BUSINESS PLAN

II. Sustainability

A. Organization's Fiscal Viability

1. Budget

A budget for the next three (3) years of operation is attached. As a charter holder that is required to complete the Academic Section and submit a Performance Management Plan and both the Budget Plan for Performance Management Plan Template and Month-by-Month Project Template are submitted for review.

Assumptions and clarifying notes have been included on the last page of the Budget Plan.

2. Structures and Systems

ACYR has had a fiscal audit performed annually since July, 1991. In that time, the auditors have expressed the following: "in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ACYR as of June 30 [each year], and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles." This unqualified opinion reflects the quality of the organization fiscally. The audits for the past two years have classified the organization as a low risk auditee. There have been no material weaknesses identified in internal control over financial reporting, no significant deficiencies identified not considered to be material weaknesses and no noncompliance material to the financial statements noted, in the auditor's report. The same applies to federal awards. Annually the audit performed is in accordance and conformity with the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement.* There are no outstanding issues or corrective action plans needing to be addressed.

As of June 30, 2009, ACYR had assets amounting to $2,235,249; liabilities of $1,586,655 and a net worth of $648,594. Of the total assets, $1,621,882 was represented in property, plant and equipment, net of depreciation. Fixed assets are recorded at cost. The value of the land and buildings has risen significantly despite the degradation of the real estate market in the Phoenix area. Mortgages on the three buildings owned by the corporation amounted to $900,586 with $313,500 being in the form of a declining loan promissory note with a grant through U.S. Housing and Urban Development (HUD) and the City of Phoenix. There is no principal due on this grant and the balance declines at a rate of 5% per year. One building is dedicated to the school and the mortgage on that building is $112,201, with a declining balance due on the HUD grant of $72,000.

For the fiscal year ended June 30, 2009 the agency's revenues amounted to $3,672,181 reflecting an increase of $336,682 over the prior year. The education component amounted to 34.1% of revenues for the 2009 fiscal year and 33.1% for the prior year. The education component of ACYR has always been viewed as a vital service to the community and a complement to the workforce development activities that are provided. We have not hesitated

to fund the school with general fund dollars when available. The self contained building is fully furnished, meeting environmental and health regulations of the State of Arizona and has a conducive learning atmosphere. The latest technology is available to the student body.

Fiscally, the organization has developed systems that ensure accountability, internal control safeguards, and a high degree of integrity both internally and externally. Daily, the Business Manager and Controller meet specifically to discuss such items as concerns, cash flows, budget variances, and future projections. The automated accounting system is contemporaneously updated so that real-time issues can be reviewed and analyzed. Monthly, both the Business Manager and Controller meet with the Executive Director to discuss in detail cash flow, budget variances, and routine fiscal management issues. Physically clustered near to each other, there is added informality to the formal process whereby priority or emergency issues can be dealt with immediately. Staff is capable of communicating in a variety of ways either physically or via remote access. The Executive Director meets via telephone conference at least weekly with the Board President discussing among other things, fiscal matters.

The organization has developed an accounting manual detailing all aspects of its fiscal and administrative policy and procedures (attached). The manual is revised as needed and fully reviewed annually. The use of an outside payroll service is employed. Bi-weekly payroll checks, payroll tax reporting and depositing as well as the preparation of W-2 forms is done by ADP, a leader in payroll preparation. Detail of payroll registers, labor allocations and the integration into the general ledger is all performed by ADP. A chart of accounts is maintained by the organization and revised as needed. The accounting system allows for departmental and functional expense reporting. Standard balance sheets, statements of activities and statements of cash flows are generated from this system and reviewed by management.

Annually, the Business Manager and Controller collaborate on the agency budget. This document delineates, by grant, funding source and line item, each category of expense. Staff is allocated to grants and cost centers, and each item of expense is charged. Staff input is gotten and teachers develop projected expenditures for supplies, trips and materials. Projections are made as to revenues and once a comfort level is reached, the budget is discussed with the Executive Director. The budget is revised and discussed with the Executive Committee and presented to the Board of Directors for approval. As facts are known, the budget is revised upward or downward reflecting actual events. The Board of Directors has empowered staff to revise the budget based upon revisions known. The Board is informed of the revisions, but appropriate staff has the ability to revise the budget as needed.

