way?” In comparing the ideals of the experts with the actuals of the numbers, and then the perspective of the school leaders, we could “Update and adapt the vision and ideals in the face of emergent realities and

understandings” as well as “Update the baseline as new understandings of the beginning situation emerge through engagement as change unfolds” (Patton, 2011, p. 257).

Phase One—What Do the Experts Say?

Phase One examined what experts recommend for independent school financial sustainability. The primary source of expert data came through interviews with the experts in Hawai‘i that are evaluating independent schools through accreditation work, consultation work, or financial audit work. Five interviews were conducted. Interviews were used as a method to bring in the values and beliefs that form the experts’ realities, and to articulate their normative impact. The nature of interviews allows the researcher to respectfully honor the interviewee as well as the setting. Within the personal nature of an interview the “philosophical trinity” is recognized and appreciated—ways of being, knowing, and values (Mary Hattori, personal communication, July 3, 2013).

Appendix D, “Guideline Interview Questions for Experts,” included a list of guideline questions used for these interviews. All interviewees were kept confidential. Each transcript was sent to the interviewee to ensure that it represented what was said, and corrections were made to the transcripts as provided by the interviewees.

Preliminary interpretations of the data were also sent to the experts for comment.

The very extensive practitioner literature provided a secondary source of expert information. This literature came from sources such as NAIS, NBOA, Guidestar, and financial auditing firms, all who offered financial benchmarks or processes on financial sustainability. The question for consideration was do these benchmarks apply to Maui’s small independent schools?

H AIS represented a third group of experts. It was critical to understand what the directors, accrediting commissioners, and accreditation team leaders thought was important in terms of financial sustainability when they were assigning terms for accreditation. Participants were those H AIS commissioners that attended the April 3, 2013 meeting where they issued accreditation terms for Hawai‘i’s elementary and high schools. I observed the deliberations. These observations helped to make explicit what assumptions were utilized by H AIS as they considered terms for small, neighbor island schools. Once assumptions were explicit, they could be evaluated as to whether they were appropriate or sufficient in meeting the goals of accreditation.

In explaining the process of accreditation, NAIS stated both that it respects the unique differences of individual schools and that the accreditation was based on standards:

It [accreditation] respects differences in institutional populations, missions, and cultures, and fosters institutional change grounded in the judgment of practicing educators. It is based on standards, which are developed and regularly reviewed by the member institutions and which define the characteristics of good schools and colleges (NAIS, 2011).

Phase Two—What Do the Numbers Say?

Using descriptive and quasi-statistics, Phase Two studied the financial history of Maui’s small independent schools. The financial picture was established through an analysis of three years’ worth of IRS Tax Form 990s from Maui’s small independent schools. A public document, the Form 990 told the story of a school’s “bottom-line”—the summation of all of a school’s work in governance, volunteer work, fundraising,

outreach, enrollment facilities management, and administrative management expressed financially.

In combination with HCPS enrollment data, this analysis created a composite picture or a profile for Maui on a wide number of factors such as: dollars per student; what percent of a school's budget is spent on salaries, benefits, facility maintenance, program, and management; percent of a school's budget in terms of contributions and tuition assistance; the ratio of assets to liabilities; number of volunteers; and number of board members. In addition, this phase of the study provided a three-year trend for each school as well as for the composite picture. All IRS Form 990 data came from GuideStar, a nonprofit that makes the Form 990s available at no cost to the public. The data were entered directly into excel spreadsheets to reduce human error through formulaic calculations. A description of the IRS Tax Form 990 and its limitations, as well as a description of GuideStar, is located in Appendix A.

There were six small schools on Maui that filed IRS Tax Form 990s. The other schools either did not meet the established definition of "small," or were affiliated with a church and therefore exempt from filing the form. The data gathered from these six schools established a baseline on financial sustainability for Maui's small independent schools.

A preliminary review of the 2009 Form 990s that I conducted in the spring of 2012 indicated that there might be identifiable patterns that distinguished small schools on Maui. These patterns were especially noticeable when compared to Form 990s from larger independent schools on Maui and Oahu. Comparing the Form 990s from Maui's small and large schools defined a range of strategies for financial sustainability.

Phase Three—What do the schools say?

Phase Three focused on asking Maui’s small independent schools to describe their strategies for financial sustainability. I planned to interview school heads and their business officers from each small independent school on Maui that was licensed or accredited by HAIS, and that filed a Form 990. This group included five schools in addition to the school that I represent, and suggested a minimum of five interviews. One of these schools declined to participate in the research process, thus four interviews were conducted including four heads of school, and two business managers. A list of guideline questions for these interviews was provided in Appendix E (“Guideline Interview Questions for Schools”). Interviews were recorded, transcribed, coded, and then compared against the data presented by the experts in Phase One as well as the baseline data gathered in Phase Two. All interview participants were provided with the opportunity to review and edit their transcripts.

Upon conclusion of the data evaluation, I invited the school heads and their business officers to a “member check” session, and also invited participation from Maui’s small schools that did not file a 990. The meeting included a summary of the research project, a summary of data collected thus far, a review of the adjusted ideal for financial sustainability on Maui, and an opportunity to review and comment on the implications for Maui’s small schools as well as the considerations for HAIS. I was able to meet with three of the four interviewed school heads in order to confirm that my representation of the findings provided an accurate description of their interviews.

I also conducted a member check on my findings from the schools with nine participants attending a workshop on Maui’s small independent school financial

sustainability. I asked them to complete a survey of three questions. Eight of the participants represented small schools, and they consisted of school leaders including board members and senior level staff. Their questions were similar to those asked of the schools: (1) What have been the most important factors in your school's financial survival up until this point?, (2) What do you think will be the key for your survival in the future, and (3) Have you made any personal sacrifices to keep the school going? (time, money, family, etc.). If yes, why did you do this?

Data Analysis

The interviews were transcribed, coded, and analyzed. All the transcripts were uploaded to Dedoose, a CAQDAS that is Mac compatible. I primarily used *in vivo* coding. Allowing the codes to emerge from the data proved to highlight the life within the data.

The data were then sorted for thematic guidelines and benchmarks. “Quasi-statistics”—“simple numerical results that can be readily derived from the data” were used to quantify responses in terms of numerical frequency and tabulated (Maxwell, 2013, p. 128). The identified themes and benchmarks were then compared to quantitative guidelines and benchmarks offered by other experts such as GuideStar, Nonprofit Finance Fund, NAIS, and NBOA. How did the qualitative data described by HAIS correspond with the quantitative benchmarks and guidelines set by other experts?

Quantitative data collected in Phase Two via the Tax Form 990s was organized into categories. Preliminary and unpublished research I had done with the 2009 Form 990s suggested that the data tended to fall in clusters. For example, when reviewing dollars raised per student in Maui schools, the categories might be identified as \$5,000 -

\$6,000; \$11,000 – 13,000; and \$18,000 and above. The resulting quasi-statistics built a composite picture for Maui’s small independent schools.

Qualitative data collected in Phase Three via the interviews with the Maui school heads and business officers were coded for thematic guidelines and benchmarks; similarly to Phase One, quasi-statistics were developed through numerical frequency and tabulated. I compared the identified themes and benchmarks to those identified in Phase One by “the experts.” The themes and benchmarks were also compared against the data from Phase Two. How did the themes regarding financial strategies as articulated by school leaders compare with the strategies articulated by “the experts?” Did the school leaders cite benchmarks and if so, how did they compare with the benchmarks set by NAIS? How did articulated benchmarks compare with observable data from the Form 990s? What strategies identified collectively by Maui’s practitioners did they think would strengthen their schools?

Tests for Validity

The primary goal of collecting data through three phases was to establish validity in conclusions drawn. Miles, Huberman, and Saldana (2013) suggested also using the terms “credibility” or “authenticity” when examining validity. When I used the word “validity” in this section, I also included the concepts of credibility and authenticity.

By looking at what the experts, the numbers, and the schools said about financial sustainability, I hoped to counter (though not discount) researcher bias and reactivity. The tests for validity I used included: triangulation, comparison, numbers, respondent validation, rich data, intensive or long-term involvement, and searching for discrepant evidence and negative cases (Maxwell, 2013).

Triangulation was my primary test for validity: “collecting information from a diverse range of individuals and settings, using a variety of methods” in order to see “if methods with different strengths and limitations all support a single conclusion” (Maxwell, 2013, p. 102, 128). Using mixed methods and multiple sources allowed for a variety of data to be collected. This was particularly important as the interviewer could affect the responses received through an interview (Seidman, 2006). Using multiple methods and sources assisted in reducing threats to the data’s validity.

Comparison was the basis of my inquiry framework as described previously through Patton’s “Dynamical Actual-Ideal Comparative Evaluation Framework.” See Figure 1 in the Introduction and “Inquiry Framework” above. Comparisons cited by Patton (2008) were utilized within each phase.

Numbers collected through HCPS reports and the IRS Tax Form 990s led to quasi-statistics. Tabulating coded data collected in interviews made the quantitative nature of my data more explicit. Tabulating data “enables you to assess the amount of evidence in your data that bears on a particular conclusion” (Maxwell, 2013, p. 128). Data tables provided in Chapter Four showed a tabulation of the numerical frequency of comments and codes.

Respondent Validation or “member checking” was an ongoing theme through my research. All interviews were transcribed and sent to the participants to ensure that their statements reflected their views. Each participant was offered the opportunity to correct the transcript. All conclusions drawn from the interviews and 990s were also checked with the individual participants and schools via email summaries, a workshop presentation, (i.e., MISO workshop B-16: “An Examination of the Financial

Sustainability of Maui's Small Independent Schools—A Dissertation in Progress” held on October 4, 2013), and a member check session held on March 28, 2014.

Rich data was acquired in my research through verbatim interview transcripts in order to provide a “full and revealing picture of what is going on” (Maxwell, 2013, p. 126). The voices of other practitioners on Maui were particularly necessary to balance my own (McEwan, personal communication, 7/10/13).

Intensive, long-term involvement as a validity test came through my 15 years as a practitioner working with Maui's small independent school heads, as well as two and a half years of focused discussion on and with Maui's small schools. Maxwell (2013) stated that “the sustained presence of the researcher in the setting studied” helps to rule out “spurious associations and premature theories“ (p. 126). My long-term involvement with the subject and the participants lent an aspect of participant observation to the project that would not otherwise be available to the researcher. “[L]ong-term participant observation provides more complete data about specific situations and events than any other method” (Maxwell, 2013, p. 126).

Searching for discrepant evidence and negative cases played out particularly during the data analysis or findings section of this project. In each phase there were strategies identified that did not represent a numerical majority but that represented strategies that confirmed my experience as a practitioner. These ideas are clearly indicated and discussed under “Participant Observations” in each phase.

Participants and Sampling

I used two groups of participants for my study: a sample of experts and a sample of small independent schools on Maui. Both samples were purposeful and built around

an operational construct (Patton, 2002). They were not random, but specifically selected for “information-rich” detail on an issue “of central importance to the purpose of the inquiry” and “representative of the phenomenon of interest” (Patton, 2002, p. 230, 238).

However, each of my sample groups also reflected a third characteristic that differs from the other. The sample of experts used in Phase One consisted of five individuals carefully selected because of their experience with, and expertise on, the financial sustainability of schools. This sample was also a sample designed for variation or heterogeneity. This aspect of the sample

aims at capturing and describing the central themes that cut across a great deal of variation...Any common patterns that emerge from great variation are of particular interest and value in capturing the core experiences and central, shared dimensions of a setting or phenomenon” (Patton, 2002, p. 235).

The sample experts consisted of a CPA who is known on Maui as someone who specialized in working with schools, a former associate director of the NBOA, and three members of HAIS serving as leaders within the accreditation commissions as well as with the organization’s financials. This range of experience and expertise maximized the variation of perspective within a small, purposeful sample.

In addition to being purposeful and operationally constructed like the expert sample, the sample in Phase Three was a criterion sample. “The logic of criterion sampling is to review and study all cases that meet some predetermined criterion of importance, a strategy common in quality assurance efforts” (Patton, 2002, p. 238). This sample consisted of representatives—the school heads and their business officers—from four small independent schools on Maui. These schools paralleled the schools used in

Phase Two that filed IRS Tax Form 990 reports and who were HAIS members. There were six schools on Maui (out of 12 HAIS member schools) that met these criteria.

Relationships, Positionality, and Ethics

It is my status as a practitioner within HAIS and Maui's small independent schools that granted me access to the samples of participants. I have developed relationships with fellow HAIS school heads, staff, and associates since 1997, and have worked to strengthen Maui's independent schools since 2001 as a co-founder of MISO. Though risks to participants were minimal, in the spirit of promoting honesty and candor, all participants were promised confidentiality in that their specific names and schools would not be attributed to statements and findings. Although IRS Tax Form 990s are public documents, Maui and Honolulu are "small towns;" my promise of "no names" was put in writing and signed off on by respondents as a condition for participation (see Appendix F, "Consent to Participate"). It is not my intention for any individual or school to feel embarrassed or "less than" in any way.

Because I would continue to work with my peers after publication of the research, honoring them was critical. It was imperative that all participants felt comfortable with what was presented. I agreed to show my findings in advance of publication to an HAIS representative so that the mutual intent of respect and goodwill was honored. It was my deepest hope that the research will promote understanding of my peers and their schools, without causing difficulties for them in any way.

Summary of Methods and Comparisons

Table 9 summarized the methods and comparisons for each phase within the project.

Table 9

Summary of Project Methods and Comparisons

Can the Financial Strategies Used by Maui's Small Independent Schools be articulated, measured, and evaluated?

Phase	Method	Comparisons
Phase One— What do the experts say?	Observations and interviews with HAIS and financial auditors (qualitative); Benchmarks and guidelines provided by GuideStar, Nonprofit Finance Fund, and NAIS (quantitative)	<ul style="list-style-type: none"> • External standards of desirability as developed by the profession • Standards of minimum acceptability, e.g., basic licensing or accreditation standards • Ideals of program performance
Phase Two— What do the numbers say?	IRS Tax Form 990 review (quantitative)	<ul style="list-style-type: none"> • The outcomes of selected “similar” programs • The outcomes of a representative or random sample of programs in the field • The outcomes of special programs of interest • The outcomes of the same program the previous year (or any other trend period)
Phase Three— What do the schools say?	Interviews and member checks with Maui school heads and business officers (qualitative);	<ul style="list-style-type: none"> • The stated goals of the program • Participants goals for themselves • Guesses made by staff or other decision makers about what the outcomes would be

Source of comparisons: Patton, 2008, p. 485

Chapter Four. Findings From Phases One, Two, and Three

Findings from Hawai‘i experts, the schools’ IRS Tax Form 990s, and the schools’ leadership were presented in this chapter. The focus of the findings presented was two-fold: (1) strategies for financial sustainability of small independent schools, and (2) the indicators of financial sustainability for these schools.

Phase One—What Do the Experts say?

“I met with _____. We talked about the fact that I had expected to get benchmarks from my ‘expert’ interviews but that is not what I’ve been getting. I’ve been getting stories about personal sacrifice and mission relevance. He said that what I am getting to is ‘the soul of a school’...That a school is like a church—a faith-based organization, a ‘voluntary’ organization.” (JRD Memo: “Project Direction,” June 5, 2013)

I conducted five interviews with independent school experts. This group included a CPA who served independent schools on Maui, accreditation leaders in Hawai‘i, independent school leaders with the experience of running a school, and individuals with financial expertise within the independent school world. The five experts were individually represented as P.H., W.I., B.O., P.E., and D.A.

The interviews focused on strategies and indicators for financial sustainability within small independent schools. This focus aligned with the project’s research question: Can the financial sustainability strategies of Maui’s small independent schools be articulated, measured, and strengthened? *Strategies* presented by the experts informed the articulation of Maui’s small school strategies for achieving financial sustainability. Strategies represented calculated actions that a school took toward a desired outcome. *Indicators* of small school financial sustainability were signs of a school’s condition that

could be reviewed to assess a school's financial sustainability. Indicators shared by the experts might be used to measure the financial sustainability of Maui's small schools.

All of the experts interviewed agreed that differences between small and large schools extended beyond the number of students attending each type of school. Experts stated that challenges for a small independent school centered around the fact that even if tuition rates were the same, small schools generally collect fewer tuition dollars than large schools because they have fewer students. Fewer dollars then translated into a smaller staff, as well as a smaller variety of educational and extracurricular programs.

The experts described the challenges resulting from less human and financial resources than a large school as "less flexibility" in their ability to respond to emergency financial situations that might arise. Small schools also focused more on containing costs. If a school's demographics included more families with lower incomes, the school was more susceptible to changes in the economy. The experts believed that small schools experienced more financial risk than large schools.

In addition, experts believed that small schools had fewer people to rely on than large schools. This included for emergencies as well as for major projects such as accreditation. One expert went so far as to say that as a result, job descriptions for heads of schools required a larger skill set than did those for heads of schools of large schools able to hire more staff and delegate more tasks. However, the experts also described advantages of small independent schools. The advantages focused on a sense of community and belonging, or a sense of family that came with the opportunity of getting to know people within a smaller environment----"can you imagine trying to bond at the

Punahou Carnival?” (W.I.). One expert added that it might be easier to satisfy a smaller clientele than a large one.

Strategies for Small School Financial Sustainability

Table 10 reported the strategies cited most often by the experts (See Appendix G for all strategies cited).

Table 10

Financial Sustainability Strategies Cited by Interviewed Experts

Strategies	Number of Participants (N = 5)
1. Clearly Articulate a Relevant Mission	5
a. "Relevance"	4
b. "Know who you serve"	4
c. "Know who you are"	4
d. Articulate who you are	4
e. "Strong faith"	3
f. "Common vision"	3
2. Attract and Retain Students	5
a. Affordability of tuition	5
b. Financial aid	5
c. "Get the word out"	4
3. "Look at the Big Picture" (Strategic Planning)	5
a. Merging or Partnering	3
4. Operate on a Balanced Budget	5
a. "Contain costs"	5
5. Fundraise	4
a. Fundraise	4
6. Attract and Retain Faculty	3
a. Compensation	3
7. Get Financial Expertise	3

“Three out of five” was considered a majority response. Seven key strategies emerged from Hawai‘i’s experts in relation to small school financial sustainability: (1) clearly articulate a relevant mission, (2) attract and retain students, (3) “look at the big picture” (strategic planning), (4) operate on a balanced budget, (5) fundraise, (6) attract and retain faculty, and (7) get financial expertise.

Clearly articulate a relevant mission. According to the experts a mission must be clearly articulated as well as relevant. Its relevance is a function of desirability. If a mission is not desirable to a school’s community, that community would not attend the school.

If what you choose as your value system falls out of favor in some way, then in fact... your mission, you know, just sort of dries up. It’s no longer appropriate...

So, you have no longer any basis to sustain it and you have a mission that somehow or another has kind of disappeared in terms of its value. (D.A.)

In addition, the experts emphasized that an important part of a clear mission was to “Know who you serve,” “know who you are,” and then “articulate who you are.” Knowing whom you serve, or who wants your education, was expressed well by D.A.

Waldorf is a – has a unique approach to education. Not everybody wants to do that. But, you know, there are an awful lot of Waldorf schools that have done well for a long time because there’s a large enough base of people who are committed to the vision that was initially set out with Waldorf schools that as long as you sort of attend to that community ...

B.O. discussed the need to know who you are, and thus what distinguishes your school from others.

I think one of the things that's most important is knowing who you are and not being pushed around by the winds of what is conventional wisdom at the moment. I see too many schools, I shouldn't say too many, but I see some schools at times feeling the need to change and not knowing really whether that change is going to support their school and its mission but are engaged in change because that's what the public mindset seems to be.

If a school understood what group it served, and how its mission differed from other schools, it was more likely to articulate its particular niche. "So I think bottom-line you've gotta know who you are, what market do you serve, and why would people wanna come to you and be able to then tell that story. That's the key to – in my view--the success of any school but particularly a small school." (B.O.)

Experts also discussed the strength or success of a school's mission in terms of strong faith. Whether a family would pay for an education that the school offered demonstrated faith in that school.

How strong is your faith? I mean you could ask it that way. Is your faith strong enough to pay \$8000 in tuition or whatever it is? It's a really crass way to put it but, you know, when I look at some of the schools in this state and also in California that have existed for years with very little fundraising in the sense of annual funds and fairly low tuitions and teachers who are willing to work for less because they view their working from school a ministry, those are factors that – there's no accreditation process I've seen to date that actually gets at that...(D.A.)

D.A. described a community who believed in the mission of a school as “true believers.” Similarly, W.I. advised schools to “build a clientele that basically believes in their product.”

Finally, the experts spoke about the mission of a school in terms of “common vision” held by the school’s community. W.I. stated, “To me the most important thing for a small school to have is everybody on board; and really believing in what the school’s doing and what makes it unique.” P.E. called common vision “crucial” and says “vision is key.”

