

Primavera: Public Funds made a Charter Owner Wealthy Despite Failing Academic Results

Executive Summary

Damian Creamer, an entrepreneur, oversees and profits from multiple entities, Primavera online charter school, a.k.a. American Virtual LLC, and operates under the for profit Management Group American Virtual, LLC, StrongMind, the software entity that he contracts with, and Verona Learning Partnership which was built on the nonprofit assets built by Primavera and now has Valor Preparatory Academy charter school under its umbrella. StrongMind even has another LLC in the Philippines.¹

Throughout the years, he has shown great skill at using Arizona's school choice system to massive financial advantage, even though his primary charter entity has received three consecutive academic grades of "D," leading to the charter board to begin the process of revoking its charter.

Building a fortune without providing evidence of academic success illustrates a failure to properly oversee Arizona's school choice system. Accountability systems in place are too weak—while the opportunity to profit is too great.

While school choice advocates like to use market analogies, Primavera represents a market failure, because the accountability needed is insufficient. That we have any of the financial records reported here is possible because some level of academic and financial reporting is required. That is not the case with Empowerment Scholarship Account vouchers.

Key Findings:

- Arizona's online charter school funding formula is too generous compared to the formula used for brick and mortar charter schools.
- Nationally online charter schools generally show poor academic performance. Primavera appears to illustrate this national finding.
- Academic accountability is insufficient for Alternative Charter Schools in the state's current grading system.
- Inadequate guard rails are provided for related-party transactions, enabling an owner

¹ See: <https://smlpinc.com/>

of a charter school to find multiple ways to profit. This may violate the charitable purpose requirements of IRS code 501(c)(3).

Recommendations:

- The State Auditor General should be directed to perform a school audit of Arizona Online Instruction (AOI) as many of the findings in their only evaluation in 2007 were never taken up and 18 years have elapsed with continued questions raised about the integrity and taxpayer accountability of AOI.
- Require that any charter school entering into a no-bid contract with a for-profit entity to provide significant services to make as part of their contractual agreement that the for-profit entity provide a publicly accessible audit that details its finances.

How State Funding Made Damian Creamer a Millionaire

While this report focuses on Damian Creamer as a case study in school choice gone wrong, the findings summarized above relate to Arizona Online Instruction (AOI) and in some cases charter schools generally. The one and only audit of the state’s K-12 virtual programs focused on FY2006 and [was released in October 2007](#), 18 years ago. Given the rapid growth in online instruction and continued questionable allocation of funds and poor academic outcomes, it’s paramount that the system be subject to a thorough audit and policy-makers, unlike the previous time, look at ways to reform the current system. Otherwise, people like Creamer will continue to get wealthy at the expense of Arizona taxpayers and Arizona’s school children.

The paper outlines four steps Creamer has followed to use Arizona’s school choice system to build his fortune with taxpayer dollars despite failing to provide academic results.

Step 1: Generous OnLine Charter Schools Funding With Poor Academic Accountability

In Arizona Online Charter Schools [receive 85% to 95% of the funding](#) of brick and mortar charter schools based on the Full-Time Equivalent (FTE) portion of part-time (85%) and full-time students (95%).

This is exacerbated because unlike brick and mortar schools that can clearly do a headcount, AOI is frequently related to log-in time or other records, but do not necessarily measure time on task. The 2007 audit of online instruction in Arizona found most students did not get the required hours of instruction, [including 70%](#) of the sample of Primavera students included.

This formula is far more generous relative to the accounting for expenses compared to brick and mortar schools. For instance, Florida Virtual School, the central online school for the state and is publicly operated, receives [about 70%](#) of the funding district brick and mortar schools². A [Fordham Institute analysis](#) of the cost of online K-12 education concluded that the costs

² Florida Virtual School’s results are not discussed later because FVS tends to enroll higher-achieving students who are typically supplementing work at a public school.

were at least one-fourth less than brick and mortar schools. Florida Virtual School also only receives payment for students who complete a semester course successfully. By contrast, in the 2007 audit many Arizona online schools, including Primavera, did not require successful completion of an exam to certify successful completion of a course and were paid regardless of successful completion. No audit has been conducted since 2007.