Purchase requests are processed and approved as long as there is availability of funding in the particular line items. All invoices, purchase requests, purchase orders and receiving documents are submitted to accounting where they are verified for mathematical accuracy and appropriateness. Once approved by the Controller, they are given to the Business Manager for processing. Strict controls are in place relative to the approval, writing and signing of checks. To achieve economy of scale, purchases are made across granting sources, in accordance with federal and state requirements. Allocations are made of these

expenditures. In addition to an independent audit, various funding sources conduct in-depth monitoring of expenses and allocations, ensuring the accuracy of accounting records. Two funding sources have combined their monitoring efforts and actually monitor 100% of revenues and expenses for those program for a given period.

Fiscal decisions are approved by the Board of Directors on an overall level. The Executive Director is given the authority for the day-to-day decisions in conformity with the approved budget. Any items over the limit of the Executive Director are given to the Executive Committee for approval. The agency's intent is to set limits, controls, and accountability and at the same time to have the flexibility to operate efficiently. Prior to financial decisions, the budget is verified as to the availability of funds, the appropriateness of the expense and the cost of the expense item. Large purchases are either gotten from State approved vendors or let out to bid. These items are analyzed and decisions made. Budgetary integrity is achieved monthly when fiscal reports are prepared, analyzed and discussed among staff and bi-monthly at board meetings where the financial statements including actual, budget and budget variance reporting is presented. Fiscal narratives accompany the reports and the Board of Directors is informed of any significant items. In place is the procedure of calling an Executive Board meeting in unusual circumstances.

Our organization received less than one half of one percent from contributions according to the audit report dated June 30, 2009. We are not dependent on philanthropic support; however, donations to the school are used for those items that take a burden away from the educational aspects. They include repairs, and certain maintenance items. It should be noted that a new foam roof was recently installed. The use of energy efficient programmable thermostats and lighting fixtures with florescent bulbs are being used in the building to control energy costs. General fund dollars have paid for most of these cost saving measures. If these dollars should decrease or cease the effects on the organization would be minimal.

Statements of Financial Position, Activities, and Cash Flows as of June 30, 2008 and 2009 are attached for review.

B. Strength and Stability of the Governing Body

1. Current Members

The Charter School Board Committee (CSBC), the school governing body, currently consists of four (4) members. Members represent the educational, public, and private sectors. Collectively, current members have been associated with the organization for a combined 97 years and with the Center of Excellence for a combined 49 years, providing a strong case for the stability that comes with a long-term commitment. CSBC members serve terms of three years, although members can be re-elected for multiple terms. Terms are staggered in order to encourage continuity should there be a need for replacement.

Gene Weinstein has been a member of the CSBC since the charter was awarded in 1995, and a member of the corporate board since 1979. He assisted with the original charter school application and implementation. Mr. Weinstein serves on the Phoenix Police Citizen Review and Use of Force Commission and is a past member of the Phoenix Arts Commission,

serving as chair of the Education Committee. He is the General Managing Partner of VBS Construction and operates M & G Business Services, an accounting and tax preparation firm. He holds an MBA and taught accounting for eleven years at Western International University.

Bernice Lever has been a member of the CSBC since 2003 and served as a member of the corporate board from 2003 - 2009. Ms. Lever was the Executive Director of ACYR from 1980 – 2002 and was instrumental in obtaining the initial charter in 1995 and overseeing start-up and implementation. She has extensive knowledge of charter school regulations, budget requirements, and reporting requirements. During Ms. Lever's tenure as Executive Director, she was directly responsible for increasing annual agency revenues from $42,000 to $2.1 million and developing the organization's reputation for quality and accountability. Prior to her employment with ACYR, Ms. Lever owned and operated a small business in New York City.

Gloria Junkersfeld recently retired as Principal of the Center of Excellence, serving in that capacity since the original charter was awarded in 1995. She has extensive knowledge and hands-on experience in charter school operations and reporting requirements. Ms. Junkersfeld has over thirthy-five years experience as a teacher and school administrator. She holds a Bachelor's degree in Education from St. Thomas Aquinas College, Sparkhill, NY, a Master's in Education from City University of New York, and continues to hold certification as a school administrator.

J. Penny Larson has been a member of both the CSBC and corporate board since 2006 and currently serves as president of the BoD. In 1998 Ms. Larson founded Pacific Financial Association, Inc. and continues to serve as CEO. She has demonstrated extensive expertise in financial matters, having previously been directly responsible for the sale of over $3 billion in commercial paper and other government assets while serving as Director of National Auction Programs for the Resolution Trust Corp. She has worked as a consultant on a number of International Monetary Fund and World Bank projects internationally.