Attract and retain students. The experts emphasized the importance of a school’s ability to attract and retain students. If students did not come to the school, there was no need for the school. The experts described this ability to attract and retain students as connected to the affordability of tuition, as well as to financial aid. W.I. explained the significance of a school’s affordability:

Low cost in today’s world... has really got to, I think, going to have to be part of the equation whereas before we never even looked. And in fact, there’s a lot of stuff out there like “just keep charging what it costs.” Well, the reality is, you know, that we’re going in for a major cost shift, that’s what I think.

Financial aid or scholarships frequently determined whether or not a school is affordable, and thus whether or not a school could attract and retain students.

So, if you can offer scholarships and have outside funding sources that can keep students at the school during hard times, I think schools are wise to kind of look a little bit ahead and don’t assume that things are always going to be the same and that the economy is always going to be there for families to keep their kids in

school because, that's every year the parents might have to evaluate that, and look at that and see where they are with the family budget. (P.E)

Lastly, in order to attract and retain students, the experts stressed that a school must "get the word out" or make sure that a community knows about the school through marketing, advertising, word of mouth, or public relations. P.H. commented about a school with an enrollment issue.

They've got all the enthusiasm. And they're pretty realistic about what they think they can accomplish in terms of size. But I would say if they don't see a doubling within one year of operation to 15 or 20 students, that it's not going to work because they need to get their word out..." (P.H.)

B.O. described a school who did not get the word out and whose enrollment suffered as a result, stating there was "perhaps not enough marketing of its purpose but also some misperceptions in the community about the type of students for what it was designed." Getting the desired word out was critical to address misperceptions that might be living in the community.

"Look at the big picture (strategic planning). Experts cited strategic planning, or "look[ing] at the big picture," as another important strategy for financial sustainability. P.E. stated, "one of the things that we always have to be mindful or considerate of is -- in the big picture; start with the big picture and looking at perhaps the school's track record," calling this planning "crucial." W.I. declared that people needed to understand "the totality of the whole."

Within strategic planning, experts discussed the particular tactic of merging or partnering with another school or organization in providing educational services.

That reminds me too of one other thing that I think we haven't explored well yet. Maybe you guys have in Maui, and that is, where can our smaller schools partner and therefore find efficiencies of cost and size, and that may be a new model that needs to be explored or to emerge....sharing teachers, sharing people who do counseling, having kids come and go to different schools for different types of things so that you can specialize, but you don't have to offer everything. It seems to me we're reaching a point where that's gonna be maybe an area for schools to experiment [with] and explore and that would lead to a different type of collective, but also it might support financial stability in a different way. (B.O.)

D.A. expressed the value in partnering similarly:

...wouldn't it be cool to have like a 15 or 20-acre site and you have a half a dozen different schools. Each has some space on that site so that they can have their classrooms and that which is unique to their particular approach to education and that you could share a gym. You could share Human Resources. You could share a business office; if you have food service, you could share that. A little trying to confine your expenses in a way that you are able to utilize tuition as effectively as you can, a bit like, you know, what the Claremont College model is but even more shared because in so many ways, we are all replicating each other...

Creatively eliminating replication was part of "looking at the big picture."

Operate on a balanced budget. Experts stressed operating within a balanced budget as necessary for financial sustainability; a school's expenses should not exceed its income. W.I. expressed this strategy clearly: "So the first question they ask today, balance the budget. Have they balanced the budget the last five years? OK. So if it's yes,

you've got a pretty good trend analysis." In answer to "What does financial sustainability for a school look like?" D.A. responded, "the school has sufficient revenue in any given year to cover its cost."

The experts further agreed that containing costs was the key element within the strategy of operating on a balanced budget. B.O. summarized, "I think probably the most successful strategies are those where schools are able to carefully monitor their costs and are really clear about the operational expenditures that they have on an annual basis."

Another expert who worked with small schools on a number of islands stated these schools "were pretty attentive to this question about sustainability which tends to make you very conservative in terms of spending money" (D.A.). P.E. reported the need for small schools to closely note "their expenses or revenues and expenses that go in to each of those programs."

Fundraise. Fundraising was another key strategy identified by the experts for small school sustainability. Experts defined fundraising as income for the school that did not come through tuition dollars. Fundraising was frequently used to supplement tuition charged to help keep tuition affordable according to P.E.: "with donations, it's...some flexibility as far as I think they're trying to keep down their tuition rates." It also required participation by all of the school's constituents—board, parents, faculty, administration, alum, etc.

[R]eally working to get everybody on board to understand that tuition does not cover the cost of students and that everyone needs to be involved in the annual fundraising whatever that may look like so that you strive toward 100%

participation by all constituencies--so that's really hard. I think even though that's a bit of soft money, it's strategy. (B.O.)

In addition, schools relied on fundraising to make capital improvements but keep out of debt.

...[T]he amount of debt that the school carries becomes important. What that does is to force schools in to going out and looking for capital gifts if they want to make any kinds of improvements rather than taking on debt which in itself is an issue. (D.A.)

Fundraising allowed schools to establish a reserve, provide tuition assistance, as well as pay for programs and equipment that might ordinarily be considered too expensive.

Attract and retain faculty. Experts cited the need to attract and retain faculty within a school as a strategy for small independent school sustainability. B.O. explained the importance of faculty for sustainability, particularly in terms of compensation.

[Y]ou don't wanna lose faculty because they can't afford to teach in your school and live. So you've gotta find a way to be able to support a cost of a high quality faculty and to me that's a key strategy because that attracts people. I don't mean just teachers, I mean it attracts families. It becomes the word of mouth of 'this is a good place to go because teachers are qualified and they care for kids.'

Compensation attracted high quality teachers and significantly influenced whether those teachers remained at the school or not.

Get financial expertise. The final strategy articulated by the experts was the benefit of financial expertise. Whether through a board, a parent volunteer, or a paid

consultant, a small school's financial sustainability was stronger when financially knowledgeable people assisted the school.

What I found out is my experience and, the board here, they like to have me on the board because a lot of times they want to bring expertise to the board...you're relying on them [experts] to point out whatever they need to know about because there's so many things going on." (P.E.)

W.I. stated that financial expertise was especially necessary when a school looked at borrowing. "I want to make it very clear. I think borrowing is very beneficial for schools. But they have to have enough financial expertise to understand that there is a level to that." Moreover, the experts suggested that if a school was able to hire a controller and accountant, then the staff was that much stronger because of the increased financial expertise available on a daily basis. Financial expertise contributed to financial sustainability by helping small schools to make the most of their resources.

Indicators of Small School Financial Sustainability

Indicators for financial sustainability cited by experts fell into five main categories: (1) warning signs (fiscal, enrollment, and governance issues), (2) "available resources," (3) the environment, (4) leadership, and (5) enrollment. Two guiding concepts also emerged: (1) that financial sustainability can be noted by observing a large number or combination of factors, and (2) that benchmarks can be established as indicators of financial sustainability. Table 11 summarizes the data on indicators of financial sustainability as cited by the majority experts (see Appendix H for the complete list of indicators).

Table 11

Financial Sustainability Indicators Cited by Interviewed Experts

Indicators	Number of Participants (N = 5)
1. Warning Signs	5
a. Fiscal Issues	5
1. Debt	3
2. “Bottom line”	3
3. “Eating away at reserves”	3
b. Enrollment Issues	5
1. Student retention	3
c. Governance Issues	4
2. Large Number of Factors Contributing to Financial Sustainability	5
3. “Available Resources”	5
4. Benchmarks for Financial Sustainability	4
a. Using the 990s	3
b. Benchmarks	3
5. Environment	4
a. The Economy	4
6. Leadership	4
a. Leadership	4
b. Role of the trustees	3
7. Enrollment	3
a. “Trend data”	3

Large number of factors. The experts agreed that a school's financial sustainability was dependent on and must be determined by looking at a large number of factors or a combination of events, rather than by looking at just one or two indicators. B.O.'s statement was simple but representative of the experts. "I don't think it's ever one factor. Usually it's a confluence of many different pieces...." This statement goes back to the notion of a school as a complex organization and reinforced the significance of the previously mentioned indicators. The indicators below are the factors that, combined with others, point to a school's financial sustainability.

Benchmarks. Benchmarks are reference points used within a field or industry and in the case of schools can be developed in numerous ways, including nationally, by region, by state, or in Hawai'i, by island. Both NAIS and HAIS provide schools with sources of benchmarking. The IRS Form 990 could be used as another source of benchmarks and was the primary source of information for Phase Two. Regarding this form, P.E. said,

...if you can look at the trends and if you could see the excess revenues or expenses, hopefully, excess revenues over expenses, you could see the balance sheet. You can see where the equity is at, if they have – you could see the restricted assets--if there is unrestricted, what's unrestricted, what's temporary restricted and what's permanent restricted. So, you could see what the make up of the funds are...

W.I. showed how a benchmark could be used. "So if you got their cost per student and compared it to yours, wouldn't that be a relatively interesting figure?" In essence, the concept of a benchmark could be used to measure the five indicators given by the

Hawai'i experts: Warning signs consisting of fiscal, enrollment, and governance issues; "available resources;" the environment; leadership, and enrollment in general.

Warning signs. Experts agreed that there were warning signs marking a school's weakened financial sustainability including fiscal issues, enrollment issues, and governance issues. Within the area of fiscal issues, debt was discussed as a fiscal warning sign.

...whether or not the school carries debt; that debt is one of those things that never goes away no matter what your enrollment might be. So, the amount of debt that the school carries becomes important. What that does is to force schools into going out and looking for capital gifts if they want to make any kinds of improvements rather than taking on debt which in itself is an issue and relates very much to the size of the community, the affluence of the community, the desirability of the school to the community, those kinds of things." (D.A.)

A school's bottom line balance in the budget was another fiscal warning sign. The number should be positive; if a school demonstrates that "it's able to collect revenues that it needs in order to exceed expenses every year then that is a financially sustainable school." (D.A.) When the number was negative, it has spent more than it has earned and may signal trouble, depending on how many years this trend went on. This trend was connected to the fiscal warning sign called "eating away at reserves." This indicator again pointed to a school spending more than it earned, and depending on how many years it went on, that practice might not be sustainable. W.I. relayed how this might happen.

Well, some schools, they get the downturn enrollment and they just use their reserve or something else and then will run large deficits to maintain the quality of their education. Some schools will cut the expenses like mad, you know. And the first one is kind of really a high risk kind of thing because if the students don't come back on the cycle..." [financial sustainability is threatened].

Enrollment issues are another warning sign that a school might not be financially sustainable. Because enrollment was directly tied to income, "enrollment becomes the bottom-line line obviously if you're gonna stay sustainable from a financial point of view." (B.O.) The primary enrollment issue cited was that of student retention—the ability for a school to keep students once they come to the school. P.H. discussed student retention as an indicator for financial sustainability. If a school cannot keep the students it already has, that is a significant statement. It speaks to unmet expectations, disappointment, and possibly even quality control issues.

The main one is retention of students; you know, if students leave faster than new ones come. I mean, it's one thing to have a decrease in the number of new students coming to your organization or your school. You could say, well, it's just recession time; people can't afford the tuition and the like. But if also at the same time, if you're losing students who are already there, then you're either doing something wrong or you're too high-priced. So if people who are already experiencing your environment don't stay, then that's probably a sign that you don't have something that people want. And it's much more expensive to get a new student, recruit a new student to come in, than it is to keep a current student.

(P.H.)

Governance issues were also important warning signs that may be an indicator of financial sustainability. While this indicator was important to a majority of the experts, it was described in a number of different ways--“lack of board strength,” the “relationship between the board and the head of school,” “too attached to the mission” (to see lack of current relevance) and “lack of fundraising support.” Each school might demonstrate a different manifestation of governance issues that would lead to an understanding of its financial sustainability.

Available resources. This indicator included a wide range of resources such as an endowment, an alumni base, effective leadership, community connections, and high profile parents. D.A. presented one picture of a school with many different kinds of resources.

...if you're a school of 3700 students like Punahou and you have, you know, a hundred and fifty years worth of alumni who challenge each other to give money and so on, I suppose it's possible to think of a scenario where that would be endangered but it's awfully hard to think so, that in fact those are the kinds of schools that precisely because they have the resources available, if they have effective leadership as Punahou has enjoyed, they're constantly thinking about ways to expand the market not necessarily to expand the number of students but to expand what they have to offer to the community which in fact will sustain the enrollment pressure, and as long as you've got the enrollment pressure, you're never going to worry about sustainability.

W.I. reminded us that it is Kamehameha's endowment that allows them to minimally charge its families, and P.E. referred to “the skillsets you have amongst your parent

population.” When more resources were available, a school’s chance for financial sustainability was higher.

Environment. Experts discussed looking at “the environment” as an indicator of how a school might be doing, specifically referring to the economy of a region. P.E. provided an example of looking to the economy as an indicator of financial sustainability: “assuming that the federal government – like I said some of that debt’s backed by the government--that assumes that, you know, they don’t default on that, the government doesn’t go out of business; of course, with the government these days, who knows...” D.A. referenced the business cycle within Hawai‘i as an element of the environment that may impact a school: “figure out the business cycle because there probably is one.” He describes how the economy might impact enrollment. “[T]he littler schools who’re charging less, they were appealing to a community that just didn’t have the resources to pay more and when the recession hit, they fell out...” And W.I. pointed out that the economic cycle in one town might be different than that in another, even on the same island: “But maybe if you live in a cyclical environment, I mean, Kaanapali might be in that cyclical environment whereas Makawao probably not. So that’s why I’m saying they have a whole different – you might have a whole different kind of approach to your finances.” Ultimately, if the economic environment surrounding a school was weak, that affected a school’s sustainability.

Leadership. Leadership of a school, in particular “the role of the trustees,” was described as another indicator. P.E. referred to the importance of the board.

...how active is the board. The board plays a very important role with being proactive in setting the budget, reviewing the budgets, setting goals, monitoring

expenses, setting the tuition rates. You know, are they building up a reserve for cases of emergency. Being proactive in obtaining funding from foundations and other grants. You know, they're doing fundraisers. They've been using the parents to help with projects, events instead of hiring contractors or employees. And maintaining a large donation base.

If the board was not functioning in all of these areas, then a school's financial sustainability might be at risk.

Enrollment. Just as developing strong enrollment was a critical strategy for financial sustainability, enrollment of a school was a critical indicator of its financial sustainability. Enrollment was both a strategy and an indicator. The state of a school's enrollment has already been referred to as a fiscal warning sign. B.O. described enrollment as the "bottom-line" indicator: "enrollment becomes the bottom-line line, obviously, if you're gonna stay sustainable from a financial point of view." As a more general indicator, the experts expressed agreement in referring to enrollment "trend data" as an indicator. B.O. surmised, "I would look at trend data because obviously you can have some years that are less robust than others. But if there is not a trend toward some consistency of the enrollment within the targeted framework, I think you're going to have difficulty surviving." D.A. referred to "enrollment history and enrollment projections." Specific enrollment indicators also mentioned by various Hawai'i experts include whether or not it is steady, on target, or inclusive of diversity.

Practitioner Observations

"The soul of a school." Were I not a practitioner in the field, I would have ended my findings of Phase One research at this point and moved on to the findings of Phase

Two. However, because I *am* a practitioner in the field, a particular strategy *not* mentioned by at least three out of five of the experts began to haunt me: Personal sacrifice. I had asked a question about how P.H. knew whether or not a school was financially viable and he began to speak about cash flow. That much I had expected. It is what he did to manage cash flow that led me to the strategy I called “personal sacrifice.” His story caused me to shift my thinking about financial sustainability within a small school. Here is the story:

J.R.D.: ...what would you look at as your main indicator as to whether you were doing OK or not?

P.H.: ...I think cash flow was the main document I looked at. We had to produce for the board meetings the standard income statement and balance sheet. But cash was king! I don't think I ever had in all eight years I was there more than three months payroll in the bank. And so it was quite often a struggle. Often I had to go ask people who I knew could afford not to cash their check to hold on to their check until something happened and more money came in.

J.R.D.: Do you mean their paychecks?

P.H.: Paychecks, yeah. And I mortgaged my house on two different occasions to get working capital to make it through down periods. And so it was a small [school] and a family; the faculty and staff were really close... I knew who really needed to cash their check and who had a working spouse who could tide them over without their checks. We never missed

payroll but some people had to hold their check for a couple of months sometimes even. So ...

J.R.D.: A couple of months?

P.H.: Yeah.

J.R.D.: And they did that?

P.H.: And they did.

J.R.D.: Did they do it willingly or how did that happen?

P.H.: I would just go talk to them. I mean I knew there were people who really liked working at the [school]. It wasn't just a job. And I knew they were people that had the capacity because of a working spouse to not to – they could go a month or even two months without cashing their check.

J.R.D.: ...would you do it again? Mortgaging your house and asking people to delay their checks and such?

P.H.: Not at my age. I was only like - I got the job when I was 31. I had never had an administrative position, so I really didn't know any better. So I think I wouldn't hesitate even now if I knew people could afford not to cash their check, ask them to help an organization through a tight period by holding on to their check.

I was taken aback by P.H.'s story. Not only had he asked his staff not to cash their paychecks for two months, not only did his staff agree, but he mortgaged his house for the school's benefit. Twice. P.H. also shared that his efforts had been very successful but at a huge personal price: "So I lasted eight years as president and the [school] grew

to about 600 or 700 students. And then pretty much killed me. I ended up getting divorced from all the travel and fundraising and everything. So I left.”

Why would anyone go to such personal extremes on behalf of a school? The answer that resonated with me as a practitioner is “because they love the school and what it is doing that much.” They wanted the school to succeed and would do what it takes. This is the reason I gave up vacations, and why my own daughter told me when she was growing up that she knew the school came first and that our family came second. This is the reason that teachers pay for their own supplies and work extreme hours for low pay. On April 8, 2013 I wrote in my journal:

When P.H. told me about mortgaging his house to keep the school going, that was a moment when the project changed for me. It became more personal. About people and what they do because they care. It made me remember all the people doing “crazy” things—like buying land for the school on their credit card—to keep a school going. It reminded me of the aspect of faith and commitment—the values necessary to keep a small school going.

D.A. described this level of commitment and devotion as similar to the faith congregations put into their church.

But it seems to me that one of the questions that needs to be asked is if the school has been around for 50 years and you know, has – a faith community behind it – and it has teachers who think they are in a ministry in doing that, how do you factor that in to the typical financial analysis? It’s a lot like churches in that way in that there are some churches that had survived forever, you know, with even a less secure funding base than schools because they don’t charge tuition. You

have to give offerings.

The notion of personally sacrificing in order for a school to succeed resonated so much with my own experience that I decided to add a question about its role within the Phase Three interview questions (“Have you or your staff made personal sacrifices to keep the school going?”). I began to think that the commitment, personal sacrifice, and faith within a school’s community were somehow expressive of what D.A. termed “the soul of a school”—something intangible and perhaps not readily measurable that affected the financial sustainability of a school.

Phase Two: What Do the Numbers Say?

"I'm not sure how I would determine the benchmark I guess. Some of them I can't. For example in the salary and compensation category and probably the tuition, we certainly would want to look at what others in the regional area are providing for compensation and tuition because you do need to be within at least a competitive base on that level. Other benchmarks I think relate more to the individual school ...my view is maybe a little skewed about benchmarks. I see them more often as averages and I question whether or not an average is indeed a true benchmark. It gives you a marker to see where you fit within the broader community. And if that helps you to determine competitiveness then I think that would be an important piece. I'm almost more interested in trend data over a period of time per school and the kind of qualitative satisfaction surveys that you get from families, the number of applicants and inquiries and those are the bases; those things would be equally important to me and I think those would be particular to individual schools rather than benchmarkable kinds of things." (W.I.)

Phase Two of the research examined the actual history of Maui’s small school sustainability through the IRS Tax Form 990s for six schools over a period of three years. Because some of the measures on the form provided two years of data, a picture emerged of Maui’s small school survival over the past four years. Despite the limitations of the IRS Tax Form 990, it remained a comprehensive picture provided by an organization of its financial health that was comparable to other organizations and publicly available. Data gleaned from a detailed review of the Form 990 included: (1) a breakdown of school

financial data, (2) benchmarks for school expenditures, (3) strategies for financial sustainability, and (4) supplemental data on financial sustainability.

School Financial Data

I retrieved data from the Form 990s of six small independent schools on Maui. The indicators selected for comparison between schools were based on a review of the literature as well as ease of comprehension. A practitioner's review of the literature included the following independent school and general non-profit leaders and products: GuideStar, Nonprofit Finance Fund, FinancialSCAN, NAIS Calculator, NAIS Trustee Dashboard, CAIS-HAIS Dashboard, ISM, and David LaPiana. The complete list can be found in Appendix I.

I used IRS Tax Form 990 data to provide an overview of important, yet basic quasi-statistics that any head of school or board member could understand. If the data or processes to obtain them were too complicated to be used by school practitioners on an immediate basis, I did not use them.

It is an overview that is big picture, and that anyone could do, including heads of small schools not trained in business or financials. Small schools are frequently run by big hearted people willing to grapple with new territory in order to promote a school they love. The results of this study need to boil down to simple guidelines. It does not need to be simple, and there can be a depth of data to back up claims, but to be usable and memorable, therefore of benefit, it has to also have a boil-down quality (JRD Memo: Thoughts on Phase Two, January 12, 2014).