Though Arizona has standards that need to be met in order to become Arizona Online Instruction (AOI) rated, the quality of online education can be especially variant, but is generally inferior to traditional K-12 schools.³

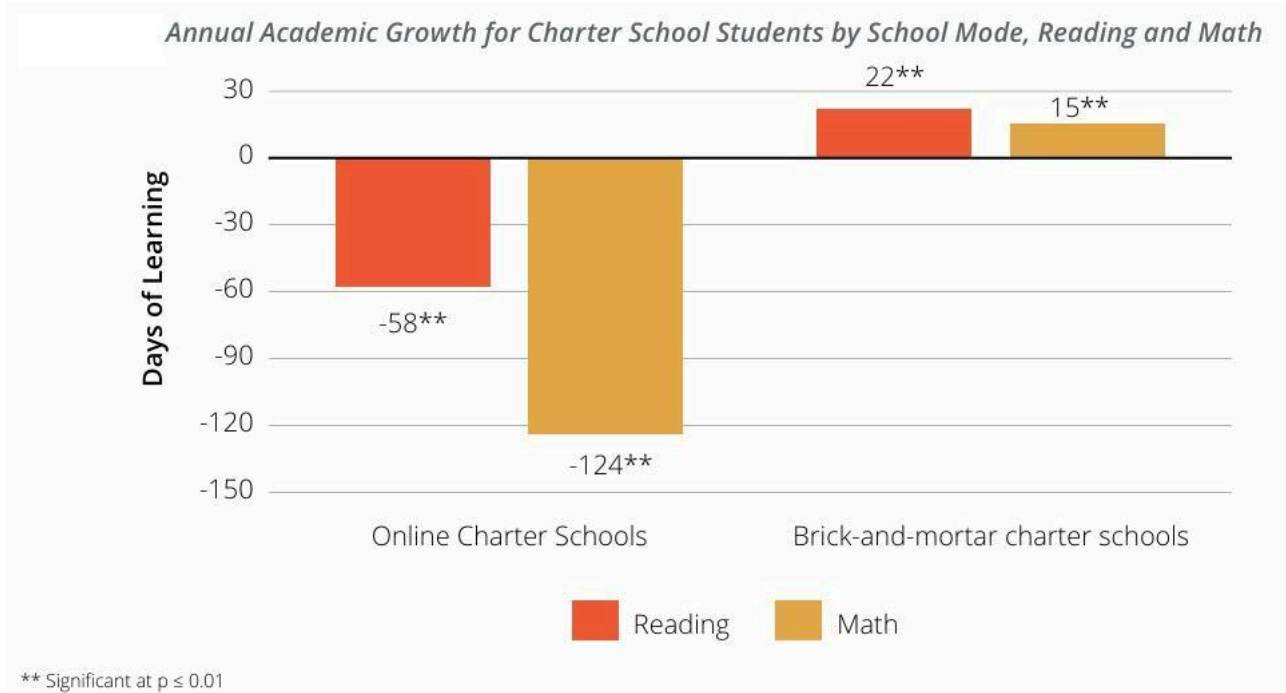
Arizona's school grading system seems to lack the ability to identify these deficiencies consistently. The Goldwater Institute commissioned Matthew Chingos of the Brookings Institute and Martin West of Harvard to evaluate Arizona's charter school performance from 2006-2012.⁴ While they found varying performances across charter schools, they found virtual charter school middle school students performed [significantly worse](#) on the Arizona Instrument for Measuring Standards than equivalent students in traditional public schools. Primavera at the time was not active in the middle school space, so that result did not include Primavera.

A review of student performance in Ohio found online students [performed poorly](#) compared to peers in traditional schools. A [2019 review](#) found across states that half of online charter schools did not even have grades in state grading systems, and those that did only 40% had acceptable grades, considerably less than district online schools.