Pam Smith, the Executive Director, serves as staff assigned to the CSBC. Ms. Smith has a degree in Education and has worked directly with young people, youth professionals, and community groups since 1972. She held positions as a case manager, program coordinator and the assistant director at ACYR from 1979 – 1997. In 1997 she accepted a position as the Deputy Director of Operations and Senior Research Associate at the Center for Youth and Communities, Heller Graduate School, Brandeis University, where her primary focus was on developing system and community strategies that result in highly effective and accountable education and workforce development programs for vulnerable young people. She returned to ACYR as Executive Director in 2002.

The corporate Board of Directors provides support as needed in areas of expertise not represented by members of the school governing body (e.g., legal, human resources, nonprofit management, etc.). The Center of Excellence is also a member of the Arizona Charter Schools Association which makes available additional resources and offers seminars, workshops, and consultation to members of the charter school community.

2. Recruitment, Selection, and Development

For the first years of of the charter school's operation, the corporate board served as the school governing body. With increased accountability, reporting, and legislative requirements placed on schools and LEAs, as well as a necessary shift in focus of the corporate board to that of a financial stability and policy role, the Board of Directors determined that a separate, relatively independent school governing body would best serve both the school and the organization. A permanent "Charter School Board Committee" was designated and codified by an amendment to the corporate bylaws in 2008 (see attached, page 5 – Article V Committees, Section 2: Charter School Board). Members of the original CSBC were recruited from the corporate board to ensure a direct connection and communication link between both governing boards, particularly during the initial phase of the new structure. Names were placed in nomination before the corporate board and CSBC members were elected by that body. Future additions and replacements will follow the same process, although recruitment will be expanded to include individuals who are not members of the corporate board. As with recruitment for the corporate board (described in the next section), current membership of the CSBC will be reviewed against a matrix designed as a guide to ensure the membership represents a cross-section of the education and business communities that can contribute a variety of knowledge, expertise, and experience to the governance of the charter school.

Training for CSBC members occurs upon election and annually thereafter. Training includes:

- The school's mission in relationship to the agency's vision, mission, and core values
- Responsibilities and expectations
- An overview of the charter school, including history, student characteristics, past performance, and current status
- The current budget and most recent Annual Financial Report (AFR)
- Information about Open Meeting Law requirements
- A discussion about the school's improvement plan, process and status

CSBC members are invited to the annual corporate board retreat and encouraged to participate fully in the review and planning process.

3. Governance Structure and Organization of the School

The CSBC's governance role carries with it four main functions, which are performed in compliance with Open Meeting Laws:

- To provide guidance through policy development in the areas of instruction, personnel, general administration, fiscal and business management, physical plant, community relations, and reviewing regulations for compliance with policy.
- To provide for a program of quality instruction by adopting curriculum standards as academic goals for students, assessing school and personnel needs to ensure student achievement of the standards, supporting professional development training for staff, and requiring reports on the results of student achievement.

- To provide for the effective management of the school by employing and assisting in evaluating the chief school administrator (Executive Director), providing guidance in the formation and approval of the school budget and Annual Financial Report, adopting the school calendar, establishing wage scales and teacher evaluation processes and procedures, establishing policies for monitoring of school finances and monitoring same, curriculum, student achievement, buildings and grounds, personnel, and requiring reports on the results of policy implementation.
- To serve as the final authority with regard to due process.

The Executive Director and School Principal work as a team to provide administrative leadership and management of the school in accordance with policies adopted by the CSBC, as well as ensure timely and accurate reporting to the CSBC, corporate Board of Directors, Arizona Department of Education, and the State Board for Charter Schools. The Executive Director and Principal make recommendations to the CSBC and implement all decisions made by that body concerning the internal operation of the school. They have the authority to hire, evaluate, and help improve the skills of teachers and other staff, and make administrative, resource allocation, and business decisions affecting the overall operational management of the school. With input from teachers, they plan a coordinated educational program and coordinate and supervise student learning and other activities.

The Principal assumes day-to-day operational authority and implements the educational program in accordance with board policy and administrative guidance. The Principal is assisted by the Lead Teacher, Social Worker, and Community Resource Coordinator who comprise the school leadership team. The team makes site-based decisions with regard to resource allocation, scheduling, instructional methodology, and strategies to motivate students, maintain discipline, and increase parent and community involvement, involving teachers and support staff whenever possible and appropriate.

4. Role in Monitoring Academic Performance

Academic performance and operational improvement are standard agenda items at each CSBC meeting. The Executive Director and Principal report statistical progress and operational implementation of improvement plans. Subsequent discussions often lead to quality revisions to the action plan and establishing interim benchmarks toward goal attainment. We are fortunate the CSBC is an active and participatory body. Members have been involved in developing and monitoring the School Improvement Plan, the Consolidated Plan and the NCA Improvement Plan.