It should also be noted that the time period covered in the Form 990s corresponded with schools experiencing the recent recession of 2008, referred to in some

of the literature as “The Great Recession.” The strategies, benchmarks, and observations thus reflect action taken by schools grappling with remaining viable during extremely challenging economic circumstances.

What do we glean from the Phase Two data? A picture of how Maui’s schools rode out and responded to “The Great Recession.” What did they do during the most challenging times? This is valuable because these are the hardest of times. If you can look at the “essence” of surviving during the hardest times, you might have the backbone of what discipline is still required in the best of times (JRD Memo: Thoughts on Phase Two, January 12, 2014).

Appendix J summarized data generated from the Form 990s of six small independent schools on Maui between the years of 2008 and 2012, providing a detailed analysis of a school’s financial scenario as well as averages for comparison. HAIS enrollment figures allowed me to derive such comparisons as revenue per student and expenses per student, items cited within the literature as well as by experts interviewed.

A school’s financial data provided a glimpse into the financial health and sustainability of an independent school on Maui. Comparing the schools side by side presented a picture of what was happening island wide. Appendix K listed generalizations regarding the financial life of these schools based on the Form 990 data.

Benchmarks for Maui’s small independent schools

Expenses reviewed include salaries, tuition assistance, programmatic costs, management or administrative costs, expense per student, and fundraising. Five benchmarks for school expenditures are listed below.

1. *Salaries represent 60-65% of total expenses.* The strongest benchmark was for salaries as a percentage of overall expenses. The averaged salary expenditures fell within this range for five of six schools. One school's averaged salary expenditure was at 51%.

2. *Tuition assistance represents 6-9% of total expenses.* This was a benchmark of "medium" strength as the averaged tuition assistance costs for only three of the six schools fell within this range. One school's tuition assistance average was 19% and two schools provided no data in this area.

Other areas looked at for benchmarking provided layered responses. Four of the indicators led to layers that seemed logical or predictable: program costs, administrative or management costs (as named on the IRS Tax Form 990), expense per student, and size of board. These layers also corresponded with "tuition tiers" identified by HCPS. HCPS listed 11 Hawai'i schools as "top tier" tuition schools charging \$16,000 and above in 2011-12. Four of Maui's small independent schools in my study fell into the second tuition tier (\$10,000 - \$15,999) along with 16 other Hawai'i schools; one fell into the third tuition tier (\$7,000 - \$9,999) along with 22 Hawai'i schools; and one fell into the fourth and lowest tuition tier (under \$7,000) along with 56 other Hawai'i schools.

3. *Schools with the lowest tuition rates have the highest program costs.* Schools 1 (tuition tier 3) and 2 (tuition tier 4) averaged program costs of 87 – 88% of total expenses. Of the remaining four schools, all at the second tuition tier level, three schools' averaged program costs ranging from 73 – 78%, and one school's costs average was 64%. The logic here was that schools with lower tuition had less money to spend; what money it did have must go into the core of the business, which is the educational program.

4. *Schools with the lowest tuition rates have the lowest management costs.*

Schools 1 (tuition tier 3) and 2 (tuition tier 4) averaged management costs of 10 – 13% of total expenses. The schools on the second tuition tier averaged managements costs of 16 – 24% and 32%. Low tuition rates leading to lower management costs seemed logical; schools with lower tuition had less money to spend, spending most of what it had on program, and less on management.

5. *Expenses per student exceed income per student.* The averaged expense per student exceeded the income per student (to be discussed further below) but followed the tuition rate assessed. The schools charging the lowest tuition spent the least per student. The fourth tuition tier school spent \$6,000 - \$7,000 per child and the third tuition tier school spent \$10,000 - \$11,000 per child. Three second tuition tier schools spent \$11,000 - \$14,000 and one second tuition tier school spent \$22,000 - \$23,000 per child, significantly higher than the tuition charged (at \$14,175, this school had the highest tuition of the six schools. It also had the highest debt ratio, and the highest fundraising average).

6. *Schools with lower tuition may have smaller boards.* This sample was small, but the schools from the third tuition tier and the fourth tuition tier averaged 8.3 and 10.3 members respectively. Altogether, three of the six schools averaged board sizes of 7 – 10 members. Two schools had 14 members, and one school had 19 members. As stated previously, schools from the lower tuition tiers spent less on management, and management is required for coordinating the work of larger boards.

Fundraising data did not correspond with tuition tiers but fell into three categories: (1) Two second tuition tier schools and one fourth tuition tier school raised

an averaged 10% of their total revenue through fundraising. (2) One second tuition tier school and one third tuition tier school raised an averaged 17 – 18% of their total revenue through fundraising. (3) Similarly, one second tier tuition school raised an averaged 26% of its total revenue through fundraising.

There was not enough data to speak conclusively about maintenance costs as a benchmark. Three schools provided no data. Two second tuition tier schools averaged maintenance costs of 2% of their total expenses. The fourth tuition tier school spent 5% of its total expense on maintenance.

Financial Strategies In Use by Maui's Schools

Strategies described here refer to actions taken by schools that enabled them to remain financially viable and sustainable when coming out of the recession of 2008. The strategies derive from the school's financial records as described in the IRS Tax Form 990s (see Appendix J).

1. *Maui's small schools went into their reserves or used their prepaid tuitions to cover their expenses.* Out of the six schools examined, every school spent more than it earned except for one school. Of the five schools using this strategy, one school spent more than it earned every year for four out of four years. Three of the schools spent more than it earned for three out of four years. One school spent more than it earned for one of the four years. The amount of reserves used over the four year period ranged from \$12,214 - \$724,315.

2. *Maui's small schools paid their school heads lower than their Honolulu counterparts.* The range for small school head compensation on Maui in 2011-12 was \$17,040 - \$86,500 (both figures listed here were earned by very experienced school

heads). In 2011-12 a tier one tuition school on Oahu with 208 students paid its very experienced headmaster \$193,542, and another tier one tuition school on Oahu with 202 students paid its new headmaster \$147,500 (www.GuideStar.org). The Maui school compensating its head at \$17,040 charged the lowest tier tuition rate; a second tuition tier Maui school paid its head of school \$86,500.

As a point of comparison, two of Hawai'i's large schools in the top tuition tier on Oahu paid their very experienced (male) heads \$407,143 and \$315,677 in 2011-12. A very long term school head on Oahu from a second tuition tier small school with 197 students paid their (female) head \$77,797. As a side note, women ran five of the six Maui schools studied. The lone male school head earned \$145,833 in 2009-10, \$135,000 in 2010-11, and \$40,000 in 2011-12 by his request to reduce school expenses.

3. *Maui's small independent schools used debt to finance their assets.* Five out of the six schools used a debt ratio of 50% or higher. Three school averages hovered just under or just above 50%, one school was at 79%, and another school was at 116%. Only one school's debt ratio was a very low 5%. Two of the schools with high debt ratios built out campuses that required millions of dollars. Another school was in process of purchasing their property, and one held mortgages for two properties. It should be noted that the school with the lowest debt ratio also recently completed a capital campaign and was so successful that it carried virtually no debt. It also paid the lowest school rate of compensation for its head, and is in the lowest tuition tier.

4. *Maui's small independent schools kept their tuition rates down, charging a tuition rate that is lower than its expenses.* The average expense per student exceeded the school's 8th grade tuition in every school, every year, except for one year in one school.

In addition, the expenses per student generally exceeded income per student. This was true in four out of six schools for three of four years or four of four years; only two schools' income per student exceeded expenses per student every year.

Supplemental Data on Maui's Small Independent Schools

In addition to strategies and benchmarks, an analysis of the Form 990s allowed for a number of observations that provided insight into the workings of small schools on Maui. The observations commented on investment income, the relationship between tuition increase and enrollment, growth of income and expenses, and numbers of board members and volunteers. Some of the observations are not inherently "logical" and thus point to other influences at work discussed within the overall strategies found in Phase Two.

Investment income. None of the six schools studied held an endowment; thus, investment income was negligible and not a reliable strategy for Maui's schools. Any investment fund income listed in the Form 990 came from selling a piece of property or funds from a capital campaign.

Variability in tuition. Tuition increase or decrease varied from year to year for every school and revealed no overall trend. Tuition rates increased and decreased at very different rates for every school. Only one school held a steady trend, reflecting a steady decrease in tuition rate with a 7.5% increase in 2009-10, a 3.5% increase in 2010-11, and a 0% increase in 2011-12.

Enrollment patterns. Although every school lost students between 2008-09 and 2009-10, enrollments grew in 2010-11 for four out of six schools. The two other schools experienced declines. It should be noted that School 1 did not have data reported for

enrollment in the HCPS 2008-09 school report, and reported numbers for 2011-12 are inaccurate (numbers are simply “carried over” from 2010-11 to 2011-12 for Schools 3, 4, 5, and 6. See Appendix J). This inaccuracy was verified in telephone conversations with each of the schools.

Correlation between tuition increases and enrollment. There was no discernable pattern across schools between tuition increases and enrollment going up or down in response. This observation was especially interesting in light of the strategy cited earlier: *Maui’s small independent schools have kept their tuition rates down, charging a tuition rate that is lower than its expenses* as observed via the Form 990s and HAIS data.

Revenue growth between 2009-10 and 2011-12. Four out of six schools’ revenues grew from 2009-10 (representing tuition tiers 2, 3, and 4). Five of six schools’ revenues grew between 2010-11 and 2011-12 (representing tuition tiers 2, 3, and 4). Only one school experienced steady revenue decline (55%) between 2008-09 through 2011-12.

Increase in expenses. Two schools increased their expenses every year for three years (representing the second and third tuition tiers). Two schools increased their expenses two out of three years (representing the second and fourth tuition tiers). One school cuts its expenses three out of three years (the second tuition tier), and one school reduced its expenses two out of three years (the second tuition tier).

Board members and funding patterns. The number of board members directing a small school did not indicate a predictable pattern of funds raised. Although two schools with small board averages (7.3 and 10.3 members) fundraised 9.75% of their

revenue, a school with an 8.3 member average raised 16.5% of its revenue. The school with the largest board average (19 members) fundraised 10.25% of its revenues while a school with an average of 14 board members fundraised 26% of its revenues). No relationship appeared between tuition tiers, number of board members, and funding patterns.

Volunteers and fundraising patterns. The number of volunteers serving a small school did not indicate a pattern of funds raised. A school listing 10 volunteers fundraised 16.5% of its revenue while two schools averaging 60 and 74.3 volunteers fundraised 9.75% of its revenues. A school with 234 listed volunteers fundraised 10.25% of its revenues, and a school with 100 listed volunteers fundraised 26% of its revenues. Again, no observable pattern emerged in relation to tuition tiers. It should be mentioned that this particular indicator is the one indicator out of all of the Form 990 indicators that did not seem accurate. Most of the schools tended to self-report the same number of volunteers every year which is highly unlikely to happen statistically. Further, the school with 10 volunteers listed puts on an annual fundraising dinner and auction event that I have attended and noted that it used more than 10 volunteers.

Summary. Table 12 below showed how the financial strategies and observations from Phase Two might be organized into four primary strategies for financial sustainability.

Table 12

Strategies for Maui's Small Independent Schools Based on Form 990s

1) Do what it takes to make ends meet

- a. They go into their reserves to cover their expenses (only one school did not).
 - b. They pay their school heads lower than top tier schools in Honolulu, large or small (top tier refers to the tuition pyramid).
 - c. They use debt to finance assets (5 of the 6 schools had debt ratios of 50% or more).
 - d. They do not rely on investment income. Investment income was negligible as no school has an endowment, and it was an unreliable income source. There are occasional years where a sale or capital campaign generated income for one or two years.
-

2) Adapt to the environment (market, economy, competition, perceptions, etc.)

- a. They are flexible in how they set tuition rates. Tuition rates vary quite a bit from year to year for each school. (3 schools went from a 7.5 or 5% increase in tuition to a 0% either in 1 or 2 years. 3 schools did not raise tuition at all between 10-11 and 11-12. 1 school reduced tuition 1 year and went up 3% the next. Only 1 school had a steady downward tuition increase trend: 7.5 to 3.5 to 0).
 - b. Despite the movement in tuition rates, there is no discernable pattern across schools between tuition increases and enrollment.
 - c. Tuition was held down although it did not cover expenses. The average expense per student exceeded the school's 8th grade tuition in every school, every year except for one year in one school. (4 schools were in the \$10,000-14,000 range; 1 school was just under that in the 10,000-11,000 range. 1 school was between 6,000-7,000 and 1 school was at 22,000 – 23,000).
 - d. They charged less than they spend per child; expenses per student exceed income per student (in 4 of 6 schools for ¾ or 4/4 years; 2 schools' income per student exceeded expenses per student every year).
 - e. Schools have generally increased their expenses though strategies vary strategies for setting their expenses (1 of 6 schools cut expenses every year; 1 of 6 schools cut expenses for 2/3 years; 2 schools' expenses went up every year; 2 schools expenses went of 2/3 years).
-

3) Plan for growth

- a. School enrollments grew. While every school lost students in 2009-10, 4 of 6 schools gained students in 2010-11.
 - b. Facilities were expanded and renovated. 5 of 6 schools bought property, expanded or renovated facilities.
 - c. Maui schools experienced growth in total income. (4 of 6 schools experienced income growth from 2009-10 to 2010-11 and 5 of 6 schools experienced income growth from 2011-12).
-

4) Defy odds

- a. The number of board members directing a small school does not indicate a predictable pattern of funds raised; very small boards raised large sums of money and larger boards raised less.
 - b. The number of volunteers serving a small school does not indicate a pattern of funds raised; small groups of volunteers raised large sums of money and larger groups of volunteers raised less.
-

The strategies used by Maui's schools within a challenging economic environment included: (1) *they did what it took to make ends meet*. They relied on reserves, offered low pay to their heads, and took on debt. (2) *They adapted to their environment*. This is observed in their flexibly working with tuition rate increases, though holding them below expenses. (3) *They planned for growth* as noted by their increasing facility size and taking on debt. And (4) they simply *defied odds* against them in terms of numbers of volunteers or board members and the funds they raised.

The IRS Tax Form 990s told the story of six schools dealing with the country's worst recession. Their responses and strategies feel like a small business, communicating an energy or action style necessary to succeed as a commercial venture. The story was one of survival, versus waiting for a storm to pass through. An organization called Teach a Man to Fish described the drive behind survival for financially sustainable schools.

Financially Sustainable Schools are on a permanent quest for economic self-sufficiency. This means that schools have to control costs carefully. It also means that they have to be attentive to local market conditions....The quest for self-sufficiency obliges teachers and administrators to maintain a practical, entrepreneurial and innovative approach to their work.

(www.teachamantofish.org.uk)

Do what it takes. Adapt to the environment. Plan to grow. Defy the odds. The schools' stories supported this spirit of survival and resembled Bassett's (2012) strategic thinking and holding a strategic posture. Holding a strategic posture at all times allowed a school to respond quickly to any circumstance, including signs warning of possible dangerous situations. Such a response allowed the schools dynamism. "Dynamical" was one of the capacities that Patton (2011) identified as a key characteristic of a complex organization.

Practitioner Observations

While the Form 990s offered a breakdown of schools' financial data, benchmarks for school expenditures, strategies for sustainability, and additional data about the financial sustainability of Maui's schools, practitioners in the field also knew individual school circumstances and stories at play within each school's very complex environment. "Every indicator has a 'situation' or story attached to it as to how it got there...People create the institution, not numbers" (JRD Memo: My Discovery, July 19, 2013).

Practitioners who live and work in the community know the stories that are not identifiable by the Form 990s. As previously noted, these stories included whether or not a school head was experienced or inexperienced, whether or not there were capital campaigns under way, and successful community events that required many volunteers.

Thus, although it appeared that a school's tuition tier impacted management services, size of board, lower spending per child, and lower head of school compensation, there were also remarkable stories of human beings "defying" what one might expect. School 2 was described earlier as charging the lowest level of tuition, and yet despite an extensive capital campaign to rebuild its campus, held a debt ratio of only 5%.

Practitioners on the island knew this was because School 2 had a financial "angel"

committed to the school who then raised enough money for the buildings. The abilities, resources, and commitment of an individual within a small school community had significant impact that went against expected outcomes, defied all odds in their accomplishments, and thus affected the quality of the education offered.

Phase Three: What Do the Schools Say?

“An actual feeling of this is all on our shoulders. People rely on their paychecks...And it frustrates me that even within our own community there's really not an awareness even amongst the faculty because of course you can't always say the struggles that you go through...But even the board. How do we communicate the urgency of this? ... If there was any one factor to cause me to change career paths due to stress, this would be it. Probably second would be peer related issues, but see, that's seems silly because you know anywhere you go, any field you go, you have to be with people and communicate with them. It's that sustainability piece or it's your faculty or your parents' effect on that when something happens. For us last year something internal happened, and how does that affect your financial sustainability? I feel like everything is so interlinked. And maybe especially on this island because of the coconut wireless that I feel that any one domino could fall and affect financial sustainability in the end.” --T.H.

Participating Schools

I invited five school heads and/or business managers from the schools who file From 990s to participate in interviews for this project. Of the five schools, four schools accepted my invitation to participate. The final tally of participants included four heads of school and two business managers within four interviews. In order to articulate, measure, and evaluate the strategies used by these schools, I collected data on strategies for small school sustainability and indicators of small school sustainability, as well as any thoughts on evaluation that they wanted to provide for HAIS as the evaluative body within Hawai'i. Their statements to HAIS were an important aspect of the action research. In order to understand the schools, I also collected data on the schools' biographies.

Three of the four schools started in churches. One of the schools moved to a new property, bought out the church and became the church's landlord, and one continued to rent from a church (with one classroom in a shared space that is set up every Monday morning and taken down every Friday evening). Parents and community members started all four schools. The recent recession impacted each school--they lost students, froze or cut salaries, lived on their reserves, and cut positions in response. None of the schools had an endowment.

All the schools experienced significant events such as executive transition in leadership, acquiring property to expand their campuses, and going into debt to erect buildings. Three of the four schools changed heads (two of them after very long tenures) and a fourth retired two months after the interview. All four schools engaged in either acquiring property or erecting new buildings. Two of these schools took on debt of four to five million dollars to do so.

In the executive transitions that led to the headships of the participants, none had planned to become the head of their school. Two of them were teachers either "thrown into the position" (S.A.) or put into place through "circumstances" (A.N.). One was part of the administrative staff who had previous nonprofit experience and said, "let's see how it goes" (T.H.). The other retired from active school administration, served as a consultant, then "got drawn into it" (B.A.). The circumstances in three of the four instances involved illness severe enough to require lifestyle changes, and thus new heads. None of the four heads had served in this capacity before. The following experience seemed to be a common one:

I think I ended up with my position because I think that the school might not have continued in its existence if there wasn't a person that would be willing to take that on. I guess like you know I am first and foremost a teacher and that's really what my love is. I was kind of thrown into this position because I'd been at school awhile and was seen as somebody who could rally everybody together and continue on and so that's how I got to this position. Was I prepared though, no, I mean I didn't have any preparation for the administrative side of things and certainly because I took over when the previous administrators both left. There wasn't any one really to say "Oh! This is what you need to do." It was kind of like learning as I went. (S.A.)

When asked to characterize the nature of their schools' financial sustainability, three of the six participants (including the two business managers) cited the generosity of their parents and donors, calling them "angels." Other characterizations included "pointed in the right direction" and operating on "measured decisions." One head said that financial sustainability was like a candle, "always watching to see how to save it and keep it alive a bit longer."

Strategies of Financial Sustainability Used By Participating Schools

The school representatives interviewed cited four main strategies for financial sustainability: financial management, "passion and heart" for the mission, donor assistance, and "good enrollment" as indicated in Table 13 (see Appendix L for the entire list).

Table 13

Strategies for Financial Sustainability Cited by Interviewed Schools

Strategy	Number of Participants (N=4)
1. Financial Management	4
a. Financial expertise	4
--Board leadership	4
b. Careful monitoring	4
c. Collecting tuition	4
d. Limit spending	3
e. Careful budgeting	3
--Knowledge of next year's enrollment	3
2. "Passion and heart" for the mission	4
a. Personal sacrifice	4
b. The mission as a value guide	4
c. Working many hours	3
d. Staff with multiple roles	3
3. Donor Assistance	4
4. "Good Enrollment"	4
a. "Good enrollment"	3

Financial management. Financial management as described by the schools encompassed using financial expertise, especially focusing on board leadership; careful monitoring of the finances; collecting the tuition owed; limiting spending; and careful budgeting (dependent on knowledge of next year's enrollment).

The benefit of financial expertise was seen through one school's accreditation

experience:

Really the Vice President of the First Hawaiian Bank, he was really pivotal in supporting me and teaching me exactly what a bank would want to see as far as financial records and then creating charts of accounts and books that were highly professional, from a banker's point of view. So when the accreditation team came in and they saw our record keeping, that's what I heard commented-- "Wow! You guys have some great records here." (F.I.)