The Center for Research on Education Outcomes (CREDO) at Stanford University uses a "virtual twin" model to try and match charter students with demographically similar students in traditional public schools to assess student success. While their methodology has been subject to critique for exaggerating [the impact of small differences](#), one large difference conclusion has been found repeatedly, virtual charter schools underperform significantly. As can be seen below, [CREDO found massive differences](#) with virtual charters. With 180 days in a school year, finding that a virtual charter typically has 124 fewer days of achievement than baseline in math and 58 days in reading indicates, as many parents also discovered during the pandemic, that for school-age children, online learning is typically inadequate.

³ See: <https://azsbe.az.gov/schools/arizona-online-instruction-program>.

⁴ Because the study did not find charters generally superior, the Goldwater Institute never publicized the results of this research and even pushed the savings of online education in a subsequent paper despite the critical findings in the research they funded.



Source: Center for Study of Educational Outcomes (CREDO)

The available evidence suggests that Primavera is not an exception to this pattern of dismal results. Consistent with what has generally been found, Primavera has received D grades the last three years, which is why the charter board is moving to revoke its charter. The D grades were also tied to Primavera becoming a traditional school. Grades received by Primavera illustrates, especially for alternative schools, that the state system of accountability appears to be inadequate.

Table 1 State Grades Received by Primavera

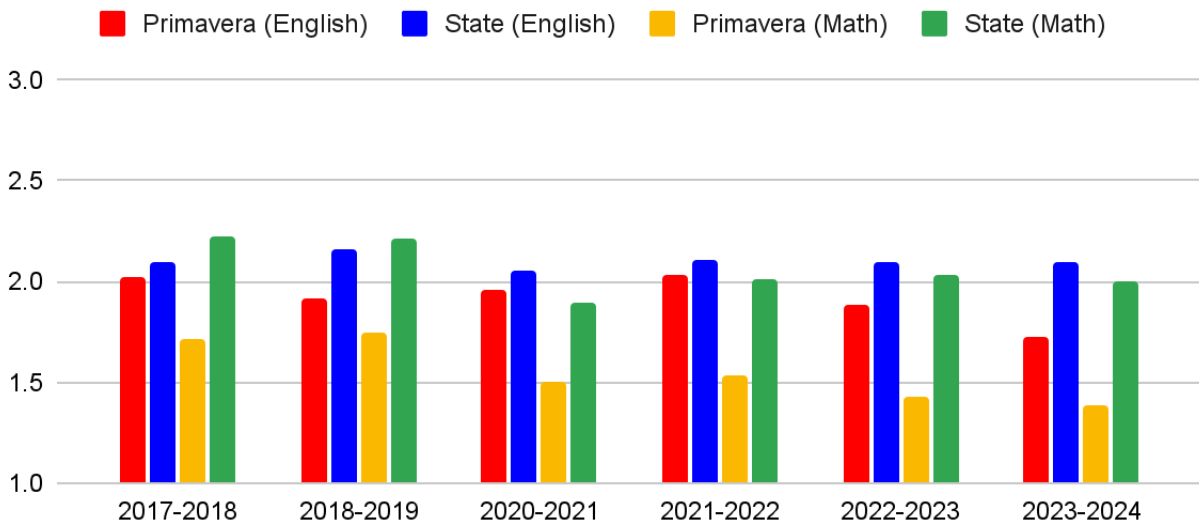
School Year	Classification Type	State Grade
Up to 2010	Traditional	No data record found
2010-2011	Alternative	C
2011-2012		No data
2012-2013	Alternative	C
2013-2014	Traditional	"P" (pending-no update noted)
2014-2017		No Grading Done
2017-2018	Alternative	B
2018-2019	Alternative	B
2019-2021		COVID impacted schools

School Year	Classification Type	State Grade
2021-2022	Traditional	D
2022-2023	Traditional	D
2023-2024	Traditional	D

Exploring the portion of Primavera student achievement on state assessments on state report cards in English and Math in terms of proficiency reveals that Primavera never surpassed the state average. Similar to CREDO’s evaluation of online charters in math, Primavera was especially deficient. This analysis does not control for how Primavera students may have differed from the state average.

