DETAILED BUSINESS PLAN - SUSTAINABILITY

REVENUES

Revenues are generated by student attendance during the school year as calculated on the 40th and 100th days of operations. The formulas for these are as follows:

- Average Daily Attendance (ADA) = Number of students in attendance per day, totaled then divided by 40th and/or 100th day.
- Average Daily Membership (ADM) = Number of students in attendance per day, minus number of absences per day, totaled then divided by 40th and/or 100th day.
- Special Education Allowance of approximately $20,000
- Entitlement Grants of approximately $48,500 for fiscal year 2009-2010.
- Classroom Site Fund of approximately $60,150 for fiscal year 2009-2010.
- Indian Gaming of approximately $6,000/year.

For the purposes of this renewal and associated budgets, the following per pupil funding figures are used, based upon per pupil funding received to date this year and on expectations based on projected per pupil funding decreases due to the state budget cuts.

ASSUMPTIONS

YEAR	AVERAGE PER PUPIL FUNDING
2009-2010	$6700
2010-2011	$6500
2011-2012	$6500

SUSTAINABILITY

The organization's fiscal viability is based in part on the school's longevity and in part on the school's relationship with its management company, ReSolutions Education Services Provider. Looking at the school's budget overview, it is not expected that much will change as far as the bottom line. However, there are individual line items that will increase or decrease over the next few years. It is anticipated that the school will see a decrease in state aide due to budget cuts. For the budget purposes of this renewal application the figures used to calculate revenues will be based on a 'worst case scenario where the May 18th 1 cent tax increases is not voted in. In that 'worst case' scenario all budgets will be done based on a $200/per student decrease in M&O funding.

The school will offset that decrease in revenue by increasing the student count by five students in 2010-11 and five students in 2011-12. In addition to budgeting an additional 5 students in each fiscal year, the school will continue its practice of saving any extra monies to cover any future year shortfalls.

The Intelli-School facility, 1107 East Bell Road, is designed to hold approximately 180 students (60 students in each of three four-hour sessions). Even at the final projection of increased student count of 160 students, the school is still well below its maximum capacity. By the end of the third year projections, the school still budgets still show a profit.

In all three years, the school's "other" income category includes money received from related entities (the dba Intelli-School's, PAS Charter, Inc. and SC Jensen, Inc.). These "other expenses" are typically capital leases, negotiated by and held in the name of Intelli-School, but transacted for the benefit of the 'dba' schools. On receipt of bills for said capital leases, the other schools pay 'their' portion back to Intelli-School in an audit approved "due to/due from" bookkeeping transaction. This category may also include income from the revenue object "activities", which is monies that the school collects from students (i.e. selling snacks) to use to reward them for good behavior with miscellaneous prizes, pizza parties, etc.

The "other" expense category typically includes items such as bank service fees, payroll service fees, miscellaneous dues/fees and the cost of the items purchased to reward students.

In the three year budget we anticipate additional capital leases to come due. That is why there is a decrease from 2009-10 to 2010-11. Management does not foresee any travel expenses for staff members as the professional development opportunities will be in the form of tuition reimbursement or workshops available in the Phoenix Metropolitan area.

In order to support the increase in student count in 2010-11 and 2011-12, the school increased its advertising and marketing budget. In line with that increase in student count, the school has started to offer bus passes to help students get to class each day.

Intelli-School's payroll will continue to increase 3% based on cost of living increases. Since 20% of the classroom site fund is allocated to performance pay, that number will fluctuate based on performance. Additionally, the related benefits and taxes will also increase.

If the student count does not increase or revenues decrease more than the anticipated ($200/student), Intelli-School will look at decreasing other expenses such as professional services. Other cut backs could include the charter holder's salary and/or teachers' hours. This would affect not only payroll but the corresponding benefits and taxes. The school is confident that the student count will increase and provide sustainability with the advertising program we intend to put in place.