The school laid out highly organized and clear records. Eighty-two of 171 excerpts focused on examples requiring financial expertise, with six particularly citing the necessity for this expertise on the board:

The [finance] committee is eight members, five Board plus two staff people from outside (Business Coordinator & CPA) and myself....they're very talented and have a lot of real experience in managing budgets, looking at solutions and also looking at some financial planning that we're going to have moving forward.

When we review how much tuition might raise, or faculty salary, we should have good data and people in the process. Whether raises are incremental in all the grade levels or the divisions of the school, and what we're doing as far as dealing with faculty raises and benefits, it's really helpful to have their expertise. (B.A.)

School leaders cited *careful monitoring* of the financials as an important aspect of financial management. Monitoring included such activity as reviewing "the bottom-line" (net profit and loss), cash and reserves on hand, monthly budget versus actual reports, cash flow, and internal checks and balances.

This is one thing I think with the board, with the financial management of it, has implemented a real good kind of budget versus actual happening month by month so we we're really tracking what's going on and so it's not really just left to all of a sudden in March we're like "Oh! No! There is no funds!" It's pretty much even though again you are looking at cash flow, we are looking month to month. How are we doing budget vs actual and if there's anything significant, we can see it happening quickly. I think that's been something at the board level in terms of the financial data, just record keeping and keeping up on it, that's been really helpful. (S.A.)

Critical to any budget was whether or not a school collected what was budgeted. Collecting tuition owed required constant attention and frequently took extraordinary effort. F.I. articulated

[O]ne family who's not paying it does consume so much time and energy. As far as what are we going to do about this problem and it is a problem financially as far as the financial day-to-day operations because that one family creates more work than the 129 families put together. I have to devote a lot of time to tracking it, and phone calls and emails and collection agents and whatever and we do spend time with those problems.

Spending the time tracking tuition was time spent away from other important activities. "Every amount that we don't collect adds on to my little thermometer of funds that have to be raised. I'm very, very aware of that." (T.H.)

Limiting spending was another strategy for financial sustainability. School leaders described this as "measured and frugal," a "tightwad," living within your means,

paring down administrative staff, freezing pay raises if necessary, saving, growing carefully, and doing things every:

One of the things that we've done that has really helped us be sustainable financially is in rough times like a few years ago where none of the staff took raises, everybody cut back, we totally stopped spending, we tightened our belts, we all buckled down together and rode it out. That I think was pivotal, I mean in many ways but it definitely—financially—made us more financially feasible and able to get through that recession. (F.I.)

Careful budgeting as an important part of financial management included realistic budgeting based on past history actuals. In particular, basing the budget on accurate knowledge of next year's budget (versus how many students a school would like to have) was critical. Staying within a budget was irrelevant if the budget was not created based on realistic projections.

[O]ne really good thing for us in terms of our budget is really that we're very realistic about what we base our budget on, our enrollment. I'm really always the one, that's like, I really don't want to go above this number to base our budget because I'm not comfortable or confident so it's not based on a number so that, Oh! My Gosh! We didn't get these five students so now everything is behind; over the last few years, I think we're very realistic about what our budget should be based on. And then if we do get a couple of extra students, those are funds that can then be used for additional reserve money or whatever so that we're not always like, Oh my Gosh! (S.A.)

“Passion and heart” for the mission. Schools relied on “Passion and heart” as a significant strategy. In particular, the school representatives spoke about this passion in terms of their personal sacrifice, the mission as a value guide, their working many hours, and staff taking on multiple roles.

Personal sacrifice meant taking pay cuts, doing lots of volunteer work when the school couldn't afford a service professionally done, and spending less time with family members. “It puts a strain on a family,” A.N. admits. The schoolwork can also take over the house. “It's my office. My dining room table is my office. There's the printer, my laptop goes there every night. It's my office, my whole dining table” (K.A.).

Faculty and staff keeping a small school going was acknowledged by one school as follows:

Everyday someone on my staff or myself makes a personal sacrifice to make this school the best it can be. Sometimes I know for a fact even though I beg my teachers to turn in receipts, I know for a fact my teachers buy stuff for their classroom even though we're actually under budget on our supplies spending every year. I know they go out and they just do it. As do I. I personally do things that are definitely not my job description and might actually be wiser for me to hire someone to do but I don't want it to affect my budget. So I'll come – if a parent doesn't volunteer, I will sign up my family to come and do a facilities related repair. I will pay for it out of my own pocket on occasion and that's happened or a fundraiser where last minute stuff needs to get spent for the display or something. I don't know how many things I don't turn in for reimbursement in addition to everyone here donates money towards however many of our

fundraisers, almost all of my teachers raise the paddle at our gala. I mean these are people that barely make \$35,000 a year and they donate \$200 at least to the school. To me that's a personal sacrifice because that's money they could be putting towards their retirement or towards their own kids. (T.H.)

Another powerful description of sacrifice focused on the sacrifices of the head:

Two years ago when they were doing the refinance, I took – I took a pay cut, just volunteered to take a cut salary of \$100,000. So, I am actually the lowest paid faculty member in the whole faculty. It has been for two years and I felt that in order to make sure that the refinancing went through the way it should have, I had to make a sacrifice...even as a Head, I was making less money than I was as the Division Head in my former schools. So, but it's a startup school. It doesn't have that functionality. They didn't have that money and great needs... but without having an established school, you have to figure out how you can make it happen. I know that if I hadn't taken that huge cut, the budget wouldn't have looked appropriate for the banks that go through our finances in order to do refinancing. You have got to do what you have got to do. So, that was it. (B.A.)

B.A. shared that his staff was willing to work for less as well, despite the cost of living on Maui.

If you look at our budget, a lot of the stuff has been program related that have helped kids rather than just adults. I look at the fact that almost every one of our teachers is making less money in a place where it costs much more to live. Weird but it is what happened, it just doesn't make sense at all. But that is what has happened... at my last school, they probably would have been making a lot more.

The last school I was at, I had a faculty member that was making a hundred thousand dollars.

Another aspect of passion and heart for the mission focused on the mission as a value guide. People were willing to commit to a school because its values represented their own and that brought added meaning to their work. The range for school head compensation on Maui in 2011-12 was \$17,040 - \$86,500 (both figures listed here were for very experienced school heads).

[T]his job is definitely tied to my personal and spiritual focus for my life. So it's definitely in alignment with who I am as a person. Being a head of school is what I do. It's not who I am but the qualities I have to use are in alignment with my life. So it's maybe not so strange. And when I look at all the people that choose education or administration and education, we all share the passions and purpose there. I don't think you can be in this job just for the sake of a job...How many times I've asked myself why don't you just go work for like Yahoo or Google or something? Wouldn't it be easier? Not necessarily but I probably couldn't. I have to be doing nonprofit and that's why I think this has been a great fit. (T.H.)

The small school staff felt that their work was meaningful and they valued that experience. Because of their values, faculty and staff were willing to give up benefits.

I think it speaks to the staff's values and I think it speaks to the staff's level of commitment. I think we would rate that in our group here very high on both. They value what they do, their work is meaningful to them, they're very invested in and extremely committed to the greater goal and vision of what we've co-created.

(F.I.)

... the reason people choose to work here versus there is also fascinating. It's not always about the benefits. It's about the good that people can do with the kids and having impact...One of my faculty said, yeah, I could've gone to a fancier school but I knew my talents would help more kids personally here at this school. (T.H.)

Passion and heart for the mission was also expressed through faculty and staff working many hours to make the school what it is. This notion translated to weekends, as well.

I get up in the morning and I check my email at 6 AM and I pretty much have some work related something every night at least 'til 8:30 PM. I'm not always at my computer that time but during the regular school day I'm pretty much on – I don't take a lunch break and I work from 7:30 to 5:30 every day. (T.H.)

My hours are pretty much anywhere between 6:30 and 7:30 getting here, 5:30 to 6:30 staying here. I come in I'm going to say every Saturday because it's been a long time since I haven't and spend anywhere from 4 to 10 hours on a Saturday just getting organized so that I can meet the week....A lot of the Saturday is the quietness. I'm not getting interrupted because Jocelyn, today I didn't even sit down at my desk until 11:30 this morning. It was just – it was an alarm going off. It was dress code, just the stuff....It's so hard for me to go home and still focus on a husband, a family, the laundry, that, and then try to sit down and think again to do something. So it's easier for me to get up really early on a Saturday, come here when it's quiet and just get organized and planned for the week. And that allows me time. (A.N.)

Staff with multiple roles. Staff with multiple roles represented yet another dimension of “Passion and heart” for the mission. One head described herself as the fundraiser, the program director, and the head of school. The small schools contrasted themselves from the larger schools where there was a “chain of command” and a number of layers between the teacher and the head for trouble shooting, or extra help available. “When you’re a big school you have your admission person that actually has a helper.” (A.N.) Or, in a large school “there’s one person that does this; that’s all they have to know.” (S.A.) In contrast, everyone does many things in a small shop.

Certainly we’re pretty pared down in terms of administrative staff...From that standpoint everybody in the office is doing multiple kinds of jobs basically. We don’t have an HR person. I am a program, and curriculum, and basically head of school. [F.I.] has taken a lot more of the HR portion of business, running the business and also does counsel students. So we’ve all taken on a lot. (S.A.)

In order to cut costs, staff did whatever it took to keep the school running.

Yes we all wear many hats. So I am the tech coordinator too because we don’t have the funds to pay for the tech; tech people are really expensive. The tech consultant that we use charges a hundred dollars an hour, so when there’s virus problems, somebody’s computer breaks, internet goes down, whatever, a hundred bucks an hour to have somebody come in is just cost prohibitive for us. So I do that but I’ve had to do it in the evenings and on the weekends over the years and everybody just does what we have to do to get the job done. That’s how I see it.

(F.I.)

Donor assistance. The schools described donor assistance as another key strategy for Maui's small independent schools. Each school described their reliance on donors, both in the founding of the schools as well as at the present time. Each school described this reliance a bit differently so that this strategy of donor assistance included schools relying on donors for special projects, for operations, for recruiting scholarships, and for purchasing land or building a campus. Small schools formed development committees to work with donors and generate community support. "I think our school and most independent schools probably really do depend on the generosity of parents, donors, etc. to be sustainable." (S.A.)

The following excerpt exemplified how one school used donor assistance to improve what they were able to offer in their program.

...that's a kind of a question on what are you considering sustainability, so today, in this day and age, sustainability does mean you are growing your programs and meeting needs and being an attractive option for families. So you can't just say sustainability means you just continue to do what you're doing on this [existing] fund base, so I think that's something again in this kind of competitive market of the small island. You do have to grow your programs, you do have to look at technology if that is something that your school offers and upgrading it...so sustainability doesn't just mean you're just continuing to exist as you are. So I think that is something over the past five to six years that the additional kind of donations or fund raising base has been able to contribute to and not just stay as is. (S.A.)

Another school described the role of a particular group of donors in its early

years:

What happened was basically that we had a cadre of 12 families...that agreed to pay the interest on the loan for the first three years and if it wasn't for their willingness to do that we would not have been successful. One family put up the collateral which was a \$10 million home; without this commitment the school would never have happened. (B.A.)

A third school described how they relied on donors to open the school as well as for operations, although the source of that donor support has shifted.

So in the beginning it was a really grass roots effort from a financial standpoint where 50% of the opening funds came from these people, these parents, these board members, the community. And the other 50% from foundations and fundraising and outward fundraising, not their own parents. So from that time, our identity has been very attached to this grassroots concept--the parent giving, board giving, kind of that "little engine that could" model I guess I would call it. And to this day it still retains some of that quality. Although I would say about 10 years ago there was definitely a shift in reaching outwards to the foundations for more donations and to private non-parent funders and now I would say that more of our money comes from the greater community than it does from within. (T.H.)

And finally, a school portrayed a donor who kept them "afloat" whenever the school had a deficit and mentioned "early deep pockets on the board." "The year I came here, every year they would go to this donor and say we need this much money and they'd just say here you go" (K.A). While this school succeeded in building up its

strength based on operational funds, it now funds two administrative positions dedicated to fundraising.

“Good Enrollment.” Good enrollment was the fourth strategy agreed upon by the Maui schools. All of the school leaders cited “good” or “full” enrollment as a key for financial viability. “Right now the key to our survival is to increase enrollment” (T.H.). One school described how it had increased its traditionally low maximum class size in order to accommodate more students, and discussed adding a preschool to its programs.

I think for us part of that maximum enrollment is that our next growth would be pre-school. We had never looked at growing up because I think there are so many things going on as you know [Laughter] to starting a high school but preschool, there’s a demand for it and it is a feeder for your school....

I think that could be something in the future that we are looking at to help us maintain or to achieve that maximum enrollment and keep us financially sustainable. (S.A.)

Good enrollment was expressed in the context of reputation, affordability (and the balance between tuition and affordability), “flexing” prices for spots available, and holding “mini-conferences” on a daily basis with parents as an effort toward retention.

Indicators of Financial Sustainability for Maui’s Small Independent Schools

Data assembled from school heads and business managers presented two primary indicators: warning signs and financial markers. The significant warning signs mentioned by the schools included cash flow and “anyone in arrears.” Table 14 summarized the findings (see Appendix M for complete list of indicators).

Table 14

Indicators of Financial Sustainability Cited by Interviewed Schools

Indicators	Number of Schools (N=4)
1. Warning Signs	4
a. Cash flow	3
b. “Anyone in arrears”	3
2. Financial markers	3

Warning signs. When asked about the indicators of financial sustainability, each school interviewed referred to “warning signs”—indicators that could mean something was amiss in terms of a school’s sustainability. Cash flow was the primary warning sign mentioned. “It’s one thing, I mean two words; for me it’s all about cash flow. If the cash flow isn’t happening we’re in big trouble. It’s about cash flow. Our books are on an accrual basis and I get all that and everything, but in my mind it’s cash flow.” (F.I.) A school head described “the cash flow actuals” as the marker she watched. “We said we would take in this much in tuition revenue and then you look at what you had projected versus what you brought in; that’s a number I look at really closely” (T.H.). Even the banks issuing loans used cash flow as a critical marker of school financial health. “We are required by the big CPB loan... to really give CPB our monthly budget and our cash flow analysis” (B.A.)

The other key warning sign schools mentioned was “anyone in arrears.”

My red flags aren’t necessarily daily but we use our AR, for tuition. So every month we look at is there anyone in arrears? So that’s a big one for any red flagging; a family’s in trouble, we try to catch – even though sometimes we’re not

always on target with looking at that on the same date every month, looking at that, being consciously aware of who and how many families may not be honoring their commitment for whatever reason, being able to catch those early, so we can help them get back on track is our focus so that we don't end up with unpaid tuition or families getting dismissed. (T.H.)

Helping families to keep from getting too far behind was a key for small schools. If the amount in arrears became too large, the family became overwhelmed and the school risked losing collecting any of the funds. This is why collecting tuition was so time consuming as described earlier under “financial management.”

Financial markers. The schools agreed that financial markers were necessary for indicating financial sustainability. However, they used different markers (see Appendix M for the complete list). Markers cited included the amount of debt carried by a school, whether or not the school had a “dedicated fundraising team,” “measured growth” that was “thoughtful” and “not just going crazy,” not using the prepaid tuitions, careful budgeting, the presence or not of an endowment, and whether or not there was a reduction of debt.

Practitioner Observations

I observed that the excerpts coded from the schools were significantly longer than those from the interviews with experts. I also noted that while reading the transcripts, there was a different kind of “excitement” or “energy” exhibited. The school representatives were ardently telling stories about their own institutions and their experiences there, rather than speaking from the viewpoint of accumulated knowledge. I realized that the expert who had brought alive the concept of “personal sacrifice” had also

been telling stories. This led me to wonder what other data might have been collected had I asked the experts specifically to share stories from their experience.

What I again recognized as a practitioner was that I resonated strongly when the school leaders discussed the schools' strategy of "passion and heart" for the mission. I wrote in my journal "...passion and heart for the mission is the heart of what I want to talk about in my project. Quite literally. In reading what people do for their schools, there is an energy. *This* is what makes a school and fuels it" (January 24, 2014). At the same time, during a finance committee meeting with my own school in which we were reviewing the HAIS-CAIS Dashboard for accreditation, "what really hit me is that the HAIS-CAIS/Trustee Dashboard markers are *advancement* markers along with how they express numerically. *Advancement* is what keeps the school going. The job of advancement is to fuel passion and heart for the mission." (JRD, Memo: Proceeding—Phase 3, January 22, 2014). In an independent school, the advancement team was the staff responsible for reaching out into the greater community, as well as within the school community, with the clear and relevant mission of the school.

If an advancement team successfully did its job of promoting passion and heart for the mission, then the strategies of donor assistance and "good enrollment" cited by the schools also emerged. In a smaller school where a designated "advancement team" was less likely to exist, to the extent that all the staff encountered by the community reflected passion and heart for the mission, that spirit was contagious when backed up by good teaching. What seemed to be missing from the practitioner literature was not just the importance, the relevance, or communication of the mission, but the passion and heart required to support it.

As described by the schools leadership it is passion and heart for the mission that caused them to personally sacrifice money, time and families for the school; to work from early hours in the morning to late hours at night; to take on multiple roles within the school in an effort to save money; to remain committed to the mission as an expression of personal values; to recruit volunteers; to work as a team; and to keep the faith in the school's survival. We are all familiar with the commitment and dedication of students to their teachers. The school leaders suggested that the same commitment and dedication to the entity of the school—passion and heart for what the school is and does--was also necessary for the financial sustainability of a small school on Maui.

Simon Sinek, author of *Start With Why*, emphasized that “people don't buy what you do but why you do it.” Sinek connected the “why” behind an organization—its purpose, its cause, its reason for existence, why people should care—with the limbic brain, the part of our brain that controls feeling, gut decisions, and human behavior. He contrasted the “why” and the limbic brain with the “what” an organization does and the neo-cortex part of our brain. The neo-cortex is rational and analytic, but does not drive behavior. Sinek's advice for a successful business was “Do business with people who believe what you believe” and “Hire people who believe what you believe. They will work for you with blood, sweat and tears.” As evidence of the power of Why, Sinek cited Martin Luther King's “I Have A Dream” speech. His speech was “I have a dream,” not “I have a plan” (www.startwithwhy.com). As a small business frequently driven by a philosophy of learning, it was easy to extend Sinek's idea to schools. Talk about why a school existed and you connected with those who had passion and heart for the school's mission.

Chapter Five. Answering the Research Questions

I think it goes back to when I was talking about faith communities-- that doesn't necessarily have to be faith but it has to be true believers. That if in fact you were attentive to the people who buy in to the values, that is your best success. Academic programs in terms of the instruction of students that have a variety of ways to teach children, none has been proved particularly more effective than another for all children....But so long as there is a committed community, whether it's a faith community or an educational philosophy community which you're really talking about--the commitments to ideas, not just specific functions--I think that is key because as I say I'm just seeing too many schools where from a financial standpoint of a non-denominational experience say well, how is this school surviving? Getting along just fine, thank you very much. (D.A.)

The project's guiding research question was, "Can the financial sustainability strategies being used by Maui's small independent schools be articulated, measured, and evaluated?" This chapter begins with an articulation of the strategies for financial sustainability that Maui's small independent schools are using. Methods used for measuring strategies emerged from looking at the Tax Form 990s and formal interviews with school heads and business officers. The chapter provides methods for evaluating the strategies based on all of the findings and the literature review.

Articulating the Strategies

I combined the strategies identified through interviews with the school leaders and the strategies identified through an examination of the Tax Form 990s. On the surface, it appeared that "doing what it takes to make ends meet" might be a sub-category of "managing finances." However, looking at the examples of "doing what it takes," these items closely related to "passion and heart for the mission." Using one's reserves and taking on debt required risk taking based on faith in what the school was doing. Whether the argument was "we can rely on our reserves for three years" or "we want to

make space for further growth as the economy improves (the strategy of planning for growth),” there was a level of financial management that required passion and heart for the mission.

Similarly, although head compensation was to some degree reliant upon funds available, it also depended on strong passion and heart for the mission. Heads of schools on Maui worked for substantially less money than their pricier counterparts, and brought a larger skill set to compensate for a smaller staff. As discussed previously, it is these leaders’ passion and heart for the mission that kept them working.

“Defying odds” also connected to “passion and heart for the mission.”

Motivation for defying the odds exemplified this. Margaret Mead captured the ability for a committed group or individual to profoundly make a difference and defy the odds.

“Never doubt that a small group of thoughtful, committed people can change the world. Indeed, it is the only thing that ever has” (Sommers & Dineen, 1984, p. 158).

The strategies for financial sustainability used by Maui’s small independent schools can thus be summarized as:

1. *Manage finances.* This included obtaining financial expertise, using board leadership, careful monitoring, collecting tuition owed, limiting their spending, and careful budgeting, particularly using knowledge of next year’s enrollment.
2. *Rely on passion and heart for the mission.* In particular, the small schools depended on the personal sacrifice of employees. These employees used the school’s mission as a personal mission guide, worked many hours beyond what they were paid for, and held multiple roles at the school.