Primavera v. State on State Assessments

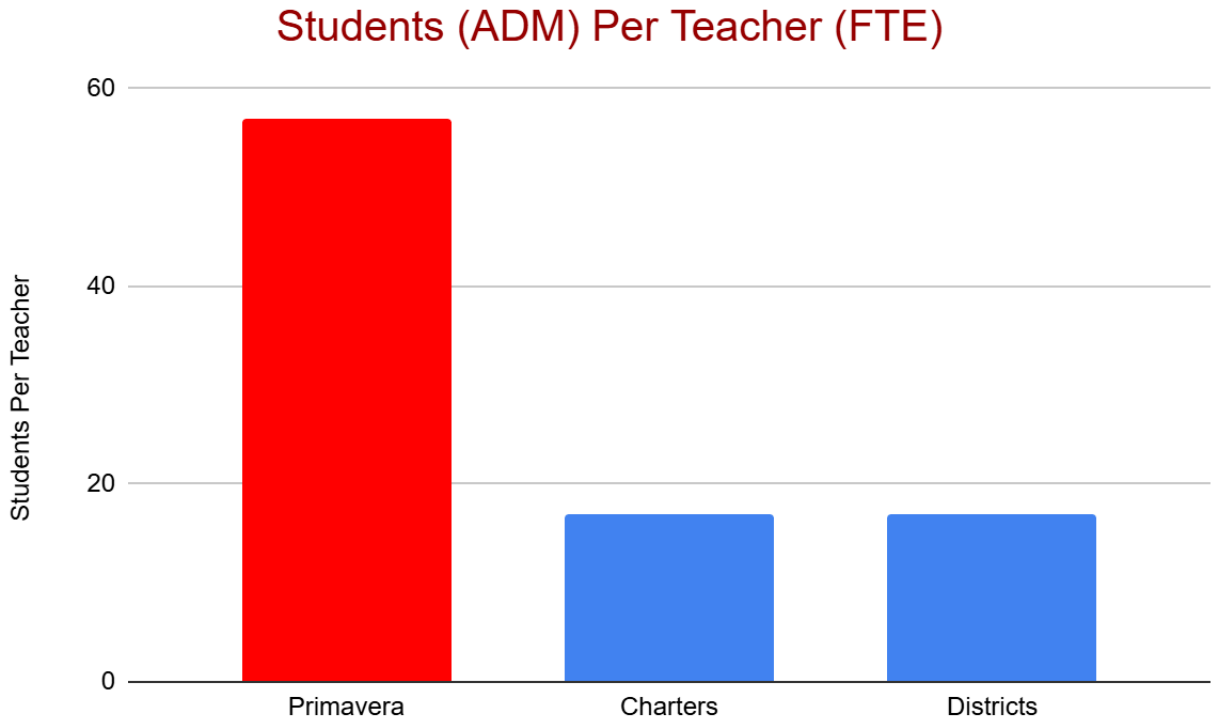
(weighted average of student results)



1=Minimally Proficient, 2=Partially Proficient, 3=Proficient, 4=Highly Proficient

Source: State Report Cards at Arizona Dept. of Education

Finally, consider the average daily membership (which adjusts for part-time students to full-time equivalent, though almost all of Primavera’s students are full-time now) to teacher ratio for Primavera compared to charter schools and district schools in the state for the most recent [Superintendent of Public Instruction Annual Financial Report](#) for FY2023. The report notes that Primavera increased its number of FTE teachers by 40% from the prior year at which time the student to teacher ratio was 69:1, so FY2023 represented a significantly lower ratio, 57:1, but was still more than three times what is found at district and charter schools in the state.