AUDIT FINDINGS

In discussion regarding the school's prior year's audits, this past year, the school had a finding regarding its classroom site fund due to the fact there was not enough money on

June 30th to cover receivables. The reason this situation occurred was because the school received an original overpayment occurring at a time when Intelli-School was closing existing sites and reopening them under their own charters, PAS Charter, Inc. in 2002 and RSD Charter, Inc. in 2003. At that time we notified School Finance those students were no longer a part of Intelli-School's membership, however, the funds continued to be paid to the school. When the issue was first noted the school's auditors urged caution in expensing the money because it was unknown whether the school would be asked to repay the funds, which has not happened to date. However, the school has appropriately expensed the monies in the areas of drop-out prevention and AIMS intervention. The only excess funds remaining are in the area of Performance Pay which funds are expensed out based on employee performance evaluations done at the end of each school year.

The second finding in the last audit relates to the Governing Body expertise. This finding is related to changed audit standards, which now require non-profits to have a board member with the expertise to read full-disclosure financial statements. The school does not have that skill set among its board members. In discussion with the school's auditors it was decided that benefits of not complying with this standard out weigh the risks, and management is willing to accept the risk. The school continues to work toward correcting the findings and consistently attempts to put in place internal controls that tighten processes and develop procedures each time the auditor, or management perceives a weakness.

FISCAL VIABILITY

Intelli-School, Inc. operated for the first three years using the Uniform System of Financial Records for Charter Schools (USFR-CS). In 1998 the school's charter was amended to exempt the school from USFR-CS and to allow the school to operate using Generally Accepted Accounting Procedures (GAAP).

In order to make good financial decisions Intelli-School does the required annual budget. However, management also does monthly budgets that are reviewed at the beginning of each month and then reconciled at the end of each month. The bookkeeper compiles all revenues and expenses at the beginning of the month and provides that information to the Business Manager. The Business Manager uses the information to compile a monthly budget to review with the charter holder. After careful review, the bills are paid by the bookkeeper according to their due date. If an item occurs that was not budgeted at the beginning of the month, careful considerations are made to ensure the extra costs are affordable and will not impact the school's ability to meet the next month's expenses.

The following month each bank account is reconciled by the Business Manager and then reviewed and signed off by the charter holder. Each quarter, a financial statement is made available to the board for review. The charter holder, together with the Business Manager, makes the final fiscal decisions. Significant financial decisions require the Business Manager to forecast the impact so that all possibilities are explored

before committing to one choice. The yearly budget is reviewed at the beginning of each fiscal year and then reviewed again on a quarterly basis for revisions as necessary.

Because of the relationship with its management company, Resolutions, school-level personnel do not have access to school monies nor do they have any fiscal authority.

However, the Site Administrator does handle a separate account, which is the "Snack Account" where students pay for a variety of snacks and drinks during their break time. That money is given back to the students in the way of prizes and pizza parties. The account is reconciled on a monthly and all charges are entered into the accounting system.

Intelli-School gets little to no donations each year. Therefore, an increase or decrease from one year to the next it would not make a significant financial impact in affording the expenses relating to the normal course of business.

Balances and controls are audited internally and external audits are conducted each year by the firm of John C. Todd, II, CPA.

INTELLI-SCHOOL MARKETING

Intelli-School firmly believes that the ultimate reward of hard work and success is the acknowledgement and support of the surrounding communities it serves. The truth that "word of mouth" is the single best form of support and marketing has never been forgotten. Our students, their families, and all those they know and interact with are the community that Intelli-School both serves and supports. The success of Intelli-School has been rewarded over the years by their continued support.

In the summer of 1995 Intelli-School engaged in 2 or 3 weeks of radio advertising on KYOT during the morning commute hours to announce the initial opening of the school at the Central and McDowell location. These ads also informed listeners that Intelli-School would host several open houses in libraries around the Valley during the month of August.

In summer of 1998, Intelli-School engaged in advertising before movie audiences in various theatres in the Phoenix and Glendale areas to announce the re-location and opening of both the Paradise Valley location and the Glendale location.

Intelli-School has primarily relied upon the previously mentioned goodwill and community standing, standard building signage, along with maintaining a website and the use of additional standard business marketing practices (i.e. brochures and business cards).

However, in plans to increase student count in the next two years, an advertising campaign will be designed. In order to do this the budget in this area is increased by $6,000 in 2010-11 and 2011-12.