3. *Rely on donor assistance.* The small schools used donor contributions for special projects, general operations, and for scholarships.
4. *Work toward good enrollment.* This included working on their reputation as well as their affordability.
5. *Adapt to the environment.* This involved relying on reserves, providing low compensation to their heads, and taking on debt.

Attendees at the October 2013 MISO conference reinforced these findings during a member check conducted within a workshop presentation on my research findings. Like the school leaders, these participants stressed donor assistance as well as passion and heart for the mission. They also mentioned financial management, good enrollment, and adaptability (see Appendix N, “MISO Workshop”).

The practitioner literature. The NAIS Trustee Dashboard as well as the CAIS-HAIS Dashboard supported the Maui strategies of managing finances, relying on donor assistance, and working toward good enrollment. Eight of the ten areas that they suggested for board member and accreditation monitoring included financial markers (budget, endowment-debt, tuition), fundraising markers (fundraising) and enrollment markers (admissions, enrollment, student attrition, and financial aid). The two remaining areas (faculty and staff) are represented by the dashboards as ratio efficiency, an aspect of managing finances. “The Markers of Success” provided by Burnett, et al (2009) also supported managing finances (“efficient faculty and staff structure”), donor assistance (“annual giving,” “growing endowment”), and positive enrollment (“strong market demand,” “satisfied families,” “market appropriate tuition,” and “robust financial aid

program”). As quoted in Chapter Two, Barry (2012) considered schools to be cash flow activities that must therefore be financially managed.

Maui schools’ strategy of relying on passion and heart for the mission was similar to Lichtman’s (2012) emphasis on identifying the value proposition offered by a school in that he stressed the clarity of a school’s mission and vision. The clarity evoked *parental* passion and heart for the mission. McManus (2012) stated that if there is no passion and heart for a school’s mission, the school will die.

An aspect of passion and heart for the mission articulated by Maui’s schools was the need for the mission to be aligned with the faculty and staff values. Spence (1999) suggested that all of the school’s actions align with the values of the school’s mission. If the school mission and values were spiritually based, they guided legal and business affairs rather than conventional business thinking. Compagnucci (2012) reminded us that this was much harder than it sounds, even within a school with a very clearly based value mission such as the Quaker schools and thus the strategy of passion and heart for the mission required conscious focus.

Betof (2011) also studied Quaker schools and supported Maui’s strategy of adapting to the environment. He stated that financial sustainability must recognize a school’s capacity to adapt. He described this capacity as equally important as a school’s programmatic and organizational capacities. Patton (2011) listed “adaptive” as one of the main characteristics of a complex organization.

Measuring the Strategies

The practitioner literature, data dashboards, and the IRS Tax Form 990s supported the notion presented by the Hawai‘i experts that the financial sustainability of a school was based on a large number of factors. As discussed in Chapter Two, it was this tangled web of factors that made schools complex organizations. Appendix I listed the indicators that could be used to measure Maui’s small independent schools’ strategies for financial sustainability. The CAIS-HAIS Dashboard could also be used to quantitatively measure the Maui school’s financial strategies. It was based on the NAIS Trustee Dashboard (see Appendix O) and piloted within HAIS’ new accreditation process. However, using this measurement required three staff members to track and compile the information asked for (admissions/enrollment staff, development/advancement staff, and finance/business staff).

Using the indicators. The indicators cited by experts and school leaders can be used as measurements of financial strategies. When the indicator ‘leadership’ as cited by experts is considered a part of governance, and ‘enrollment’ is considered a part of warning signs, we condensed the indicators discussed by experts as 1) fiscal issues, 2) enrollment issues, 3) governance issues, 4) available resources, and 5) the environment. The indicators discussed by school leaders fell into these categories. Cash flow, “anyone in arrears,” and financial markers fell into “fiscal issues.” The CAIS-HAIS dashboard measurements serve as a quantitative method of measurement for these indicators with the exception of governance issues, the human resource aspect of available resources, and the environment.

The new HAIS/WASC Procedures for Appraising the Independent School reinforced the significance of the cited indicators. The new manual (1.0) listed 14 standards (excluding residential life and preschool); most of the standards fell into one of the indicators defined by the Hawai'i experts and Maui schools. The economic environment represented one area not addressed by the standards.

The fiscal indicators within the new manual included: sufficient operating budget for the mission including program, plant, operations, and personnel, and ensuring long-term sustainability (standard nine). The enrollment indicators included: informed focus on the learning of each student (standard three); clear criteria for teacher effectiveness (standard four); maintenance of a healthy climate that mirrors the mission, reflecting diversity, equity, and inclusion (standard five); published, consistently applied admission and financial aid policies and procedures (standard eight); engagement in fundraising, marketing, communications, constituency support, and community relations to ensure future viability (standard ten). The governance indicators stated: clearly articulated mission statement (standard one); positive, collaborative working conditions with fair and consistent policies and appropriate compensation (standard eleven--also fits within the enrollment marker); an active, engaged, and committed board safeguarding the mission, supporting the head of school, holding fiduciary responsibility, and strategically planning for the future (standard fourteen); effectively leads in assessing, planning, innovating, and managing both the educational program and the overall operations (standard fifteen); use of relevant data for assessing practices and evaluating the educational programs and decision making (standard sixteen).

The IRS Tax Form 990. The IRS Tax Form 990 provided indicators that can be used to assess a school's strategies. It is worth noting that benchmarks in this instance simply represent what happened in a real time period; there is no value being placed on the benchmarks. Betof (2011) reminded us that benchmarking was limited in this way, but there are real replacements. Form 990 data supplemented with HCPS enrollment data created useful measurements that can be obtained in terms of comparing one Maui school to others. Appendix P listed these relatively simple measurements ("990 and HCPS Indicators").

The following benchmarks resulted when using indicators from Appendix P to compare Maui's small independent schools (not listed in order or importance):

1. Salaries make up 60-65% of their total expenses;
2. Tuition assistance makes up 6-9% of their total expenses;
3. Maintenance makes up 2-5% of their total expenses;
4. Management expenses range from 10-13% to 32%;
5. Program expenses are primarily between 78-88%;
6. Fundraising is primarily between 10 – 18% of income.

A small independent school on Maui can use these benchmarks to measure its own progress, or compare itself to other Maui schools. It could also compare itself to statewide, and national small schools. As new Form 990s are posted annually, the benchmarks could be updated.

Because Appendix O indicators came primarily from a financial document and were supplemented by enrollment totals, they are most easily applied to the strategies of financial management, donor assistance, or good enrollment. The Appendix O indicators

are also useful for measuring a school's adaptability to its environment and the trends that it is experiencing. However, this requires multi-year Form 990 data so that the irregularities signaling adaptation or change can be observed.

Measurement of passion and heart for the mission can be extrapolated by looking at the number of staff, the number of volunteers (though that can defy the odds as previously discussed), and head of school compensation (one of Maui's heads is paid \$17,000 for her service). As passion and heart for the mission was core to the way an employee chose to work in terms of enthusiasm and productivity, measured success in the strategies mentioned above using the IRS Form 990 also implied a high degree of passion and heart for the mission. Asking exempt staff to complete time cards reflecting the actual time they spent working may provide a sense of the passion that fuels them to work long hours. A review of job descriptions may also afford measurement for the multiple roles that staff within a small school take on (also an aspect of passion and heart for the mission). But, ultimately, passion and heart for the mission was a personal story, and nothing will measure that as much as a personal interview (Berliner, 2006).

Qualitative data. “[T]he emic view—the insiders’ view of what is happening in a learning environment” provides useful research and not just relevant research (Berliner, 2006, p. 274). Berliner said “the subjects’ feelings, beliefs, understandings, critiques, and suggestions for improvement of the research” was most often missing from research (p. 274). The depth obtained through personal interviews pointed to the need for qualitative data when measuring the financial sustainability strategies of Maui’s small independent schools. Accordingly, transforming the indicators cited by experts and school leaders into questions allowed for a qualitative measurement of the financial sustainability

strategies (see Appendix Q, “Qualitative Measurement Questions Based on Indicators of Financial Sustainability in Phase One and Phase Three”).

Accreditation manuals provided qualitative measurement questions for all of the indicators previously discussed. Examples of qualitative measurement questions found in the new Procedures for Appraising the Independent School HAIS/WASC accreditation manual (1.0) included: “Provide two or three specific examples of how the mission statement played a role in major decision-making or planning since the last self-study.” “In the past few years, what have alumni/ae generally reported as the most valuable or appealing features of the learning experience, as well as areas that the school should work to improve? Has the school made any changes in response?” “Evaluate the extent to which a commitment to the school’s values and purpose is broadly shared by the faculty, and explain what happens when this is not the case.” “What are the recurring rituals and traditions in the school that feel “sacred” to students and adults? How do they capture or express—and in what ways do they support or challenge—the school’s identity and core values?” “Describe the process for the preparation of the annual operating budget. To what extent does the operating budget reflect the school’s mission, policies, values, and strategic priorities?” “Since the last accreditation team visit, what new needs have come into focus, and what changes have occurred to the school’s personnel organizational structure? What factors have led to these changes? What impact have these changes had on the school?” The answers to these questions take us to the evaluation of Maui’s small school strategies for financial sustainability.

Evaluating the Strategies

The evaluation of Maui's small school strategies for financial sustainability requires a judgment to be made on the quantitative and qualitative measures obtained. It answers the question, "What meaning do you attach to the data?" The key was to be explicit about how this question is answered, whether it is the school's board of directors answering the questions, or an accreditation team. Patton's (2011) utilization-focused evaluation emphasized that those ultimately translating the data into decisions and actions must be involved in the review. In addition, Patton (2008) stated that data are most valuable when it is comparative.

Whether looking at dashboards or benchmarks, quantitative or qualitative data, an evaluator must make clear what form of comparison is being made. Is the school being compared to itself? In such a circumstance, a dashboard such as that now being used by CAIS-HAIS for data-driven accreditation might be useful, as might be the Tax Form 990s. If the school was being compared to other schools, the Tax Form 990 may be useful as the information for other schools is publicly available. GuideStar and NFF have teamed together to create a product called FinancialSCAN. An evaluator can produce a FinancialSCAN report that reviews a school's Form 990 numbers over the past five years, as well as compares the school to five other schools of the evaluator's choice. The "Financial Health Dashboard" that FinancialSCAN employs includes indicators in five areas: expenses, revenue sources, profitability, balance sheet composition, and liquidity (www.guidestar.org).

The important aspect is that the evaluator explicitly state which comparisons are being made. Even the promoters of a quantitative report such as FinancialSCAN stated

that numbers tell an incomplete story and that “an understanding of internal and external context” is necessary (www.guidestar.org).

Understanding the context of a school. A member of a visiting accreditation team or an accreditation commission must understand the context of a school. An accreditation manual generally asks a number of qualitative data oriented questions. These questions explore the internal context of a school very well. However, the external context of a school was also very important. A look at Maui’s schools in relation to the accreditation commission process helped to clarify this.

By its own admission, HAIS does not understand small schools well (HAIS representative, personal communication, January 20, 2012). The HAIS Secondary School Commission consisted primarily of men from large schools located in Honolulu. At their meeting I observed in 2013, the commission consisted of thirteen secondary schools represented by fourteen people. Two of the commissioners came from small schools, nine were from Honolulu, and ten were male. There were no school heads from a neighbor island although there was a retired independent school staff member from a neighbor island. I did not observe a checklist or rubric used for voting in accreditation terms; it appeared that one’s experience was the main criterion for judging the information presented upon which to vote on a term. If that is true, then the term for a small school that included secondary education was highly likely to be determined by someone who had very limited operational experience with a small school and the strategies being used for financial sustainability.

Was sustainability being evaluated through the lens of big school experience? Honolulu experience? Male experience? Which of the ten comparisons identified by

Patton (2008) were being used? Because the comparative process was not explicitly delineated, a small school might worry about meeting up to big school, Oahu-based, or even nationally based benchmarks.

Demirbag et al. (2012) expressed schools' desire for locally based benchmarks. They interviewed three schools of varying sizes. Each of these schools completed a questionnaire that used "Ten Data Markers for Success" based on benchmarks set by NAIS (Appendix B).

A theme repeated by the case study schools was that the instrument could be of even greater value if it were to include data providing benchmarks specific to Hawai'i. One school summarized, "I would have found it more useful if we had specific information on Hawai'i independent schools." Similarly, another school added that although it is "a member of NAIS, the school does not consider itself as a school in the organization's mainstream—less resources by far.

Therefore, our school must keep in mind the group against which we are being normed." (Demirbag, et. al., 2012, p. 47).

One school head of a small independent school on Maui wrote me in relation to the NAIS benchmarks and well described the importance of context:

I don't think the NAIS benchmarks are particularly applicable to the Maui small school experience. In fact, I'm not sure most independent schools in the nation could meet even half of the benchmarks. There are 100s if not 1000s of schools who operate without significant endowments, for instance. 200 students @ \$25,000/student = an endowment of \$5 million; not many schools have this. Few schools have parent populations from whom can be expected 65% or more

giving more than \$1000 in annual giving.... over 40% of our families receive financial assistance; so, this sort of benchmark is just silly. A more relevant benchmark might be something along the lines of annual giving averages against percentages receiving aid (S.I.)

Another Maui school head said, “I think the benchmarks provide a good basis or idea of where an ‘ideal’ is, but I know that we don't meet all benchmarks - and I still consider that we are successful, with goals of ‘growth’ in certain areas” (A.N.). Ultimately, Maui’s small school strategies for financial sustainability can be articulated, measured, and evaluated. However, to be fair to the schools, evaluators must explicitly state the measures they are using or the comparisons they are making to determine financial sustainability.

Chapter Six. Now What and So What?

I focus on financial sustainment. My idea is that if they're not in business, they can't do any of the other stuff. (W.I.)

...there is something, and again, I think we're beginning to get at it in the new [accreditation] process when we talked more about the culture of the human community that is supporting an institution than we used to before. And that to me is something that becomes very important. If a bunch of us are committed to sustaining something that by all odds looks like it ought not survive, the chances are it will survive. (D.A.)

Using three points of view, the financial strategies of Maui's small independent schools were articulated, and methods for measuring and evaluating their strategies were proposed. Now what and so what? These are two research process questions that Patton (2011) asked in developing various models of inquiry frameworks.

Patton's (2011) "Dynamical Actual-Ideal Comparative Evaluation Framework" provided a framework for examining complex situations, and in particular, for "monitoring and comparing progress against ideals" (p. 255). This framework offered a method for integrating data from the experts, the Tax Form 990s, and the school leaders in order to arrive at an updated and adapted ideal for the financial sustainability of Maui's small schools. This updated vision was the "so what," offering a specific and relevant path to financial sustainability on Maui for consideration. The updated vision could be used by anyone associated with running a small school on Maui (i.e., board members, school heads, staff members) as well as organizations responsible for evaluating small schools on Maui, such as HAIS. Preferably, the vision would continually be updated as schools on Maui learn, grow, and become stronger.

Patton described how the integration of baseline data, ideal data, and recent data led to an updated ideal:

...given the complexities of innovation, emergence, and learning, both baselines and ideals can be emergent, revised, and updated as engaging in change brings to light new data and understandings of the situation. Retrospectively revised and emergent (updated) baselines are a function of the learning that occurs during the change process. Goals and ideals may be emergent and updated under conditions of complexity because the pathways to progress are uncertain and what constitutes “progress” may change (Patton, 2011, p. 256).

In this study, the ideal was represented by the experts’ interviews in Phase One, the baseline was represented by the IRS Tax Form 990s in Phase Two, and the schools’ actions were expressed in Phase Three. The experts provided “ideals, vision, hopes, desired results” and answered Patton’s question, “Where should we be?” The Form 990s established the baseline which addresses Patton’s “Where did we begin?” and the schools provided the answers to Patton’s “Where are we now? How far have we come? What have we learned along the way?” (Patton, 2011, p. 257) Applied to this project, these questions become: What is the ideal for small school sustainability? What is the baseline or actual experience of financial sustainability? And, What are the schools’ emergent understandings? The adjustment between the ideal and the actual led to an updated and adapted vision of Maui’s small school financial sustainability.

Dynamical Actual-Ideal Comparison

Comparing the ideal and the baseline. When comparing the ideal strategies for financial sustainability to the baseline strategies for survival, it was clear that the perspectives were very different. The experts made actual statements, while the numbers from the Tax Form 990s were interpreted (by me, a Maui school practitioner viewing the

numbers from my experience) into statements that described strategies. In addition, the sense of ideal versus actual was evident in the comparison. What emerged as the baseline reality pointed to strategies with a different quality than the strategies that the ideal provided. “Do what it takes,” “adapt,” “grow” and “defy odds” offered dynamic energy rather than a static list of seven steps that can be methodically ticked off for financial sustainability. This dynamic energy fostered the unique positioning of each school, whether it was to rely on reserves for a three-year period, complete a capital campaign with a very small team, or freeze salaries. Together the four strategies allowed for creative, human actions whose impact or success may be choices made and actions taken by individuals or small groups of people with the express purpose of keeping a school going despite hard economic times.

Linda Morgan, an organizational consultant who has worked with many schools on Maui posited:

Human and the broad environmental dynamics (social, population, economic, political, familial, mission-shift, etc.) must be seen as organic, not clinical, and therefore our work and plans and ways of being/thinking must be adaptive and flexible to these dynamics. The plans we make help establish a baseline, or a strategic foundational framework and are meant to be flexed to wisely adapt to the present situation and truths. The dynamic energy must be acknowledged and understood, and often this needs education for folks, I have found. Prescriptive plans, or processes must be balanced with faith for future vision and the daily life of changing, growing organisms/organizations (personal communication, February 9, 2014).

Morgan highlighted not only the energetic dynamism required in an organization, but similar to the results indicated by the Form 990s, she highlighted the necessity to adapt to the environment. Strategic plans written prior to 2008 probably did not prepare a school for an economic recession or loss of enrollment. Small schools needed to respond to that phenomenon and like schools on Maui, possibly freeze salary increases that were planned for. Another example comes from my own school. While opening a high school had long been a part of the school's vision, it was not until the school had hired a middle school teacher highly experienced with high schools that allowed us to relatively quickly add on a ninth and tenth grade.

Comparing the ideal and the current reality. A review of the strategies from the experts and the school leaders revealed shared themes between the two groups (Appendix R, "Strategies for Financial Sustainability: Comparisons Between What the Maui Schools Say and What the Hawai'i Experts Say"). The general strategies used by the schools could be extended to the strategies cited by the experts (financial management, passion and heart for the mission, donor assistance, and good enrollment). When reviewed side by side for comparison, two items stand out: adaptability and strategic planning ("look at the big picture").

Similar to the situation where only one expert talked about personal sacrifice as a strategy, only one school talked about adaptability. An excerpt from "adaptability" read:

An example is when we went through two years ago, the hard time. We froze salaries. We cut some positions. We got lean and meaner again. Because we knew we had a finite amount of money in the bank that would get us through those – we had three years where it wouldn't kill us. We could pretty well live within three

years and we did the three years. We jacked up tuition assistance to keep our families. We did all kinds of things to get us through and that's being adaptable. You know what I mean. That's the things that you can do if you plan accordingly. If it had gone five years then we could've been in trouble. (K.A.)

The story told by the school exemplified the strategy found in the Form 990s called "adapt to the environment," and in this case referred specifically to the very challenging economic environment it found itself in a few years ago. The story brought alive a strategy inferred from the numeric comparison, and gave "adapt to the environment" more significance. It also supported "do what it takes to make ends meet."

The second item that stood out in comparing the ideal to the current reality was the strategy called "look at the big picture" (strategic planning). The codes within that strategy sound dynamic, similar to the strategies derived from the Form 990s: "take a chance," "restructure," "turn something around," "find unique strategy," and "set time limits for change." A sense of urgency permeated these codes, and complemented the urgency found within "do what it takes" or "defy the odds." They also reflected the dynamism Patton (2011) described as necessary for complex organizations.

As "adapt to the environment" became more alive, so did "look at the big picture." In particular, "take a chance" stood out as the dynamic energy needed to restructure, turn something around, and look at the big picture differently. The expert P.H. articulated the importance of this energy in keeping a school viable:

But it turned out that those three gentlemen who happen to be heads of big foundations said, you know what, let's give this kid a chance here. It's \$2 or \$3 million over a couple of years. And so that gave me working capital to try the

strategy. So I had a new strategy, they had a new leader, you had working capital. So if that sort of thing can happen, then I think you can turn an organization around or at least give it a good shot. If you don't change your leader and you don't change your product and you don't change your image and you don't have external resources to give you the time to do those changes, then you're dead ... the spiral will continue down I think.

The leadership of Maui's small schools exemplified the essence of "take a chance." In each of the four schools, there was an unplanned moment when the existing head of school left and someone already working at or with the school stepped up to take leadership. In each school, the person who stepped up had never served as head of a school before. Two were teachers, one was a development director, and one was in charge of curriculum. The board took a chance in each situation, betting that someone familiar with the culture of the school would be more effective as a leader than searching for an experienced head from the outside.