Source: Superintendent of Public Instruction Annual Finance Report FY2023, Vol. 2.

However, Primavera’s financial dashboard at the State Board for Charter Schools looks wonderful. Because state funding goes to Primavera regardless of whether or not students complete courses successfully, Creamer’s business model is not sufficiently tied to academic performance.

Financial Performance - FY2024

Click on any of the triangles below to see more information

Key: ▲ Meets Standard ▶ Approaches Standard ▼ Below Standard

- > Going Concern ▲
- > Default ▲
- > Available Reserve ▲
- > Revenues Exceed Expenses ▲
- > Facility & Debt Costs Covered N/A
- > Stable or Increasing # of Students ▲
- > **GOOD STANDING: MEETS THE BOARD'S FINANCIAL PERFORMANCE EXPECTATIONS**

Primavera was initially established as a nonprofit organization that contracted with Creamer’s “for profit” FlipSwitch (now StrongMind) for software. However, Primavera, the nonprofit, turned out to be too profitable as can be seen below as it accumulated assets.

Table 2 Growing Assets at Primavera Technical Learning Center (nonprofit)

Fiscal Year	Total Revenue	Total Expenditures	Net Asset Growth
2004-2008	Accumulated		\$5,805,217
2009	\$19,974,999	\$14,685,633	\$5,289,366
2010	\$23,602,052	\$17,926,279	\$5,675,773
2011	\$31,087,648	\$22,417,466	\$8,670,182
2012	\$34,525,323	\$24,674,997	\$9,799,200
2013	\$33,563,511	\$31,247,922	\$2,315,589
2014	\$35,856,601	\$28,736,215	\$7,120,386
2015	\$32,808,038	\$32,031,638	\$776,400
	Total Net Assets		\$45,452,113

Source: Audits to Arizona State Board for Charter Schools

By the end of FY2015, Primavera had accumulated \$45.5 million in net assets.⁵ Those net assets are accumulated taxpayer funds that were not expended to educate children, but rather retained. Their FY2015 audit indicates significant investments of these net assets in corporate equities, hedge funds and real estate investment trusts as well as various bonds. While nonprofits like to have cash reserves to cover at least a calendar quarter, Primavera had accumulated net assets that exceeded its budget with no end in sight. Someone seeking to profit from this model would do better with a for profit model instead of a nonprofit, which is exactly what happened in FY2016 as described in Step Three. Because state academic accountability was insufficient, when Primavera failed to expend all its state funding for educating children, there was no consequence.

The move toward break-even in FY2015 was driven by a \$5 million increase in the “Central Services” component of their Annual Financial Report, which previously had been less than \$1 million. The audit does not explain the change, but it likely represents an increase in “related-party” transactions.

Step Two: Related-Party Transactions

In two earlier papers on charter schools, the Grand Institute detailed the use of Related-party transactions.⁶ These transactions, often listed as “Purchased Services” on the Annual Financial Reports to the Arizona Department of Education, also have sanctioned state government exemptions from competitive bidding. They are interwoven into the operations of most charter schools. Twenty states outlaw or limit the use of for-profits to either operate charter schools or to use a nonprofit as a means to funnel taxpayer dollars to a for-profit entity that is frequently related to those who operate the nonprofit.⁷ When dollars move to a for-profit related-party, the finances are no longer transparent as to their use. In Creamer’s case this has involved his charter schools purchasing software from his for-profit entity that was owned by American Virtual Academy. This practice that had been foundational to Primavera as noted in the [state’s 2007 audit](#):

For example, Primavera Online High School paid nearly \$2.5 million, or \$3,535 per pupil, as an ongoing cost for its learning management system and related consulting services. This fee drove its total instructional costs to \$6,277 per pupil, which is 62 percent higher than the state-wide average of \$3,886 ([State Audit, p. 23](#)).

