

# NONPROFIT INVESTOR

## INDEPENDENT RESEARCH FOR PHILANTHROPY

### CITIZEN SCHOOLS

Nonprofit Investor Rating:

**HOLD**

#### Mission Statement

Citizen Schools' mission is to change the life trajectories of low-income students by challenging them to be producers, leaders, and stewards of their own futures.

#### Financial Overview

*\$ in MM, Fiscal Year Ended June 30*

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue and Support	\$18.46	\$19.30	\$16.38
Operating Expenses	\$16.48	\$20.72	\$20.51
<b>% of Total:</b>			
Program Expenses	82.92%	83.19%	84.80%
G&A	9.00%	8.61%	8.36%
Fundraising	8.08%	8.20%	6.84%
Revenue % growth (yoy)	(16.46%)	4.56%	(15.11%)
Expenses % growth (yoy)	33.51%	25.77%	-1.03%

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#### SUMMARY

Citizen Schools aims to increase low-income student performance and well-being by partnering with low-income middle schools to expand the child's learning time beyond traditional school hours. Key areas of focus are leadership development and real world "apprenticeships" hosted by "citizen teachers," or volunteers from professional or civic backgrounds.

#### STRENGTHS

Extensive studies provide long-term support for mission and program. "Expanded learning time" and Citizen Schools has been the subject of several formal studies launched by state entities and research organizations, with supporting positive results.

Citizen Schools' program model tends to target volunteers from business or civic backgrounds and has attracted relatively high profile partnerships that provide a source for funding and volunteers.

Administrative expenses have been stable and low. Citizen Schools depends on recruiting and maintaining a large volunteer base, with a relatively small permanent staff.

#### CAUTIONS

After the organization's rapid expansion from one state (Massachusetts) to six states in 2006-07, non-governmental contributions have been inconsistent.

In recent years, total contributions generated were not sufficient to cover yearly expenses from existing operations.

#### RECOMMENDATION: HOLD

Citizen Schools has a solid base of political and corporate partners, in addition to an extensive amount of research in support of the organization's mission. Both contribute to the organization's ability to raise funds. However, Citizen Schools has struggled to generate sufficient funding to cover its program expenses in recent years. At the same time, the organization is attempting significant expansion in the next few years, creating uncertainty around whether it can generate enough contributions to simultaneously achieve its growth initiatives and meet the expenses of its existing operations. We would recommend that large donors seek clarity on this point.

## OVERVIEW OF CITIZEN SCHOOLS

- Citizen Schools' program runs during an "expanded school day," typically tacking on three after school hours. The program includes academic support, college and career planning, and apprenticeships, which are designed by volunteers from professional backgrounds
- The non-profit operates nationally in 37 middle schools across seven states
- Volunteers total 2,000 with an employee headcount of 678

## FINANCIAL OVERVIEW

- Since Citizen School's expansion to seven states, non-government contribution has steadily dropped from \$19.6mm in 2007 to \$10.9mm in 2010. 2009-2010 expenses have notably exceeded contributions
- Fiscal year 2010 government grants totaled to 29% of Citizen Schools' total revenue, versus 10% in 2006. This has been a relatively consistent income source, compared to fundraising and public contributions
- Administrative expense has been a small portion of total expenses for the past 5 years, ranging from 8-10%
- The organization appears to maintain a healthy amount of cash reserves (\$6.3mm or 44% of total assets)

<i>Fiscal Year ended June 30th</i>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Revenue and Support</b>			
Contributions	\$15,539,242	\$13,589,399	\$10,852,797
Government Grants	\$2,420,319	\$4,950,194	\$4,813,111
Program Services	\$446,742	\$465,758	\$424,976
Investments	\$51,568	\$21,973	\$19,759
Other Revenue and Support	\$0	\$272,548	\$272,104
<b>Total Revenue and Support</b>	<b>\$18,457,871</b>	<b>\$19,299,872</b>	<b>\$16,382,747</b>
<b>Expenditures</b>			
Program Expenses	\$13,661,547	\$17,238,221	\$17,392,048
Management and general	\$1,482,307	\$1,784,035	\$1,714,653
Fundraising	\$1,332,058	\$1,699,192	\$1,402,258
<b>Total Expenditures</b>	<b>\$16,475,912</b>	<b>\$20,721,448</b>	<b>\$20,508,959</b>
<b>Changes in net assets</b>	<b>\$1,981,959</b>	<b>(\$1,421,576)</b>	<b>(\$4,126,212)</b>
Net assets	\$18,482,334	\$17,060,758	\$12,934,546
Revenue % growth (yoy)	-16%	5%	-15%
Expenses % growth (yoy)	34%	26%	-1%
Program Expense, % Total Expense	83%	83%	85%
Administrative Expense, % Total Expense	9%	9%	8%
Government Contribution, % Total Revenue	13%	26%	29%

## **RESULTS AND TRANSPARENCY**

Financial data is limited to donors. Citizen Schools does not provide financial information on its website. Audited financial statements are only available for 2008 and 2009.

## **GROWTH**

The organization rapidly expanded from one state (Massachusetts) to six states in 2006-07. Since then, the organization has struggled to maintain the same level of non-governmental contributions, possibly a result of the uncertain financial environment.

Citizen Schools aims to add 20-25 new schools in the next four years, yet contributions generated in the past couple of years were not sufficient to cover yearly expenses from existing operations and its current 37 schools.

As noted in our recommendation, Citizen Schools' growth initiatives may be too aggressive in light of its current operations and calls into question whether it can generate enough contributions to meet its growth targets and the expenses of its existing operations.

## **GET INVOLVED**

- Volunteers who can make a 10 week commitment to design or teach an apprenticeship based on their field of expertise can apply on Citizen Schools' website: <http://www.citizenschools.org/volunteer/why-volunteer>
- Donations: <http://www.citizenschools.org/donate>

## **DISCLOSURES**

Stephanie Ng does not have any affiliation with Citizen Schools and has never made a donation to Citizen Schools.