Because the truth is she was pretty much voted in by the staff after a couple of disastrous executive people had come and gone.... There was, as [S.A.] alluded to, a culture in the school. Like an ohana, a family, people know each other, can understand each other, can work with each other, around each other and I say in quotes these "Outsiders" had come in that were new to the culture and really didn't assimilate to the staff, and it was evident very, very quickly. In essence the staff made it very clear--they said we wanted you to be our leader and she stepped up and said "Okay" and I think somewhat reluctantly because her love was teaching and I don't think she necessarily wanted to be an administrator, she

wanted to be teaching and yet she did it for, because of the love of the school and the commitment and the commitment to the staff and she stepped up and has been awesome. (F.I.)

This particular move from teacher to head not only represented the chance taken by the school, but the passion and heart for the school that the promoted teacher felt for the school. She sacrificed her true love of teaching in order to lead the school.

The updated vision. Using Patton's (2011) Dynamical Actual-Ideal Comparison, I reviewed the strategies used by Maui's small independent schools for financial sustainability and how they compared with the ideal situation as described by Hawai'i's experts. The adapted ideal shown in Figure 2 was based on my experience of eighteen years as a practitioner within a small independent school on Maui.

Figure 2. The Updated Vision for the Financial Sustainability of Maui’s Small Independent Schools

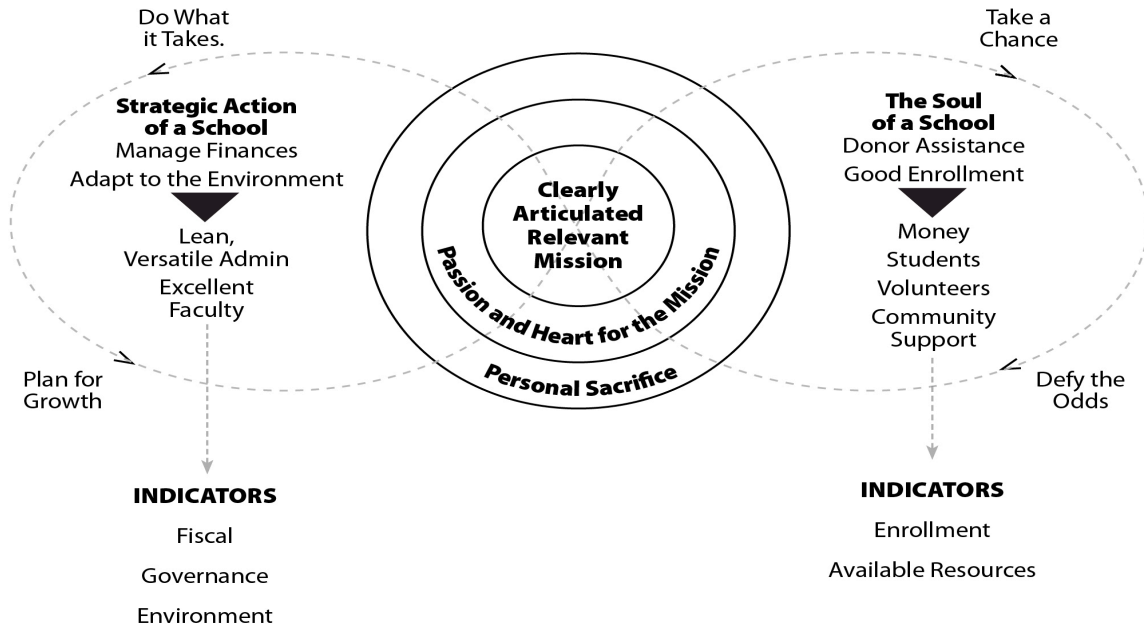


Figure 2. Diagram of the Actual-Ideal comparison summary based on Patton’s “Dynamical Actual-Ideal Comparative Evaluation Framework with Emergent and Retrospective Baselines” (2011, p. 256).

At the heart of a financially sustainable small independent school on Maui lay a clearly articulated and relevant mission. If the mission is clear and relevant to those in a community, and “if you talk about what you believe...you will attract those who believe what you believe” (Sinek, www.startwithwhy.com). An important and esoteric side note here is that some believe that behind this mission stands an angel, a spirit (“school spirit”), a being, or even what Hawaiians call an ‘aumakua. Pali Jae Lee (2007) defined ‘aumakua as “guardian, spirit of the family, source” (p. 113). She further explained that the ‘aumakua “is the essence...the sum total of all who have gone before, from the last to the first. It is the beginning of all things....every halau (school) had its own ‘aumakua to watch over it” (2007, p. 113). Waldorf schools hold the belief that there was a being or spirit at its core.

If a mission is clearly articulated and relevant, it will attract those that support it, engendering passion and heart for this mission. Individuals will be inspired to do what it takes to keep the school going. Faculty, staff, board members, and parents with passion and heart for the mission will commit to the school in strong faith. Volunteers will donate their time to the school. Most importantly, individuals with passion and heart for the school will personally sacrifice to support the school. This personal sacrifice was a central strategy for the financial sustainability of Maui’s small independent schools.

Two strands emerged as necessary to small school financial sustainability from this project’s data: the soul of a school and strategic action of a school. Each strand depended on a clearly articulated and relevant mission, passion and heart for the mission, and personal sacrifice. The soul of a school was felt the minute you stepped on a campus; it is a tangible feeling that permeated the campus as a result of passion and heart

for the mission, personal sacrifice, and faith in what the school is doing. Teachers expressed it in the classroom and with the parents of the children they serve. The advancement staff (development, marketing, enrollment, event and volunteer coordination, etc.) expressed the soul of a school in its work to nurture donors and with its work to obtain good enrollment. Parents hung around the campus talking with each other to bask in it.

As indicated in Figure 2, the result of spending time and effort on donor assistance and good enrollment was funding for the school, students for the school, volunteers for the school, and community support for the school. All of these school constituents provided invaluable time, resources, and energy to financially sustain a school. The more individuals' passion and heart for the mission was fueled, the more they personally sacrificed and committed to the school's success, bringing resources that were financial as well as in-kind. Key indicators for assessing the expression of the soul of a school were its enrollment and the resources available to it.

The strategic action of a school was also dependent on a clearly articulated and relevant mission as this is the strand that allocated time and resources for execution of the mission. The mission needed enough clarity and relevance to instruct management regarding the finances and the appropriate environmental adaptation through the board's strategic and financial planning. Within Maui's small schools a significant amount of energy was spent carefully planning, budgeting and monitoring expenses. The drive to do much with little came from the passion and heart for the mission, and the personal sacrifice of those involved. As demonstrated in Figure 2, when a small school was acting strategically by managing its finances and adapting to forces within the environment, it

ran on a committed and passionate, lean but versatile staff, and with excellent faculty. Key indicators for assessing the strategic action of a school included fiscal markers, governance issues, and economic and demographic conditions within the school's environment.

Individuals operating out of a dynamic and entrepreneurial energy developed and implemented both the soul of a school and the strategic action of a school. Whether these individuals were board members, faculty, or staff, they did what it took to make ends meet, they took a chance, they planned for growth, and because they were driven by a clearly articulated mission that was relevant to them, they defied the odds against them and financially sustained a small independent school on one of the world's most expensive islands.

Chapter Seven. Recommendations for Action

The project was a first and exploratory study into the nature of small school financial sustainability on the island of Maui. It identified strategies, measurements, and methods for evaluating Maui's small school financial sustainability. It also suggested an updated vision or ideal for financial sustainability within a small school on Maui. What can be done with all of this information? As this is an action research, the project intended to shed light on a "real life" problem: how to remain financially sustainable on Maui.

Implications for My Own Practice

As a practitioner, the first level for action was my own daily experience. My data became available as my own school sought to reassess its financial sustainability. Two large multi-year pledges came to an end after ten and five years respectively for a total reduction in donations of \$155,000. Many options and combinations of options appeared—rely on reserves, make budget cuts, increase tuition, seek new donations, etc. Because my findings pointed so clearly to the importance of both financial management as well as maintaining the soul of the school, I recommended that we cut expenses, but not in the area of advancement as had been strongly promoted by some board members and teachers. Though cutting expenses seemed obvious, I would not have done it as willingly without having heard the practice of my peers, and would probably have leaned more toward using reserves to make up the difference.

My research reinforced my intuitive belief that we needed the advancement team to articulate our mission and why it was relevant—to fuel the passion and heart for our school's mission—and at a critical board meeting, I spoke about the necessity for

simultaneously developing strategic action for the school as well as the soul of the school.

The opportunity to speak with board members about this arose many times, and each time I felt prepared with evidence based on my research. I was able to offer Maui benchmarks from the Form 990s as a parameter for adjusting our budget, and I inspired a key board member to produce the same benchmarks for comparable Waldorf schools. In each case, data on enrollment, donations, and volunteers showed that focusing resources on the soul of the school enabled our full enrollment, strong donations, and significant volunteerism. In fact, the message was so strong that the board reorganized the school's administrative structure in order to further strengthen our community work in the 2014-15 school year and raise support for our newly growing high school.

The project also caused me to think about our financial records. What I learned from interviewing my peers was that their strong financial records impacted other organizations' impressions of them. In one school, a lead banker on the island serving on its board developed the format for all of the school's records. As a result, their records were designed to prove sustainability, similar to documents one would provide to a loan officer. Operating with that standard of proof in mind brought a strong level of both scrutiny and clarity. This is an area for discussion with our finance committee.

Finally, the research reinforced approaching the school like an entrepreneur. HWS reviewed its facilities for the inclusion of a high school. The bulk of the school sits on a beautiful-but-old 100 year old historic property designed before the automobile emerged as a predominant force in our lives. The high school currently rents space at another facility. But this space is also limited. This was the time for the school to assess

its operations as an entrepreneur would--do what it takes, adapt, plan for growth, defy the odds, and take a chance. Our entrepreneurial board members understood this perspective and felt confident planning for the school as such.

Implications for Maui's Small Independent Schools

The financial management of the Maui schools kept them viable over the years and through the recent recession. The project data reinforced the need for Maui's small schools to continue managing their finances, albeit with a strategic focus. Many sub-strategies listed in the findings by experts, the numbers, and the Maui schools offered strategic action steps appropriate for a particular school interested in reviewing its financial sustainability. These lists presented options for schools on the lookout for what might take them to the next stage of efficiency, sustainability, and success.

Expert B.O. offered the most significant recommendation when discussing financial sustainability strategies that were *not* successful for small schools.

I think probably one that comes to my mind is not investing at times in areas administratively particularly where the need is great. My "candle school" if you will didn't have an admissions director for many, many years. That job fell strictly to the head along with everything else because it was a small school. And I think some of its challenge was the fact that it did not have a strong admissions person and so knowing what types of investment yield results to me is really critical so that as you're figuring out what are your priorities you need to look at it from the point of view of what's going to generate the financial stability we can get. And admissions director being the enrollment piece, probably a development director being the fund raising piece, those are two elements that you're

absolutely reliant upon. So that would be one, not knowing, and being afraid to invest because it would cost too much. (B.O.)

This expert reinforced the importance of investing in the communication of a school's mission. Even if it is part-time, allocate enrollment and development work to a designated staff member. Take a chance administratively and you may be able to defy the odds. With advancement staff identified, they can work with other community members to ensure that the mission is clearly articulated so that its relevance can be expressed to those who believe it.

Considerations for HAIS

Findings from this project may be relevant for HAIS to consider as the body that evaluates Maui's small independent schools via licensing or accreditation. One recommendation was that to be fair to the schools, evaluators must explicitly state the measures they are using or the comparisons they are making. While HAIS lists standards both in its licensing materials as well as its accreditation manual, a rubric for the initial commissioner reading the accreditation report might be explicitly shared with schools being evaluated. It is my understanding that more transparency in this area may already be underway, as HAIS considers providing the justification statements made by the visiting accreditation team to the school. A rubric might also be developed for the commissioners listening to the readers' reports in order to help them objectively vote on a school's accreditation term.

In particular, knowing how much a school's finances contribute to obtaining accreditation status would be very helpful. Some schools on Maui have received the highest stamp of approval programmatically, but triggered sustainability questions in the

minds of the HAIS commissioners because of size or debt. This caused an extremely stressful cycle of three-year accreditations. Accreditation was a valuable yet extremely taxing process on small schools with limited staff members who are also teaching or working full-time. One school participant said:

It's like more work than necessary--it's just piling stuff up on a school --on people in your faculty and staff. The same people are leading in these various areas of the school so that's complicated. Part of my thing is just chilling those people to keep them focused and make sure that they're not just doing a cursory job in any aspect of either the strategic plan or self study. It has been a big piece of my work.

(B.A.)

Another school member stated:

Sometimes I feel that our financial picture is the only thing we're judged on or our enrollment picture, whether it's a grant making organization or an accrediting body. It's like you're struggling. It's kind of the concept of making the struggling person do more than the rest and they are already so depleted it's like you're making it even harder for them to do what they need to do to survive. And that's where I find there's this fine line. So now in addition to my regular annual reporting I have to do additional reports to prove that I'm alive....But I have found it to be a bit overwhelming and cumbersome. This is like, we're a small shop here and so that, every time I have to do that, takes me away from the work I'm supposed to be doing with the kids and with the teachers and with promoting my school for that matter. Because that means those are hours I'm not spending fundraising. I'm reporting on the fact that I don't have any money. Which

everyone knows that's what I'm working on. I'd rather report on the efforts that I'm doing to remedy the situation. I'd rather report with the wins that I've had with also maybe a realistic like yeah, we know we need to do this better and I'd rather focus on the solution rather than sort of bureaucratic remedies. (T.H.)

Explicit and appropriate standards guide both the schools and the assessors. School heads, board of directors, and accrediting teams would share the same understanding of what they are working toward. Under these conditions, accountability is much more feasible.

FinancialSCAN, a product offered by GuideStar and Nonprofit Finance Fund offers a tool that might improve the financial understanding of each school as well as provide more appropriate comparisons between schools. For an annual fee of \$2500, HAIS could provide every accreditation and licensing team in the state with a financial report based on data submitted by the schools in the IRS Tax Form 990s. This report would not be definitive as there is a lag between the current moment and the last report filed, but it would summarize financial trends in prose and in graphs, and provide the opportunity to compare a school to its most relevant neighbors. As the capability for financial analysis is frequently the weakest link on any accreditation or licensing team, this report could be an asset.

In addition to clarifying specifically what determines an accreditation term, the membership of the commissioning bodies might be diversified to include the perspectives of the schools themselves. Whether the commissioners are organized by size of school, or whether more small school representatives are brought in to participate in the process, small school evaluation could include commissioners who have strong experience with

the operations of small schools. The commissions might also expand to include neighbor island perspectives as well as more female participation. On Maui, the clear majority of schools heads are female. Within the group of six small schools studied in Phase Two, five of the heads were female.

Another recommendation was familiar to any association with a membership: strengthen the member services offered by HAIS so that they seem of value to a school for which membership dues are an issue. On Maui in particular, participants in the job-alike meetings, professional development, accreditation trainings, etc. offered by HAIS must fly to Honolulu and sometimes stay overnight to take advantage of services. This adds airfare, rental car, and hotel costs on top of the cost (if any) for the service provided. In this case, the specific suggestion made to HAIS by a member school was to provide more practical help than scrutiny.

I'd rather get help from the very bodies that are scrutinizing me. We pay thousands and thousands of dollars to various organizations and I would like a little more than just a resource link on the website....That does not help me. I need a live person. I don't want to call a call center to help me save my school. Send me a mentor, a retired accountant mentor. Send me someone to rally my board. And just as an example, even in promoting our schools which is a big part of enrollment to some extent, there's an admissions fair on Oahu by the organization that I spent \$5,000 a year to advocate for me. And I don't know what I get for that to be honest with you other than I can post my teacher openings and I can certainly call when I need to but it's really frustrating. I would like more help than scrutiny. That's what I would like. (T.H.)

And finally, the accreditation assessment of a small school might include what impact it makes on its surrounding community. Some schools make facilities available, offer special festivals, or support needy students within their communities. All small independent schools provide a value-based option for education that might not otherwise be available. When asked what it would like an accreditation team to look at, one school stressed community impact or the opportunity that they bring to the community.

I think that for anyone judging our school or any other school financially, it's that economics are a big topic and there's global economics, and national economics and our school is very much a microcosm of the greater economy, both good and bad. We really, not just in this school, are all in this together. We're really as human beings in this together and when the economy on a national level suffers, or any state level suffers, we certainly will feel it and because what's happening in our economy as far as the slow eradication of the middle class, and our country is becoming more polarized economically between the haves and the have nots. I can see that in our school because our client base is affluent. But one of the things I'm most proud about at _____ is that we have taken some of our surplus funds and the donations that we have been so generously given and created a tuition assistance program and have reached out to create a more diverse student body and reach out to less affluent people in the community and open our doors to them. We've actually shared our good fortune and wealth, in that way, and that's how I would want people to take away from what we are doing here. [Laughter]

(F.I.)

What significance might the good a school brings to a community hold in determining its accreditation? And what does the community surrounding a school say about the school?

Future Research

This was an exploratory study into the financial sustainability of small schools located on Maui. Future research might consider whether or not findings apply to other islands, how the inclusion of different participant perspectives would impact the findings, whether to use a team approach to coding in order to strengthen the findings, and whether findings would change with further statistical analysis. Future research questions might include:

- Do the strategies of Maui schools transfer to small independent schools on other Hawaiian islands, or even districts on Oahu other than Honolulu?
- What data might more statistical analysis of the Tax Form 990s uncover?
- How might the articulated strategies for financial sustainability on Maui change if studied from the point of view of all of a school's constituents, including the stories of the board of directors, the faculty, the parents, older students, and the surrounding community?
- Does a mission's expression and relevance come from the being that some philosophers believe stand behind the school? Must this being be understood before a school can successfully articulate its mission? And who functions as the interpreter of this being?

Concluding Thoughts

While many questions remain about the financial sustainability of small independent schools on Maui, ultimately this project affirmed that the schools remaining

open on Maui are schools that have succeeded in building a community around them of families, faculty, staff, and board members who share their values. They have spent time, energy, and resources proving their relevance and parents have responded by enrolling their children and donating to the schools. These schools have scoured their books and financial protocols for efficiency and have found individuals with expertise in this area to guide them. They operated with a strong entrepreneurial spirit, taking calculated risks and working to defy odds. But the primary reason that small independent schools on Maui remain financially sustainable is because small groups of people sacrifice themselves to keep the school going. It is quite a noble deed on behalf of Maui's children and a true act of love for community. May their spirits continue to burn brightly.

Appendix A

IRS Tax Form 990 and GuideStar

Organizations whose income in the 2009 tax year is greater than \$500,000 or whose assets are greater than \$1.25 million must complete the IRS Tax Form 990 titled “Return of Organization Exempt From Income Tax.” As of the 2010 tax year, organizations whose incomes are greater than \$200,000 or whose assets are greater than \$500,000 must complete the IRS Tax Form 990. Religious organizations do not need to file this form.

The IRS Tax Form 990 is divided into twelve parts, providing numerical data, narratives about the organization, and responses to “yes” or “no” questions. It also includes a variety of schedules relevant to an organization’s situation. A breakdown of the Form 990’s parts is as follows.

- Part I: Summary--Activities and Governance, Revenue (Prior Year and Current Year), Expenses (Prior Year and Current Year), Net Assets or Fund Balances
- Part II: Signature Block
- Part III: Statement of Program Service Accomplishments
- Part IV: Checklist of Required Schedules
- Part V: Statement Regarding Other IRS Filings and Tax Compliance
- Part VI: Governance, Management, and Disclosure
- Part VII: Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors
- Part VIII: Statement of Revenue
- Part IX: Statement of Functional Expenses
- Part X: Balance Sheet
- Part XI: Reconciliation of Net Assets
- Part XII: Financial Statements and Reporting

The schedules used by the Maui schools in this study include:

- Schedule A: Public Charity Status and Public Support
- Schedule D: Supplemental Financial Statements (Re donor advised funds; conservation easements; collections of art, historical treasures or other similar

assets; escrow and custodial arrangements; endowment; land, buildings, and equipment; and investments)

Schedule E: Schools (Re non-discrimination policies as applied to tuition assistance, admissions, employees, etc.)

Schedule G: Supplemental Information Regarding Fundraising or Gaming Activities

Schedule I: Grants and Other Assistance to Organizations, Governments and Individuals in the United States (Re tuition assistance, employee child remission, tuition sibling discount)

Schedule K: Supplemental Information on Tax Exempt Bonds

Schedule M: Non-Cash Contributions

Schedule O: Supplemental Information to Form 990 or 990-EZ

Schedule R: Related Organizations and Unrelated Partnerships

Form 4562: Depreciation and Amortization

Copies of a nonprofit's IRS Tax Form 990 may be found on the GuideStar website. GuideStar is a leading nationwide organization that provides nonprofits with information on financial health. Founded in 1994, GuideStar originally served as a repository of nonprofit information that "donors could use to guide their giving decisions" (www.guidestar.org, "About Us"). To this end, their mission is "To revolutionize philanthropy and nonprofit practice by providing information and nonprofit practice by providing information that advances transparency, enables users to make better decisions, and encourages charitable giving" (www.guidestar.org, "About Us"). Data used from GuideStar are 99.9% reliable with only 0.2% errors in the information from organizations in the fields used by GuideStar (www.guidestar.org). GuideStar is best known for making the IRS Tax Form 990 available to the public online.