Nonprofit organizations are not permitted to have as a primary purpose providing a substantial benefit to someone who has an interest in it, which is termed “inurement.” Inurement issues occur when “any transaction between an organization and a private individual in which the individual appears to receive a disproportionate share of the benefits of the exchange relative to the charity served presents an in-urement issue. Such transactions may include

⁵ Primavera Technical Learning Center, Audit for Arizona Board for Charter Schools, June 30, 2015.

⁶ [Following the Money: Twenty Years of Charter Finances in Arizona](#), Sept. 2018 and [Red Flags: Overleveraged Debt](#), Jan. 2019.

⁷ Education Commission of the States, Charter School Policies: [Does state law explicitly state that charter school operators or management companies be for-profit or not-for-profit organizations?](#), Jan. 2020.

assignments of income, compensation arrangements, sales or exchanges of property, commissions, rental arrangements, gifts with retained interests, and contracts to provide goods or services to the organization.”⁸ In other words, the actions of Primavera at that time may have violated its federal 501(c)(3) charitable purpose requirement.

[Primavera's FY2015 audit](#) indicated that of its \$32 million in expenses, \$15 million went to American Virtual Academy, Inc., a company that is also owned by Creamer ostensibly for curriculum and software and support. An [Arizona Republic](#) comparison with the expenses Mesa Unified incurred to provide similar services for its online program suggested that there was high likelihood that American Virtual Academy operated with significant profit margins, which could raise inurement issues. Likewise, [the 2007 audit](#) noted that district costs for instruction for online programs was one-third that of charter online programs, with Primavera being the most cost heavy. However, it's likely that many of the other charters may have instead padded costs at the administrative end—as administrative costs for online charters was also more than twice that of district online programs—and the hefty salaries of the charter administrators receiving as much as \$187,000 in FY2006 compared to the maximum principal salary at comparable brick and mortar schools topping out at \$81,000 that year.

Step Three: Transition to a For-Profit

Since Primavera as a nonprofit organization (Primavera Technical Learning Center) was so profitable, its audit stated that “effective July 1, 2025, Primavera Technical learning Center (PTLC), a non-profit organization, transferred its charter holder to The American Virtual Academy Inc dba Primavera Online (the School), a company owned by Flipswitch, Inc which is owned by the School's founder and CEO. The American Virtual Academy, Inc, dba Primavera Online is an Arizona for-profit corporation.”⁹

In other words, a very profitable business was just turned over to its founder and owner. The FY2016 audit showed a net income of \$10.1 million, which was after a \$670,000 distribution was taken by its owner (Creamer), and stockholder equity stood at \$9.5 million. Pretty good work for one year. In FY2017, Creamer cashed in by taking an \$8.8 million stockholder distribution.¹⁰

By FY2018 his software and curriculum entity had been rebranded as StrongMind and Primavera paid StrongMind \$27 million of the \$40 million of its expenses. Creamer also pulled a stockholder distribution of more than \$1 million.¹¹

During COVID, when schools went online, one would think that Primavera would not have an issue. Despite being flush with cash, Creamer still applied for and received [a \\$2.2 million Paycheck Protection Program \(PPP\) loan that did not need to be repaid](#).

⁸ Internal Revenue Service (1990), “Overview of Inurement/Private Benefit Issues In IRC 501(c)(3), [eotopic90.pdf](#)

⁹ See The American Virtual Academy dba Primavera Online FY2016 audit [20120110-costs-online-learning7.pdf](#).

¹⁰ See FY2017 audit [S3-File Detail](#)

¹¹ See FY2018 audit [S3-File Detail](#)

By FY2024, StrongMind represented \$63 million of its \$79 million in expenses.¹²

Generally, 70 to 80 percent of expenses from Primavera get funneled through StrongMind—which as a private for-profit entity does not need to report any of its financial records, despite Arizona taxpayer funding being its primary revenue source.