C. Strength and Stability of the Charter Holder

1. Current Officers, Directors, Managers, or Partners

The corporate board (Board of Directors, or BoD) currently has ten (10) members. A detailed listing that includes areas of expertise and experience, sector represented, initial dates of service, length of service, and term expiration dates is included as an attachment.

Current members come from the private, public, educational, faith-based, and nonprofit sectors. They are representative of large and small business, higher education, the legal and

financial communities, human resources, health care, youth development and nonprofit leadership. There is a conscious effort to have as members former program participants or students.

Members serve terms of three years, but may be re-elected to multiple terms if they continue to be interested and engaged. Terms are staggered in order to encourage continuity should there be a need for replacement. Longevity is encouraged to maintain the institutional memory of the organization, but is carefully balanced with regular recruitment of new members to take advantage of the value of fresh ideas and perspectives. The current average length of service is 5.8 years.

The corporate bylaws designate four officers: President, Vice President, Secretary, and Treasurer. As allowed in the bylaws an additional office – Vice President for Resource Development – has recently been added to focus on the need to increase resources for the organization. The individual who holds this office concentrates on strategies to expand all resources necessary for the continued viability of the organization, including board recruitment, nonrestricted funds, community partnerships, and corporate support. A copy of the corporate bylaws (*ACYR Bylaws*) is attached to provide more detailed information relative to length of terms, officers, etc.).

The Executive Director, Pam Smith, serves as a non-voting member of the corporate board.

2. Recruitment, Selection, and Development

There is an annual needs assessment for the recruitment of new members. The President of the Board appoints a recruitment committee, chaired by the Vice President for Resource Development. The committee reviews current membership against a matrix (see attached *Recruitment Matrix*), designed as a guide to ensure the membership represents a cross-section of the community and brings to the organization a variety of knowledge, expertise, and experience. Based on identified gaps, board members will contact individuals and/or corporate entities with whom they have professional relationships and whom they believe have an interest and commitment to the mission of ACYR. Additionally, ACYR maintains relationships with the Community Relations departments at several local corporations and has standing requests with these departments for individuals who may be interested in serving on the BoD. Should an unsolicited inquiry for membership occur, the board is open to these opportunities.

Prior to recommendation for election to the BoD, a member of the Executive Committee and the Executive Director will have several informal conversations with the potential members to ascertain their understanding of the organization's mission, their potential level of commitment, and the unique contribution they might make to the agency's growth and development. If there appears to be a clear match between the candidate and the organization's needs, the board President will extend a formal invitation, based on BoD approval. The candidate's name will be presented at the next BoD meeting as a formal action item.

Once elected, the President and Executive Director schedule a meeting with the new member to provide an orientation. The orientation includes:

- The organization's vision, mission, and core values
- Board member responsibilities and expectations
- An organizational overview and program summary
- The current budget and most recent audit and financial reports
- Information about Open Meeting Law requirements
- A discussion about the organization's strategic plan and its status
- A tour of the ACYR campus if one has not already been completed

An annual board retreat is held to renew commitment, review the strategic planning process; clarify information related to budgets, financial position, and programs; and set goals for the year. Open Meeting Laws are reviewed at each retreat. The organization subscribes to *The Nonprofit Board Report*, a resource for nonprofit boards published monthly. The publication covers topics such as fundraising, strategic planning, financial growth, etc., and is distributed to members for review.

3. Roles and Responsibilities

Board Members are responsible for the effective governance of the organization including its vigorous pursuit of its mission and objectives and the adherence to its core values. The BoD has five main functions:

Policy Administration: Assumes ultimate responsibility for internal policies which govern the organization, maintains the legal existence of the organization and ensures that it meets legal requirements for the conduct of the organization's business and affairs. Responsible for adopting and updating bylaws and ensures that the organization operates within them. Adopts policies which determine the purposes, governing principles, functions, activities and courses of action.

Evaluation: Monitors and reviews the organization's activities, operations and standards of performance, to include reviewing reports of appropriate committees; approving or rejecting proposals and recommendations; counseling and providing sound judgment on plans of committees or of the Executive Director.

Personnel: Employs, supports, and evaluates the Executive Director. Approves and updates policies which govern the administration of personnel. Participates in the recruitment and development of board members.

Finance: Approves and monitors the annual budget. Creates a financial climate for fulfilling the organization's purpose. Ensures that sufficient funds are available for the organization to meet its objectives. Authorizes and approves the annual audit.