An organization's Form 990 will differ from its audited documents in that they may be self-reported, are not required to meet GAAP standards, and they generally do not recognize in-kind donations. In addition, proceeds from merchandise, events, or rentals are typically reported on the 990 as net of expenses. Perhaps most significantly for this

study, the 990 does not differentiate between operating income and restricted income so that “the revenue line may include funds that are off limits until future years or earmarked for specific programs or projects. Similarly, revenue in the reported year may not include restricted funds that were raised in previous years to be spent in the current year” (www.guidestar.com, “FAQs: Metrics and Data”).

Appendix B

Data Markers for Success

Data Marker	NAIS Benchmarks
Market Demand	> 2.5 applications of each opening
Attrition (faculty & students)	<10% annual faculty attrition <7% annual day student attrition
Annual Giving	parents: >65% participation, \$1,000 gift alumni: >20% participation, \$300 gift trustees: >95% participation, \$5,000 gift
Salaries	> \$30,000 starting >\$50,000 median >\$75,000 top
Tuition	annual increases at CPI +2 % or less (3.5%)
Financial Aid Program	20-25% of students receiving financial aid, average awards at 50% of tuition
Faculty/Staff Ratios	>10:1 students to faculty >6:1 students to total staff
Budget for Development & Technology programs	>1% of budget for professional development >2% of budget for technology
Value of Endowment	>\$25,000 of endowment per day students
Student Outcomes	For elementary and middle schools, >95% of students graduate from secondary school and matriculate to college For secondary schools, >95% graduate from college with six years

Appendix C

Demographic Overview by County (based on 2010 census)

Category	MAUI	HONOLULU	HAWAI'I	KAUAI
Population	154,834	953,207	185,079	67,091
Pop 0-19 yrs	25.3%	24.7%	25.3%	24.8%
Median age	39.6 yrs	37.8 yrs	40.9 yrs	41.3 yrs
1 Race	76.5%	77%	70.5%	75.1%
--White	34.4%	20.8%	33.7%	33.0%
--Black	.6%	2.0	.6	.4
--Asian	28.8%	43.9	22.2	31.3
--Filipino	17.6%	14.9	8.6	18.0
--Japanese	7.4%	15.7	9.8	9.3
--Hawai'ian	7.4%	9.5	8.5	7.6
2 or + Races	23.5%	22.3	29.5	24.9
1 or 2+ White	50.4%	36.8	54.8	50.9
1 or 2+ Black	1.5%	3.4	1.6	1.2
1 or 2+Asian	47%	62.0	44.8	51.1
1 or 2+ Hawn+	27.3%	24.5	33.8	25.9
Other	3.4%	2.3	2.9	2.3
Hisp/Latino	10.1%	8.1	11.6	9.4
House w/Child	26%	26.9	25.4	26.5
--with own cld	17.8%	16.7	17.6	
w/Relatives	11.8%	12.9	10.3	11.6
w/Non-relatives	9.2%	7.0	8.5	8.1
Hub-wife house	47.2%	51.8	47.4	50.1
Owner occupy	55.8%	56.1	66.0	60.1
Rental	44.2%	43.9	34.0	39.9

# Companies	20,097	74,069	18,900	8,316
--per capita	1:7.7	1:12.9	1:9.8	1:8.1
% HS grad or +	89.2%	90.3	90.9	88.5
Median income	\$64,583	71,263	53,591	64,422
Foreign born	15.5%	19.4	11.4	14.7
Poverty	9.2%	9.3	15.8	10.0
Veterans	7.1%	8.5	8.8	7.3

Source: American Fact Finder (factfinder2.census.gov—9/21/13)

Appendix D

Guideline Interview Questions for Experts

An Examination of the Financial Sustainability of Maui's Small Independent Schools Phase One: What do the Experts Say?

Interview Questions

1. From your perspective and experience, what does financial sustainability for a school look like?
2. What are the main indicators for this sustainability?
3. Is there a difference between sustainability for small schools (less than 300) and big schools (larger than 300)?
4. What are some of the successful strategies you have seen small schools employ to move toward financial sustainability?
5. What are some of the unsuccessful strategies you have seen used by schools?
6. If you could look at a school's 990 information, which items would you recommend that a head of school or board member (someone who is not a financial expert) look at to best judge the school's sustainability?
7. Other thoughts, wishes, or recommendations?

Appendix E

Guideline Interview Questions for Schools

An Examination of the Financial Sustainability of Maui's Small Independent Schools Phase Three: What do the Schools Say?

Interview Questions

1. Select an item from the table that best seems to describe the financial situation of your school. Explain. OR the other journal questions.
2. Can you share the biography of your school's growth—how and when it was founded, how you acquired your facility, what were the forks in the road, how old is your school?
3. What have been the most important factors in your school's financial survival up until this point?
4. What do you think will be the key for your survival in the future?
5. When you look at your numbers on a day-to-day basis, what tells you in particular if you are doing all right? (What are your own financial benchmarks?)
6. What are your warning signs that something is amiss?
7. What does financial sustainability mean for your school?
8. At what point in the year do you know what your enrollment is for the next year? How does this affect your budgeting process?
9. What has been your experience with accrediting teams in their review of your finances?
10. How has your school's finances affected the accreditation term assigned to you?
11. How are the school's values connected to the finances of the school?
12. Have you or your staff made personal sacrifices to keep the school going?
13. Could you describe a typical day in your life as a school head or business officer?
14. How did you end up in your position? (What was your preparation or path to get there?)

Appendix F

Consent to Participate

University of Hawai‘i

Consent to Participate in Research Project:*An Examination of the Financial Sustainability of Maui’s Small Independent Schools*

My name is Jocelyn Romero Demirbag, Administrative Chair of School at Haleakala Waldorf School. I am a doctoral student at the University of Hawai‘i at Manoa (UH), in the Department of Educational Foundations. I am conducting research on the financial sustainability of Maui’s small independent schools and would like to interview you on this topic. I am interested in discussing strategies for financial sustainability that you see used by schools as well as your methods for assessing your financial sustainability. Your participation may help to develop a “measuring stick” of financial sustainability that is specific to Maui. If you do decide to participate, your participation is entirely voluntary and subject to the conditions described in this document.

Project Description - Activities and Time Commitment: Your participation will involve an interview of approximately 45 minutes. I will record the interview using a digital audio-recorder so that I can later analyze the information and reproduce direct quotes in the final research product. The tapes will be held in a secure file and then destroyed upon completion of the project.

Benefits and Risks: Benefits of your participation, though perhaps indirect, may be the development of a “measuring stick” for Maui’s small independent schools that would assess financial sustainability specific to Maui. This measuring stick could be used within the accreditation context. There is little or no risk to you in participating in this project. If, however, you are uncomfortable or stressed by any level of participation, you do not need to participate in the discussion. Moving on to another question, breaks, stopping the session, or withdrawing from the project altogether are all options to maintain your comfort with the research process.

Confidentiality and Privacy: All data collected during the focus groups will be kept secured. The only people with access to this data that identifies an individual or a school will be myself. Data will be presented to my advisors and the educational community so

that no individual identities or schools are identifiable. Please note that the University of Hawai‘i Human Studies Program has the right to review my research records.

Once the final research project is submitted, all recordings will be deleted. **The final reports will not specify your name, personally identifying information, the name of your organization, or information that identifies your schools.** I will provide you a copy of the final report at your request.

Voluntary Participation: Participation in this research project is voluntary. You can choose freely to participate or not to participate. In addition, at any point during this project, you can withdraw your permission without any penalty or loss of benefits.

Questions: If you have any questions about this project, please let me know. You may also contact my advisors, Dr. Nathan Murata, at nmurata@Hawaii.edu or Dr. Dan White, HeadMaster@ipaHawaii.org, regarding this project. If you have any questions about your rights as a research participant in this project, you can contact the University of Hawai‘i, Human Studies Program, by phone at (808) 956-5007 or by e-mail at uhirb@Hawaii.edu.

Please keep the prior portion of this consent form for your records.

If you agree to participate in this project, please sign the following signature portion of this consent form and return it to me.

Signature(s) for Consent:

I agree to participate in the research project entitled *An Examination of Maui's Small Independent Schools*.

I understand that I can change my mind about participating in this project, at any time, by notifying the researcher.

Your Name (Print): _____

Your Signature: _____

Date: _____

Researcher contact information:

Jocelyn Romero Demirbag, Haleakala Waldorf School, Jocelyn@waldorfmaui.org, 808-878-2511.

Appendix G

Financial Sustainability Strategies Cited by Interviewed Experts

Strategies	Number of Excerpts (N = 213)	Number of Participants (N = 5)
1. Clearly Articulate a Relevant Mission	48	5
a. “Relevance”	13	4
b. “Know who you serve”	10	4
c. “Know who you are”	6	4
d. Articulate who you are	5	4
e. “Strong faith”	10	3
f. “Common vision”	9	3
2. Attract and Retain Students	47	5
a. Affordability of tuition	20	5
b. Financial aid	10	5
c. “Get the word out”	6	4
3. “Look at the Big Picture” (Strategic Planning)	34	5
a. Merging or Partnering	4	3
4. Operate on a Balanced Budget	25	5
a. “Contain costs”	11	5
5. Fundraise	27	4
a. Fundraise	17	4
6. Attract and Retain Faculty	8	3
a. Compensation	6	3
7. Get Financial Expertise	3	3

8. Personally Sacrifice	11	2
a. Personally sacrifice	10	2
b. "Not just a job"	1	1

Note: Strategies articulated by three or more experts are in bold

Appendix H

<i>Financial Sustainability Indicators Cited by Interviewed Experts</i>		
Indicators	Number of Excerpts (N = 172)	Number of Participants (N = 5)
1. Warning Signs	80	5
a. Fiscal Issues	40	5
1. Debt	14	3
2. “Bottom line”	7	3
3. “Eating away at reserves”	3	3
4. Total student discounts	5	2
5. “Inability to attract or retain faculty”	3	2
6. “Incremental” budget growth	3	1
7. “Borrowing to excess”	1	1
8. “Difficulty reaching zero based budget	1	1
9. Reduction in program	1	1
10. “Cash flow”	1	1
11. “Audited records”	1	1
b. Enrollment Issues	16	5
1. Student retention	4	3
2. Low enrollment	6	2
3. “Enrollment softness” (decline)	4	2
4. Decrease in applications	2	1
c. Governance Issues	11	4
1. “Lack of board strength”	4	2
2. Relationship between the board and the HOS	2	2

3. “Too attached to the mission”	2	1
4. “Lack of fundraising support”	2	1
5. Governance issues	1	1
d. Attitude Issues	8	2
1. “They don’t understand....”	4	1
2. “They don’t want to read the writing on the wall”	2	1
3. “They don’t want to fire anybody”	1	1
4. “They don’t see this technology thing coming”	1	1
e. “Downward Spiral”	4	1
f. “Got too big”	1	1
2. Large Number of Factors Contributing to Financial Sustainability	15	5
3. “Available Resources”	10	5
a. “Available resources”	8	4
b. “Financial flexibility”	2	2
4. Benchmarks for Financial Sustainability	26	4
a. Using the 990s	13	3
b. Benchmarks	13	3
5. Environment	16	4
a. The Economy	9	4
b. “Demographics of the area”	7	2
6. Leadership	11	4
a. Leadership	4	4
b. Role of the trustees	7	3

7. Enrollment	12	3
a. “Trend data”	4	3
b. “Steady”	3	2
c. “Reaching targets”	2	2
d. Diversity	1	1
8. “Reputation”	2	1
a. “Reputation”	1	1
b. “Qualitative Satisfaction Survey”	1	1

Note: Indicators articulated by three or more experts are in bold.

Appendix I

Indicators of Financial Sustainability

Sources: GuideStar, Nonprofit Finance Fund, FinancialSCAN, NAIS Calculator, NAIS Trustee Dashboard, CAIS-HAIS Dashboard, ISM, La Piana Consultants

FINANCIAL SUSTAINABILITY

ANNUAL BUDGET

INCOME STREAM

Tuition

Annual changes

Annual % change in net tuition revenue

Annual % change in gross tuition revenue

Annual % changes over 5 years

Rate

Rate of tuition increase (weighted average)

Rate of tuition increase by division

Compared with other schools

Enrollment

Total enrollment

Average enrollment

Enrollment by division

Enrollment as % of capacity

Enrollment and capacity by division

Overall student attrition

Admissions

of completed applications

of apps for each new student

Acceptance ratio (# apps/#accepts)

Yield (new students/acceptances)

Admissions flow (apps/accept/yield)

Average attrition rate %

Fundraising

Total Gifts

Annual Fund

AF as % of operating revenue

Annual % change in AF

Major Gifts

% of AF from major gifts

Alum participation in AF

% participation of alum in AF over time

Share of the AF 07-08/11-12

Cost of fund raising
 Progress toward campaign goal
 Participation rate
 % Parents participating
 % Trustees participating
 % Different constituencies participating
 Average gift size
 Ave parent gift
 Ave trustee gift
 Grants
 Ave grant as % tuition
 Government grants
 All other grants
 Special Events
 Facility Rentals
 Fees
 Endowment
 Draw
 Average endowment amount per student
 Compared with other schools
 Other investment income
 All other income
 Total income
 Annual % change in net income revenue (growth rate)
 Annual % change in gross income revenue (growth rate)
 Total unrestricted income
 Annual % change (growth rate)
 Total restricted income
 Annual % change (growth rate)
 Income per student
 Funding sources
 Diversity
 Reliability
 Changes from previous year
 % of expenses covered
 Program capacity to pay for itself
EXPENSES
 Staffing
 Total FTEs
 Distribution of employees 07-08/11-12
 Total FTEs per 100 students
 FTEs per 100 students by category (faculty)
 FTEs of non-faculty per 100 students

Students: Faculty (FTE)
 Students: Admin (FTE)
 Students: Support staff (FTE)
 Students: All employees
 Average number of employees
 Annual change in personnel costs (growth rate)

Compensation
 Ave salary per student
 Benefits
 Experience Profile
 Experience profile compared to other schools
 All other expenses

Tuition Assistance
 Total discounts
 Annual % change in total discounts
 % of students on aid
 Budgeted need based TA
 Annual % change in need based TA awarded

Physical Plant
 Provision for major repairs as % of operating expenses
 Provision for major repairs as percent of plant value

Operations
 Rate of increase in operational budget
 Annual % change in expenses
 Expenses before depreciation
 Annual % in expenses before depreciation (growth rate)

PROFITABILITY

Change in unrestricted assets before depreciation
 As % of expenses
 Change in unrestricted net assets after depreciation
 As % of expenses

BALANCE SHEET

Cash
 Investments
 Gross land, buildings, and equipment
 Accumulated depreciation
 Liabilities as % of assets
 Unrestricted net assets

Permanently restricted net assets

Net asset total

LIQUIDITY

Months of cash

Months of cash and investment

Months of estimated unrestricted liquid net assets

STRATEGY

CURRENT BUSINESS MODEL

Location of services

Recipient of services

Services offered

Funding for services

COMPETITION

Strengths

Weaknesses

TRENDS

Resources--Impact on organization

DESIRED FUTURE BUSINESS MODEL

STRATEGY SCREEN

THE BIG QUESTION AHEAD

NEXT STEPS

“ROAD MAP”

ADAPTABILITY

STRATEGY VS PLANNING

ENGAGEMENT WITH ENVIRONMENT

Appendix J

Maui Small Independent School Tax Form 990 Indicators Over Time

Indicator	School	2008-09	2009-10	2010-11	2011-12	Average
A. End of year balance						
(Total revenue-	1	-287,896	53,563	133,715	289,720	1 -/3+
Total expense)	2	-32,779	-109,331	-27,308	4,124	3-/1+
	3	48,904	94,556	441,828	303,245	0-/4+
	4	-72,379	-221,538	-44,677	-12,214	4-/0+
	5	256,136	-210,634	-311,455	-147,260	3-/1+
	6	-477,578	-724,315	-363,371	323,019	3-/1+
B. Debt ratio						
(Liabilities to	1		0.79	0.74	0.82	0.79
assets)	2		0.04	0.05	0.06	0.05
	3		0.55	0.45	0.38	0.46
	4		0.52	0.49	0.52	0.51
	5		0.46	0.47	0.47	0.47
	6		1.29	1.36	0.82	1.16
C. Salary as % of Total Expense						
	1	67	63	65	63	64.5
	2	56	61	61	61	59.7
	3	66	62	64	62	63.5
	4	63	65	67	60	63.75
	5	73	60	60	64	64.25
	6	56	51	51	47	51.25
D. Tuition Assistance as % of Total Expense						
	1		6.5	6.0	5.1	5.9

	2	NA	NA	NA	NA
	3	9.7	8.1	8.1	8.6
	4	NA	NA	NA	NA
	5	7.80	8.5	7.5	7.9
	6	16.2	19.3	20.3	18.6
<hr/>					
E. Maintenance as % of Total Expense	1	NA	NA	NA	NA
	2	5.0	6.0	5.0	5.3
	3	2.0	2.0	2.0	2.0
	4	NA	NA	NA	NA
	5	2.0	2.0	2.0	2.0
	6	NA	NA	NA	NA
<hr/>					
F. Management as % of Total Expense	1	10.0	11.0	9.0	10.0
	2	9.0	15.0	14.0	12.7
	3	19.0	17.0	17.0	17.7
	4	28.0	36.0	33.0	32.3
	5	24.0	12.0	13.0	16.3
	6	24.0	24.0	23.0	23.7
<hr/>					
G. Program as % of Total Expense	1	88.0	86.0	89.0	87.7
	2	91.0	85.0	85.0	87.0
	3	80.0	79.0	79.0	79.3
	4	72.0	60.0	61.0	78.0
	5	67.0	83.0	84.0	78.0
	6	75.0	73.0	71.0	73.0

<hr/>						
H. Fundraising as % of Total Income	1	7.0	26.0	15.0	18.0	16.5
	2	14.0	10.0	8.0	7.0	9.8
	3	16.0	17.0	18.0	21.0	18.0
	4	8.0	9.0	11.0	11.0	9.8
	5	14.0	9.0	9.0	9.0	10.3
	6	31.0	21.00	24.0	28.0	26.0
<hr/>						
I. # Board Members	1		7.0	8.0	10.0	8.3
	2		11.0	10.0	10.0	10.3
	3		15.0	13.0	13.0	13.7
	4		7.0	7.0	8.0	7.3
	5		19.0	19.0	19.0	19.0
	6		13.0	14.0	15.0	14.0
<hr/>						
J. # Volunteers	1		10.0	10.0	10.0	10
	2		60.0	60.0	60.0	60.0
	3		300.0	325.0	325.0	316.7
	4		75.0	74.0	74.0	74.3
	5		234.0	234.0	234.0	234.0
	6		100.0	100.0	100.0	100.0
<hr/>						

Source: GuideStar IRS form 990 data manipulated into quasi-statistics and then averaged. The average column for “End of year balance” shows how many schools ended in the red (-), and how many with a surplus (+).

Appendix K

Generalizations based on IRS Tax Form 990s of six small schools between 2008-09 and 2011-12

- 1) **They go into their reserves to cover their expenses** (only one school did not).
- 2) **They pay their school heads lower than top tier schools in Honolulu, large or small** (top tier refers to the tuition pyramid).
- 3) **They use debt to finance assets** (5 of the 6 schools had a debt ratios of 50% or more).
- 4) **Salaries make up 60-65% of their total expenses** (5 of 6 schools; only 1 school was at 51%)
- 5) **Tuition assistance makes up 6-9% of their total expenses** (3 of 6 schools; 1 of 6 was at 19% and 2 schools did not have data).
- 6) **Maintenance makes up 2-5% of their total expenses** (3 schools had no data; 2 schools at 2%, one school at 5%).
- 7) **Management expenses range from 10-13% to 32%** (2 schools at 10-13%, 2 schools at 16-18%, 1 school at 24%, 1 school at 32%).
- 8) **Program expenses are primarily between 78-88%** (2 schools at 87-88%, 2 schools at 78-79%, 1 school at 73%, 1 school at 64%)
- 9) **Investment income is negligible as no school has an endowment, and it is an unreliable income source. There are occasional years where a sale or capital campaign generated income for one or two years.**
- 10) **Fundraising is primarily between 10 – 18% of income** (3 schools at 10%, 2 schools at 17-18%, 1 school at 26%).
- 11) **Tuition rates vary from year to year for each school.** (3 schools went from a 7.5 or 5% increase in tuition to a 0% either in 1 or 2 years. 3 schools did not raise tuition at all between 10-11 and 11-12. 1 school reduced tuition 1 year and went up 3% the next. Only 1 school had a steady downward tuition increase trend: 7.5 to 3.5 to 0).
- 12) **The average expense per student exceeds the school's 8th grade tuition in every school, every year except for one year in one school.** (4 schools were in the \$10,000-14,000 range; 1 school was just under that in the 10,000-11,000 range. 1 school was between 6,000-7,000 and 1 school was at 22,000 – 23,000).
- 13) **Expenses per student exceed income per student** (in 4 of 6 schools for 3 of 4 or 4 of 4 years; 2 schools' income per student exceeded expenses per student every year).
- 14) **While every school lost students in 2009-10, 4 of 6 schools gained students in 2010-11.**
- 15) **There is no discernable pattern across schools between tuition increases and enrollment up or down.**
- 16) **A majority of Maui schools experienced growth (measured in total income).** (4 of 6 schools experienced income growth from 2009-10 to 2010-11 and 5 of 6 schools experienced income growth from 2011-12. 1 school has seen income decline every year between 2008-09 and 2011-12 for a total of 55%.)