In addition to the profits pulled via the exclusive contracts with StrongMind, Primavera continued to also spend less than its state allocation to educate children despite the likelihood that it was paying a premium to StrongMind. Collectively from FY2016-FY2024 Primavera as a for-profit entity earned \$33.4 million in profits with Creamer pulling \$24.3 million in stockholder distributions out of it.¹³

Step 4: The Nonprofit Funds Future Exploration & Creamer

IRS rules do not allow transferring the assets of a nonprofit charitable entity into the for profit, so even though it no longer controlled Primavera charter school, Primavera Technical Learning Center and its \$45 million in net assets did not disappear. It has been rebranded as Verano Learning Partners, which seems to have two purposes. To satisfy its charitable 501(c)(3) status, it has paid people handsomely to explore new school opportunities and it now sponsors three other charter and private schools. All work through software and licensing agreements with StrongMind.

Nonprofits must file IRS 990 forms to verify the use of their funds. [PCLC's IRS 990](#) for calendar year 2016 showed that revenue was largely from the \$45 million in net assets.

For its purpose, it noted, “the organization conducted various studies and due diligence activities to establish the springboard from which to launch its vision for nationwide schools, including exploring and executing the application process for state charter schools in various states.”

An Executive Director (not Creamer) was paid \$168,000 to oversee this work.

By [calendar year 2019](#) they were opening Valor Preparatory Academy based in Goodyear as well as Bridge Schools also in Goodyear, and were laying the foundation to also open a Valor school in Ohio. Creamer is listed as “President” earning \$76,000 for what is reported as 10 hours of work per week.

In [Calendar Year 2020](#), Verano is still doing research but also reports having opened four schools, though only three are listed: Valor Academy of Ohio (based in Goodyear), Valor Preparatory Academy (based in Goodyear) and Bridge Schools (based in Goodyear). Creamer has upped his salary for 10 hours per week to \$100,500 and four others who are reported as full-time earn salaries of between \$136,000 and \$233,000.

¹² See FY2024 audit [S3-File Detail](#)

¹³ From all the audits from FY2016 to FY2024 available at the State Board for Charter Schools website.

In the most recent calendar year available, [2022](#), Creamer has cut his salary to just a shade under \$100,000 for his 10 hour work weeks. [Valor Preparatory Academy](#) is based in Goodyear (though the 990 lists Chandler) and offers a hybrid instruction model to [about 220 students](#) according to the state report card website. The Ohio entity, [Valor Academy](#), is listed at [US News and World Report](#) as having 82 students and 2 teachers with no indication of much academic success. The [school's 2023 audit](#) indicates 89 students and that the school operates at a loss and essentially all operations are funneled through PTLC Prep Academy which is part of Verano Learning Partners.

The [Bridge School](#) is a virtual private school that appears to have [about 80 students enrolled](#).

Overall, the projects of Verano Learning Partners have to date had limited success. As of the end of calendar year 2022 its net assets were \$41 million. Creamer is a multi-millionaire. All built on the backs of Arizona taxpayers.

Conclusion

Damian Creamer's fortune is a cautionary tale of what happens when the state does not assure that private-party funding is being used to maximize student achievement. Two tells are when the expenditures are significantly less than state-provided funding and the second is when related-party transactions are used to inflate costs and create an additional profit-making opportunity for those who control the charter school. Creamer took advantage of both of these. Because the state's academic performance measures do not appear to be adequate, this practice has gone on for two decades before the state took measures to revoke Creamer's charter—but that was after Creamer had accumulated \$75 million in profits that were publicly reported and perhaps double that through his associated software business, which is not required to provide a public audit of its finances, even though taxpayer dollars are its primary source of income.

The second part of the cautionary tale is the ESA program which is growing exponentially. This program consists of many home-schoolers that are relying on online materials provided by vendors from within and out of the state. There are no testing requirements on these organizations and nothing stopping them from the type of profiteering that is identified in this and other reports. The bottom line is that the state needs to ensure that every student we are subsidizing is getting a quality education. We have granted great freedom in our publicly funded education models. With great freedom comes great responsibility for academic results.

About

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