Fundraising: Assists in planning and executing fundraising activities appropriate for the organization. Identifies sources of funds, solicits in-kind goods and services as well as providing financial support for the organization.

4. Role in Monitoring Academic Performance

A report from the Charter School Board Committee is a standard agenda item at all board meetings. The individual who represents the corporate board on the CSBC provides a detailed overview of items that were discussed at the last CSBC meeting (usually scheduled one week prior to the corporate board meeting). The BoD is fully informed as to goals, statistical progress, improvement efforts, and other issues affecting the school.

III. Succession Plan

A. Charter Holder

The corporate bylaws designate four officers of the BoD: President, Vice President, Secretary, and Treasurer. Additionally, and as authorized by the bylaws, ACYR's BoD has included a Vice President for Resource Development as a board principal. Officers are elected annually in October per bylaws requirements. A nominating committee is appointed to develop a slate of nominees. Additional names may be placed in nomination at the annual meeting when officers are elected. Should the President's office become vacant, the Vice President will assume the role of the President until a special election can occur. The line of succession then becomes, in order, Vice President for Resource Development, Secretary, and Treasurer. Vacancies in other offices may be filled through a special election or may remain vacant until the next scheduled election, based on action by the BoD. There is no provision in the bylaws for automatic succession of the Vice President to the office of President; rather, the out-going president remains as either an active or ex-officio member of the board and mentors the incoming President. In the event of a mid-term resignation or other circumstance, the prior past-President provides guidance and mentoring. Ease of succession is also accomplished through the weekly telephone meetings with the Executive Director, where the immediate past-President conferences in to join the Executive Director and current President to discuss current status, progress, issues and/or concerns, and to provide continued support during the transition.

The organization has developed and is implementing a succession plan for the Executive Director, a key individual in the overall operation of the agency in general and the charter school specifically. Planning began in 2006 upon the retirement of the organization's two Division Directors (Workforce Development and Education). At that time, the agency underwent an internal re-alignment that flattened the organizational structure by eliminating the Division Director positions and placing a greater degree of leadership and decision-making responsibility at the Program Manager level. The administrative support unit was also expanded. The wider distribution of responsibility was intended to create opportunities for leadership experiences, allowing potential organizational leaders to emerge, more efficiencies in both program and agency operations, and more effective cross-program communication at the operational level. The realignment included establishing a structured meeting schedule that resulted in regular meetings between individual Program Managers and the Executive Director that included structured mentoring and guidance. The individual meetings are coupled with monthly meetings of all Program Managers to ensure the development of an established organizational culture, and a common vision, philosophy, and mission focus. The strategic plan includes a second re-alignment no later than 2012 to create the position of Assistant Director, providing additional opportunity for the next level of mentoring, leadership development and preparation. Although

ACYR maintains a policy of internal promotion when appropriate, the option exists for seeking a candidate from outside the agency, particularly in the event of an unexpected need to replace the Executive Director. ACYR maintains relationships with the membership of the National Youth Employment Coalition, the Arizona Association of Charter Schools, and the Organization of Non-Profit Executives, which should assist in recruitment if necessary.

B. Instructional Leadership Team

For the purpose of instruction and curriculum, the Principal is assisted by a lead teacher, who provides additional support and guidance on instructional strategies, lesson plan development, and classroom management. The lead teacher is encouraged to pursue administrative certification and is released from teaching assignments on a reasonable basis to do so. The Principal works with each teacher at the beginning of the school year to develop a professional development plan for the year and then allocates resources from Titles I and IIA to support the plan. Teachers are released from teaching responsibility to attend training opportunities outlined in their plans.

Teachers are eligible for performance incentives, based on achieving annual goals. The school establishes three schoolwide goals that support AYP performance goals. Each teacher sets two additional individual goals, which must also tie in to student achievement and/or school performance. Incentives are distributed at the end of each year.

The governing body has establish specific requirements and procedures for hiring qualified personnel that includes qualifications, recruitment strategies, and the interview/hiring process. A copy of the current procedure is attached for review

IV. Facilities Plan

The Arizona Call-A-Teen Center of Excellence charter school is located in a dedicated building at 641 N. 6th Avenue, Phoenix. It was newly constructed in 1994 for the sole purpose of housing the charter school. Furniture and fixtures such as air conditioning/heating units, plumbing, carpeting, etc., are replaced/repaired as needed. There is an established schedule for replacing AC/heating units as well as necessary technology. A separate computer lab is located in an adjacent building (648 N. 5th Avenue) owned by the organization and designated for use by individual classes as well as for tutoring and skills building. There are no plans to renovate or expand.