- 17) **Schools have used varying strategies for controlling their expenses** (1 of 6 schools cut expenses every year; 1 of 6 schools cut expenses for 2 of 3 years; 2 schools' expenses went up every year; 2 schools expenses went up 2 of 3 years).
- 18) **The number of board members directing a small school does not translate into a predictable pattern of funds raised.** (Although two schools with small board averages (7.3 and 10.3 members) fundraised 9.75% of their revenue, a school with an 8.3 member average raised 16.5%; the school with the largest board average (19 members) fundraised 10.25% of its revenues while a school with an average of 14 board members fundraised 26% of its revenues).
- 19) **The number of volunteers serving a small school does not translate into a predictable pattern of funds raised.** (A school that lists 10 volunteers fundraised 16.5% of its revenue while a schools with 60 and 74.3 average volunteers fundraised 9.75% of its revenues. A school with 234 listed volunteers fundraised 10.25% of its revenues, and a school with 100 listed volunteers fundraised 26% of its revenues. It should be mentioned that this particular indicator is the one indicator out of all of the Form 990 indicators that did not seem "accurate." Most of the schools tended to self-report the same number of volunteers every year which is highly unlikely to happen statistically. Further, the school with 10 volunteers listed puts on an annual fundraising event that requires many more than 10 volunteers).

Appendix L

Strategies for Financial Sustainability Cited by Interviewed Schools

Strategy	Number of Excerpts (N=171)	Number of Participants (N=4)
1. Financial Management	82	4
a. Financial expertise	14	4
--Board leadership	6	4
b. Careful monitoring	8	4
c. Collecting tuition	4	4
d. Limit spending	10	3
e. Careful budgeting	5	3
--Knowledge of next year's enrollment	4	3
f. Diversify income stream	9	2
g. Build a reserve	8	2
h. Strategic financial planning	5	2
i. Tuition refund plan	3	2
j. "Self-sufficiency"	1	1
k. Reduce debt	1	1
l. Department budget meetings	1	1
m. Arrangements with financial institutions	1	1
n. Reduce utilities	1	1
o. Reduce vendors	1	1
2. "Passion and heart" for the mission	44	4
a. Personal sacrifice	10	4
b. The mission as a value guide	9	4
c. Working many hours	7	3
d. Staff with multiple roles	7	3

e. “Adherence to mission”	4	2
f. Volunteers	3	2
g. Teamwork	3	1
h. “Faith that the school will make it”	1	1
3. Donor Assistance	22	4
a. Donor assistance	6	2
b. Special projects	4	2
c. Operations	6	2
d. Community support	3	2
e. Recruiting scholarships	2	1
f. Development committee	1	1
4. “Good Enrollment”	11	4
a. “Good enrollment”	3	3
b. “reputation”	2	2
c. affordability	1	1
--balance between tuition and affordability	1	1
d. “flexing”	1	1
e. “mini-conferences”	1	1
5. Commitment to location	2	2
--Campus acquisition	1	1
6. Retain faculty	2	1
7. “Adaptability”	2	1

Bolded strategies were cited by at least 3 of 4 schools.

Appendix M

Indicators of Financial Sustainability Cited by Interviewed Schools

Indicators	Number of Excerpts (N=42)	Number of Schools (N=4)
1. Warning Signs	16	4
a. Cash flow	5	3
b. “Anyone in arrears”	4	3
c. Enrollment	2	2
--“disgruntled parents”	1	1
d. “The coconut wireless”	1	1
e. Changing demographics	1	1
f. “Donor fatigue”	1	1
g. “tenor of the school”	1	1
h. Interest rates	1	1
2. Financial markers	11	3
a. Debt	2	2
b. “Dedicated fundraising team”	2	1
c. “Measured growth”	1	1
d. Not using the prepaids	1	1
e. Careful budgeting	1	1
f. Endowment	1	1
g. Reduction of debt	3	1
3. Constituent satisfaction	9	2
a. Parent satisfaction	3	2
b. Student satisfaction	3	1
c. Faculty satisfaction	2	1
d. Wider community satisfaction	1	1

4. “Stable enrollment”	6	2
a. “Economic downturn”	4	2
b. Stable enrollment	1	1
c. “Executive transition”	1	1
d. “Increase in tuition”	1	1

Bolded strategies were cited by at least 3 of 4 schools.

Appendix N

MISO Workshop Presentation Survey Results

October 4, 2013**Participant Survey****Comments from MISO Workshop Small School Respondents on Successful Strategies for Their Small Schools**

Strategy-- Reliance on:	Number of Excerpts (N=)	Number of Respondents (N=8)
1. Donor assistance	8	5
2. “Passion and heart” for the mission	5	4
3. Financial management	4	3
4. “Good enrollment”	4	3
5. Perceived value	2	2
6. Adaptability—Plan B	2	1
7. Excellence	1	1
8. Program	1	1
9. Transparent accountability	1	1
10. High morale and balanced lives of staff	1	1

1. What have been the most important factors in your school’s financial survival up until this point?

Small schools 300 or less:

- “Quick response to 2008 downturn”—Adaptability: Plan B
- “Commitment of a core group of families.”—Passion and heart for the mission
- “Grants (tuition support), steady tuition, fundraising”—donor assistance
- “Parents that believe in the school’s continuance, Faculty that believe in the school’s continuance, donors that resonate with your vision/mission/message/purpose.”—passion and heart for the mission, donor assistance

- “Donors, fundraising, stable environment”—donor assistance,
- “Forecasting finances into the future and comparing budget to actuals on a monthly basis.”—financial management
- “Enrollment—families choosing to give their children the opportunity to learn our methods of learning. The quality of implementing these methods in our children—the proof that it ‘works’. A positive and productive operating staff/administration.”—good enrollment, passion and heart for the mission
- “Family awareness of quality of offering. Fiscal awareness with responsible spending. Community support of donations. Retention of students.”—passion and heart for the mission, financial management, donor assistance, good enrollment

Large school (1000+)

- “Endowment”

2. What do you think will be the key for your survival in the future?

Small schools 300 or less:

- “Having a plan B for another downturn--what will happen if enrollment falls 10% or more.”—Adaptability: Plan B
- “Growth and reduction of debt.”—Financial Management
- “Positive feedback from community/alumni (PR), financial backing”—Perceived value, donor assistance
- “Excellence, inclusion of all learning styles, accountability and transparency to and with the school community, donors”—Excellence; Program; Transparent accountability; donor assistance
- “Maintaining donors/fundraising and also growing them, more enrollment/community awareness (growth within in the school classroom and campus)—Donor assistance; good enrollment
- “I think staff is the key. As a financial person, I usually only deal with “past” numbers, so I can only do so much. I believe it’s the collaboration of my numbers and my co-workers’ marketing and grant writing that is the key.” – Teamwork; donor assistance
- “To continue education our island and families about our teaching methods and how it can impact our future (our children).”—passion and heart for the mission
- “Maintain perceived value of offering in the community. Progressive information of school on website for families doing electronic research. Frugality in all areas possible. High morale of staff with encouragement for balance of personal life.”—Perceived value, good enrollment, financial management, high morale without sacrifice?

Large school (1000+)

- “Define who we are and deliver those values/SUSs”

3. Have you made any personal sacrifices to keep the school going? (time, money, family, etc.) If yes, why did you do this?

Small schools 300 or less: Specific Examples of what “Passion and heart” for the mission result in

- “Commitment to Waldorf principles and deep belief that this is the right path for children.”
- Smiley face. “Less compensation than I am otherwise worth in the marketplace. Significant gifts to the annual fund.”
- “Yes, numerous times I have given out of my own pocket or taken from my “family’s mouth.” Used/resourced family to help in volunteering/supporting that otherwise would not have had. My family and friends roll their eyes when they see or hear me call or ask for a meeting.”
- “Yes, the primary reason is to be an agent of change in the educational setting, institutionally. This in turn will offer the youth better opportunities and models to use for their future. Inspire them to lean in their time and their future.”
- “Yes, because I believe in the school and know how important it is to help each other as an educational ohana. My sacrifices have been time and money, putting in extra hours, less pay than other jobs as well as occasional money donations.
- “I’ve almost always put in more hours than contracted. It wasn’t a surprise for me, I figured out I would put more hours when I accepted the job. I did this because I want to see the school—and myself—grow. The nice and attractive idea in NPOs is that the work I produce, I can really see it improve the school.”
- “Always being mindful of our mission and contributing to our future.”
- “Time—work more than typical FT. Accept wage lower than other fields may offer. Often put career ahead of time spent with family. Often operated out of my comfort zone for professional development to represent my school.”

Large school (1000+)

- “Yes. Support a purposeful mission that supports people and community.”

Appendix O

CAIS-HAIS Independent School Dashboard Summary

- 1. Budget (revenues and expenses)**
 - 1.1 Operating budget history
 - 1.2 Rate of increase in the operating budget
 - 1.3 Projected operating budget

- 2. Admissions**
 - 2.1 Number of completed applications
 - 2.2 Number of applications for each student
 - 2.3 Acceptance ration (# of apps/# accepted)
 - 2.4 Yield (new students/acceptances)
 - 2.5 Admissions Flow
 - 2.6 Traffic on the admissions page of the school website

- 3. Enrollment**
 - 3.1 Enrollment
 - 3.2 Enrollment by division
 - 3.3 Enrollment as % of capacity
 - 3.4 Next year's enrollment and capacity—by division

- 4. Endowment – debt**
 - 4.1 Endowment, debt, and net endowment
 - 4.2 Endowment, debt, and net endowment per student

- 5. Student attrition**
 - 5.1 Student attrition at different grades

- 6. Tuition**
 - 6.1 Rate of tuition increase
 - 6.2 Rate of tuition increase—by division

- 7. Financial Aid**
 - 7.1 Financial aid provided
 - 7.2 Percent change in total aggregate financial aid
 - 7.3 Number of financial aid recipients
 - 7.4 Financial aid as % of tuition revenue—by division

- 7.5 Financial aid as % of tuition revenue—by grade (current year)
- 7.6 Number of financial aid awards (current year)
- 7.7 Size of financial aid awards (next year)
- 7.8 Tuition remission--\$
- 7.9 Tuition remission--% of gross tuition
- 7.10 Total discount rate (FA + TR) - % of gross tuition

8. Faculty

- 8.1 Teaching experience of full-time teachers
- 8.2 Age of full-time teachers
- 8.3 Teachers with advanced degrees
- 8.4 Salaries of full-time teachers
- 8.5 Years of teaching experience of full-time teachers
- 8.6 % of full-time teachers with an advanced degree (Masters or PhD)
- 8.7 Comparison of full-time teacher salaries

9. Fundraising

- 9.1 Annual fund results an next year's goal
- 9.2 Change in the annual fund-%
- 9.3 Annual fund as % of operating revenue
- 9.4 Percentage of annual fund which comes from major gifts
- 9.5 Alumni participating in the annual fund
- 9.6 Share of the annual fund 5 years ago, and now
- 9.7 Total gifts—all sources including annual giving –GAAP (recognizes pledges on revenue)
- 9.8 Cost of raising \$1 each year (GAAP basis)
- 9.9 Cost of raising \$1—cumulative (GAAP basis)
- 9.10 Progress toward campaign goal

10. Staff

- 10.1 Total FTEs
- 10.2 Distribution of employees 5 years ago and next year
- 10.3 Total FTEs per 100 students
- 10.4 FTEs per 100 students—by category

Appendix P

990 and HCPS Indicators Used in Phase Two

Total Revenue
Percentage Increase or Decrease in Total Revenue
Total Expense
Percentage Increase or Decrease in Total Expense
Total Enrollment
Percentage Increase or Decrease in Total Enrollment
Income per Student
Expense per Student
Eighth Grade Tuition Rate
Percentage Increase or Decrease in Eighth Grade Tuition Rate
Dollars Fundraised
Fundraising as Percentage of Total Revenue
Dollars from Investments
Program Cost
Program as Percentage of Total Expense
Management Cost
Management as Percent of Total Expense
Maintenance Cost
Maintenance as Percentage of Total Expense
Tuition Assistance Cost
Tuition Assistance as Percentage of Total Expense
Number of Tuition Assistance Awards
Salary Cost
Salary as Percentage of Total Expense
End of Year Balance
Assets at End of Year
Liabilities at End of Year
Ratio of Assets to Liabilities
Debt ratio—Liabilities to Assets
Number of Employees
Number of Volunteers
Number of Board Members
Head of School Compensation

Appendix Q

Qualitative Measurement Questions Based On Indicators of Financial Sustainability in Phase One and Phase Three

Indicators	Questions
Large Number of Factors	Can the school identify the factors affecting its financial sustainability?
Fiscal Markers	
1. Debt	Does the school have significant debt?
2. "Bottom line"	Is the school's "bottom line" in the black or the red? Does the school have sufficient income to meet its expenses?
3. "Eating away at reserves"	Is the school "eating away at reserves"?
4. Total student discounts	How much does the school provide student discounts?
5. "Inability to attract or retain faculty"	Is the school able to attract and retain faculty?
6. "Incremental" budget growth	Is the school's budget growth based on annually adding increments to the previous year's budget?
7. "Borrowing to excess"	Is the school "borrowing to excess"?
8. "Difficulty reaching zero based budget"	Does the school have "difficulty in reaching a zero based budget"?
9. Reduction in program	Is the school reducing its programmatic offerings?
10. "Cash flow"	Does the school have sufficient "cash flow" to meet its expenses?
11. "Audited records"	Are the school's books audited regularly?
12. "Anyone in arrears"	Are you collecting tuition owed to you?
13. "Dedicated fundraising team"	Is there a "dedicated fundraising team" at the school?
14. "Measured growth"	Is growth at the school "measured growth" or planned growth?

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|-----------------------------|--|
| 15. Not using the prepaids | Does the school use prepaid tuitions funds to meet its expenses and to support cash flow? |
| 16. Careful budgeting | How careful is the school's budgeting process? |
| 17. Endowment | Does the school have an endowment? |
| 18. Reduction of debt | Is the school reducing its debt if it has any? |
| 19. "Available resources" | What are the resources available to the school? |
| 20. "Financial flexibility" | Does the school have "financial flexibility"? Can it respond to a range of phenomena affecting it? |

Enrollment Markers

- | | |
|------------------------------------|---|
| 1. Student retention | Is the school able to retain its students? |
| 2. Low enrollment | Does the school have low enrollment? |
| 3. "Enrollment softness" (decline) | Has the school experienced a decline in enrollment? |
| 4. Decrease in applications | Has the school experienced a decrease in applications? |
| 5. Stable enrollment | Is enrollment stable at the school? |
| 6. "Increase in tuition" | Has there been an "Increase in tuition" at the school, and if so, what have been the effects? |
| 7. Constituent satisfaction | How satisfied are the constituents of the school? |
| a. Parent satisfaction | How satisfied are parents with the school? |
| b. Student satisfaction | How satisfied are students with the school? |
| c. Faculty satisfaction | How satisfied are faculty with the school? |
| d. Wider community satisfaction | How satisfied is the wider community with the school? |
| 8. "Reputation" | |

a. "Reputation"	What is the "reputation" of the school in the community?
b. "Qualitative Satisfaction Survey"	Does the school execute a "qualitative satisfaction survey"?
9. "Trend data"	What enrollment trends does the school's data show?
a. "Steady"	Is the school's enrollment "steady"?
b. "Reaching targets"	Is the school reaching its desired enrollment targets?
c. Diversity	Does the school welcome and represent diversity?
Governance Markers	
1. "Lack of board strength"	Is the school's board a strong one?
2. Relationship between the board and the HOS	What is the relationship between the board and the head of school?
3. "Too attached to the mission"	Is the school so attached to its mission that it cannot adapt it to assure its relevancy?
4. "Lack of fundraising support"	Is there a "lack of fundraising support" from the board?
5. Governance issues	How significant are the school's governance issues?
6. Leadership	What is the school's leadership like?
7. Role of the trustees	What role do the trustees play in the school's leadership?
8. "Executive transition"	Has there been a change in executive leadership at the school? If so, what affect has the change had constituents?
Environmental Impact	
1. The Economy	What is the economy of the school's area like and how has it impacted the school?
2. "Demographics of the area"	What are the "demographics of the area" and how have they impacted the school?

3. “Economic downturn”

How did the “economic downturn” affected the school?

4. Interest rates

Are interest rates high or low?

Other Factors

1. “They don’t understand....”

Do constituents feel misunderstood?

2. “They don’t want to read the writing on the wall”

Can the school see the direction the school is headed in financially?

3. “They don’t want to fire anybody”

Does the school have more staff than it needs?

4. “They don’t see this technology thing coming”

Is the school’s technology offering relevant for its constituency?

5. “Downward Spiral”

Does the school seem to be on a “downward spiral”?

6. “Got too big”

Has the school gotten bigger than it can afford to be?

Using Benchmarks

Is the school aware of its own statistics and “performance”?

1. Using the 990s

What benchmarks do the 990s provide (for the school itself, or when compared to the area)?

2. Benchmarks

What benchmarks does the school use to evaluate itself?

Appendix R

Strategies for Financial Sustainability:
 Comparison Between What the Maui Schools Say and What the Hawai'i Experts Say

WHAT THE SCHOOLS SAY**1. *Financial Management*****a. Financial Expertise**

--Board leadership

b. Careful monitoring**c. Collecting tuition****d. Limit spending****e. Careful budgeting**

--Knowledge of next year's budget

f. Diversify income stream

g. Build a reserve

h. Strategic financial planning

i. Tuition refund plan

j. "Self-sufficiency"

k. Reduce debt

l. Department budget meetings

m. Arrangements with financial institutions

n. Reduce utilities

o. Reduce vendors

2. *"Passion and Heart" for the Mission***a. Personal sacrifice****WHAT THE EXPERTS SAY****7. *Get Financial Expertise*****4. *Operate on a Balanced Budget*****a. "Contain costs"**

b. "Operate on a balanced budget"

c. "Review the budget on a monthly basis"

d. Run short-term deficits

e. "Cover costs with tuition"

3. *"Look at the Big Picture" (Strategic Planning)***a. Merging or partnering**

b. "Look at the Big Picture"

c. "Take a chance"

d. "Restructure"

e. "Turn something around"

f. "Set time limits for change"

g. "Find unique strategy"

h. Risk management

1. *Clearly Articulate a Relevant Mission***a. "Relevance"**

- b. The mission as a value guide**
- c. Working many hours**
- d. Staff with multiple roles**
- e. “Adherence to mission”
- f. Volunteers
- g. Teamwork
- h. “Faith that the school will make it”

- b. “Know who you serve”**
- c. “Know who you are”**
- d. Articulate who you are**
- e. “Strong faith”**
- f. “Common vision”**
- g. Understood vision

8. *Personally Sacrifice*

- a. Personally sacrifice
- b. “Not just a job”

9. “Invest” in “Versatile,” “Lean” Administration

- a. “Lean administrative structure”
- b. “Realistic staffing”
- c. “Select a versatile head”

10. “Use Parents as Volunteers”

3. Donor Assistance

- a. Donor assistance
- b. Special projects
- c. Operations
- d. Community support
- e. Recruiting scholarships
- f. Development committee

4. “Good Enrollment”

- a. “Good enrollment”**
- b. “Reputation”

5. Fundraise

- a. Fundraise**
- b. “Build a reserve”
- c. “Good will”
- d. “Working capital”
- e. Raise funds for the following year

2. Attract and Retain Students

- a. Affordability of tuition**
- b. Financial aid**

- c. Affordability
 - balance between tuition and affordability
- d. "Flexing"
- e. "Mini-conferences"
- 5. Commitment to location
 - Campus acquisition
- 6. Retain faculty
- 7. "Adaptability"
- c. **"Get the word out"**
- d. "Breadth of program"
- e. Student activities
- f. "Manufacture your own students"
- g. "Get foreign students"
- h. "Diversity"
- i. "Invest in student learning"
- j. "Get better"
- 6. ***Attract and Retain Faculty***
 - a. **Compensation**
 - b. Attract and retain faculty

The bolded items reflect a majority.

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